NEW ISSUE-BOOK ENTRY ONLY | **RATINGS: SEE "RATINGS" HEREIN**
TAXABLE NOTES

Interest on the Notes is not excludable from gross income for federal income tax purposes. Noteholders should consult their tax advisors with respect to the inclusion of interest on the Notes in gross income for federal income tax purposes. The Notes are not exempt from present Illinois income taxes. See "TAX MATTERS" herein for a more complete discussion of the foregoing.

$225,000,000
REGIONAL TRANSPORTATION AUTHORITY
COOK, DUPAGE, KANE, LAKE, MCHENRY AND WILL COUNTIES, ILLINOIS
GENERAL OBLIGATION WORKING CASH NOTES, SERIES 2014A1 (TAXABLE)

Dated: Date of Delivery | **Due: As shown on the inside cover page**

The General Obligation Working Cash Notes, Series 2014A1 (Taxable) (the "*Notes*"), will be issued by the Regional Transportation Authority (the "*RTA*" or the "*Authority*") only as fully registered notes without coupons and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("*DTC*"). DTC will act as securities depository for the Notes. Individual purchases will be made in global book-entry form, in the principal amount of $5,000 or any integral multiple thereof. Purchasers will not receive physical notes representing their interest in the Notes.

Principal of and interest (payable October 1, 2014, and semiannually thereafter on April 1 and October 1 of each year, and at maturity with respect to the Notes maturing on May 6, 2016) on the Notes are payable by Amalgamated Bank of Chicago, Chicago, Illinois, or any successor or assign, as trustee for the Notes (the "*Trustee*"), to DTC, which will remit such principal and interest to DTC Participants, who in turn will be responsible for remitting such payments to the Beneficial Owners of the Notes, as described herein.

The Notes are not subject to optional or mandatory redemption prior to maturity.

The proceeds of the Notes will be used by the RTA to manage the cash flow needs of the RTA and the Service Boards (as defined herein), including the refunding of certain existing obligations of the RTA issued for such purpose and to pay costs of issuance of the Notes.

The Notes are general obligations of the RTA to which its full faith and credit is pledged. The General Ordinance provides for the assignment and direct payment to the Trustee of the Sales Tax Revenues and Public Transportation Fund Revenues to secure payment of principal of and interest on the Notes and the other obligations issued or to be issued thereunder. **The RTA does not have the power to levy *ad valorem* property taxes.**

The Maturities, Amounts, Interest Rates, Yields and CUSIPs are set forth on the inside cover hereof.

The Notes are offered when, as and if issued and received by the Underwriter, subject to prior sale, withdrawal, or modification of the offer without notice, to the approval of legality of the Notes by Katten Muchin Rosenman LLP, Chicago, Illinois, Bond Counsel and Disclosure Counsel, and to certain other conditions. Acacia Financial Group, Chicago, Illinois is serving as financial advisor to the RTA. It is expected that the Notes will be available for delivery through DTC on or about May 7, 2014.

The date of this Official Statement is April 23, 2014

$225,000,000
GENERAL OBLIGATION WORKING CASH NOTES,
SERIES 2014A1 (TAXABLE)

MATURITIES, AMOUNTS, INTEREST RATES, PRICES AND CUSIP NUMBERS

DUE	AMOUNT	INTEREST RATE	PRICE	CUSIP NUMBERS** (759911)
April 1, 2016	$112,500,000	0.50%	99.962%	X70
May 6, 2016	112,500,000	0.55	99.940	X88

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REGARDING THE USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson, or other person has been authorized by the RTA or the Underwriter to give any information or make any representations other than those contained in this Official Statement in connection with the offering of the Notes, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the Notes by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the RTA and from other sources that are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the RTA or the Service Boards since the date hereof.

In connection with this offering, the Underwriter may overallot or effect transactions which stabilize or maintain the market price of the Notes at a level above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

This Official Statement should be considered in its entirety and no one factor considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

Any statements made in this Official Statement, including the Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the RTA's beliefs as well as assumptions made by and information currently available to the RTA. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE GENERAL ORDINANCE OR THE SERIES ORDINANCE, BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE NOTES IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES IN WHICH THE NOTES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM

REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE NOTES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION *INVESTORS* MUST RELY ON THEIR OWN EXAMINATION OF THE RTA AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

FORWARD-LOOKING STATEMENTS

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "*FORWARD-LOOKING STATEMENTS*." ALL FORWARD-LOOKING STATEMENTS ARE PREDICTIONS AND ARE SUBJECT TO KNOWN AND UNKNOWN RISKS AND UNCERTAINTIES. NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "*ESTIMATE*", "*PROJECT*", "*ANTICIPATE*", "*EXPECT*", "*INTEND*", "*BELIEVE*" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. GIVEN THEIR UNCERTAINTY, INVESTORS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON SUCH STATEMENTS.

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OFFICIAL STATEMENT

$225,000,000
REGIONAL TRANSPORTATION AUTHORITY
COOK, DUPAGE, KANE, LAKE, MCHENRY AND WILL COUNTIES, ILLINOIS
GENERAL OBLIGATION WORKING CASH NOTES, SERIES 2014A1 (TAXABLE)

INTRODUCTION

The purpose of this Official Statement, including the cover page, inside cover page and the Appendices, is to set forth certain information in connection with the issuance and sale by the Regional Transportation Authority (the *"RTA"* or the *"Authority")*, a unit of local government existing under the Constitution and statutes of the State of Illinois (the *"State"*) of its General Obligation Working Cash Notes, Series 2014A1 (Taxable) (the *"Notes"*). The Notes are issued pursuant to the Bond and Note General Ordinance adopted by the Board of Directors of the RTA (the *"Board"*) on August 8, 1985, as supplemented and amended (the *"General Ordinance"*), and the Series Ordinance adopted by the Board on February 19, 2014 (the *"Series Ordinance"*).

The RTA was created by law enacted in 1973 and approved at a referendum held in Cook, DuPage, Kane, Lake, McHenry and Will Counties (the "*Region*"). Originally, the RTA was authorized both to operate service and to provide public subsidies to local government entities, principally the Chicago Transit Authority (the "*CTA*") and private bus and rail carriers serving the Region. In 1983, the Act was amended to create three separate operating entities- the CTA, the Commuter Rail Division ("*Metra*") and the Suburban Bus Division ("*Pace*" and together, with the CTA and Metra, each a "*Service Board*" and collectively, the "*Service Boards*") to operate public transportation in the Region. The RTA was charged with allocating public funds as subsidies for the Service Boards and overseeing their financial performance and regional transit planning issues. Guiding the RTA's oversight responsibility is a Board of Directors who approves an annual budget and two-year financial plan. The Board consists of 15 members and a chairman appointed from the six-county region. The RTA Board is also required annually to review and approve a five-year capital plan, which is a blueprint of the capital activities to be funded by the RTA and executed by the CTA, Metra and Pace. The RTA is the third largest public transportation system in the U.S., providing more than two million rides per business day.

The Notes are general obligations of the RTA, whose full faith and credit has been pledged to the payment of the principal of and interest on the Notes. The Notes are secured by a first lien on and security interest in all lawfully available Revenues (as hereinafter defined) and all other lawfully available funds received or held by the RTA. See "SECURITY FOR THE NOTES" herein. The RTA has the power to impose and cause to be collected, and has duly imposed, certain sales taxes (collectively, the *"RTA Sales Tax"*), as discussed below in the section captioned "THE REGIONAL TRANSPORTATION AUTHORITY–RTA FINANCES–Sales Tax Revenues." The RTA Sales Tax is collected by the State on behalf of the RTA and, together with portions of certain sales taxes imposed by the State and all Public Transportation Fund Revenues (as hereinafter defined), is paid by the State to Amalgamated Bank of Chicago, Chicago, Illinois, or any successor or assign, as trustee (the *"Trustee"*), for deposit in the Debt Service Fund (as hereinafter defined) established to provide for payment of principal of and interest on the Notes and other Authority Obligations (as hereinafter defined).

The RTA does not have the power to levy *ad valorem* property taxes.

The Notes are being issued on a parity with the Authority's Outstanding Bonds and Additional Authority Obligations which may be issued in the future. See "SECURITY FOR THE NOTES–INDEBTEDNESS OF THE AUTHORITY–Additional Authority Obligations."

Certain factors that may affect an investment decision concerning the Notes are described throughout this Official Statement, including descriptions of the RTA's financial results and projected financial results and the security for the Notes. Persons considering a purchase of the Notes should read this Official Statement in its entirety.

Certain capitalized terms used in this Official Statement are defined in APPENDIX E– "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES ORDINANCE."

THE NOTES

AUTHORITY

The Notes are being issued pursuant to the Regional Transportation Authority Act, 70 Illinois Compiled Statutes 3615 (the *"Act"*), the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350 (the *"Debt Reform Act"*), the General Ordinance and the Series Ordinance.

PURPOSE

The proceeds of the Notes will be used by the RTA to manage the cash flow needs of the RTA and the Service Boards (as defined herein), including the refunding of the CP Notes (as hereinafter defined), which were issued for such purpose, and to pay costs of issuance of the Notes. See "PLAN OF FINANCE."

GENERAL

The Notes are issuable as fully registered notes each in the denomination of $5,000 or any integral multiple thereof. The Notes will be dated the date of delivery and will bear interest at the rates and mature on the dates and in the amounts specified by the Maturity Schedule presented on the inside cover hereof. Interest shall be payable semi-annually on each April 1 and October 1 commencing on October 1, 2014, and at maturity with respect to the Notes maturing on May 6, 2016. Interest on the Notes will be computed on the basis of a 360-day year consisting of twelve 30-day months. The record date for each payment of interest on the Notes shall be the fifteenth day of the month next preceding the interest payment date. Neither the Authority nor the Trustee shall be obligated to make any exchange or transfer of the Notes during the period from any record date to the next interest payment date on the Notes.

WORKING CASH FUND

The General Ordinance establishes the Working Cash Fund of the RTA. All proceeds received upon the issuance of the Notes (other than amounts deposited in the Debt Service Fund) will be deposited in a separate account in the Working Cash Fund designated as the Series 2014A1 Notes Working Cash Account (the *"2014A1 Working Cash Account"*) established pursuant to the Series Ordinance. All funds in the 2014A1 Working Cash Account will be held by the Trustee and (i) paid out on the order of an Authorized Officer (which shall include the Acting Executive Director and Chief Financial Officer of the Authority) for the purposes of paying Operating Expenses to cover the anticipated cash flow deficits of the Authority and the Service Boards, including the refunding of the CP Notes; or (ii) transferred on the order of an Authorized Officer (which shall include the Executive Director and Chief Financial Officer of the Authority) to the Debt Service Fund for the payment of the principal of and interest on the Notes and other Outstanding Authority Obligations.

REGISTRATION

The Notes will be issued only as fully registered notes without coupons and when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (*"DTC"*). See APPENDIX F–"CERTAIN PROVISIONS RELATING TO GLOBAL BOOK-ENTRY ONLY SYSTEM."

REDEMPTION

The Notes are not subject to optional or mandatory redemption prior to maturity.

PLAN OF FINANCE

Since 2008, the RTA has issued working cash notes to manage the cash flow needs of the RTA and the Service Boards and to refinance certain of its outstanding working cash notes from time to time. Such working cash notes are issued pursuant to the Act, which provides the RTA with on-going authority to issue up to $100,000,000 in working cash notes, and with short-term authority to issue up to an additional $300,000,000 in working cash notes. Initially, the RTA issued such working cash notes in conjunction with the implementation of the revenue increases authorized by the Amendatory Legislation (as hereinafter defined). More recently, the RTA has issued working cash notes to provide liquidity during the delays of the State in making payments of Public Transportation Fund Revenues and other State funds to the RTA.

Currently, the RTA has outstanding two series of working cash notes consisting of the Series 2012 Notes and the CP Notes (each as hereinafter defined). In June 2012, due to continued delays in payments from the State, the RTA issued $300,000,000 of its General Obligation Working Cash Notes, Series 2012A (Taxable) (the "*Series 2012 Notes*") to manage the cash flow needs of the RTA and the Service Boards and to provide additional funds to pay debt service on additional outstanding working cash notes. In May, 2013, the RTA initiated a commercial paper program (the *"CP Program"*) under which it is authorized to issue not to exceed $93,000,000 in aggregate principal amount of working cash notes (the *"CP Notes"*) to manage the cash flow needs of the RTA and the Service Boards, including payment of debt service on the Series 2012 Notes when due. The CP Notes are subordinate to any and all Outstanding Authority Obligations issued under the General Ordinance.

The Series 2012 Notes mature in equal parts on April 1, 2014 and June 1, 2014. The Authority agreed to deposit four monthly installments of $75,000,000 each beginning February, 2014, to provide for the payment of principal on the Series 2012 Notes at maturity. The RTA made the required deposits in February and March which deposits have been funded, in part, from proceeds of CP Notes and, in part, from Revenues. The RTA will take the necessary steps to defease the Series 2012 Notes such that at time of issuance of the Notes, the Series 2012 Notes will no longer be considered Outstanding under the General Ordinance. While the RTA currently has no CP Notes outstanding, it may borrow up to $93,000,000 under the CP Program for purposes including making the aforementioned deposits in connection with the Series 2012 Notes. The RTA plans to use the proceeds of the Notes to refund any CP Notes or Series 2012 Notes, to the extent that moneys are not already on deposit for such purpose as described above, outstanding at the time of issuance thereof and to meet the continuing cash flow deficits of the Authority and the Service Boards, which may include payment of debt service on the Notes.

The authority of the RTA under the Act to issue an additional $300,000,000 in working cash notes expires on June 30, 2016, subsequent to the final maturity of the Notes. The RTA may elect to refund the Notes with a future issuance of commercial paper or working cash notes or may provide for payment of principal and interest on the Notes from lawfully available Revenues. If so required, the RTA will reduce amounts otherwise to be paid to the Service Boards to which proceeds from the 2014A1 Working Cash Account have been disbursed in an amount necessary to repay principal and interest on the Notes. The proceeds from the Notes will not be available to fund capital projects of the Service Boards. See "THE NOTES—WORKING CASH FUND."

At the time of sale and delivery of the Notes, the RTA will agree to make the following deposits into the Series 2014A1 Notes Account of the Debt Service Fund with the Trustee to provide for the payment of principal on Notes at maturity: (i) $56,250,000 at least 50 days prior to April 1, 2016; (ii) $56,250,000 at least 20 days prior to April 1, 2016; and (iii) $112,500,000 in April, 2016. See APPENDIX E–"ESTABLISHMENT OF ACCOUNTS IN DEBT SERVICE FUND."

ESTIMATED SOURCES AND USES

The estimated sources and uses of funds resulting from the Notes are shown below:

SOURCES:	
Principal Amount	$225,000,000
Original Issue Discount	(110,500)
Total Sources	$224,889,500
USES:	
Deposit to 2014A1 Working Cash Account	$98,470,175
Transfer to Amalgamated Bank of Chicago to defease the outstanding Series 2012A Notes	75,798,000
Transfer to Amalgamated Bank of Chicago to defease the outstanding CP Notes	50,002,361
Costs of Issuance*	618,964
Total Uses	$224,889,500

* Includes underwriter's discount and other issuance costs.

SECURITY FOR THE NOTES

SECURITY AND SOURCES OF PAYMENT

The Notes are general obligations of the RTA to which the full faith and credit of the RTA is pledged.

The Notes, together with the Outstanding Bonds and any other notes or bonds that may be issued on a parity therewith (collectively, the *"Authority Obligations"*), are payable from all lawfully available Revenues (as defined below) and all other lawfully available funds received or held by the Authority.

The Authority Obligations (including the Notes) are not payable from Additional State Assistance or Additional Financial Assistance (each as hereinafter defined and referred to herein collectively as *"State Assistance"*), amounts in the Authority's self-insurance fund or amounts required to be held or used with respect to Separate Ordinance Obligations (as hereinafter defined). See "THE REGIONAL TRANSPORTATION AUTHORITY–RTA FINANCES."

The RTA does not have the power to levy *ad valorem* property taxes.

The Authority Obligations (including the Notes) are secured by an assignment of and lien on Sales Tax Revenues and Public Transportation Fund Revenues (each as hereinafter defined). Sales Tax Revenues are collected by the State of Illinois Department of Revenue (the *"Department of Revenue"*) and paid directly to the Trustee by the State Treasurer for deposit in the Debt Service Fund. See "THE REGIONAL TRANSPORTATION AUTHORITY–RTA FINANCES–

Sales Tax Revenues." Subject to appropriation by the Illinois General Assembly, Public Transportation Fund Revenues are paid directly to the Trustee by the State Treasurer for deposit in the Debt Service Fund. See "THE REGIONAL TRANSPORTATION AUTHORITY–RTA FINANCES–Public Transportation Fund Revenues."

"Revenues" means all Sales Tax Revenues, all Public Transportation Fund Revenues, all amounts received from other taxes as are or shall be imposed by the Authority, all other receipts, revenues or funds granted, paid, appropriated or otherwise disbursed to the Authority from the State or any department or agency of the State or any unit of local government or the federal government or from any other source, for the purpose of carrying out the Authority's responsibilities, purposes and powers, all revenues and receipts derived from the Authority's operations (including interest and other investment income) and any other revenues or receipts of the Authority. Revenues, however, shall not include State Assistance, amounts in or payments to the Authority from the Service Boards for deposit in the Authority's joint self-insurance fund, or any Secured Government Payments or receipts from any *ad valorem* real property taxes levied by or on behalf of the Authority, to the extent such Secured Government Payments or tax receipts have been assigned or pledged by the Authority consistent with the General Ordinance to a trustee for the purpose of paying principal, redemption price or purchase price of or interest on Separate Ordinance Obligations, or for the purpose of reimbursing a provider of a Credit Support Instrument or Reserve Fund Credit Instrument or reinstating coverage under such an instrument in respect of Separate Ordinance Obligations for payment made under such an instrument, or investment earnings on amounts held by such a trustee to pay debt service on or to secure Separate Ordinance Obligations. See "SECURITY FOR THE NOTES–INDEBTEDNESS OF THE AUTHORITY."

"Sales Tax Revenues" means all tax receipts received by or on behalf of the Authority for taxes imposed by the Authority under the Act or any taxes imposed (including by the State) in lieu of those taxes. See "THE REGIONAL TRANSPORTATION AUTHORITY–RTA FINANCES–Sales Tax Revenues."

"Public Transportation Fund Revenues" means the amounts paid to or on behalf of the Authority from the Public Transportation Fund in the Treasury of the State, but shall not include State Assistance. The State makes an annual appropriation to the RTA from the Public Transportation Fund to be used for the RTA's capital purposes, including the repayment of debt, and the operating needs of the RTA and the Service Boards. See "THE REGIONAL TRANSPORTATION AUTHORITY–RTA FINANCES–Public Transportation Fund Revenues."

DEBT SERVICE FUND

The General Ordinance creates a Debt Service Fund to be maintained by the Trustee and used to pay debt service on the Notes and other Outstanding Authority Obligations. Separate accounts in the Debt Service Fund are required to be established for each series of obligations. If the required deposits to the Debt Service Fund are not made in any month, the RTA immediately shall deposit with the Trustee from all moneys on hand or available to the RTA from which Authority Obligations are payable an amount sufficient to make up the deficiency. The Series Ordinance establishes the Series 2014A1 Notes Account (the *"2014A1 Notes Account"*) and a monthly deposit requirement for the Notes in the 2014A1 Notes Account as further described in APPENDIX E hereto.

INDEBTEDNESS OF THE AUTHORITY

The RTA is authorized under the Act (i) to issue up to $1.8 billion of bonds to finance public transportation projects (*"SCIP Bonds"*) which have been approved to receive Additional State Assistance (ASA) and Additional Financial Assistance (AFA) by the Governor of the State as part of the RTA's Strategic Capital Improvement Program ("*SCIP Program*") (See "STATE ASSISTANCE"), of which authorization $9,650,000 remains available with no expiration, (ii) to issue and have outstanding from time to time $800,000,000 of notes and bonds for public transportation projects not part of the SCIP Program (the *"non-SCIP Bonds"*) and (iii) to issue and have outstanding from time to time up to $100,000,000 of short term working cash notes that are permitted to be issued in anticipation of tax receipts or other RTA revenue in order to provide money for the RTA or the Service Boards to cover anticipated cash flow deficits. In 2008 the $100,000,000 of short term working cash notes authorization was increased to $400,000,000, initially for a period of two years which has subsequently been extended several times and is currently effective through June 30, 2016.

As of January 1, 2014, the Authority had $1,358,875,000 of SCIP Bonds, $644,925,000 of non SCIP Bonds and $300,000,000 of Working Cash Notes Outstanding. Subsequently, $150,000,000 of such Working Cash Notes matured on April 1, 2014 and the Authority issued its $99,295,000 General Obligation Bonds, Series 2014A as non-SCIP Bonds in February of 2014. Currently, other than the Series 2005B Bonds, the Authority has no SCIP Bonds Outstanding or non-SCIP Bonds Outstanding that bear interest at a variable rate.

Prior to the issuance of the Notes, the RTA will comply with all requirements to ensure that the Series 2012 Notes are no longer Outstanding under the terms of the General Ordinance. Additionally, the RTA is currently authorized to issue up to $93,000,000 of subordinate CP Notes (see full description below). A portion of the proceeds of the Notes will be used to refund any CP Notes which are issued prior to the closing of the Notes. The table below sets forth a list of the Outstanding Authority Obligations and the Principal Amount Outstanding as of January 1, 2014:

OUTSTANDING AUTHORITY OBLIGATIONS (AS OF JANUARY 1, 2014)

Obligations	Outstanding Principal Amount	Type
Series 1990A	$ 43,825,000	non-SCIP
Series 1991A	47,290,000	non-SCIP
Series 1994A	17,300,000	SCIP
Series 1994B	7,095,000	non-SCIP
Series 1994C	19,755,000	SCIP
Series 1994D	29,225,000	non-SCIP
Series 1997	44,420,000	non-SCIP
Series 1999	223,170,000	SCIP
Series 2000A	200,460,000	SCIP
Series 2001A	77,580,000	SCIP
Series 2001B	29,800,000	SCIP
Series 2002A	128,290,000	SCIP
Series 2003A	215,765,000	SCIP
Series 2003B	124,420,000	non-SCIP
Series 2004A	220,740,000	SCIP
Series 2005B	103,160,000	non-SCIP
Series 2006A	226,015,000	SCIP
Series 2010A	49,055,000	non-SCIP
Series 2010B (BABs)	112,925,000	non-SCIP
Series 2011A	83,510,000	non-SCIP
Series 2012A	300,000,000	working cash notes
Total	$2,303,800,000	

In June 2009, the RTA remarketed $132,770,000 of its outstanding Series 2005B Bonds as Extendible Reset Securities (*"ERS"*) which are currently outstanding in the principal amount of $103,160,000. The ERS bear interest at a variable rate, currently reset monthly. Each month the holder may decide not to retain the ERS, in which case it will be remarketed. The ERS are not secured by any credit or liquidity support. If there is a failure to remarket the ERS the holder is required to hold the ERS at a premium for 9 months, after which the RTA will be obligated to purchase the ERS (the *"ERS Mandatory Purchase Date"*). In such an event, not later than 90 days prior to the occurrence of the ERS Mandatory Purchase Date, the Authority has agreed to either issue obligations to refund the ERS that are subject to mandatory tender for purchase, provide a liquidity facility under which sufficient funds may be drawn in connection with such mandatory tender for purchase, or effect a mode change or period change in such manner as to provide sufficient remarketing proceeds to provide for payment of the purchase price of the applicable ERS upon such mandatory tender for purchase.

In May, 2013, the RTA established its CP Program under which it is authorized to issue CP Notes in the aggregate principal amount not to exceed $93,000,000. The CP Notes are secured by an irrevocable transferable direct-pay letter of credit between the Authority and Wells Fargo Bank, National Association in the stated amount of $99,975,000. The CP Notes are also general obligations of the Authority to which the full faith and credit of the Authority is pledged. The CP Notes are issued on a subordinate basis to any and all outstanding bonds and notes of the Authority previously issued or hereinafter issued pursuant to the General Ordinance, including the Notes. As of April 11, 2014, the RTA has no CP Notes outstanding but it may issue CP Notes in connection with the required deposits relating to the Series 2012 Notes. A portion of the proceeds of the Notes will be used to refund any such CP Notes.

Under the Act and the General Ordinance, the Notes and other Authority Obligations are superior to and have priority over all other obligations of the Authority, except Separate Ordinance Obligations that have a prior claim to Secured Government Payments (as hereinafter defined) or *ad valorem* property tax receipts to the extent provided for under the Act and the authorizing ordinances establishing the Separate Ordinance Obligations. The Authority does not have outstanding any Separate Ordinance Obligations that have a prior claim to Secured Government Payments.

Additional Authority Obligations. Under the General Ordinance, the RTA may issue Additional Authority Obligations from time to time for any lawful purpose, which Additional Authority Obligations shall be on a parity with the Outstanding Bonds and the Notes. Continued funding of the RTA's capital program at recent levels will require the issuance of Additional Authority Obligations.

Generally, Additional Authority Obligations may be issued only if (i) there is no default in payment of Outstanding Authority Obligations or in making deposits to the Debt Service Fund, (ii) upon the issuance of Additional Authority Obligations which are Bonds, the value of each Account in the debt service reserve fund created pursuant to the General Ordinance for the benefit of such Bonds (the *"Debt Service Reserve Fund"*) is not less than the Reserve Requirement (as such term is defined in the General Ordinance) for such Account, and (iii) the "Revenues test" is met. Pursuant to the General Ordinance, there is no Reserve Requirement for the Notes.

The "Revenues test" is met if, at the date the contract is made to sell the Additional Authority Obligations, (a) Sales Tax Revenues equal or exceed 2.5 times the maximum Annual Debt Service Requirements for the then current or any future twelve-month period ending April 30 for all Authority Obligations to be Outstanding upon the issuance of the Additional Authority Obligations, and (b) Sales Tax Revenues shall equal or exceed the Authority's obligation to repay due and owing policy costs required pursuant to the Municipal Bond Debt Service Reserve Fund Policies deposited into the respective Debt Service Reserve Accounts to satisfy the Reserve Requirements for the Series 1991A Bonds, the Series 1994C&D Bonds, the Series 1997 Bonds, the Series 1999 Bonds, the Series 2000A Bonds, the Series 2001A Bonds, the Series 2001B Bonds, the Series 2002A Bonds, the Series 2003A Bonds, the Series 2003B Bonds, the Series 2004A Bonds, the Series 2005B Bonds, the Series 2006A Bonds and the Series 2011A Bonds.

All or any part of the Reserve Requirement for any Debt Service Reserve Account may be met by the deposit with the Trustee of a non-cancelable insurance policy, a non-cancelable surety bond or an irrevocable letter of credit which may be delivered to the Trustee in lieu of or in partial substitution for cash or securities required to be on deposit in the Debt Service Reserve Fund (*"Reserve Fund Credit Instrument"*).

DEBT SERVICE RESERVE ACCOUNTS ARE NOT REQUIRED FOR THE NOTES BY THE GENERAL ORDINANCE. THERE ARE NO DEBT SERVICE RESERVE ACCOUNTS FOR THE NOTES AND NONE OF THE RESERVE FUND CREDIT INSTRUMENTS MAY BE USED TO PAY THE DEBT SERVICE ON THE NOTES.

Reserve Fund Credit Instruments provided by Ambac Assurance Corporation ("*AMBAC*"), Financial Guaranty Insurance Company ("*Financial Guaranty*" or "*FGIC*"), MBIA Insurance Corporation ("*MBIA*"), Financial Security Assurance Inc. ("*FSA*") or Assured Guaranty Corp. ("*Assured Guaranty*") (each a "*Credit Provider*") are held in the Debt Service Reserve Accounts as listed in the below Debt Service Reserve Fund Credit Instruments table. The Reserve Fund Credit Instruments provided by FGIC and MBIA were subsequently reinsured by National Public Finance Guarantee Corporation ("*National*"). FSA was subsequently acquired by Assured Guaranty and renamed Assured Guaranty Municipal Corp ("*AGM*"). The Reserve Requirements for the Series 1990A and Series 1991A Debt Service Reserve Accounts are funded in part by cash deposits in the amount of $56,151 and $17,568. The Reserve Requirements for the Series 2010A and Series 2010B Debt Service Reserve Accounts are funded by cash deposits in the amount of $4,773,249 and $8,669,386, respectively. Each Reserve Fund Credit Instrument was fully qualified for deposit in the Debt Service Reserve Fund on the date of such deposit.

For purposes of the "Revenues test," "Sales Tax Revenues" shall be an amount equal to one-half of the sales tax revenues for the most recently completed 24 months for which the RTA has financial statements available, shall be calculated consistent with generally accepted accounting principles and shall be evidenced either by an accountants' certificate or (for months for which audited financial statements are not available) by a certificate of an Authorized Officer of the RTA. See "THE REGIONAL TRANSPORTATION AUTHORITY – RTA FINANCES – Sales Tax Revenues."

The RTA may, without meeting these tests, but only to the extent permitted by the Act, issue refunding Authority Obligations to avoid a default in payment of Authority Obligations or if the refunding results in deposit requirements in each Fiscal Year while any previously Outstanding Authority Obligations remain Outstanding not in excess of those prevailing before the refunding.

Subordinate Obligations. In addition, the RTA may, without meeting these tests, but only to the extent permitted by the Act, issue subordinate obligations. The Authority entered into a letter of credit and reimbursement agreement with Wells Fargo Bank, National Association to provide credit support for up to $93,000,000 General Obligation Commercial Paper Subordinate Working Cash Notes (Taxable), Series 2013.

Separate Ordinance Obligations. The General Ordinance provides that nothing contained therein prohibits the RTA from issuing Separate Ordinance Obligations, which may (but need not) be general obligations of the Authority, and from assigning, pledging, and granting a first lien on and first security interest in Secured Government Payments or *ad valorem* real property tax receipts, or both, as well as amounts in a debt service fund and a debt service reserve fund for such Obligations, for the payment thereof, and for reimbursing a provider of a credit support instrument or reserve fund credit instrument for such Obligations and for reinstating coverage under such an instrument, but only to the extent that such Secured Government Payments and tax receipts have not been specifically and explicitly pledged to Authority Obligations. However, the Act would need to be amended before Separate Ordinance Obligations which are secured by *ad valorem* real property tax receipts could lawfully be issued.

Rate Protection Contracts. Both the Act and the Bond Authorization Act, 30 Illinois Compiled Statutes 305 (the "*Bond Authorization Act*"), authorize the Authority to enter into rate protection contracts. The Act authorizes the Authority to enter into such contracts to reduce the risk of loss to the Authority, to protect, preserve or enhance the value of its assets or to provide compensation for losses resulting from changes in interest rates. The Bond Authorization Act authorizes the Authority to enter into such contracts for the benefit of providing (i) an interest rate, cash flow or other basis different from that provided in such bonds for the payment of interest, or (ii) with respect to a future delivery of bonds, one or more of a guaranteed interest rate, interest rate basis, cash flow basis, or purchase price.

In connection with its use of rate protection contracts, the Authority has adopted an interest rate risk management policy. Pursuant to its interest rate risk management policy, the aggregate notional amount of rate protection contracts resulting in variable interest rate exposure may not exceed 20% of the Authority's aggregate outstanding indebtedness. The policy also requires the Authority to enter into rate protection contracts with counterparties that have sufficient technical expertise and a credit rating equal to or better than the Authority's credit rating. The following are descriptions of the Authority's rate protection contracts currently in effect, each of which, as applicable, complies with the Authority's interest rate risk management policy.

The Authority entered into a rate protection contract with UBS AG (*"UBS"*) in November 2001 in which the Authority pays UBS a variable rate equal to SIFMA and UBS pays the Authority a fixed rate per annum with respect to a notional amount which relates to Authority Obligations consisting of all or a portion of its Series 1990A Bonds, Series 1994B Bonds, and Series 1994D Bonds. The initial notional amount was $112,250,000 and declines as the applicable Authority Obligations mature. This rate protection contract is scheduled to terminate on June 1, 2020.

In December 2002, the Authority entered into a rate protection option contract with Bear Stearns Financial Products, Inc. ("*Bear Stearns*") in order to lock in expected savings associated with the future current refunding of all or a portion of its Series 1996 Bonds. The option was exercised by Bear Stearns on June 1, 2005. Effective May 26, 2009, JPMorgan Chase Bank ("*JPMorgan*") merged with Bear Stearns. As a result of that merger, JPMorgan succeeded to the counterparty position held by Bear Stearns. Under the agreement JPMorgan pays the Authority a variable rate and the Authority pays a fixed rate. The initial notional amount was $148,110,000 which will decline pursuant to the amortization schedule set forth in the swap agreement in relation to the Series 2005B Bonds. The interest rate swap is scheduled to terminate on June 1, 2025.

In August 2003, the Authority entered into a rate protection contract with UBS and a rate protection contract with Merrill Lynch Capital Services, Inc. (*"Merrill Lynch"*), in which the Authority pays UBS and Merrill Lynch a variable rate equal to SIFMA and UBS and Merrill

Lynch pay the Authority a variable rate equal to 78.25% of the LIBOR index with respect to notional amounts that are related to certain outstanding Authority Obligations. The initial notional amount of each of these rate protection contracts was $197,214,000 and declines as the applicable Authority Obligations mature. These two rate protection contracts are scheduled to terminate on June 1, 2024.

In March 2005, the Authority entered into a rate protection contract with JPMorgan in which the Authority pays JPMorgan a variable rate equal to the SIFMA Index and JPMorgan pays the Authority a variable rate equal to 79.0% of the LIBOR index with respect to notional amounts that are related to certain outstanding Authority Obligations. The initial notional amount of this rate protection contract was $52,000,000 and declines as the applicable Authority Obligations mature. The rate protection contract is scheduled to terminate on July 1, 2023.

In June 2007, the Authority entered into a rate protection contract with Goldman Sachs ("*Goldman*") and a rate protection contract with Bear Stearns in which the Authority pays Goldman and Bear Stearns a variable rate equal to SIFMA and receives a fixed rate. The initial notional amounts were $156,000,000 (Goldman) and $104,000,000 (Bear Stearns). Effective May 26, 2009, JPMorgan succeeded to the counterparty position held by Bear Stearns. Notional values for both transactions decline as the applicable Authority obligations mature. The two counterparties have the option to terminate their contracts at semiannual intervals beginning July 1, 2016. If the early termination options are not exercised, these rate protection contracts are scheduled to terminate July 1, 2030.

The Authority's obligations under the aforesaid agreements, if any, are payable from its general fund, but are subordinate to the Notes and other Outstanding Authority Obligations. The Authority may enter into other rate protection contracts in the future. The Authority's obligations under any rate protection contract do not constitute bonds or notes within the meaning of the Act.

The Authority enters into rate protection contracts in order to achieve the level of fixed and floating rate debt it considers appropriate, based upon prevailing market conditions. In the event such market conditions undergo a change that is materially adverse to the Authority's position, there is a risk that the Authority will be required to pay higher effective interest costs, pledge collateral, or make a payment to terminate the contract.

Other Financing Alternatives. The RTA also has the power to acquire real or personal property by lease, sublease or installment or conditional purchase contract payable in annual installments during a period not exceeding 40 years. In connection with the acquisition of public transportation equipment (including, but not limited to, rolling stock, vehicles, locomotives, buses or rapid transit equipment), the RTA is authorized to execute equipment trust certificates, equipment leases, conditional purchase agreements and other security agreements in the form customarily used to effect such acquisitions. These obligations do not constitute bonds or notes within the meaning of the Act, are not Additional Authority Obligations and are payable only after all required deposits and credits have been made to the various accounts in the Debt Service Fund for Authority Obligations.

Debt Service Reserve Fund Policy Agreements. For each series of Outstanding Authority Obligations the Authority may acquire, a Reserve Fund Credit Instrument to satisfy the Reserve Requirement for such series of Bonds. In the event of a payment under any of the Reserve Fund Credit Instruments, the Authority is obligated to reimburse the policy issuer for such payment, together with interest thereon until paid. The Authority's obligation to pay such interest is subordinate to the Authority's obligation to pay Authority Obligations and to replenish the Debt Service Reserve Fund. **THERE IS NO DEBT SERVICE RESERVE FUND REQUIREMENT FOR WORKING CASH NOTES, WHICH INCLUDES THE NOTES, AND NONE OF THE RESERVE FUND CREDIT INSTRUMENTS MAY BE USED TO PAY DEBT SERVICE ON THE NOTES.**

AGREEMENTS OF THE STATE

In the Act, the State pledges to and agrees with the Holders of the Authority Obligations (including the Notes) that the State will not limit or alter the rights and powers vested in the RTA by the Act so as to impair the terms of any contract made by the RTA with such Holders, or in any way to impair the rights and remedies of such Holders, until the Authority Obligations (including the Notes), together with interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceedings by or on behalf of the Holders thereof, are fully met and discharged. In addition, in the Act the State pledges to and agrees with the Holders of the Authority Obligations (including the Notes) that the State will not limit or alter the basis on which State funds are to be paid to the RTA, as provided in the Act, or the use of such funds, so as to impair the terms of any such contract.

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ANNUAL DEBT SERVICE

The annual debt service (representing payments to the Bondholders, rather than payments by the RTA to the Debt Service Fund) for the Outstanding Bonds for each bond year is set forth below as of April 11, 2014, assuming the issuance of the Notes and the defeasance of the Series 2012 Notes:

BOND YEAR (APRIL 30)	THE NOTES PRINCIPAL	THE NOTES INTEREST	OUTSTANDING BONDS PRINCIPAL[(1)]	OUTSTANDING BONDS INTEREST[(1)]	TOTAL DEBT SERVICE
2015		$1,063,125	$100,610,000	$117,117,525	$218,790,650
2016	$112,500,000	1,181,250	106,385,000	110,930,795	330,997,045
2017	112,500,000	60,156	112,875,000	104,291,053	329,726,209
2018			119,775,000	97,323,001	217,098,001
2019			126,750,000	90,023,169	216,773,169
2020			117,980,000	82,649,741	200,629,741
2021			116,685,000	75,236,974	191,921,974
2022			122,745,000	68,019,167	190,764,167
2023			106,600,000	61,071,442	167,671,442
2024			111,030,000	54,688,295	165,718,295
2025			96,380,000	48,516,908	144,896,908
2026			86,650,000	43,310,239	129,960,239
2027			91,535,000	38,344,841	129,879,841
2028			96,730,000	33,067,144	129,797,144
2029			89,390,000	27,457,356	116,847,356
2030			82,685,000	22,204,219	104,889,219
2031			73,895,000	17,199,100	91,094,100
2032			65,480,000	12,900,931	78,380,931
2033			56,630,000	9,043,519	65,673,519
2034			54,970,000	6,003,400	60,973,400
2035			27,315,000	3,624,775	30,939,775
2036			4,175,000	2,208,625	6,383,625
2037			4,385,000	1,994,625	6,379,625
TOTAL[(2)]	$225,000,000	$2,304,531	$1,971,655,000	$1,127,226,842	$3,326,186,373

(1) Assumes an interest cost on the Series 2005B Bonds of 2.50%. Excludes debt service on the Series 2012 Notes as they will be legally defeased prior to the issuance of the Notes.
(2) Totals may not be exact due to rounding.

ESTIMATED DEBT SERVICE COVERAGE

The RTA's 2014 Budget adopted in December, 2013 is based upon estimates of projected Sales Tax Revenues and projected Public Transportation Fund Revenues. These two projections taken together constitute the projected revenues available in any year for the payment of debt service on the Authority Obligations, including the Notes. See "THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES–Sales Tax Revenues," "–Public Transportation Fund Revenues" and "–2014 BUDGET AND 2015-16 FINANCIAL PLAN." Should 2014 Sales Tax Revenues and Public Transportation Fund Revenues be less than projected, such shortfall could also affect the projections for calendar years 2015 and beyond. The RTA's projections for calendar years 2017 and beyond assume an annual compound growth rate of 3.0%. See APPENDIX A–"RTA HISTORICAL AND PROJECTED SALES TAX REVENUES."

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The following tables show projected debt service coverage (i) on the date of issuance of the Notes assuming no increases in Sales Tax Revenues or Available Revenues and (ii) after the issuance of the Notes with projected increases in Sales Tax Revenues and Available Revenues. For purposes of the tables, *"Available Revenues"* means Sales Tax Revenues *plus* Public Transportation Fund Revenues. The Authority makes no representation by the inclusion of the following tables that the actual Available Revenues for debt service coverage will be equal to the projected amounts shown. Over the term of the Notes, Available Revenues will be impacted by a number of economic and other factors, some of which are described in APPENDIX A. Changes in such factors in any year or over the term of the Notes could result in a material change in the amounts of actual Available Revenues.

DEBT SERVICE COVERAGE UPON ISSUANCE OF THE NOTES[1]
(Dollars in Thousands)

BOND YEAR (April 30)	TOTAL DEBT SERVICE[2]	SALES TAX REVENUES[3]	TIMES COVERAGE BY SALES TAX REVENUES	SALES TAX REVENUES AND AVAILABLE REVENUES[4]	TIMES COVERAGE BY AVAILABLE REVENUES
2015	$218,791	$1,046,456	4.78	$1,385,644	6.33
2016	330,997	1,046,456	3.16	1,385,644	4.19
2017	329,726	1,046,456	3.17	1,385,644	4.20
2018	217,098	1,046,456	4.82	1,385,644	6.38
2019	216,773	1,046,456	4.83	1,385,644	6.39
2020	200,630	1,046,456	5.22	1,385,644	6.91
2021	191,922	1,046,456	5.45	1,385,644	7.22
2022	190,764	1,046,456	5.49	1,385,644	7.26
2023	167,671	1,046,456	6.24	1,385,644	8.26
2024	165,718	1,046,456	6.31	1,385,644	8.36
2025	144,897	1,046,456	7.22	1,385,644	9.56
2026	129,960	1,046,456	8.05	1,385,644	10.66
2027	129,880	1,046,456	8.06	1,385,644	10.67
2028	129,797	1,046,456	8.06	1,385,644	10.68
2029	116,847	1,046,456	8.96	1,385,644	11.86
2030	104,889	1,046,456	9.98	1,385,644	13.21
2031	91,094	1,046,456	11.49	1,385,644	15.21
2032	78,381	1,046,456	13.35	1,385,644	17.68
2033	65,674	1,046,456	15.93	1,385,644	21.10
2034	60,973	1,046,456	17.16	1,385,644	22.73
2035	30,940	1,046,456	33.82	1,385,644	44.79
2036	6,384	1,046,456	163.93	1,385,644	217.06
2037	6,380	1,046,456	164.03	1,385,644	217.20
Total[5]	$3,326,186	$24,068,483		$31,869,811	

(1) This chart is as of April 11, 2014 and takes into account the defeasance of the Series 2012 Notes.
(2) Includes debt service on the Notes and assumes an interest cost on the Series 2005B Bonds of 2.50%.
(3) For the purpose of this chart, "Sales Tax Revenues" are equal to one-half of the sales tax revenues for the most recently available 24-month period.
(4) Includes Sales Tax and Public Transportation Funds related to Sales Tax calculated as the aggregation of the Sales Tax Revenues and Public Transportation Funds for the last 12 months. See "THE REGIONAL TRANSPORTATION AUTHORITY—RTA FINANCES–Revenues" herein.
(5) Totals may not be exact due to rounding.

PROJECTED DEBT SERVICE COVERAGE[1]
(Dollars in Thousands)

BOND YEAR (April 30)	TOTAL DEBT SERVICE[2]	PROJECTED SALES TAX REVENUES[3]	TIMES COVERAGE BY SALES TAX REVENUES	PROJECTED AVAILABLE REVENUES[4]	TIMES COVERAGE BY PROJECTED AVAILABLE REVENUES
2015	$218,791	$1,046,456	4.78	$1,385,644	6.33
2016	330,997	1,077,849	3.26	1,427,213	4.31
2017	329,726	1,110,185	3.37	1,470,030	4.46
2018	217,098	1,143,491	5.27	1,514,131	6.97
2019	216,773	1,177,795	5.43	1,559,554	7.19
2020	200,630	1,213,129	6.05	1,606,341	8.01
2021	191,922	1,249,523	6.51	1,654,531	8.62
2022	190,764	1,287,009	6.75	1,704,167	8.93
2023	167,671	1,325,619	7.91	1,755,292	10.47
2024	165,718	1,365,387	8.24	1,807,951	10.91
2025	144,897	1,406,349	9.71	1,862,190	12.85
2026	129,960	1,448,540	11.15	1,918,055	14.76
2027	129,880	1,491,996	11.49	1,975,597	15.21
2028	129,797	1,536,756	11.84	2,034,865	15.68
2029	116,847	1,582,858	13.55	2,095,911	17.94
2030	104,889	1,630,344	15.54	2,158,788	20.58
2031	91,094	1,679,254	18.43	2,223,552	24.41
2032	78,381	1,729,632	22.07	2,290,258	29.22
2033	65,674	1,781,521	27.13	2,358,966	35.92
2034	60,973	1,834,967	30.09	2,429,735	39.85
2035	30,940	1,890,016	61.09	2,502,627	80.89
2036	6,384	1,946,716	304.95	2,577,706	403.80
2037	6,380	2,005,118	314.30	2,655,037	416.17
Total[5]	$3,326,186	$33,960,508		$44,968,142	

(1) This chart is as of April 11, 2014 and takes into account the defeasance of the Series 2012 Notes.
(2) Includes debt service on the Notes and assumes an interest cost on the Series 2005B Bonds of 2.50%.
(3) Sales Tax Revenues calculated in accordance with footnote 3 of the prior table projected to increase by 3.0% annually.
(4) Projected Available Revenues calculated in accordance with footnote 4 of the prior table projected to increase by 3.0% annually.
(5) Totals may not be exact due to rounding.

THE REGIONAL TRANSPORTATION AUTHORITY

GENERAL POWERS

The Illinois Constitution recognizes that public transportation is an essential public purpose for which public funds may be expended. To implement that public policy, the State has enacted legislation creating government entities to operate and fund public transportation and providing funding from State resources for the operating and capital needs of public transportation. Those services are available for the 8.4 million residents of the Region. Public transportation is vital to the economic well-being of the Region.

In 2008 the State of Illinois General Assembly (the "*Legislature*") enacted and the Governor approved legislation (the *"Amendatory Legislation"*) that changed the composition of the boards of directors of the RTA and Service Boards, increased the financial and capital planning responsibilities of the RTA, strengthened financial oversight by the RTA, authorized increases in local taxes to fund public transportation in the Region, and increased its subsidies of public transportation throughout the State. See "–ORGANIZATION AND MANAGEMENT," "–RTA FINANCES," and "–FINANCIAL CONTROLS OVER SERVICE BOARDS."

The RTA is a unit of local government, body politic, political subdivision and municipal corporation of the State. By law, the RTA is responsible for planning, coordinating and funding public transportation services in the Region. Under the Act, it is charged with adopting plans to implement the policies of the State with respect to public transportation, setting goals and standards for service provided by the Service Boards, developing performance measures to inform the public whether public transportation services meet those goals and standards, allocating operating and capital funds to support public transportation in the Region, providing financial oversight of the Service Boards, and coordinating service and investment in facilities to achieve integration of public transportation throughout the Region. The exercise of these responsibilities is evidenced in three public documents adopted by the RTA Board of Directors (the "*Board*") from time to time: a Strategic Plan, a Five-Year Capital Program and an Annual Budget and Two-Year Financial Plan.

The Act allocates the responsibility for setting fares and providing service among the CTA, Metra and Pace. The CTA provides bus and rail service in Chicago and those suburbs close to Chicago. Metra provides commuter rail service between the Chicago Central Business District and 236 Chicago and suburban locations. Pace provides bus service throughout the suburbs and to the City of Chicago. As of 2007, Pace also provides ADA Paratransit Service (as hereinafter defined) throughout the Region. The public transportation services operated by the Service Boards, as coordinated by the RTA to the extent provided in the Act, are referred to herein as the *"System."*

The Act requires the RTA to adopt and regularly update a Strategic Plan that identifies goals and objectives with respect to increasing usage of transit services, coordinating the provision of and investment in those services by the Service Boards, coordinating fare policy to promote transfers among transit modes, achieving a state of good repair of System assets, providing improved access to the services by transit-dependent persons, preserving the financial viability of the System, limiting road congestion, and in general advancing the policy of the State to provide adequate, efficient and coordinated public transportation in the Region. The RTA has adopted a Strategic Plan as required, and has and will continue to adopt enhancements and updates to this plan. Building from the RTA's Strategic Plan, the RTA has refined its focus by prioritizing supporting initiatives: strategic capital investment, achieving economies of scale through joint procurement, maximizing use of system, enhancing customer experience, and coordinated government affairs, marketing, and outreach. These initiatives have the ultimate goal of achieving a state of good repair, reducing costs, improving service, and increasing ridership.

Central to the RTA's funding and oversight responsibilities, the Act requires the RTA to prepare and adopt each year an Annual Operating Budget and Two-Year Financial Plan for the System balancing the anticipated revenues from all sources with anticipated expenditures. See "—2014 BUDGET AND 2015-16 FINANCIAL PLAN." Further, the RTA and the Service Boards are required by the Act to maintain a "system generated revenue recovery ratio" of 50% (the *"System Generated Revenue Recovery Ratio"*), *i.e.* at least 50% of the System's operating costs must be recovered through (1) revenues generated by the System, including fare box receipts, (2) revenues from certain other sources, such as investment income and concessions, and (3) reduced fare reimbursements by the State. A separate revenue recovery ratio of 10% has been established by the Act for ADA paratransit services. It is the RTA's responsibility to ensure that these ratios are maintained through the review and approval of each Service Board's budgets and ratios. On an on-going basis, the RTA monitors the budgetary and operational performance of the Service Boards to ensure compliance with their budgets and the ratios. See "—FINANCIAL CONTROLS OVER SERVICE BOARDS."

The Act designates the RTA as the primary public body in the Region to secure funds for public transportation. The RTA is authorized to impose taxes in the Region and to issue debt to provide funding for public transportation facilities. The RTA is also responsible for the allocation of certain federal, State and local funds to finance both the operating and capital needs of public transportation in the Region. The Act also requires the RTA to prepare and adopt each year a Five-Year Capital Program. The Service Boards are prohibited from undertaking any capital project in excess of $250,000 unless the project has been incorporated in that Five-Year Capital Program.

The Service Boards have from time to time been granted statutory authority to issue debt for various purposes. Any pledge of Revenues by a Service Board as security for obligations issued by such Service Board would be on a subordinate basis to the security for the Notes.

ORGANIZATION AND MANAGEMENT

A 16-person Board governs the RTA. As described in more detail in the following paragraphs, the Amendatory Legislation allocates appointment authority equally among elected officials from three areas – the City of Chicago, suburban Cook County, and the Counties of DuPage, Kane, Lake, McHenry and Will (the *"Collar Counties"*), and requires the appointment of a Chairman with votes from each of these areas:

Five directors are appointed by the Mayor of the City of Chicago with the advice and consent of the City Council. Each of these directors must reside in the City of Chicago. None of these directors may be the Chairman or director of the CTA.

Four directors are appointed by the commissioners of the Cook County Board of Commissioners (the "*Cook County Board*") elected from districts a majority of the electors of which reside outside the City of Chicago. A fifth director is appointed by the President of the Cook County Board with the advice and consent of the Cook County Board. Each of the Cook County appointees must reside in suburban Cook County.

Five directors are appointed by each of the Chairmen of the Collar Counties; one each by the Chairmen of DuPage, Kane, Lake and McHenry Counties and the County Executive of Will County, each with the advice and consent of the respective County Board. Each Collar County appointee must reside in the county of the appointing authority.

The sixteenth member, who is the Chairman of the Board of the RTA, is elected by the other 15 directors and must receive no fewer than 11 votes, two of which must come from directors from each of the City of Chicago, suburban Cook County and the Collar Counties.

The Chairman and each director serve five-year terms and until his or her successor has been appointed and qualified.

The RTA maintains a staff of approximately 115 non-bargaining unit transportation professionals.

John S. Gates, Jr. has served as Chairman since August, 2010. Mr. Gates serves as Chairman and Chief Executive Officer of PortaeCo, a private investment company. Until May 2010, Mr. Gates served as Chairman of the Board and Chairman of the Finance Committee of the Metropolitan Pier and Exhibition Authority (*"McPier"*). Prior to forming PortaeCo, Mr. Gates co-founded CenterPoint Properties Trust ("*CenterPoint*") and served as Co-Chairman and Chief Executive Officer for 22 years. During Mr. Gates tenure at CenterPoint, the former site of the United States Army Joliet Arsenal was converted and opened as the largest intermodal container handling facility in the world and connected the BNSF and Union Pacific railroads, along with 17 million square feet of industrial space for the Chicago region. Additionally, CenterPoint became the nation's first publicly traded Industrial Real Estate Investment Trust, as well as the largest private property owner/developer in the metropolitan Chicago region. Mr. Gates graduated from Trinity College in 1976 with a B.S. in Economics and Philosophy. He began his career as an Assistant to Governor James R. Thompson of Illinois. In 1979, he joined CB/Richard Ellis, and in 1981, co-founded the Chicago office of Jones Lang Wootton (now Jones Lang LaSalle). Mr. Gates has indicated that it is not his intention to seek a second term as Chairman.

Bea Reyna-Hickey has served as the Chief Financial Officer since September 2012, overseeing the Finance and Performance Measurement Department. Prior to joining the RTA, Ms. Reyna-Hickey had more than 25 years overseeing various City departments. During the last

14 years, she was responsible for the revenue and financial operations of the City of Chicago. She distinguished herself by spearheading the application of technological solutions to streamline operations, improve efficiency, and enhance customer service. In 2000, she was appointed the City of Chicago's Department of Revenue Director after serving as the Director of Revenue and Administration at the Department of Aviation and Director of Personnel at the Department of Housing. Ms. Reyna-Hickey earned her Master of Science and Bachelor of Arts degrees in Public Service Administration from DePaul University.

Leanne Redden has served as the Senior Deputy Executive Director of Planning and Regional Programs since November, 2005 and has served as Acting Executive Director since March 2014 following the retirement of the Executive Director on February 28, 2014. Ms. Redden is managing the development of the new strategic plan for the RTA. She also manages the Planning and Market Development departments. From 2003 through November 2005 she was the Chief of Planning at the Illinois State Toll Highway Authority, where she oversaw the Planning Department and was integral in developing the 2004 $5.3 billion Congestion Relief Capital Plan. She was responsible for capital planning, traffic and revenue forecasting. Prior to that, Ms. Redden was the Director of Transportation for the Village of Schaumburg. Ms. Redden received her Master's Degree in Urban and Regional Planning from the University of Illinois Urbana-Champaign and a Bachelor's Degree from the University of New South Wales, Australia.

Allan Sharkey has served as the Treasurer since August, 2000, after joining the RTA in May, 2000 as Treasury Manager. Previously, Mr. Sharkey served as Chief Financial Officer for a market research and consulting firm and held various management positions in finance and accounting with the FDIC and major corporations. Mr. Sharkey received a B.S. degree in business administration from Indiana University and a C.P.A. Certificate from the State of Illinois.

RIDERSHIP TRENDS

System ridership through December of 2013 was 651.4 million, a 2.2% decline from 2012. While Metra and Pace ridership has grown in 2013, CTA ridership declined while the south branch of the Red Line was closed for reconstruction for five months. As required by the Amendatory Legislation, the Service Boards in 2008 began to provide free fixed route transportation service to persons 65 years and older and to disabled persons who fall within statutory income limits. Those riders are included in the 2008-2012 data. In September 2011, free fixed route transportation service for persons 65 years and older was restricted to persons who fall within statutory income limits.

YEARLY RIDERSHIP
UNLINKED PASSENGER TRIPS
(In Millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CTA Bus	303.3	303.1	304.8	293.6	296.0	305.5	299.6	309.3	328.2	318.7	306.0	310.4	314.4	300.1
CTA Rail (1)	176.3	181.7	180.4	181.1	178.7	186.8	195.2	190.3	198.1	202.6	210.9	221.6	231.2	229.1
Total CTA	479.6	484.8	485.2	474.7	474.7	492.3	494.8	499.6	526.3	521.3	516.9	532.0	545.6	529.2
Metra	78.0	78.4	75.5	74.0	73.8	76.1	79.9	83.3	86.8	82.3	81.4	82.7	81.3	82.3
Pace	38.6	37.0	34.8	33.7	34.1	36.9	38.0	36.6	37.8	32.3	32.3	33.7	35.4	35.9
Regional ADA Paratransit (2)								2.6	2.7	2.8	2.8	3.4	3.8	4.0
System Total	596.2	600.2	595.5	582.4	582.6	605.3	612.7	622.1	653.6	638.7	633.4	651.8	666.0	651.4
Percent Change	2.3%	0.7%	(0.8%)	(2.2%)	0.0%	3.9%	1.2%	1.5%	5.1%	(2.3%)	(0.8%)	2.9%	2.2%	(2.2%)

(1) CTA rail ridership includes cross-platform transfers.
(2) Prior to 2007, ADA Paratransit ridership is included in CTA Bus and Pace figures.

RTA FINANCES

RTA's principal sources of revenues. The RTA has the following principal sources of revenues: (i) Sales Tax Revenues; (ii) Replacement Revenues; (iii) Public Transportation Fund Revenues; (iv) State Assistance; and (v) Miscellaneous Revenues, all as described below. Sales Tax Revenues, Replacement Revenues and Public Transportation Fund Revenues are pledged under the General Ordinance and paid directly to the Trustee as security for Authority Obligations, including the Notes. Under the General Ordinance, the Replacement Revenues are also assigned by the RTA and are paid directly by the State to the Trustee for the payment of debt service on Authority Obligations, including the Notes. Other RTA funds, such as State Assistance, are not available for payments on Authority Obligations, including the Notes.

- *Sales Tax Revenues.* Proceeds of the RTA Sales Tax are pledged as security for the Authority Obligations (including the Notes) and are assigned by the RTA and paid directly by the State to the Trustee for payment of debt service on Authority Obligations, including the Notes. Before enactment of the Amendatory Legislation in 2008, the RTA Sales Tax was imposed at the following rates: (i) a tax of 1.00% in Cook County and 0.25% in the Collar Counties of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a *"Food and Drug Tax"*); (ii) a tax of 0.75% in Cook County and 0.25% in the Collar Counties of the gross receipts from all other taxable retail sales (a *"General Sales Tax"*); (iii) a tax of 0.75% on the use in Cook County and 0.25% on the use in the Collar Counties of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a *"Use Tax"*); and (iv) a tax imposed in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax on persons engaged in a sale of service pursuant to which property in the form of tangible personal property or in the form of real estate is transferred incident to a sale of a service (a *"Service Occupation Tax"*). (The proceeds of the RTA Sales Tax at these rates are referred to as the *"Original Sales Tax Proceeds"*).

As authorized by the Amendatory Legislation, on April 1, 2008, the RTA increased the rates of the RTA Sales Tax to the following levels: (i) a Food and Drug Tax of 1.25% in Cook County and 0.75% in the Collar Counties; (ii) a General Sales Tax of 1.0% in Cook County and 0.75% in the Collar Counties; (iii) a Use Tax of 1.0% in Cook County and 0.75% in the Collar Counties; and (iv) a Service Occupation Tax in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax. The Collar Counties retain one-third (0.25%) of the total 0.75% of the above-described taxes.

The RTA Sales Tax, net of applicable retailers' discount, is collected by the Department of Revenue and paid to the State Treasurer to be held in trust for the RTA outside the State Treasury in the RTA Tax Fund created under the Act (the *"RTA Tax Fund"*).Except as provided in this paragraph, RTA Sales Tax proceeds in the RTA Tax Fund are payable monthly, without appropriation, by the State Treasurer on the order of the State Comptroller directly to the Trustee for any necessary payments of debt service on the Notes or other Authority Obligations before being paid to the RTA. See "SECURITY FOR THE NOTES—SECURITY AND SOURCES OF PAYMENT." One-third of the RTA Sales Tax collected in the Collar Counties is not available for payment of debt service on Notes nor is it security therefor. It is paid directly by the State to the Collar Counties based on the point of collection and is used by those counties to fund operating and capital costs of public safety and transportation services or facilities. (The proceeds of the RTA Sales Tax, less the amounts distributed to the Collar Counties as described in the previous sentence, less the Original Sales Tax Proceeds, are referred to as the *"Increased Sales Tax Proceeds."*)

There are various factors which may impact sustainability and growth of Sales Tax Revenues. Such factors include, among others, legislative action, changes in economic and demographic conditions in the Region, sales competition between vendors in the Region and those immediately outside the Region, and internet sales. The RTA can make no assurance that these factors, or others, will not negatively impact Sales Tax Revenues on a going forward basis.

- *Replacement Revenues.* The Replacement Revenues are pledged as security for the Notes and other Authority Obligations. Under the General Ordinance, the Replacement Revenues are assigned by the RTA and are paid directly by the State to the Trustee for the payment of debt service on Authority Obligations, including the Notes.

  In order to compensate local governments, including the RTA, for any revenues lost by a 1990 legislative simplification of the rate structures and tax base for sales taxes imposed by the State and local governments, including the RTA, the State provided for additional annual payments to local governments from receipts collected under the State Retailers Occupation Tax, State Service Occupation Tax and State Use Taxes (collectively, the *"State Sales Tax"*).As a result, specified percentages from State Sales Tax receipts (the *"Replacement Revenues"*) are paid monthly into the RTA Occupation and Use Tax Replacement Fund and RTA Tax Fund held by the State Treasurer to offset RTA revenue loss resulting from that restructuring. Replacement Revenues are paid monthly by the State Treasurer to or on behalf of the RTA. The State has pledged that it will not limit or alter the basis on which State funds are paid to the RTA in a manner that would impair the contractual rights and remedies of the Holders of Authority Obligations. See "SECURITY FOR THE NOTES—AGREEMENTS OF THE STATE" above.

For a discussion of the RTA's projection of Sales Tax Revenues and Replacement Revenues, see APPENDIX A—"RTA HISTORICAL AND PROJECTED SALES TAX REVENUES." In addition, certain factors that may affect the amount of Sales Tax Revenues realized by the RTA are described in APPENDIX A.

The RTA is also authorized by the Act to impose certain other taxes which it currently does not impose, including, but not limited to: (i) a tax on the gross receipts from automobile rentals at a rate not to exceed 1% in Cook County and 0.25% in the Collar Counties; (ii) a tax on the sale of motor fuel at a rate not to exceed 5% of the gross receipts of such sales; and (iii) a tax on the privilege of parking motor vehicles at off-street parking facilities. The tax on motor fuel and the tax on the use of off-street parking facilities cannot by law be imposed concurrently with the RTA Sales Taxes currently imposed by the RTA.

- *Public Transportation Fund Revenues.* The Public Transportation Fund Revenues are pledged as security for the Authority Obligations (including the Notes) and are paid directly by the State to the Trustee for the payment of debt service on Authority Obligations, including the Notes. Each month the State Comptroller orders and the State Treasurer transfers from the State General Revenue Fund to the Public Transportation Fund in the State Treasury an amount equal to 30% of the net revenues realized from the RTA Sales Tax, but not including the portion of the RTA Sales Tax paid directly to the Collar Counties, 30% of the net Replacement Revenues and 30% of the net revenues realized by the CTA as financial assistance from the City of Chicago from the proceeds of the Chicago Real Estate Transfer Tax imposed by the City (these amounts are collectively referred to as *"Public Transportation Fund Revenues."*)

The Amendatory Legislation provides that the provisions directing the distributions of Public Transportation Fund Revenues to the RTA constitute an irrevocable and continuing appropriation of those revenues. However, by law Public Transportation Fund Revenues may not be paid to the RTA until the RTA has certified to the Governor, the State Comptroller and the Mayor of the City of Chicago that it has adopted for that Fiscal Year a budget and financial plan meeting the requirements of the Act. In each year since the RTA has been statutorily required to do so, it has certified that its budget has met the requirements of the Act. In recent years the State has been delayed in making transfers of Public Transportation Fund Revenues to the RTA. As of April 11, 2014, the last Public Transportation Fund payments received from the State were in March of 2014. Such receipts, totaling $44.3 million, represented payments due through December of 2013. However, payments due since January, 2014 are still outstanding. The amount of Public Transportation Fund Revenues in arrears and owing to the RTA as of April 11, 2014 is $63.0 million. See "THE REGIONAL TRANSPORTATION AUTHORITY–2014 BUDGET AND 2015-16 FINANCIAL PLAN" for a discussion of how the RTA has accounted for this in its 2014 Budget. The State has pledged that it will not limit or alter the basis on which State funds are paid to the RTA in a manner that would impair the contractual rights and remedies of the Holders of Authority Obligations. See "SECURITY FOR THE NOTES—AGREEMENTS OF THE STATE" above.

As an additional condition to receipt of Public Transportation Fund Revenues, the RTA is required to determine, within six months following the end of each calendar year, whether the System's aggregate System Generated Revenue Recovery Ratio equals at least 50%.To the extent that this coverage test is not met, the RTA is required to refund the amount of the deficiency in such coverage to the State, and the Public Transportation Fund Revenues paid by the RTA to a Service Board not meeting its System Generated Revenue Recovery Ratio are reduced in proportion to the amount of the Service Board's deficiency. Since the enactment of the System Generated Revenue Recovery Ratio requirement, the System has met the coverage tests required by law.

- *State Assistance.* The Act provides supplemental State funding in the forms of additional state assistance (*"Additional State Assistance"*) and additional financial assistance (*"Additional Financial Assistance"*) to the RTA in connection with its issuance of SCIP Bonds (collectively, *"State Assistance"*). State Assistance received by the RTA may not be pledged as security for payment of debt service on obligations of the Authority, including the Notes. Under the Act, the RTA may not assign its right to receive State Assistance payments or direct their payment to the Trustee or any other entity for payment of debt service on obligations of the Authority, including the Notes. State Assistance may be spent at the discretion of the RTA for its corporate purposes.

  The amount of State Assistance available to the RTA in any year is limited by the Act to the lesser of statutorily specified ceilings or amounts derived from application of a formula, both described in the following paragraphs.

  With respect to the SCIP Bonds issued prior to calendar year 2000, the annual statutory ceiling for State Assistance is \$55 million. However, the formula described below effectively limits State Assistance with respect to those SCIP Bonds to \$40 million. With respect to the \$1.3 billion in SCIP Bonds authorized to be issued after January 1, 2000, the annual statutory ceiling for State Assistance after 2005 is \$100 million.

  To obtain State Assistance payments, the RTA must certify to the State (i) the amount required during that State fiscal year to pay debt service on outstanding SCIP Bonds and on SCIP Bonds to be issued during that State fiscal year; (ii) any debt service savings during the preceding State fiscal year from the issuance of refunding or advance refunding SCIP Bonds; and (iii) the amount of interest earned by the RTA during the previous State fiscal year on the proceeds of SCIP Bonds, other than refunding or advance refunding SCIP Bonds. Subject to appropriation, State Assistance is paid monthly to the RTA so that by the end of the State fiscal year the lesser of the statutorily specified ceilings or an amount equal to the sum of clauses (i) and (ii), minus clause (iii), as certified by the RTA, has been paid to the RTA.

  The RTA has filed its certification with respect to State fiscal year 2014 and the State has made the necessary appropriations with respect to payment of State Assistance for that fiscal year. However, the State has been delayed in making such payments to the RTA.

As of April 11, 2014, the last State Assistance payments received from the State were in September of 2013. Such receipts, totaling $130.2 million, represented payments due through June, 2013. The amount in arrears and owing to the RTA as of April 11, 2014 is $108.4 million. The RTA intends to continue to file the required certifications for each State fiscal year in order to obtain State Assistance payments in the amounts available under the Act. Although the amount of State Assistance the RTA may receive is measured in part by the debt service on the RTA's SCIP Bonds, State Assistance is not pledged for payment of or as security for any Authority Obligations, including any SCIP Bonds.

- *Miscellaneous Revenues.* Miscellaneous Revenues include (i) revenues from certain other sources, such as investment income and revenues from concessions and advertisements, and (ii) additional operating assistance from the State to the RTA for distribution to the Service Boards representing partial reimbursements to the Service Boards for discounts provided to students, elderly and disabled riders mandated by law (*"Reduced Fare Reimbursements"*).The proceeds of Reduced Fare Reimbursements are not pledged as security for and are not available for payment of debt service on obligations of the Authority, including the Notes.

- *Chicago Real Estate Transfer Tax.* In 2008, pursuant to the Amendatory Legislation, the City of Chicago increased its real estate transfer tax by a rate of $1.50 per $500 of value for the purpose of providing financial assistance to the CTA (the *"Chicago Real Estate Transfer Tax"*). The proceeds of this tax are paid by the City directly to the CTA and are not pledged as security for and are not available for payment of debt service on obligations of the Authority, including the Notes.

Expenditures. The RTA's expenditures include:

- *Operating Grants to Service Boards for General Services.* Under the Act and the General Ordinance, the State pays all Sales Tax Revenues and Public Transportation Fund Revenues directly to the Trustee as security for debt service on Authority Obligations, including the Notes. Only amounts in excess of the required deposits are to be transmitted by the Trustee to the RTA for its corporate purposes, including distribution to the Service Boards. See "SECURITY FOR THE NOTES—DEBT SERVICE FUND."

After requiring that the RTA first provide for the payment of its obligations with respect to the Notes and other Authority Obligations from the Sales Tax Revenues and other revenues available for that purpose, the Act allocates RTA revenue to the Service Boards and for various statutory purposes. The Amendatory Legislation preserved the allocation of the Original Sales Tax Proceeds, specifically, the following: the RTA withholds 15% of (i) 80% of the RTA Sales Taxes collected in Cook County at the rate of 1.25%, (ii) 75% of the RTA Sales Taxes collected in Cook County at a rate of 1%, (iii) 50% of the receipts of the RTA Sales Taxes collected in the Collar Counties, and (iv) the Replacement Revenues. Those withheld amounts are deposited into the RTA's general fund and used at the RTA's discretion. After withholding 15% of the above described amounts, the RTA is required to pay the amounts remaining as follows: (i) the balance remaining from proceeds collected within the City of Chicago is allocated and paid to the

CTA; (ii) the balance remaining from proceeds collected in suburban Cook County is allocated and paid 30% to the CTA, 55% to Metra and 15% to Pace; and (iii) the balance remaining from proceeds collected in the Collar Counties is allocated and paid 70% to Metra and 30% to Pace.

That portion of the Public Transportation Fund Revenues measured by 25% of the Original Sales Tax Proceeds and the Replacement Tax Revenues, as well as State Assistance, investment income and other revenues are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board.

The Amendatory Legislation fully allocates the Increased Sales Tax Proceeds to the Service Boards or for specific programs as follows: (i) 20% of the taxes collected in Cook County at the rate of 1.25%, (ii) 25% of the taxes collected in Cook County at the rate of 1%, and (iii) 50% of the taxes collected in the Collar Counties, together with that portion of the Public Transportation Fund Revenues measured by 5% of the Original Sales Tax Proceeds and the Replacement Tax Revenues, 30% of the Increased Sales Tax Proceeds and 5% of the Chicago Real Estate Transfer Tax are allocated as follows: after depositing $100 million in the ADA Paratransit Fund, $20 million in the Suburban Community Mobility Fund and $10 million in the Innovation, Coordination and Enhancement Fund, the balance of the moneys from the Increased Sales Tax Proceeds are allocated 48% to the CTA, 39% to Metra and 13% to Pace. The RTA must pay that portion of the Public Transportation Fund Revenues measured by 25% of the Chicago Real Estate Transfer Tax to the CTA. The fixed dollar amounts are required by the Amendatory Legislation to be deposited in the named funds in 2008 and increase or decrease in subsequent years based on the growth or decline in RTA Sales Tax Revenues in the previous year. Legislation in 2011 set the 2012 ADA Paratransit Fund deposit at $115 million in 2012 and for each year thereafter to an amount equal to the final budgeted funding for ADA paratransit services for the current year.

The amounts of such funds allocated to the Service Boards are payable as soon as may be practicable upon their receipt, *provided* that (i) the RTA has adopted a balanced budget pursuant to the Act; and (ii) the Service Board which is to receive these funds is in compliance with the budget requirements imposed upon the Service Boards pursuant to the Act.

The Act requires that no moneys be released by the RTA to the CTA in any Fiscal Year, except for the proceeds of taxes imposed by the RTA and distributed by formula, unless ". . . a unit or units of local government in Cook County (other than the CTA) enters or enter into an agreement with the CTA to make a monetary contribution for such year of at least $5,000,000 for public transportation." The City of Chicago and Cook County also must continue to provide services to the CTA at the same level and on the same basis as services were provided as of the effective date of the Act or as otherwise approved by the RTA Board. Funds received from this local assistance are not available for the payment of debt service on Authority Obligations, including the Notes.

- *Operating Grants to Pace for ADA Paratransit Service.* In 2005 legislation was enacted that reorganized the responsibility for provision of transportation services to disabled individuals unable to use fixed route service and eligible for services under the Americans With Disabilities Act (*"ADA Paratransit Service")*. The RTA is responsible for funding, review and oversight of that service and Pace is responsible for providing that service throughout the Region. The Act established a separate revenue recovery ratio for such services which now is fixed at 10%. The Act contemplates that ADA Paratransit Service is to be funded with amounts set aside in the ADA Paratransit Fund.

- *Capital Grants*. From its revenues, the RTA makes discretionary capital grants to the Service Boards. These amounts are separate from the proceeds of bonds issued by the RTA.

- *Administration and Regional Expenses.* Administration costs reflect expenditures for the RTA staff and offices. Regional (also referred to as non-administration) expenses relate to programs undertaken by the RTA for the Service Boards, such as the operation of the Travel Information Center, the registration of individuals for reduced fare and free fare ridership cards, the certification of people with disabilities for ADA paratransit service, and transit technology and coordination initiatives.

- *Debt Service*. The total annual debt service payments on Outstanding Authority Obligations and the Notes is set forth in the table entitled "SECURITY FOR THE NOTES—ANNUAL DEBT SERVICE" above.

RTA PENSION PLAN

General

The RTA contributes to the Regional Transportation Authority Pension Plan (the *"Pension Plan"*), which the RTA has established and maintains pursuant to the Act. The Pension Plan provides retirement and disability benefits for the employees of the RTA and for the employees of Metra and Pace not otherwise covered by a union pension plan. The Pension Plan is a cost-sharing, multi-employer, defined benefit public employee retirement plan. "Multi-employer" refers to the fact that multiple employers, namely the RTA, Metra, and Pace, contribute to the Pension Plan and share in the costs of the Pension Plan. "Defined benefit" refers to the fact that the Pension Plan pays a periodic benefit to retired employees in a fixed amount determined at the time of retirement. The amount of the periodic benefit is generally determined pursuant to a formula on the basis of each employee's service credits and salary. The benefit is reduced as applicable in cases of prior service with an eligible employer or early retirement as provided for in the Pension Plan. In addition, the Pension Plan provides that vested participants who have reached the age of 65 and were hired prior to December 31, 2010, may take a lump-sum benefit (the *"Lump Sum Benefit"*) instead of receiving the defined benefit annuity described above.

Responsibilities for establishing, administering, and amending the Pension Plan are divided among a Board of Trustees of the Pension Plan, a plan administrator, a retirement committee, and the Board of Directors of the RTA (collectively, the *"Plan Administrators"*).

As of January 1, 2013, the Pension Plan had a total membership of 2,050, consisting of 1,036 active employees, 554 retirees and beneficiaries currently receiving benefits, and 460 non-active employees.

Actuarial Calculations, Assumptions and Methods

The RTA's contributions to the Pension Plan are determined on an actuarial basis, which is based on the outcome of an actuarial valuation (the *"Actuarial Valuation"*). The primary purpose of the Actuarial Valuation is to determine the *"Annual Required Contribution,"* which is the contribution necessary for the current year to satisfy the current and future obligations to pay benefits to eligible members of the Pension Plan. The Annual Required Contribution is equal to the value of benefits earned during the current period, referred to as the *"Normal Cost,"* plus an amortization of the UAAL (as hereinafter defined) over a rolling thirty-year period. To determine the Annual Required Contribution, the Pension Plan's actuary (the *"Actuary"*) calculates the following: (i) the *"Actuarial Value of Assets"* or *"AVA,"* which is the value of the assets of the Pension Plan at the time of the Actuarial Valuation, (ii) the *"Actuarial Accrued Liability"* or *"AAL,"* which is the portion of the actuarial present value of pension benefits owed by the Pension Plan that is not allocated to future years by the actuarial cost method, as described below, (iii) the *"Unfunded Actuarial Accrued Liability"* or *"UAAL,"* which is the dollar amount by which the Actuarial Accrued Liability exceeds the Actuarial Value of Assets, and (iv) the *"Funded Ratio,"* which is the ratio of the AVA to the AAL, generally expressed as a percentage.

To make these calculations, the Actuary uses various assumptions regarding future events affecting pension assets and liabilities. Specifically, the Actuary uses demographic data (including employee age, salary and service credits), economic assumptions (including estimated salary and interest rates) and decrement assumptions (including employee turnover, mortality and retirement rates) to provide a basis for calculating the AAL and the Annual Required Contribution. Certain of the specific actuarial assumptions employed by the Actuary in the Actuarial Valuations for each of the past three years is set forth in Note 10 to the audited financial statements of the RTA for the period ended December 31, 2012, attached hereto as APPENDIX B.

In addition, the Actuary uses certain actuarial methods to calculate the AAL and the AVA. For purposes of calculating the AAL, the Actuary employs an actuarial cost method, which allocates the total present value of future pension benefits to the current period and prior periods. For the Actuarial Valuations completed as of January 1 of the years 2011 through 2013, the Actuary used the Projected Unit Credit actuarial cost method, under which the projected benefits earned by each individual are allocated to each valuation year.

Finally, the Actuary employs the *"Asset Smoothing Method"* to calculate the AVA. This method smoothes investment gains and losses over a period of years, which is five years in the case of the Pension Plan. The Asset Smoothing Method delays the immediate effect of market fluctuations on the AVA, the UAAL and the Funded Ratio that occur as a result of market volatility. However, because the Asset Smoothing Method delays recognition of gains and losses, it does not reflect the true value of pension plan assets at the time of measurement. As a result, presenting the AVA as determined under the Asset Smoothing Method might provide a more or less favorable presentation of the current financial position of a pension plan than would a method that recognizes investment gains and losses as they occur.

With respect to the Pension Plan, as of January 1, 2013, the AVA measured in accordance with the Asset Smoothing Method was $155,997,793, whereas the market value† of the Pension Plan's assets (the "*MVA*") was $158,730,068. As a result of this difference between applying the Asset Smoothing Method or using the market value, the Pension Plan's UAAL was $2,732,275 higher. As of January 1, 2012, the AVA was $141,387,904 and the MVA was $134,025,475, resulting in a UAAL that was $7,362,429 lower.

Contributions to and Funded Status of the Pension Plan

The Pension Plan is a non-contributory pension plan, which means that participating employees are not required to provide funding for the pension benefits they will receive. The assets in the Pension Plan derive solely from contributions by the RTA, Metra, and Pace, along with the investment earnings thereon. The RTA contributes to the Pension Plan on an actuarial basis as described above. The RTA, Metra, and Pace have contributed the full Annual Required Contribution in each of the last ten years, as shown in the table below.

The Pension Plan's Funded Ratio significantly exceeded 100% throughout the late 1990's, peaking at 159% as of January 1, 1999. As a result of this significant overfunding, no employer contributions were made to the Pension Plan in 1999, 2000, or 2001. This lack of contributions, combined with poor investment returns in 2001 and 2002, reduced the Funded Ratio below 100%. Furthermore, changes in actuarial assumptions, investment returns below expected and other negative actuarial experience caused the Funded Ratio to decline further in the mid-2000s. The Funded Ratio declined between January 1, 2008 and January 1, 2009 primarily due to poor investment performance as a result of the worldwide economic downturn. In 2011 and 2012, the projected rate of return was reduced from 8.5% to 8.25% and 7.75%, respectively. Effective January 1, 2012, the accrual basis of accounting is used to determine the market value of assets. The RTA's share of both the ARC and the Supplemental Contributions is approximately 12%.

† For purposes of this disclosure, "market value" refers to the amount that the Pension Plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, other than in a forced or liquidation sale.

Schedule of Employer Contributions
Fiscal Years 2003-2013
(as of 12/31/2013)

Year Ended 12/31	Annual Required Contribution (1)	Supplemental (in excess of the ARC) Contributions (1)	Percentage Contributed
2003	$ 5,432,000		100%
2004	6,022,000		100%
2005	6,800,000		100%
2006	8,777,000		100%
2007	9,137,000		100%
2008	9,195,000		100%
2009	10,827,000		100%
2010	11,288,000		100%
2011	12,547,000		100%
2012	13,493,395	$6,746,698	150%
2013 (1)	14,795,180	7,397,590	150%

Source: For years 2003 to 2010, inclusive – the Actuarial Valuation Report as of January 1, 2011 for the January 1, 2011 – December 31, 2011 fiscal year (the "2011 Actuarial Valuation") as prepared by Mercer in its capacity as consulting actuary to the Pension Plan; and for years 2011and 2012- the Actuarial Valuation Report as of January 1, 2013 (the "2013 Actuarial Valuation")as prepared by Gabriel Roeder Smith & Company in its capacity as consulting actuary to the Pension Plan, and the RTA.

(1) Employer contribution are accrued and amounts are actually contributed in the following year.

The RTA, Metra, and Pace have amortized the UAAL as required by the Actuary since January 1, 2001. As of January 1, 2013, none of the Pension Plan's UAAL is related to a failure to contribute the Annual Required Contribution, as evidenced by a net pension obligation, which is the cumulative difference between the annual pension cost‡ and the actual employer contribution, on such date of $0.

As of January 1, 2013, the Pension Plan had an AVA as determined under the Asset Smoothing Method of $155,997,793 and a MVA of $158,730,068. The Pension Plan's AAL as of such date was $221,397,986. As a result, the Pension Plan's UAAL was $65,400,193, which corresponds to a Funded Ratio of 70.5% on an actuarial basis.

‡ Annual pension cost for an employer with an NPO is equal to (a) the Annual Required Contribution, (b) one year's interest on the NPO, and (c) an adjustment to the Annual Required Contribution to offset the effect of actuarial amortization of past under- or over-contributions.

The following table provides a schedule of funding progress as of January 1, 2003 through January 1, 2013.

SCHEDULE OF FUNDING PROGRESS
FISCAL YEARS 2003-2013

As of 1/1	Actuarial Value of Assets (1) (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll (b-a)/(c)
2003	$ 80,974,751	$ 87,815,116	$ 6,840,365	92.21%	$53,969,194	12.67%
2004	87,998,878	97,275,818	9,276,940	90.46%	54,983,472	16.87%
2005	90,334,371	105,976,209	15,641,838	85.24%	56,417,461	27.73%
2006	94,697,937	124,521,129	29,823,192	76.05%	58,883,678	50.65%
2007	102,523,735	133,905,851	31,382,116	76.56%	61,357,214	51.15%
2008	114,031,540	146,417,404	32,385,864	77.88%	61,364,198	52.78%
2009	106,021,198	153,284,576	47,263,378	69.17%	66,010,613	71.60%
2010	118,805,281	166,663,123	47,857,842	71.28%	68,389,409	69.98%
2011	127,343,037	185,373,843	58,030,806	68.70%	66,490,058	87.28%
2012	141,387,904	200,844,966	59,457,062	70.40%	67,176,064	88.51%
2013	155,997,793	221,397,986	65,400,193	70.46%	70,634,459	92.60%

Source: The 2013 Actuarial Valuation.
(1) The actuarial value is determined by application of the Asset Smoothing Method as discussed in "– Actuarial Calculations, Assumptions and Methods" above.

Pension Code Contribution Requirement

The Illinois Pension Code, as amended (the *"Pension Code"*), requires that the RTA, Metra, and Pace make additional contributions to any pension plans they participate in, together or individually, including the Pension Plan, if such pension plans had a Funded Ratio of less than 90% as of January 1, 2009, or if such pension plans fall below a 90% Funded Ratio at any time in the future. This statute applies to the Pension Plan because its Funded Ratio was 69.17% on January 1, 2009.

As a result, the Pension Code requires that the RTA, Metra, and Pace agree on a schedule to amortize the amount of the Pension Plan's UAAL necessary to achieve a Funded Ratio of 90% within a maximum of 50 years. The Pension Plan's actuary continued to calculate the Pension Plan's contribution in accordance with applicable accounting standards which require amortization of the entire UAAL over an open thirty-year period. The RTA expects to continue making contributions in accordance with actuarial requirements, which the RTA expects will be sufficient to meet its statutory requirements. Such contribution amounts are reviewed on an annual basis and adjusted as needed to meet the applicable actuarial funding requirements.

Performance Audit

In March 2007, the Office of the Auditor General of the State (the *"Auditor General"*) released a report entitled "Performance Audit of the Mass Transit Agencies of Northeastern Illinois: RTA, CTA, Metra, and Pace" (the *"Performance Audit Report"*). In the Performance Audit Report, the Auditor General provided recommendations on, among other things, certain aspects of the Pension Plan. Specifically, the Auditor General recommended that the RTA, Metra, and Pace: (i) continue to take actions necessary to ensure that the pension plan is adequately funded, (ii) periodically review the 8.5% investment return assumption, and (iii) phase out the Lump Sum Benefit. The RTA, Metra, and Pace all agreed with these recommendations in the Performance Audit Report.

As of the date of the most recent Actuarial Valuation, the RTA, Metra, and Pace have continued to fund the Pension Plan in accordance with actuarial requirements, the investment return assumption was changed from 8.50% to 8.25% for use in the January 1, 2011 valuation, and further reduced to 7.75% for first use in the January 1, 2012 valuation. The Lump Sum Benefit has been eliminated for new employees hired after December 31, 2010.

RTA's Responsibility for Service Board Pension Plans

The RTA is not generally responsible for making contributions to pension plans of the Service Boards, other than the Pension Plan. However, Sections 4.02a and 4.02b of the Act require the RTA to continually review the payment of the required employer contributions to the pension plans of the Service Boards and, if the RTA determines that such payments are more than one month overdue, to pay the amount of such overdue contributions to the trustee of the affected pension plan on behalf of that Service Board out of moneys otherwise payable to that Service Board. The RTA does not retain any liability to the applicable Service Board for any amounts paid as required in these sections of the Act.

Other Post-Employment Benefits

The RTA offers eligible retirees the option to continue participation in its group health insurance plan for employees (the *"Health Plan"*). The RTA subsidizes up to $78 per month for each eligible employee who elects to participate in the Health Plan. The RTA recognizes these expenses as they are paid and does not incur any additional obligations under the Health Plan.

As of December 31, 2012, 27 participants were eligible to receive benefits. For such year, the RTA incurred $20,982 in expenses related to the Health Plan. The RTA's auditor considers the amount of the liability for the Health Plan to be immaterial to the RTA.

Risk Management

The Authority's Risk Management practices include a portfolio of insurance policies to protect against losses due to crime, fire and other casualty, terrorism, cyber-related liability and public officials' liability. Further, the Authority administers a Joint Self Insurance Fund and Loss Financing Plan, governed by all three Service Boards, which secures excess liability insurance in case of catastrophic occurrences.

Investment Policies and Practices

The Authority's investments are made in strict compliance with the provisions of the Illinois Public Funds Investment Act, 30 Illinois Compiled Statutes 235. Further, the Board of Directors has adopted a series of ordinances delineating Investment and Portfolio Policies more conservative than those required by Illinois law.

FINANCIAL CONTROLS OVER SERVICE BOARDS

The Act vests responsibility for financial oversight in the RTA and responsibility for operations and day-to-day management of rail and bus service in the Service Boards. The RTA's financial oversight responsibility is implemented principally through the budget process, in which each Service Board submits an annual budget and two-year financial plan for approval by the RTA. The Act sets criteria by which proposed budgets and financial plans are to be reviewed and requires that the System Generated Revenue Recovery Ratio equals or exceeds 50% and the ADA paratransit revenue recovery ratio equals or exceeds 10%. On a quarterly basis, the Service Boards must report their financial condition and results of operations to the RTA. The RTA Board, by the affirmative vote of 12 of its Directors, must determine whether the results are substantially in accordance with the adopted budget and if so, certify that determination to the Governor, the Mayor of the City of Chicago and the Auditor General of the State. If a Service Board is found not to be substantially in compliance with its budget, the RTA may direct that Service Board to submit a revised budget meeting the mandated criteria. If a Service Board's budget does not meet the criteria, the RTA must withhold 25% of the Service Board's allocation of RTA Sales Taxes and 25% of the Public Transportation Fund Revenues estimated to be available to that Service Board until a compliant budget and financial plan is approved. See "THE REGIONAL TRANSPORTATION AUTHORITY—2014 BUDGET AND 2015-16 FINANCIAL PLAN."

The Act confers upon the RTA Board powers to adopt regulations requiring that the Service Boards submit specific information in connection with the budget, financial plan and capital program, base that budget, financial plan and capital program on those assumptions and projections set out by the RTA, and comply with RTA prescribed financial practices in the budgeting and expenditure of public funds. The Act also empowers the RTA to evaluate public transportation services operated by the Service Boards against the goals and objectives of the RTA Strategic Plan and to assess the efficiency and adequacy of those services.

The Amendatory Legislation requires the RTA to conduct audits of each of the Service Boards no less than every five years. Those audits may include management, performance, financial, and infrastructure condition audits. Similar audits may be conducted of transportation agencies that provide services on behalf of a Service Board. In 2010, the RTA Board approved the development of a cost-effective and timely five-year service board audit program which complies with the Amendatory Legislation but does not duplicate the Service Boards' own efforts. Guided by a risk assessment completed in 2011, the RTA five-year 2012-2016 audit program comprises 32 audits to be performed by the RTA and audit departments of the Service Boards.

The Act directs the RTA to review the payment of required employer contributions to pension plans established by the Service Boards and, if those payments are more than one month overdue, to pay those overdue contributions to the pension plan from amounts otherwise payable to that Service Board from RTA revenues. Currently, all contributions are being made as required. See "–RTA'S RESPONSIBILITIES FOR SERVICE BOARD PENSION PLANS" above.

The RTA Board has established certain principles to guide the RTA/Service Board fiscal relationship. The primary principle established by the RTA Board is that if a Service Board performs better than budget in a given Fiscal Year, either as a result of higher than budgeted revenues or lower than budgeted expenses, the RTA will not reduce such Service Board's budgeted funding. Thus, the results of good performance flow through to the Service Board in the form of positive budget surpluses. These funds may be directed by a Service Board in a subsequent Fiscal Year to address high priority needs, either for operating or capital purposes, upon the approval of the RTA.

HISTORICAL FINANCIAL RESULTS

The Amendatory Legislation authorized a significant increase in public funding for operation of public transportation in the Region. The Amendatory Legislation became law on January 18, 2008. The RTA increased the RTA Sales Tax, as authorized by the Amendatory Legislation, effective April 1, 2008 and the RTA began to receive revenues from those increases in July 2008. Additionally, the Amendatory Legislation authorized the City of Chicago to impose an increase in the Chicago Real Estate Transfer Tax on April 1, 2008 for the benefit of the CTA.

Table I contains Statements of Revenues and Expenditures for the RTA (including funding for the Service Boards) for the years from 2009 through 2013. The financial information is presented on a funding basis which is non-GAAP and differs in certain respects from the presentation of the financial statements contained in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE RTA FOR THE PERIOD ENDED DECEMBER 31, 2012" as explained in the footnotes to Table I. For the financial results of the individual Service Boards, see APPENDIX C – "SPECIAL-PURPOSE COMBINING FINANCIAL STATEMENTS OF THE RTA AND THE SERVICE BOARDS FOR THE PERIOD ENDED DECEMBER 31, 2012" and APPENDIX D – "SERVICE BOARD HISTORICAL FINANCIAL RESULTS AND 2014 BUDGETS AND 2015-16 FINANCIAL PLANS." Not all of the amounts shown under the heading "REVENUES" in the Table constitute security for the Authority Obligations, including the Notes. See "SECURITY FOR THE NOTES."

As shown in Table I, for the period 2009 through 2013, RTA revenues grew by approximately $214 million, an annual compound growth rate of 3.7%. Sales Tax Revenues and Public Transportation Fund Revenues grew at an annual compound growth rate of approximately 4.0% from 2009 through 2013. The 2013 estimate assumes Sales Tax Revenues of $1.049 billion, which is approximately 2.71% greater than Sales Tax Revenues received in 2012.

Because the State subsidy that comprises the Public Transportation Fund is calculated in part based on the level of Sales Tax Revenues, the Public Transportation Fund amount increases or decreases with the sales tax receipts. In 2008 the increase in RTA Sales Tax rates caused a change in the base by which the State subsidy is measured. Prior to 2008, the State subsidy rate was 25%, but the Amendatory Legislation increased the rate to 30%. State Assistance, which reimburses the RTA for debt service on SCIP Bonds, increased during the beginning of the period shown on Table I reflecting an increasing level of debt service but has stabilized as all but a small portion of authorized SCIP Bonds have been issued.

The severe decline in the economy since 2008 was reflected in a decline in the total volume of retail sales in the Region and real estate transfers in the City of Chicago in calendar years 2008 and 2009. Therefore, even accounting for the increase in the sales tax rate, the revenues fell short of amounts estimated by the RTA and used as the basis for 2009 budgets adopted by the Service Boards and approved by the RTA. Sales tax growth has since recovered, and has exceeded 4% in 2010, 2011, and 2012. Continued growth is reflected in the revenue estimates on which the 2014 budget and 2015-16 financial plan has been based. See "THE REGIONAL TRANSPORTATION AUTHORITY–2014 BUDGET AND 2015-16 FINANCIAL PLAN."

During 2010, 2011, 2012 and 2013, the State was not timely in making payments to the RTA of its transit funding obligations. As of December 31, 2013, the RTA has recorded a receivable of $151.8 million representing transfers of outstanding Public Transportation Fund Revenues, Additional State Assistance, Additional Financial Assistance and Reduced Fare Reimbursements.

Operating expenditures were approximately $1.296 billion in 2012, an increase of approximately $91 million compared to operating expenditures for 2011. Operating expenditures for 2013 are currently estimated to be $1.335 billion or 3.1% greater than 2012.

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TABLE I*
RTA STATEMENTS OF REVENUES AND EXPENDITURES
(INCLUDING FUNDING FOR THE SERVICE BOARDS)
2009-2013 FINANCIAL INFORMATION
(Dollars in Thousands)

	2009	2010	2011	2012	2013 Estimate**
System-Generated Revenue					
RTA Sales Tax (Part I)	$ 660,183	$ 687,785	$ 719,849	$ 754,348	$ 775,093
RTA Sales Tax (Part II) (1)	234,055	243,650	255,822	267,338	274,270
RTA Public Transportation Fund (Part I)	169,353	171,169	181,428	189,523	193,773
RTA PTF (Part II) (1) (2)	113,188	116,235	123,967	130,369	134,739
State Financial Assistance (ASA/AFA)	123,008	130,116	130,088	130,071	130,167
State Free Rides/Reduced Fare Reimbursement	41,970	34,061	31,997	33,980	25,820
State Funding for ADA Paratransit	–	8,500	8,500	8,500	8,500
State Funding for Debt Service per MOU	–	5,400	10,200	–	–
RTA Regional Capital Project Reserves	–	–	–	5,144	22,921
Other RTA Revenue	32,541	19,571	23,550	21,818	23,192
Total Revenue	$1,374,298	$1,416,487	$1,485,401	$1,541,090	$1,588,476
Operating Expenditures					
RTA Total Funds for CTA Operations	$ 475,432	$ 496,177	$ 549,187	$ 606,241	$ 626,883
RTA Total Funds for Metra Operations	278,313	319,393	334,102	344,411	349,737
RTA Total Funds for Pace Suburban Service Operations(3)	128,964	129,297	135,429	142,052	144,974
RTA Total Funds for Pace ADA Paratransit Operations(4)	97,212	104,521	114,346	124,173	136,267
RTA Funding for Innovation, Coordination, and Enhancement (ICE)	–	8,255	3,381	10,398	10,680
State Free Rides/Reduced Fare Reimbursement	42,441	34,061	31,997	33,980	25,820
RTA Agency Administration, Regional Services & Programs	33,223	32,731	36,224	34,253	40,749
Total Operating Expenditures	$1,055,585	$1,124,437	$1,204,667	$1,295,508	$1,335,110
Debt Service & Capital Expenditures					
Principal and Interest	$195,261	$223,361	$217,241	$211,307	$220,000
Regional Technology and Agency Capital	2,526	–	–	10,990	–
Transfer Capital – Metra	30,821	506	–	4,700	7,000
Transfer Capital – CTA	–	–	–	–	15,000
RTA Funds to CTA	19,165	20,353	10,200	–	–
Grant Incentive Program	–	–	–	2,162	1,615
RTA Joint Self-Insurance Fund(5) (JSIF)	3,575	4,425	5,380	5,000	5,000
Total Debt Service, Capital & JSIF Expenditures	$251,348	$248,645	$232,821	$234,159	$248,615
Total Expenditures	$1,306,933	$1,373,082	$1,437,488	$1,529,667	$1,583,725
Fund Balance					
Beginning Balance (Unassigned)	$(53,481)	$(27,893)	$7,318	$34,815	$5,122
Total Revenues Less Total Expenditures	67,365	43,405	47,913	11,423	4,751
Net Transfers (To)/From Reserves	(41,777)	(8,194)	(20,416)	(23,767)	(6,994)
Reconciliation to Budgetary Basis	–	–	–	(17,349)	–
Ending Fund Balance (Unassigned)	($27,893)	$7,318	$34,815	$5,122	$2,879
% of Total Operating Expenditures	(2.6%)	0.7%	2.9%	0.4%	0.2%
Total System-Generated Revenue Recovery Ratio	55.8%	55.6%	54.3%	56.6%	54.1%
ADA Paratransit Recovery Ratio(6)	10.0%	10.0%	10.7%	10.7%	10.0%

* Any discrepancies between Table I and the Combining Special Purpose Financial Statements for the respective fiscal year result from difference in presentation of the numbers. The numbers in Table I are presented on a budgetary basis and the numbers in the Combining Special Purpose Financial Statements are presented on a modified accrual basis.

** Prepared in mid-2013 by RTA, CTA, Metra, and Pace staff as an update of the 2013 budget and to assist in the development of the 2014 budget and 2015-16 financial plan.

(1) Incremental amounts generated by Amendatory legislation.

(2) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT).

(3) Includes Suburban Community Mobility Funds (SCMF) and South Suburban Job Access (SSJA) funds.

(4) Excludes budget balancing actions in 2013 and 2014.

(5) RTA funds to purchase excess liability and terrorism insurance to provide protection against catastrophic loss.

(6) The Act defines a "system generated revenue recovery ratio," representing the portion of costs covered by revenues. The ratio must equal at least 50% Region-wide excluding ADA Paratransit Service and 10% for ADA Paratransit Service. The 2011 Special-Purpose Combining Financial Statements present the calculation of this ratio on page 37-38 of Note 12.

2014 BUDGET AND 2015-16 FINANCIAL PLAN

By December 31 of each year, the RTA is required to adopt, after holding a public hearing, an annual RTA budget and appropriation ordinance for the following year and a two-year financial plan. This annual budget for the RTA includes direct expenditures for the RTA and funding of each Service Board's operating deficit. This annual budget must evidence a System Generated Revenue Recovery Ratio of no less than 50% and an ADA Paratransit Services Revenue Recovery Ratio of no less than 10%.

In determining the funding amounts to be available during the period of the annual budget and two year financial plan, the RTA reviews economic forecasts for the region and customized sales tax Forecasts from the Chicago Federal Reserve Bank and a private econometric forecasting service. In addition, the Governor's Office of Management and Budget supplies the RTA with a sales tax revenue projection in July of each year. By September 15 of each year, the RTA Board considers a recommended funding level for the Service Boards for the next fiscal year and the times at which such amounts are expected to be available. In October 2013 the RTA informed the Service Boards of the amounts projected to be available with respect to the 2014 budget and 2015-16 financial plan.

Each Service Board develops a proposed annual budget and two-year financial plan consistent with the funding levels established by the RTA. After holding public hearings on its proposed annual budget and two-year financial plan, each Service Board is required to submit its proposed budget and two-year financial plan to the RTA on or before November 15 of that year. The Act requires that such annual budget and two-year financial plan project or assume revenues from the RTA in amounts no greater than those set forth in the funding estimates provided by the RTA. In accordance with the RTA Act, the RTA reviews and approves the proposed annual budget and two-year financial plan of each Service Board.

Each Service Board presented its 2014 budget and 2015-16 financial plan to the RTA for approval under the Act. On December 18, 2013, the RTA adopted an ordinance approving the 2014 budgets and 2015-16 financial plans of the Service Boards, adopting the 2014 Budget and Financial Plan of the RTA and appropriating funds for the 2014 Budgets, and adopting the Five Year Capital Program.

The 2014 Budget and 2015-16 financial plan have been established using public funding estimates of the RTA that reflect recent improving trends and take into account economic forecasts from various sources. In the development of the 2014 Budget and 2015-16 Financial Plan, the RTA and the respective Service Boards have maintained service levels with no fare increases, aided by robust sales tax growth and effective control of operating expenses. For a third consecutive year, the budget does not utilize transfers from capital funding to support operations preserving those funds for their intended use.

By law, the Service Boards must prepare balanced budgets, and the Service Boards' proposed 2014 budgets meet this requirement. However, in the 2015 and 2016 financial planning years, Pace has identified additional funding and/or revenue required to balance the ADA Paratransit budget of $1.2 million and $2.6 million, respectively. This funding need will be addressed with some combination of additional public funding, additional operating revenue, and/or a reduction in operating expenses as determined by operating circumstances at that time. Additionally, State law requires that one-half of the RTA System operating costs, apart from ADA Paratransit service, are paid for with system-generated revenues. The 2014 regional operating budget meets this requirement with a projected system-generated recovery ratio of 52.5%.

The 2014 Budget and 2015-16 Financial Plan conform to the RTA requirements concerning system-generated recovery ratios. The 2014 budgeted ratio of 52.5% for mainline service exceeds the statutory requirement of 50%. Note that this reflects $34.8 million in revenue credits and $179.2 million in cost exclusions as established by the RTA Act. Without the use of credits or exclusions the Regional Recovery Ratio is budgeted to be 47.0% in 2014.The RTA has also used debt financing to provide for operating funds on a short-term basis, including the Series 2012A Notes and the Series 2013 Subordinate Commercial Paper Notes.

As more fully described in APPENDIX A hereto, the RTA monitors the receipt of Sales Tax Revenues and Public Transportation Fund Revenues on an ongoing basis throughout the year. In 2012, annual Sales Tax Revenues of $1.022 billion exceeded budget and prior year by 2.4% and 4.7%, respectively. In 2013, Sales Tax Revenues were $1.071 billion, which is 2.1% greater than budget, and 4.8% greater than prior year. The table set forth below shows the comparison of actual 2014 Sales Tax Receipts to budgeted 2014 Sales Tax Receipts and actual Sales Tax receipts in 2013.

RTA 2014 SALES TAX RECEIPTS

JANUARY YTD

(Dollars in thousands)

	Jan	Feb	Mar	April	May	June	July	Aug (2)	Sept	Oct	Nov	Dec	YTD	Full Year
2014 Actual	76,066												76,066	
2013 Actual	75,997	77,226	86,242	85,811	92,828	93,591	89,254	93,761	93,703	88,655	89,124	105,034	1,071,226	1,071,226
2013 Actual $ Change	69												69	
2013 Actual % Change	0.1%												0.1%	
2013 Budget(1)	78,339	79,993	92,347	89,189	92,770	97,860	92,090	95,014	92,284	89,453	91,627	108,344	78,339	1,099,310
2014 Budget $ Change	(2,273)												(2,273)	
2014 Budget % Change	(2.9%)												(2.9%)	

(1) Adopted by the RTA Board on December 18, 2013. August represents a cumulative adjustment.

The information presented in Table II is based on the 2014 Budgets and 2015-16 Financial Plans presented by the Service Boards and was adopted by the RTA as its 2014 Budget and 2015-16 financial plan at its December 18, 2013 meeting. The 2014 Budget and 2015-16 Financial Plans of the Service Boards presented in APPENDIX D were submitted to the RTA by the Service Boards and were approved by the RTA at the December 18, 2013 meeting.

In the event that Sales Tax Revenues are materially lower than projected in the 2014 Budget and 2015-16 financial plan, the RTA staff would recommend to the Board that revisions of its funding estimates for the balance of 2014 and subsequent periods be made and direct the Service Boards to develop new budgets and financial plans reflecting such revisions. The range of actions available to the RTA and the Service Boards to respond to a decrease in revenues includes measures to reduce costs through service cuts and other actions, fare increases, reprogramming of federal subsidies currently planned for long term capital projects to ongoing operating costs, like preventive maintenance or capital costs of contracting service, as permitted by federal law, freeing up other revenues to fund operating costs, and reprogramming of restricted cash balances held by the RTA. The 2014 Budget and 2015-16 financial plans are shown in Table II and APPENDIX D. The RTA will continue to monitor the level of Sales Tax Revenues.

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TABLE II
RTA 2014 BUDGET AND 2015-16 FINANCIAL PLAN
(Dollars in Thousands)

System-Generated Revenue	2014 Budget	2015 Plan	2016 Plan
System-Generated Revenue			
RTA Sales Tax (Part I)	$ 811,985	$ 844,464	$ 882,465
RTA Sales Tax (Part II)(1)	287,325	298,818	312,265
RTA Public Transportation Fund (PTF - Part I)	202,996	211,116	220,616
RTA PTF (Part II)(1)(2)	141,155	146,916	153,539
State Financial Assistance (ASA/AFA)	130,167	130,167	130,283
State Free Rides/Reduced Fare Reimbursement	25,820	34,070	34,070
State Funding for ADA Paratransit	8,500	8,500	8,500
RTA Regional Capital Project Reserves	2,921	921	921
Other RTA Revenue	19,740	20,332	20,943
Total Revenue	$1,630,609	$1,695,307	$1,763,602
Operating Expenditures			
RTA Total Funds for CTA Operations	$ 661,022	$ 669,294	$ 697,345
RTA Total Funds for Metra Operations	365,411	377,238	392,530
RTA Total Funds for Pace Suburban Service Operations (3)	151,612	155,825	161,938
RTA Total Funds for Pace ADA Paratransit Operations (4)	147,166	157,468	168,490
RTA Funding for Innovation, Coordination, and Enhancement (ICE)	11,188	11,636	12,159
State Free Rides/Reduced Fare Reimbursement	25,820	34,070	34,070
RTA Agency Administration, Regional Services and Programs	38,603	39,761	40,954
Total Operating Expenditures	$1,400,822	$1,445,292	$1,507,487
Debt Service & Capital Expenditures			
Principal and Interest	$ 220,000	$ 220,000	$ 220,000
Grant Incentive Program	1,787	1,763	1,745
Transfer Capital – Metra	2,000	–	–
Transfer Capital – CTA	6,000	6,180	6,365
Total Debt Service and Capital Expenditures	$229,787	$227,943	$228,110
Total Expenditures	$1,630,609	$1,673,235	$1,735,597
Fund Balance			
Beginning Balance (Unassigned)	$2,879	$2,879	$24,951
Total Revenues Less Total Expenditures	–	22,072	28,005
RTA Joint Self Insurance Fund (JSIF)(5)	–	–	–
Ending Fund Balance (Unassigned)	$2,879	$24,951	$52,956
% of Total Operating Expenditures	0.2%	1.7%	3.5%
Total System-Generated Revenue Recovery Ratio (6)	52.5%	52.9%	52.4%
ADA Paratransit Recovery Ratio	10.0%	10.0%	10.0%

(1) Incremental amounts generated by Amendatory Legislation.
(2) Includes PTF on the City of Chicago Real Estate Transfer Tax (RETT).
(3) Includes Suburban Community Mobility Funds (SCMF) and South Suburban Job Access (SSJA) funds.
(4) Excludes budget balancing actions in 2014 and 2015.
(5) RTA funds to purchase excess liability and terrorism insurance to provide protection against catastrophic loss.
(6) The Act defines a "system generated revenue recovery ratio," representing the portion of costs covered by revenues. The ratio must equal at least 50% Region-wide excluding ADA Paratransit Service and 10% for ADA Paratransit Service. The 2011 Special-Purpose Combining Financial Statements present the calculation of this ratio on page 37-38 of Note 12.

RTA CAPITAL PROGRAM

GENERAL DESCRIPTION OF THE RTA CAPITAL PROGRAM

The System is projected to provide 651.5 million passenger trips in calendar year 2013. This level of ridership has the beneficial impact of reducing road congestion, and so improving the flow of goods and services as well as air quality. In addition, the System provides essential mobility to those persons unable to utilize other transportation. The System represents an asset with a replacement value of approximately $151 billion. To continue these public benefits, the RTA strives to maximize the amount of resources devoted to investment in the System for it to remain in good working order, as well as to respond to changing markets. The RTA five-year capital program embodies the detail of this investment, updated and adopted annually by the RTA Board, as required by the Act.

Sources of funds for capital investment include federal and State programs as well as funds from the RTA, the Service Boards and local governments. Federal funding levels are currently governed by the Moving Ahead for Progress in the 21st Century (MAP-21) legislation. At this time, the final federal appropriations for 2014 have not been determined. Once the *Federal Register* containing the final federal fiscal year 2014 federal apportionments is published, the capital program will be amended to correspond to funds made available by the apportionment. The Service Boards will then revise their capital programs to reflect actual appropriation levels.

The State of Illinois approved capital bills in 2009 that programmed the RTA system with $2.7 billion in capital funds. With these funds the RTA can enable the replacement of aging trains, buses, track, stations and other infrastructure and improve the reliability of the system. The 2010 award of $442.7 million of the "*Illinois Jobs Now!*" funds for mass transit infrastructure that specifically included funding for RTA capital projects to be implemented by the CTA, Metra, and Pace was followed by $704 million awarded to the CTA and Pace in 2012. There remains uncertainty regarding the timing of the availability of the balance of the $2.7 billion originally appropriated for the program. A portion of these funds are dependent upon bond authorizations yet to pass the General Assembly. In addition, sources for debt service on some of the bond funds are dependent upon new revenues in the State's General Revenue Fund. Despite the challenging economic times, critical progress was made in 2013 on our capital investment needs. In 2013, State of Illinois funds were utilized on projects such as the CTA Dan Ryan Track and Station Renewal, Metra Highliner cars and stations, and Pace's replacement of aging buses. The balance of the $2.7 billion in State funding is programmed through 2014. Due to the current economic stress experienced by the State, the RTA has no assurance as to when such State funding will be provided to the RTA. See "SECURITY FOR THE SERIES NOTES – AUTHORITY OBLIGATIONS."

FIVE YEAR CAPITAL PROGRAM

The most recent five-year capital program, adopted by the RTA Board on December 18, 2013, covers years 2014 through 2018. The estimated capital funds total $4.7 billion over the five years of the program with $1.8 billion estimated for 2014. Replacement and rehabilitation of rolling stock represents the largest single category of investment, followed by electric, signal, and communications, and then by support facilities and equipment. The primary emphasis of the Capital Program is to continue efforts to bring the System's assets to a State of Good Repair. When replacing worn assets it is imperative to utilize modern technologies that often result in enhanced functionalities of equipment, facilities, and rolling stock.

Capital programs for the CTA during this period total approximately $3.0 billion, including the following major projects:

1. Repair of track and structures
2. Purchase of new rail cars
3. Rehabilitate and overhaul of rail cars
4. Purchase of new full size buses
5. Rehabilitation and overhaul of buses
6. Construction and improvement of facilities
7. Replacement and upgrade of power distribution and signal equipment

Capital programs for Metra during this period total approximately $1.3 billion, including the following major projects:

8. Purchase of Tier IV Locomotives
9. Rehabilitate commuter rail cars
10. Rehabilitate and improve locomotives
11. Rehabilitate and renew bridges
12. Construction and renewal of yards, shops and facilities
13. Installation of Positive Train Control (PTC)

Capital programs for Pace during this period total approximately $405 million, including the following major projects:

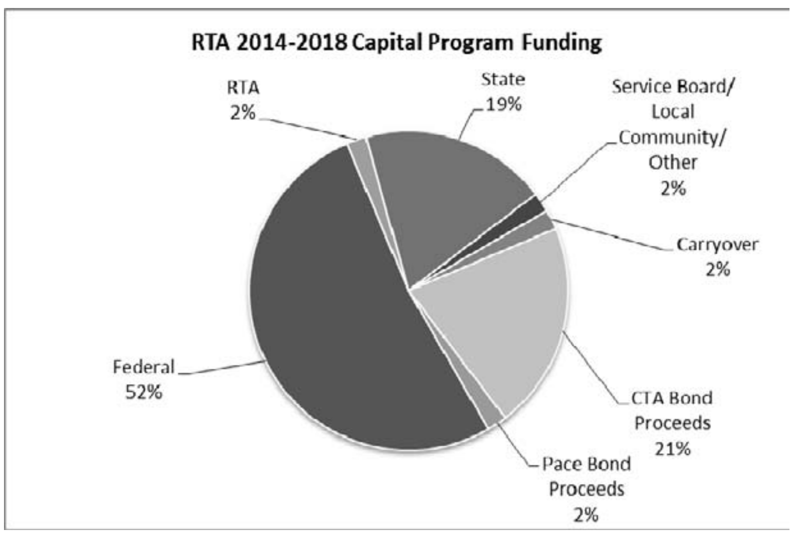
14. Purchase and rehabilitate bus rolling stock
15. Purchase paratransit vehicles and van rolling stock
16. Construct and improve garages and facilities

2014-2018 Capital Program (in millions)
by Asset Category

Asset Category	CTA	Metra	Pace	TOTAL
Rolling Stock	$1,036	$497	$188	$1,721
Track & Structure	243	278	-	521
Electric, Signal, & Communications	358	274	9	641
Support Facilities & Equipment	356	88	191	635
Stations & Passenger Facilities	249	82	10	341
Miscellaneous & Contingencies	33	84	7	124
Debt Service	699	–	–	699
Total	$2,974	$1,303	$405	$4,682

Source: RTA 2014-2018 Capital Program.

The chart below illustrates the anticipated funding sources for the RTA 2010-2014 Capital Program.



CERTAIN INVESTMENT CONSIDERATIONS

Attention should be given to the investment considerations described below, which, among others, could affect the ability of the Authority to pay principal of and interest on the Notes, and which could also affect the marketability of, or the market price for, the Notes to an extent that cannot be determined.

The purchase of the Notes involves certain investment considerations that are discussed throughout this Official Statement. Certain of these considerations are set forth in this section for convenience and are not intended to be a comprehensive compilation of all possible investment considerations nor a substitute for an independent evaluation of information presented in the Official Statement. **Each prospective purchaser of any Notes should read this Official Statement in its entirety and consult such prospective purchaser's own**

investment and/or legal advisor for a more complete explanation of the matters that should be considered when purchasing investments such as the Notes.

LIMITATIONS ON REMEDIES OF BONDHOLDERS

The remedies available upon an event of default under the General Ordinance or the Series Ordinance are in many respects dependent upon judicial actions which are often subject to discretion and delay. The various legal opinions to be delivered concurrently with delivery of the Notes will be qualified as to the enforceability of the various documents by bankruptcy, insolvency or other similar laws affecting the rights of creditors generally.

NO ACCELERATION PROVISION

The General Ordinance and Series Ordinance do not contain provisions allowing for the acceleration of the Notes in the event of a default in the payment of principal of and interest on the Notes when due. In the event of a default, the Bond Registrar will have the right to exercise the remedies provided in the General Ordinance.

CREDIT, LIQUIDITY AND SURETY PROVIDER DOWNGRADES

The Rating Agencies could issue statements leading to a change in rating outlook, a review for downgrade or downgrades or further downgrades of credit enhancers or surety providers. RTA's exposure to the credit of downgraded credit enhancers and surety providers could have negative effects on RTA's debt portfolio. In addition to an increase in the interest rates on variable rate bonds secured by the subject credit enhancers or surety providers, such downgrades, especially downgrades to below investment grade, could lead to termination events or other negative effects under related agreements including, but not limited to swap agreements, letters of credit and/or reserve fund surety policies. Payments required under these agreements in the event of any termination could be substantial and could have a negative impact on revenues and/or the liquidity position of the RTA. Furthermore, any impairment of the security on the Obligations of the Authority may have an impact on the credit rating thereof. The RTA has no obligation to replace any surety provider or credit enhancer upon a ratings downgraded thereof.

NO SECONDARY MARKET

There can be no assurance that a secondary market for the Notes will be established, maintained or functioning. Accordingly, each purchaser should expect to bear the risk of the investment represented by the Notes to maturity.

FACTORS AFFECTING SALES TAX RECEIPTS

The following represent some of the factors that may affect the actual amount of RTA Sales Tax collections available for payment of debt service on the Notes. A significant change from historical results in any one of these factors may have a material impact on the availability of Sales Tax Receipts and the ability of the Authority to pay debt service on the Notes.

Legislative Action. The Illinois General Assembly has the authority to amend the provisions of the State law governing the RTA Sales Taxes. Changes to the tax base and the exemptions could adversely affect the amount of RTA Sales Taxes collected.

Hartney Fuel Oil Company et al., v. Brian A. Hamer, Director of the Illinois Department of Revenue, et al. On November 21, 2013, the Supreme Court of the State of Illinois found that the corporate practice of artificially shifting the official point of purchase from the area where the taxpayer conducts the bulk of its selling activity to a municipality with lower sales tax inconsistent with state law. The Supreme Court also declared that the regulations promulgated by the Illinois Department of Revenue interpreting the taxing statute were impermissibly narrow and restricted local governments from collecting appropriate sales taxes from retailers in their jurisdictions. The Illinois Department of Revenue has indicated its intent to issue new rules consistent with the Supreme Court's decision in *Hartney*. These changes to the tax regulations may materially impact sales tax revenue collections for the City of Chicago, Cook County and the Authority. However, there can be no assurance that this Supreme Court decision or any new tax regulations will translate into higher sales tax revenues.

Changes in Economic and Demographic Conditions. Sales tax revenues historically have been sensitive to changes in local, regional and national economic conditions. For example, sales tax revenues have historically declined during economic recession, when higher unemployment adversely affects consumption. Demographic changes in the population of the Region may adversely affect the level of commercial and industrial activity in the Region and could reduce the number and value of taxable transactions and thus reduce the amount of Sales Tax Receipts.

Competition. Increases in sales tax rates in the Region may create incentives for certain purchases to be made and delivered in jurisdictions with lower overall sales tax rates. As a result, increasing sales tax rates may not result in corresponding percentage increases in revenues.

Internet sales. In future years, it is expected that increasing numbers of sales transactions will take place over the Internet. If these Internet sales are not treated, for sales and use tax purposes, comparably to, or if they displace, the types of transactions for which sales and use taxes currently are collected, sales tax collections may be adversely affected.

RTA's Right to Intercept Sales Tax Revenues. Pursuant to the RTA Act and the General Ordinance, the RTA has the right (using the bond trustee) to intercept RTA Sales Tax and Public Transportation Fund (PTF) allocable to the Service Boards and the Agency in order to make debt service payments. Such occurrence may result in the RTA withholding, delaying or not making payments to the Service Boards of their share of RTA Sales Taxes and PTF. To date, the RTA has never had to exercise this right.

LITIGATION

The RTA is a party to a number of lawsuits and proceedings arising out of its operations or the operations of the Service Boards. The RTA does not believe that the outcome of such litigation will have a material adverse effect on the ability of the RTA to pay debt service on outstanding Authority Obligations, including the Notes. At the time of the sale of the Notes, the RTA will furnish a certificate, in form and substance satisfactory to Bond Counsel, to that effect. At the time of issuance of the Notes, counsel to the RTA, will deliver a certificate that there is no litigation pending against the RTA in any way that seeks to restrain or enjoin the issuance, sale and delivery of the Notes or that materially affects the validity of the Notes or the validity of the security for the Notes.

TAX MATTERS

Interest on the Notes is not excludable from gross income for federal income tax purposes. Ownership of the Notes may result in other federal income tax consequences to certain taxpayers. Noteholders should consult their own tax advisors concerning tax consequences of ownership of the Notes. Interest on the Notes is also includible in the calculation of Illinois state income tax for Noteholders who are residents of Illinois. Ownership of the Notes may result in other state and local tax consequences to certain taxpayers, and Bond Counsel expresses no opinion regarding any collateral consequences arising with respect to the Notes.

CONTINUING DISCLOSURE

The Authority will enter into a Continuing Disclosure Undertaking (the *"Undertaking"*) for the benefit of the beneficial owners of the Notes to send certain information annually and to provide notice of certain events to certain information repositories pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the *"Rule"*) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. A copy of the form of Undertaking is attached as APPENDIX H.

The Authority was three and four days late, respectively, in filing its 2010 and 2011 annual reports. The Authority has revised its continuing disclosure practices and has made all filings since 2011 in a timely manner.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance and sale of the Series 2014A1 Bonds are subject to the approving legal opinions of Katten Muchin Rosenman LLP, Chicago, Illinois, as Bond Counsel, who has been retained by, and acts as, Bond Counsel to the Authority. The proposed form of the opinion of Bond Counsel is attached as APPENDIX G. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Official Statement or other offering material related to the Notes and assumes no responsibility for the statements or information contained in or incorporated by reference in this Official Statement, except that in its capacity as Bond Counsel, Katten Muchin Rosenman LLP has, at the request of the Authority, reviewed the statements in this Official Statement appearing under the headings "THE NOTES," "SECURITY FOR THE NOTES" (other than under the subheadings "AUTHORITY OBLIGATIONS–Rate Protection Contracts", "ANNUAL DEBT SERVICE" and "ESTIMATED DEBT SERVICE COVERAGE") and "TAX MATTERS" and in "APPENDIX E – SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES ORDINANCE", and is of the opinion that insofar as they purport to describe or summarize certain provisions of the Notes (apart from the information relating to DTC and its book-entry only system), the General Ordinance, the Series Ordinance, and Bond Counsel's opinion concerning certain federal tax matters relating to the Notes, said statements are accurate summaries of such provisions in all material respects.

RATINGS

S&P, Moody's and Fitch have assigned their municipal bond ratings of "AA" (stable outlook), "Aa3" (stable outlook) and "AA" (stable outlook), respectively, to the Notes.

An explanation of the significance of each such rating may be obtained only from the rating agency furnishing the same. The RTA furnished to the rating agencies certain information and materials regarding itself and the Notes. Generally, the rating agencies base their ratings on certain studies and assumptions. There is no assurance that the ratings will continue to be in effect for any given period of time, or that such ratings will not be lowered or withdrawn by the rating agencies, if, in the judgment of the rating agencies, circumstances so warrant. Any such downward change in or withdrawal of such ratings could adversely affect the market price of the Notes.

FINANCIAL ADVISOR

Acacia Financial Group, Chicago, Illinois has served as financial advisor (the *"Financial Advisor"*) to the RTA in connection with the issuance and sale of the Notes. The Financial Advisor has participated in the preparation of this Official Statement, but has not verified all of the factual information contained herein, nor has it conducted a detailed investigation of the affairs of the Authority for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely on the Financial Advisor's participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of the information contained herein.

UNDERWRITING

The Notes were sold at competitive bid on April 23, 2014. The Notes were awarded to J.P. Morgan Securities LLC (the *"Underwriter"*), which submitted the lowest true interest cost bid to purchase the Notes from the RTA at an aggregate price of $224,691,750, plus any accrued interest.

The Underwriter has provided the reoffering prices or yields for the Notes set forth on the inside cover of this Official Statement, and the RTA takes no responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the Underwriter's gross compensation (or *"spread"*) is $198,000. The public offering price of the Notes may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Notes to dealers and others (including unit investment trusts and other affiliated portfolios of certain underwriters) at a price lower than such initial public offering price.

MISCELLANEOUS

The references, excerpts and summaries of documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Notes, the security for the Notes and the rights and obligations of the Holders thereof.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable and, while not guaranteed as to completeness or accuracy, is believed to be correct as of its date.

Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, is set forth as such and not as a representation of fact; no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the RTA since the date hereof.

Further information regarding the RTA is available upon request to the Regional Transportation Authority, 175 West Jackson Boulevard, Suite 1650, Chicago, Illinois, 60604; Attention: Executive Director.

The execution and delivery of this Official Statement by the Chairman of the RTA has been duly authorized by the Board of the RTA.

REGIONAL TRANSPORTATION AUTHORITY

By: /s/ John S. Gates, Jr
Chairman

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APPENDIX A

RTA HISTORICAL AND PROJECTED SALES TAX REVENUES

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APPENDIX A

RTA HISTORICAL AND PROJECTED SALES TAX REVENUES

Actual Revenues. As shown in Table A-I, Sales Tax Revenues grew from approximately \$462 million in 1993 to approximately \$1,022 million in 2012. Earlier during this period, revenues grew more rapidly in the suburban areas of the Region, attesting to the more rapid population, employment, and income growth in these areas. However, more recently Sales Tax Revenues have grown more rapidly in the City of Chicago. While Table A-I shows the absolute value of Sales Tax Revenues for the period 1992 to 2011, Table A-II shows the percentage change on a year-to-year basis. For the years 1993 through 2012, Sales Tax Revenues grew at a compound growth rate of approximately 2.6% excluding the increase in Sales Tax Revenues received as a result of the Amendatory Legislation.

Projected Revenues. The projection of sales tax for the Region uses forecasts of population growth, total personal income, wages, and salaries for the Chicago metropolitan area. In addition, sales tax projections reflect estimated consumption expenditures for durable goods, nondurable goods, and services. See "FACTORS AFFECTING SALES TAX REVENUES" below. The RTA used these factors for projections from 2013 through 2016 as shown in Table A-III. A significant change in any one of these factors may have a material impact on these projections.

The new year-to-year percentage change in Sales Tax Revenues for years 2013-2016 is shown in Table A-IV. However, there may be differences between forecasted and actual Sales Tax Revenues and these differences may be material.

Caution should be exercised in examining these forecasts; they are conditioned upon general economic conditions in the United States, the State of Illinois and the City of Chicago. The RTA makes no representation that any forecast of Sales Tax Revenues, Available Revenues or sales tax growth set forth herein will be realized by the RTA. Further, this information is not fact and should not be relied upon as being necessarily indicative of future results. Readers of this Official Statement are cautioned not to place undue reliance on the projected financial information. Such forecast or projected information will be impacted by a number of economic and other factors, some of which are described below. Changes in such factors in any year or over the term of the Notes could result in a material change in the Sales Tax Revenues. Management of the RTA has prepared the projected financial information set forth below to present the projected Sales Tax Revenues for fiscal year 2013 as the basis for the 2014 Budget and the 2015-16 Financial Plan revenue estimates adopted on December 18, 2013. The accompanying projected financial information was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to projected financial information, but, in the view of the RTA's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the RTA.

Neither the RTA's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the projected financial information contained herein, nor have they expressed any opinion on any other form of *assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the projected financial information.*

Table A-I
Sales Tax Revenues
Actual – 1993 to 2012
(In Thousands of Dollars)

Year	Total	Year	Total
1993	$462,393	2003	$ 654,988
1994	497,698	2004	675,628
1995	513,301	2005	700,395
1996	532,304	2006	746,829
1997	555,496	2007	752,922
1998	576,704	2008	921,245
1999	613,514	2009	894,238
2000	650,284	2010	931,435
2001	653,522	2011	975,670
2002	647,686	2012	1,021,686

Table A-II
Sales Tax Growth Rates (%)
Actual – 1993 to 2012*

Year	Total	Year	Total
1993	3.701%	2003	3.226%
1994	7.635	2004	3.151
1995	3.135	2005	3.666
1996	3.702	2006	6.630
1997	4.357	2007	0.816
1998	3.818	2008	22.356*
1999	5.993	2009	(2.932)
2000	0.498	2010	4.160
2001	(.893)	2011	4.749
2002	1.128	2012	4.716

* Sales tax from the Amendatory Legislation became effective April 1, 2008; for 2008, receipts from the increased Sales Tax Revenues rates totaled $194.6 million.

Table A-III
Sales Tax Revenues
Projected – 2013-2016
(In Thousands of Dollars)

Year	Total
2013	$1,071,226
2014	1,099,310
2015	1,143,282
2016	1,194,730

Table A-IV
Sales Tax Growth Rates (%)
Projected – 2013-2017

2013	4.849%
2014	2.622%
2015	4.000%
2016	4.500%
2017 and beyond	3.000%

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FACTORS AFFECTING SALES TAX REVENUES

The following categories of information represent some of the factors that may affect the actual amount of Sales Tax Revenues realized by the RTA. A significant change from historical results in any one of these factors may have a material impact on the RTA forecast of Sales Tax Revenues.

Demographic Trends. The population of the Region increased steadily over the past two decades. Between 1990 and 2010, the United States Census Bureau indicates that the Region grew from approximately 7.3 million residents to 8.3 million residents, an increase of 14.6% as shown in Table A-V.

Table A-V
Population Trend by County
(in thousands)

COUNTY	1990	% OF TOTAL	2000	% OF TOTAL	2010	% OF TOTAL	% CHANGE	2012	% OF TOTAL
Cook	5,105	70.3	5,377	66.5	5,195	62.5	1.8	5,231	62.5
DuPage	782	10.8	904	11.2	917	11.0	17.3	928	11.1
Kane	317	4.4	404	5.0	515	6.2	62.5	522	6.2
Lake	516	7.1	644	7.9	704	8.5	36.4	702	8.4
McHenry	183	2.5	260	3.2	309	3.7	68.9	308	3.7
Will	357	4.9	502	6.2	678	8.1	89.9	683	8.1
Total	7,260	100.0%	8,091	100.0%	8,318	100.0%	14.6	8,374	100.0%

Source: U.S. Census Bureau.

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Employment. Employment totals for 1990, 2000, 2005 and 2010 by County are presented in Table A-VI. The 15.8% employment growth in the Region shown between 1990 and 2000 outpaced the 11.4 % population growth recorded by the United States Census Bureau over that same time span. The Region's employment level in 2010 was the same as in 2000. In January 2012 the unemployment rate (not seasonally adjusted) for the Region was 9.5%, compared to 9.4% for the State of Illinois and 8.3% for the United States.

Table A-VI
Employment Trends by County
(in thousands)

Area	1990	% of Total	2000	% of Total	2005	% of Total	2010	% of Total
Cook	3,108	72.4	3,322	66.9	3,246	65.0	3,203	64.5
DuPage	505	11.8	697	14.0	712	14.2	694	14.0
Kane	174	4.1	240	4.8	261	5.2	257	5.2
Lake	297	6.9	415	8.4	435	8.7	434	8.7
McHenry	83	1.9	111	2.2	124	2.5	124	2.5
Will	124	2.9	184	3.7	221	4.4	256	5.1
Total	4,291	100.0%	4,969	100.0%	4,999	100.0%	4,968	100.0%

Source: U.S. Department of Commerce-Bureau of Economic Analysis, "Local Area Personal Income CA04".

Suburban jurisdictions have led the Region in employment growth since 1990. The total employment in the five "collar" counties is approximately 35% of the Region's total. Cook County now makes up about 65% of the total, compared to 1990, when Cook County made up 73% of the Region's work force. Employment levels were at 4.3 million for the Region in 1990, and have remained at roughly 5.0 million since 2000.

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The employment distribution trend in the Region by economic sectors is illustrated in Table A-VII. The most dynamic growth has taken place in the service sector, with the biggest loss in the manufacturing sector.

Table A-VII
Employment Distribution by Industry
(in thousands)

	1990	% of Total	2000	% of Total	2005	% of Total	2010	% of Total
Industry								
Services*	1,273	29.4	1,738	34.7	2,154	43.1	2,261	45.5
Retail	666	15.4	726	14.5	478	9.6	446	9.0
Manufacturing	667	15.4	629	12.5	447	9.0	367	7.4
Government	501	11.6	535	10.7	537	10.7	539	10.8
Finance, Insurance, & Real Estate	437	10.1	504	10.1	537	10.7	583	11.7
Wholesale	297	6.9	294	5.9	241	4.8	229	4.6
Transportation and Utilities	246	5.7	296	5.9	220	4.4	213	4.3
Construction	204	4.7	242	4.8	269	5.4	204	4.1
Other**	36	0.8	50	0.9	116	2.3	126	2.6
Total	4,327	100.0%	5,014	100.0%	4,999	100.0%	4,968	100.0%

Source *U.S. Department of Commerce-Bureau of Economic Analysis, Regional Economic Accounts, CA25N – Total full-time and part-time employment by NAICS industry.*

* "Services" include NAICS categories 1100-1900

** "Other" includes NAICS categories 70, 100, 200 and 700 (for 2005, 2009)

Income. The Region experienced steady growth in wages and salaries throughout the 2000s. The income levels of residents of the Region are relatively higher than the nation as a whole. Within the six counties of the Region, per capita income is highest in DuPage and Lake Counties, as illustrated in Table A-VIII.

Table A-VIII
Region Per Capita Income

Area	1990	2000	2005	2010	2012
Cook	$22,206	$33,921	$40,549	$45,318	$48,943
DuPage	28,093	46,239	49,587	52,378	57,082
Kane	21,244	30,690	33,522	35,767	39,618
Lake	29,271	46,247	50,163	53,474	58,667
McHenry	21,988	33,342	36,164	39,067	43,802
Will	19,010	29,966	33,788	40,601	45,316

Source: U.S. Department of Commerce-Bureau of Economic Analysis

APPENDIX B

FINANCIAL STATEMENTS OF THE RTA FOR THE PERIOD ENDED DECEMBER 31, 2012

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2012

Comprehensive Annual Financial Report

Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

Fiscal Year Ended December 31, 2012

REGIONAL TRANSPORTATION AUTHORITY
NORTHEASTERN ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

Prepared by:

Department of Finance and Performance Management

Bea Reyna-Hickey
Senior Deputy Executive Director

and

Controller Division

REGIONAL TRANSPORTATION AUTHORITY
2012 COMPREHENSIVE ANNUAL FINANCIAL REPORT

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REGIONAL TRANSPORTATION AUTHORITY

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Regional Transportation Authority

175 W. Jackson Blvd.
Suite 1650
Chicago, IL 60604
(312) 913-3200
www.rtachicago.com

June 26, 2013

To the Board of Directors
Regional Transportation Authority
Chicago, Illinois

I have the pleasure to submit to you the Comprehensive Annual Financial Report ("CAFR") of the Regional Transportation Authority ("RTA") for the year ended December 31, 2012. The RTA staff has prepared this report as required by, and in accordance with, the RTA Act. This state law requires that the RTA publish financial statements presented in conformity with generally accepted accounting principles and audited by an independent certified public accountant.

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

In addition to the statutory requirement of the RTA Act for an annual audit by independent certified public accountants, the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments, and Non-Profit Organizations, require the RTA to undergo an annual Single Audit. The RTA has engaged the firm of McGladrey LLP to meet these requirements. The firm followed auditing standards generally accepted in the United States of America and the standards set forth in the above circular in conducting the engagement. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the RTA's financial statements for the year ended December 31, 2012 are presented in conformity with accounting principles generally accepted in the United States of America. The independent auditor's report is presented as the first part of the financial section of this report.

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

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

OVERVIEW OF THE REGIONAL TRANSPORTATION AUTHORITY

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

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

History

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

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

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

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

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

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

Mission

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

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

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

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

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

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

Budget

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

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

The Act establishes certain criteria for the budget, including subsequent monitoring for compliance. Further, the Five-Year Capital Program must specify each capital improvement undertaken by or on behalf of the service boards. The budget calendar as adopted as part of the RTA Business Plan Call and statutory requirements govern the budget development process leading up to adoption of the budget. Subsequent activities involve oversight and amendment of the budget.

Budget Calendar

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

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

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

Statutory Requirements

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

- *Balanced Budget*: A balance between anticipated revenues from all sources including operating subsidies and the costs of providing the services and of funding any operating deficits or encumbrances incurred in prior periods, including provision for payment when due of principal and interest on outstanding indebtedness;

- *Cash Flow*: Cash balances including the proceeds of any anticipated cash flow borrowing sufficient to pay with reasonable promptness all costs and expenditures as incurred;

- *Recovery Ratio*: A level of fares or charges, and operating or administrative costs, to allow the Service Board to meet its required recovery ratio;

- *Assumptions*: Employ assumptions and projections which are reasonable and prudent;

- *Financial Practices*: Prepared in accordance with sound financial practices as determined by the Board;

- *Strategic Plan:* Maintain consistency with the goals and objectives adopted by the RTA in the Strategic Plan; and

- *Other Requirements*: Other financial, budgetary, or fiscal requirements that the Board may establish by rule or regulation.

Oversight

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

- After the end of each fiscal quarter, each Service Board must report to the RTA "its financial condition and results of operations and the financial condition and results of operations of the public transportation services subject to its jurisdiction" for such quarter. If in compliance, the Board so states and approves each Service Board's compliance by adopted resolution.

- If in the judgment of the Board these results are not substantially in accordance with the Service Board's budget for such period as adopted by the RTA, the Board shall so advise the Service Board and the service board "shall, within the period specified by the Board, submit a revised budget incorporating such results."

- Once a Service Board submits a revised budget, the RTA must determine if it meets the seven statutory budget criteria necessary to pass an annual budget. If not, the RTA must withhold from the Service Board (i) 25% of the cash proceeds of taxes imposed by the RTA and (ii) 25% of any state matching funds that are allocated to each Service Board.

- If a Service Board then submits a revised budget and plan which shows that the statutory budget criteria will be met within a four quarter period, the RTA "shall release any such withheld funds to the Service Board."

Amendment

When prudent, the RTA Board may revise estimates of amounts of funds available to the Service Boards during a fiscal year due to shifts in the economic climate, governmental funding programs, or new projects. Upon receiving notice of such a revision, the Service Boards must submit amended budgets to the RTA Board within 30 days. The RTA Board must approve all proposed amendments. If approved, the RTA then monitors actual results compared to the amended budget.

Reporting Entity

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

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

RTA System Characteristics

The six-county area served by the RTA system covers 3,700 square miles. According to the Census Bureau, the population of the region was 8.3 million in 2010. The U.S. Department of Commerce-Bureau of Economic Analysis reported regional employment of 5 million during the same year. The RTA system carried 666 million riders in 2012, an increase of 2.2% from the prior year.

Governance

The RTA Act specifies the composition of the RTA Board of Directors. The RTA Board consists of fifteen appointed members and a Chairman. The Mayor of the City of Chicago appoints five directors. The suburban members of the Cook County Board appoint four directors and one director is appointed by the President of the Cook County Board. The chairman or executive of the County Boards of DuPage, Kane, Lake, McHenry and Will counties, each appoint a director. These fifteen directors, with a minimum concurrence of eleven directors, elect the Chairman of the RTA Board of Directors from outside their numbers.

The RTA employs a professional staff of approximately one hundred and eleven employees. The RTA Act limits the amount of administrative costs that the RTA may incur annually. The limit was set at $5 million for 1985 and increases at a rate of 5% per year. The RTA has always held its administrative expenses under the prescribed limit.

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

The RTA Act specifies the composition of the Metra (Commuter Rail Division) and Pace (Suburban Bus Division) Boards. The Commuter Rail Board, consisting of eleven members, governs Metra. The suburban members of the Cook County Board appoint four members. The Chairman or executive of the County Boards of Cook, DuPage, Kane, Lake, McHenry and Will counties each appoint one director. The Mayor of the City of Chicago, with the consent of the Chicago City Council, appoints one member. These eleven directors, with a minimum concurrence of eight directors, elect the Chairman of the Commuter Rail Board from among their members.

The Suburban Bus Board, consisting of thirteen members, governs Pace. The suburban members of the Cook County Board appoint six members. The Chairman or executive of the County Boards of DuPage, Kane, Lake, McHenry, and Will counties each appoint one director. The RTA Act requires that each of these directors must be a current or former “chief executive officer of a municipality” from the area that appoints the member. One director is the Commissioner of the Mayor's Office for People with Disabilities for the City of Chicago. The Chairman or executive of each of the County Boards of DuPage, Kane, Lake, McHenry, and Will, plus the suburban members of the Cook County Board, by simple majority, appoint the Chairman of the Suburban Bus Board from outside their numbers.

Financing

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

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

Sales Taxes

The Act authorizes the RTA to impose a retailers' occupation tax "ROT," a service occupation tax "SOT," and a use tax "UT." The RTA imposed this tax at the maximum permissible rate in 1979. The 2008 legislation increased the sales tax by .25% in Cook County and .50% in the collar counties. The individual collar counties keep .25% of the increase. All of the RTA sales taxes are collected by the Illinois Department of Revenue under procedures that are largely identical to the corresponding state sales taxes.

The ROT is imposed on the gross receipts from the sale of tangible personal property at a rate of 1% in Cook County and .75% in the collar counties. Except for the tax on food and drugs, the RTA tax base is identical to the State retailers' occupation tax base. Consequently, when the state base is expanded or contracted by taxing or exempting receipts from specific transactions, e.g., the sale of computer software or rolling stock, the RTA tax base likewise expands or contracts. However, when the legislature exempted the sale of food and drugs from the state tax, the exemption was not extended to the RTA and other local government taxes. As a result, the RTA tax on food and drugs is imposed at a rate of 1.25% in Cook, and .75% in collar counties.

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

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

Car Rental Tax

Section 4.03.1 of the Act authorizes the RTA to impose an automobile rental occupation and use tax. This occupation tax, paralleling the state and local car rental taxes, may be imposed at a rate of 1% in Cook County and 0.25% in the collar counties of the gross receipts from car rentals. The use tax may be imposed at the same rates on the privilege of using in the region a car rented outside, but titled in, Illinois. Any car leasing tax would be collected by the Illinois Department of Revenue.

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

Motor Fuel Tax

The Act authorized the RTA to impose a tax on retail sales and use of motor fuel at a rate of 5% of gross receipts. Section 4.03 (p) of the Act prohibits the RTA from imposing the motor fuel tax, if it has imposed the broader sales taxes described above.

Off-Street Parking Tax

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

Replacement Vehicle Tax

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

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

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

FACTORS AFFECTING ECONOMIC CONDITION

Financing

The RTA's primary source of operating funding is a regional (occupation and use) sales tax and a sales tax match from the State of Illinois. Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region (from the equivalent of 1.0% in Cook County and 0.25% in the remainder of the region to the equivalent of 1.25% in Cook County and 0.5% in the remainder of the region) beginning on April 1, 2008, increased the real estate transfer tax in the City of Chicago to fund the CTA, and raised from 25% to 30% the portion of RTA tax revenues matched by the State Public Transportation Fund (PTF). In 2012, actual RTA sales tax receipts of $1.022 billion increased 4.7% from prior year and exceeded budget by 2.4%.

The RTA 2013 operating budget approved by the Board of Directors on January 16, 2013 assumes sales tax revenues of $1.037 billion, an increase of 3.9% over the 2012 budget and 2.75% over 2012 estimated receipts. In addition to the 30% sales tax and real estate transfer tax match from the PTF, the 2013 budget recognizes these funds from the State of Illinois: $130.2 million to reimburse the debt service expenses for the RTA's Strategic Capital Improvement Program (SCIP) bonds and $34.1 million as partial reimbursement to the Service Boards for mandated reduced fare and free ride programs for student, elderly, and disabled riders.

Regional and Illinois Economy

The Chicago region comprises one of the most diversified economies in the United States. The region is home to more than 400 major corporate headquarters, including thirty-one Fortune 500 companies. A global leader in options, futures, and derivatives trading, the Chicago area economy's strengths include business and financial services, manufacturing, information technology, health services, and transportation and distribution. Chicago is not only a leader in sustainable business but also ranks as one of the most sustainable cities in the country. The unemployment rate in the Chicago region increased from 4.7% in 2006 to 10.5% in 2010 before declining to 9.8% in 2011 and 8.9% in 2012. This is consistent with unemployment trends across Illinois since 2006. In the first quarter of 2013, the Illinois unemployment rate increased to 9.5% on a non-seasonally adjusted basis, up from 8.9% in 2012. In the Chicago region, the unemployment rate also increased to 9.5% on a non-seasonally adjusted basis during the first quarter of 2013, up from 8.9% in 2012.

The March 2013 Monthly Revenue Briefing issued by the State Commission on Government Forecasting and Accountability noted that during the first nine months of the State's 2013 fiscal year, sales tax receipts of $5.5 billion increased $62 million or 1.1% compared to the same period of the previous fiscal year.

National Economy

Annual growth of real gross domestic product (GDP), the output of goods and services produced in the United States, declined from 2.6% in 2006 to 2.2% in 2007. Real GDP contracted 3.3% in 2008 and 0.1% in 2009. In 2010 real GDP grew by 2.4% followed by 2.0% growth in 2011 and 1.9% growth in 2012. The Congressional Budget Office (CBO) predicts annual real GDP growth of 1.4% in 2013 and 3.4% in 2014.

Following increases of 2.8% in 2007 and 3.8% in 2008, the consumer price index (CPI), a measure of the pace of inflation, declined 0.4% in 2009. In 2010 and 2011, CPI rose 1.6% and 3.2%, respectively. CPI then increased 2.1% in 2012 and is projected to increase 1.6% in 2013, according to the CBO.

The national unemployment rate rose from 4.6% in 2006 to 9.6% in 2010, the highest average annual rate since 1983. National unemployment declined to 8.9% in 2011 and to 8.1% in 2012. The CBO forecasts a national unemployment rate of 7.9% in 2013.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the RTA for its Comprehensive Annual Financial Report ("CAFR") for the year ended December 31, 2011. This was the eighteenth consecutive year that the RTA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the RTA received the GFOA Award for Distinguished Budget Presentation for its annual budget for the year ending December 31, 2012. This marks the sixteenth consecutive year that the RTA has achieved this accomplishment. The Distinguished Budget Presentation Award requires that the GFOA judge the budget document as proficient in several categories, including policy documentation, financial planning, and organization.

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

Bea Reyna-Hickey
Chief Financial Officer and
Senior Deputy Executive Director,
Finance and Performance Management

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Regional Transportation Authority Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

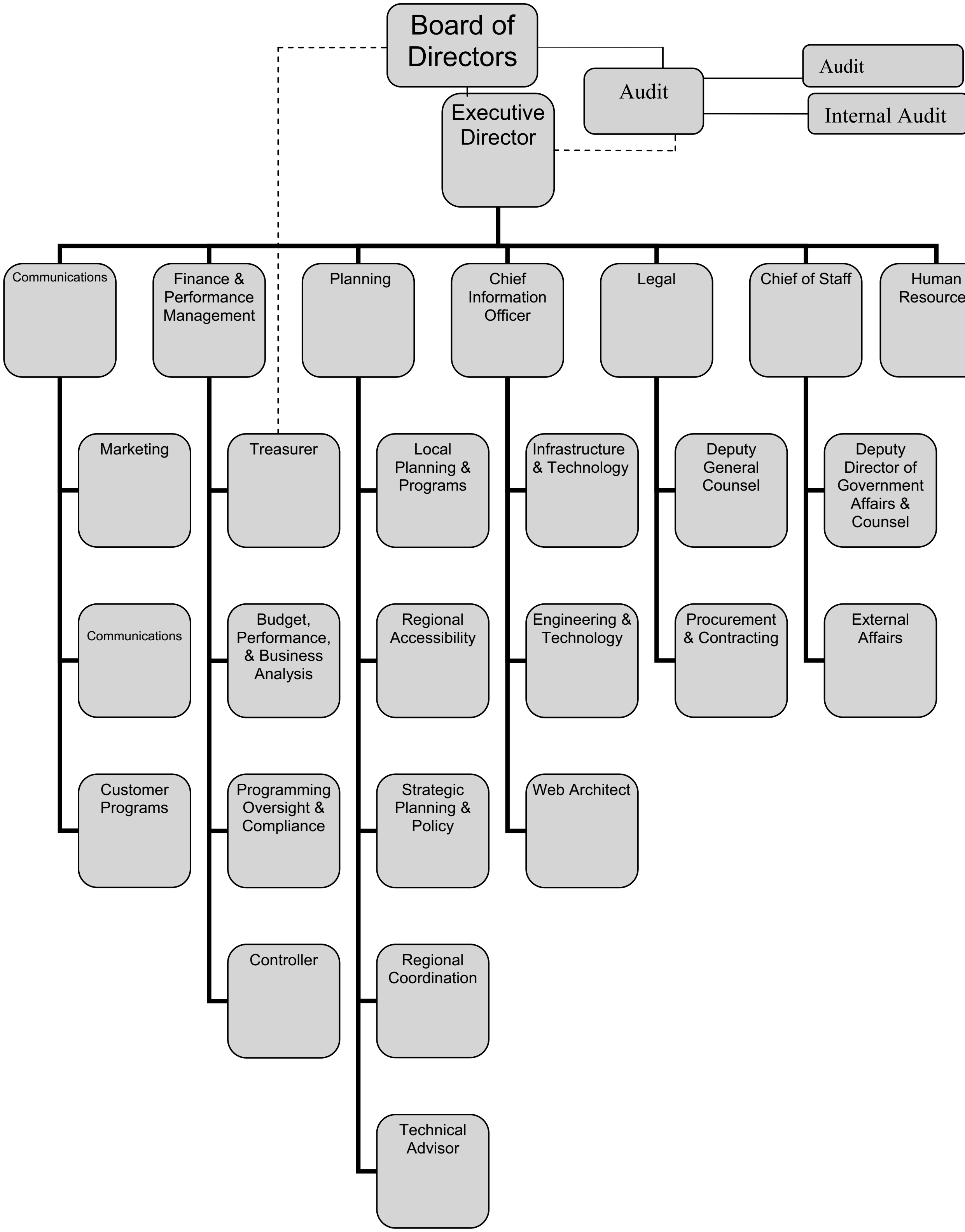
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Christopher P Morrill
President

Jeffrey R. Esser
Executive Director

REGIONAL TRANSPORTATION AUTHORITY
ORGANIZATION CHART
December 31, 2012



REGIONAL TRANSPORTATION AUTHORITY

LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2012

Board of Directors

Chairman	John S. Gates, Jr.
Directors	Anthony Anderson Carole L.Brown James Buchanan Jan Carlson William R. Coulson Rev. L. Tyrone Crider, Sr Patrick J. Durante John V. Frega Phil Fuentes Al Jourdan Dwight A. Magalis Christopher Melvin J.D. Ross Donald L. Totten Douglas M. Troiani

Administration

Executive Director	Joseph G. Costello
Senior Deputy Executive Director Finance and Performance Management, CFO	Bea Reyna-Hickey
Senior Deputy Executive Director Planning	Leanne P. Redden
General Counsel	Nadine Lacombe
Deputy Executive Director Communications	Diane J. Palmer
Chief of Staff	Jordan Matyas
Deputy Executive Director Information Technology, CIO	Arnold Crater

INDEPENDENT AUDITOR'S REPORT

McGladrey

Independent Auditor's Report

Board of Directors
Regional Transportation Authority
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Regional Transportation Authority (RTA), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise RTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of RTA, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information and pension related information on pages 16-24 and 72-77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RTA's basic financial statements. The introductory section, combining and individual fund schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying combining and individual fund schedules is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

McGladrey LLP

Schaumburg, Illinois
June 26, 2013

The following Management's Discussion and Analysis ("MD&A") provides an overview of the financial activity affecting the operation of the Regional Transportation Authority ("RTA") for the fiscal year ended December 31, 2012. Please read it in conjunction with the RTA's basic financial statements which follow this section.

Financial Highlights

- For the year ended December 31, 2012, the RTA statement of activities for the governmental activities shows expenses increasing $16 million to $580 million from $564 million for the same period in 2011. This increase is due to an increase in financial assistance to the CTA, Metra, and Pace ("Service Boards") by $42 million. The interest expense and the Regional and Technology Program expenses were lower by $22 million and $9 million, respectively. Also, the PTF and the State Assistance Revenues decreased by $63 million from 2011.

- The government-wide statement of net position shows assets of $1,045 million for the governmental activities, a net increase of $9 million. The increase is mainly due to an increase in cash and investments of $23 million offset by a decrease in receivables of $15 million. The decrease in receivable was due to the timing of receipts. In the government-wide statement of net position, bond-related liabilities decreased by $66 million, which reflects the decrease in general-obligation bonds payable in 2012.

- At the end of 2012, the government-wide statement of net position shows a deficit of $1.8 billion for governmental activities. In contrast, the governmental funds balance sheet presented a total fund balance of $736 million. There is a $2.5 billion difference between the fund balance and the net deficit. This does not in any way represent a precarious financial position for the RTA. Rather, it is how GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, requires RTA's general obligation bonds to be presented in the government-wide statement of net position.

- The RTA has the obligation to pay the bonds it has issued to fund the Service Boards' capital expenditures. These expenditures and the related assets appear in the Service Boards' financial statements. The sales taxes imposed by the RTA in the region represent the primary source of payment for the bond obligations.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

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

1. Introductory Section—This section includes the letter of transmittal, the GFOA Certificate of Achievement, the organizational chart, and the list of principal officials.

2. Financial Section—This section is comprised of the independent auditor's report, the management's discussion and analysis, the basic financial statements, and the required supplementary information and combining and individual fund schedules.

3. Statistical Section (Unaudited)—This section provides additional analysis and is not a required part of the basic financial statements of the RTA.

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

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

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

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

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

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

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

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

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

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

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

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

- ***Proprietary Funds—***The RTA maintains a proprietary fund to account for the RTA Joint Self-Insurance Fund. This type of proprietary fund, referred to as an enterprise fund, reports the same functions presented as business-type activities in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. As required by Article II of the Loss Financing Plan, the RTA Joint Self-Insurance Fund issues separate annual audited financial statements.

- ***Fiduciary Funds—***Fiduciary funds account for resources held for the benefit of parties outside the government activity. In the case of the RTA, the fiduciary fund accounts for the assets of the RTA defined-benefit Pension Plan and the Sales Tax Agency Fund. The government-wide financial statements do not reflect fiduciary funds as these funds are not available to support the programs and operations of the RTA. The RTA Pension Plan issues annual audited financial statements separately.

ANALYSIS OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The following table summarizes the Statement of Net Position:

SUMMARY OF NET POSITION
DECEMBER 31, 2012 AND 2011
(In Thousands)

	Governmental Activities			Business-type Activities			Total		
	2012	2011	Variance	2012	2011	Variance	2012	2011	Variance
Assets:									
Cash and investments	$ 659,287	$ 636,759	$ 22,528	$ 24,006	$ 20,411	$ 3,595	$ 683,293	$ 657,170	$ 26,123
Other assets	312,781	324,027	(11,246)	3,839	6,578	(2,739)	316,620	330,605	(13,985)
Noncurrent assets	57,876	60,329	(2,453)	-	1,714	(1,714)	57,876	62,043	(4,167)
Capital assets—net	14,809	14,491	318	-	-	-	14,809	14,491	318
Total assets	1,044,753	1,035,606	9,147	27,845	28,703	(858)	1,072,598	1,064,309	8,289
Deferred outflow of resources									
Accumulated decrease in fair value of hedging derivatives	31,951	33,425	(1,474)	-	-	-	31,951	33,425	(1,474)
Liabilities:									
Current non bond-related liabilities	154,380	128,256	26,124	-	-	-	154,380	128,256	26,124
Current bond related liabilities	137,384	394,645	(257,261)	-	-	-	137,384	394,645	(257,261)
Long-term non-bond-related liabilities	114,637	80,369	34,268	-	-	-	114,637	80,369	34,268
Long-term bond-related liabilities	2,401,418	2,209,908	191,510	-	-	-	2,401,418	2,209,908	191,510
Total liabilities	2,807,819	2,813,178	(5,359)	-	-	-	2,807,819	2,813,178	(5,359)
Deferred inflow of resources									
Accumulated increase in fair value of hedging derivatives	47,802	48,341	(539)	-	-	-	47,802	48,341	(539)
Net position (deficit):									
Net investment in capital assets	14,809	14,491	318	-	-	-	14,809	14,491	318
Restricted	175,643	326,598	(150,955)	-	-	-	175,643	326,598	(150,955)
Unrestricted (deficit)	(1,969,369)	(2,133,577)	164,208	27,845	28,703	(858)	(1,750,030)	(1,763,360)	13,330
Total net position (deficit)	$ (1,778,917)	$ (1,792,488)	$ 13,571	$ 27,845	$ 28,703	$ (858)	$ (1,751,072)	$ (1,763,785)	$ 12,713

As of December 31, 2012, cash and investments for governmental activities increased by $22 million over the previous year. The RTA's cash balance increased from last year due to a partial catch up by the state of Illinois on unpaid RTA Requisition. During 2012, the Capital Projects Fund decreased by $29 million, and the Debt Service Fund decreased by $139 million mainly due to the 2012 cash note payment.

As of December 31, 2012, the current bond and non bond-related liabilities decreased by $231 million from the previous year due primarily to the payoff of the short-term cash note.

The presentation of financial statements under GASB Statement No. 34 requires the recognition in the statements of net position of $2.5 billion in current and long-term general obligation bonds payable. The issuance of these bonds was for the specific purpose of funding capital grants to acquire and construct assets used to provide public transportation within the RTA region.

The RTA net deficit at December 31, 2012 will not affect the availability of RTA fund resources for future use. In fact, the RTA maintains its operations funding levels for 2013 as established in September 2012 during the 2013 budget process.

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

SUMMARY OF ACTIVITIES
DECEMBER 31, 2012 AND 2011
(In Thousands)

	Governmental Activities			Business-type Activities			Total		
	2012	2011	Variance	2012	2011	Variance	2012	2011	Variance
Expenses:									
Financial assistance to Service Boards	$ 171,700	$ 128,786	$ (42,914)	$ -	$ -	$ -	$ 171,700	$ 128,786	$ (42,914)
Administration of capital grants	218,804	236,929	18,125	-	-	-	218,804	236,929	18,125
Administration of operating grant	36,687	21,680	(15,007)	-	-	-	36,687	21,680	(15,007)
Administrative expenses	16,507	8,918	(7,589)	5,942	6,137	195	22,449	15,055	(7,394)
Regional and technology program expenses	19,015	27,914	8,899	-	-	-	19,015	27,914	8,899
Interest expense	117,254	139,314	22,060	-	-	-	117,254	139,314	22,060
Miscellaneous	-	397	397	-	-	-	-	397	397
Total expenses	579,967	563,938	(16,029)	5,942	6,137	195	585,909	570,075	(15,834)
Revenues and transfers:									
Sales taxes	113,152	107,977	5,175	-	-	-	113,152	107,977	5,175
PTF and state assistance	442,143	505,588	(63,445)	-	-	-	442,143	505,588	(63,445)
Note interest	-	-	-	-	36	(36)	-	36	(36)
Operating grant - CTA/PACE	10,398	9,930	468	-	-	-	10,398	9,930	468
Regional expenses	4,077	2,385	1,692	-	-	-	4,077	2,385	1,692
Investment income and other	28,768	24,598	4,170	84	461	(377)	28,852	25,059	3,793
Transfers	(5,000)	(5,380)	380	5,000	5,380	(380)	-	-	-
Total revenues and transfers	593,538	645,098	(51,560)	5,084	5,877	(793)	598,622	650,975	(52,353)
Change in net position	13,571	81,160	(67,589)	(858)	(260)	(598)	12,713	80,900	(68,187)
Net position - beginning of year	(1,792,488)	(1,873,648)	81,160	28,703	28,963	(260)	(1,763,785)	(1,844,685)	80,900
Net position - end of year	$ (1,778,917)	$ (1,792,488)	$ 13,571	$ 27,845	$28,703	$ (858)	$ (1,751,072)	$ (1,763,785)	$ 12,713

In 2012, financial assistance to the Service Boards increased by $43 million from 2011. But, the capital grants to the Service Boards decreased by $18 million from 2011 to $219 million in 2012, which reflects the activity in capital expenses to the Service Boards during 2011. Furthermore, the amount of bond interest expense decreased by $22 million from $139 million to $117 million in 2012. PTF and state assistance decreased by $63 million but the sales tax increased by $5 million, an increase in investment income and other of $4 million was mainly due to an increase in swap investments market value and the market value of investments.

During 2012, $5 million was transferred to the Joint Self-Insurance Fund for excess liability. Insurance premiums representing the only major expense, and investment income represents the only revenue for the Business-type activities (insurance financing).

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

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

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

General Fund—Assets in the General Fund primarily represent the amounts for Service Boards' operations and capital projects. Assets increased by $50 million from $579 million in 2011 to $629 million in 2012, mainly due to timing differences. The RTA's cash balance increased significantly from last year due to a partial catch up by the State of Illinois on unpaid RTA requisitions. Conversely, intergovernmental receivables decreased slightly by $13 million due to timing differences.

At December 31, 2012, the majority of RTA's liabilities of $229 million are comprised of intergovernmental payables and deferred revenue, i.e., accrued financial assistance, sales taxes, capital and other grants due to the Service Boards and deferred revenue and notes payable.

The total fund balance of the General Fund equals $399 million at December 31, 2012. The General Fund balance increased by $114 million primarily due to timing and increase in financial assistance to the Service Boards.

The amount committed for RTA capital projects is for projects focusing on the application of advanced technology on transportation systems to improve the efficiency of such systems. The transit industry views such technology as having the potential for increasing ridership and revenues by making transit systems more attractive to customers.

These applications include the following:

- A regional open fare payment system to promote seamless regional mobility, making it easier for transit customers to pay for travel on different segments of the RTA system with a simple single payment method. Key components of this initiative include development of an interagency fare model, demonstration and deployment of handheld fare collection onboard Metra trains, and extension of the CTA's open fare payment system. CTA began development of their open standards fare payment system with expected installation to begin in fall 2012. RTA contracted in February 2012 for the development of a regional fare model to help identify possible interagency fare scenarios. Work is expected to be complete on the model, fall 2012.

- The RTA has been mandated by the state legislature to develop and implement a regional fare payment system by January 2015. To inform the general policy discussion regarding the configuration of this system, the RTA and the Service Boards have been building an econometric tool to understand the relationships between fares, ridership and revenue. Unfortunately, the RTA and Service Boards have limited information to assess the inter-agency travel market, the market segment that would most likely benefit from a regional payment system. The Regional Fare Model will enable the RTA and Service Boards to test and evaluate alternative regional fare products and prices. The Regional Fare Model provides a framework to better understand the fundamental relationships between fares, ridership and revenue allowing a more informed decision regarding the ultimate configuration of a regional fare payment system. The Regional Fare Model is scheduled to be delivered in the second quarter of 2013.

- A regional real-time information system that integrates CTA's BusTracker and TrainTracker, Pace's WebWatch, and Metra's future next train information system. This initiative includes online delivery of the integrated information on desktop and mobile channels, the RTA's Travel Information Center, and the installation of electronic displays at bus stops and train stations that provide real-time "next train" or "next bus" service information. In 2012, the RTA added the Train Trackers page on www.goroo.com. It provides real-time arrival information for CTA buses and trains, Metra trains, and Pace buses.

- A five-year program of Transit Signal Priority (TSP) implementation along priority corridors and strategic CTA and Pace bus routes. TSP gives/extends a green signal to transit buses under certain circumstances to reduce passenger travel times, improve bus schedule adherence, and reduce bus operating costs. In 2012, the RTA and project stakeholders - CTA, Pace, IDOT, CDOT, Lake County DOT kicked-off a five-year, $40 million regional TSP implementation program with the goal of installing TSP on key transit corridors. The initial corridors for TSP implementation include the CTA's Ashland and Western Avenue Bus Rapid Transit corridors.

- A comprehensive Chicagoland Commute Options program that utilizes social networking and employer outreach to shift commute trips away from single-occupancy vehicle (SOV) use toward sustainable transportation modes like transit and vanpools. The RTA has submitted the FTA grant application for this project and work is estimated to begin in Fall 2013.

- Interagency Transit Passenger Information Display (ITPID) that utilizes regional wayfinding and static information sign standards to promote seamless travel on multi-agency transit facilities. The four pilot sites are being installed Second Quarter 2012 *(right now).* User testing of the sites will be conducted in the second half of 2012.

- Interagency Signs is a CMAQ funded project to provide coordinated signage and wayfinding information at major transit locations to promote seamless regional travel between CTA, Metra and Pace. The overall goal is to enhance the customer experience by making interagency transfer process as seamless as possible.

  RTA received CMAQ grant for development of the signage and a pilot installation. RTA, CTA, Metra and Pace worked together to develop the signage and information products. The signage was installed in 2012. The locations are:
  - Davis - Evanston (Metra, CTA Rapid Transit, CTA Bus, and Pace Bus)
  - Joliet Union Station (Metra and Pace Bus)
  - Van Buren – Downtown (Metra, CTA Rapid Transit, and CTA Bus)
  - 95th and Western (CTA Bus and Pace Bus)

  During the first year there will be usability and functional testing of the installed products, which includes public input. In this interim period the signage standards will be finalized for usage at other locations. In 2011, CMAQ granted the RTA funding for an additional 19 stations, which design will begin late 2013.

- Multi-Modal Trip Planner System (MMTPS) to provide side by side comparisons of trip itineraries using transit, driving, or any combination of non-motorized modes such as biking and walking. It will give customers a comprehensive decision support tool for choosing travel options that incorporate convenience, efficiency, and cost – from the traveler's perspective. The MMTPS project has been completed. The system has been operating since May 2009 and is available online at www.goroo.com. In 2012, the RTA released the goroo® web app which can be accessed by logging on to www.goroo.com from the browser of any web-enabled smart phone, including devices powered by Apple's iOS, Google's Android, and Microsoft's Windows Phone software. The web app includes the same great features that travelers in the region have been enjoying on the goroo® desktop site.

Debt Service Fund—The RTA establishes a Debt Service Fund to account for transfers received from the General Fund, investment income, and principal and interest payments made for each of its outstanding series of bonds. As of December 31, 2012, the RTA has nineteen series of general obligation bonds/notes outstanding. Each respective bond/note agreement sets forth the debt service funding requirements. The 2012 Debt Service Fund balance decreased by $139 million from 2012 to $158 million.

Capital Projects Fund—The RTA has established a Capital Projects Fund to account for bond proceeds, earnings on the investment of such proceeds, and the expenditure of such monies for capital assets of the Service Boards. In addition, the RTA can use a portion of these funds to pay for debt service on the related bonds. During 2012, the Capital Projects Fund decreased by $29 million. The decrease in cash and investment for the capital project fund reflects the activity in bond capital expenditure during 2012.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

In 2012, the actual change in revenues over expenditures of $195.5 million, including other financing (Debt Service) use, was $17.2 million lower than the budget figure of $212.7 million.

In the General Fund total revenues were under budget by $61.8 million. The variance in the General Fund is due to the slower state reimbursement and other grant funded revenues.

Total Expenditures in the General Fund, before transfers out is under budget by $44.6 million. The variance is the direct results of budgeting for the multi-year grant funded Technology program.

SERVICE BOARDS CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The financial statements of the Service Boards reflect the capital assets discussed in this section. The statement of net position for the RTA reflects the RTA bonds issued to provide a portion of the funding for these assets. The details of the RTA bond program are discussed further in Note 10 of this report.

Service Boards Capital Assets—The RTA System provides 666 million unlinked passenger trips annually. This has the beneficial impact of reducing road congestion, improving the flow of goods and services, and enhancing air quality. In addition, the RTA System provides essential mobility to those persons unable to utilize other transportation. The System represents an asset with replacement cost estimated at more than $151.2 billion for the entire region. To continue these public benefits, the RTA strives to maximize the amount of resources devoted to investment in its System for it to remain in good working order. The RTA Five-Year Capital Program report contains the details of this investment. The Five-Year Capital Program report is updated and adopted annually by the RTA Board, as required by the RTA Act.

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

RTA Capital Assets—For more detailed information on capital asset activity, please see Note 9 in the notes to the financial statements.

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

Prior to January 1, 2000, the RTA had the authority to issue up to $500 million in SCIP bonds and to have up to $500 million in Non-SCIP bonds outstanding. Effective January 1, 2000, the RTA Act was amended to increase the RTA authorization by an additional $260 million of SCIP bonds in each year for the period of 2000 through 2004, and to issue and have outstanding up to $800 million of Non-SCIP bonds. As of year-end 2012, the RTA has issued $1.790 billion in SCIP bonds, with total SCIP bonds outstanding of $1.408 billion. The remaining $685 million of bonds outstanding are Non-SCIP bonds.

For 2012, the bonds issued by the RTA carried a rating of “AA” from Standard & Poor’s, Aa3 by Moody’s Investors Service, Inc. and AA by Fitch, Inc.

For more detailed information on debt activity, please see Note 10 in the Notes to Financial Statements.

CONTACTING THE FINANCIAL MANAGEMENT OF THE REGIONAL TRANSPORTATION AUTHORITY

This CAFR provides a general overview of the finances of the RTA. Users of the CAFR should address questions concerning the information, or requests for additional financial information, to the Regional Transportation Authority, c/o Senior Deputy Executive Director, Finance and Performance Management/CFO, 175 West Jackson Blvd., Suite 1650, Chicago, Illinois 60604 or visit our website at www.rtachicago.org.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET POSITION
DECEMBER 31, 2012
(In Thousands)

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current portion of:			
Cash and investments:			
Cash and cash equivalents	$ 148,250	$ 10,285	$ 158,535
Restricted—investments (external)	284,852	-	284,852
Unrestricted—investments	226,185	13,721	239,906
Intergovernmental receivables	250,535	-	250,535
Unamortized bond issue costs	2,193	-	2,193
Accrued interest on investments	137	20	157
Loan to SB-note and interest	-	1,561	1,561
Prepaid expenses and other assets	59,903	2,271	62,174
Internal balances	13	(13)	-
Total current assets	972,068	27,845	999,913
Non-current portion of:			
Unamortized bond issue costs	10,074	-	10,074
Derivative instrument - asset	47,802	-	47,802
Capital assets—net of accumulated depreciation	2,146	-	2,146
Capital assets—non-depreciable	12,663	-	12,663
Total non-current assets	72,685	-	72,685
Total assets	1,044,753	27,845	1,072,598
DEFERRED OUTFLOWS OF RESOURCES			
Accumulated decrease in fair value of hedging derivatives	31,951	-	31,951
LIABILITIES:			
Current portion of:			
General obligation bonds payable plus unamortized bond premium of $13,495	102,295	-	102,295
Unearned revenue	1,999	-	1,999
Due to fiduciary funds	1,578	-	1,578
Intergovernmental payables	143,815	-	143,815
Accrued interest payable	35,089	-	35,089
Accrued other expenses	6,988	-	6,988
Total current liabilities	291,764	-	291,764
Non-current portion of:			
Deferred rent	2,158	-	2,158
Unearned revenue	77,590	-	77,590
Derivative instrument-liability	34,889	-	34,889
General obligation bonds payable plus unamortized bond premium of $97,618	2,401,418	-	2,401,418
Total non-current liabilities	2,516,055	-	2,516,055
Total liabilities	2,807,819	-	2,807,819
DEFERRED INFLOWS OF RESOURCES			
Accumulated increase in fair value of hedging derivatives	47,802	-	47,802
NET POSITION (DEFICIT):			
Net investment in capital assets	14,809	-	14,809
Restricted			
SWAP (2% notional)	17,174	-	17,174
Debt service	158,469	-	158,469
Unrestricted (deficit)	(1,969,369)	27,845	(1,941,524)
TOTAL NET POSITION (DEFICIT)	$ (1,778,917)	$ 27,845	$ (1,751,072)

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

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

	Expenses	Program Operating Grants/ Revenues	Net Expense (Revenue) and Changes in Net Assets: Governmental Activities	Net Expense (Revenue) and Changes in Net Assets: Business-type Activities	Total
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Financial assistance to Service Boards	$ 171,700	$ -	$ 171,700	$ -	$ 171,700
Administration of capital grants					
Discretionary	5,410	-	5,410	-	5,410
Bonds	213,394	-	213,394	-	213,394
Administration of operating grant					
CTA/PACE	36,687	10,398	26,289	-	26,289
Administrative expenses	16,507	-	16,507	-	16,507
Regional expenses	17,542	4,077	13,465	-	13,465
Technology program expenses	1,473	-	1,473	-	1,473
Interest expense	117,254	-	117,254	-	117,254
Total governmental activities	579,967	14,475	565,492	-	565,492
Business-type activities:					
Insurance financing	5,942	-	-	5,942	5,942
TOTAL PRIMARY GOVERNMENT	$ 585,909	$ 14,475	565,492	5,942	571,434
GENERAL REVENUES AND TRANSFERS:					
General revenues:					
Sales taxes			113,152	-	113,152
Interest on sales taxes			119	-	119
State assistance (PTF)			355,159	-	355,159
State assistance (ASA/AFA)			86,984	-	86,984
Investment income			22,213	77	22,290
Other revenues			6,436	7	6,443
Transfers			(5,000)	5,000	-
Total general revenues and transfers			579,063	5,084	584,147
CHANGES IN NET POSITION (DEFICIT)			13,571	(858)	12,713
NET POSITION (DEFICIT):					
Beginning of year			(1,792,488)	28,703	(1,763,785)
End of year			$ (1,778,917)	$ 27,845	$ (1,751,072)

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

REGIONAL TRANSPORTATION AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Cash and cash equivalents	$ 148,250	$ -	$ -	$ 148,250
Investments:				
Restricted investments	-	102,324	182,528	284,852
Unrestricted—investments	226,185	-	-	226,185
Due from other funds	31	-	-	31
Intergovernmental receivables	250,535	-	-	250,535
Accrued interest on investments	124	7	14	145
Other receivable	3,401	56,147	-	59,548
Prepaid items and other assets	327	-	-	327
TOTAL ASSETS	$ 628,853	$ 158,478	$ 182,542	$ 969,873
LIABILITIES:				
Due to other funds	$ 1,578	$ -	$ -	$ 1,578
Intergovernmental payables	140,336	-	3,479	143,815
Accrued items	8,401	9	-	8,410
Deferred revenue	79,589	-	-	79,589
Total liabilities	229,904	9	3,479	233,392
FUND BALANCES:				
Nonspendable:				
Prepaid items	327	-	-	327
Restricted:				
SWAP (2% Notional)	17,173	-	-	17,173
Debt service	-	158,469	-	158,469
Committed:				
CTAP capital	14,512	-	-	14,512
RTA non-cap tech	3,762	-	-	3,762
Debt svc deposit agrmt reserve (DSDA)	46,987	-	-	46,987
Grant Incentive Program	9,531	-	-	9,531
Service Board capital (discretionary)	33,804	-	-	33,804
ICE reserve	26,252	-	-	26,252
RTA capital projects	6,770	-	-	6,770
Bond capital projects	-	-	179,063	179,063
SWAP capital (SB) expense	63,277	-	-	63,277
Unassigned	176,554	-	-	176,554
Total fund balances	398,949	158,469	179,063	736,481
TOTAL LIABILITIES AND FUND BALANCES	$ 628,853	$ 158,478	$ 182,542	$ 969,873

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

REGIONAL TRANSPORTATION AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2012
(In Thousands)

TOTAL FUND BALANCE—GOVERNMENTAL FUNDS	$ 736,481
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the capital assets, net of accumulated depreciation recognized in the statement of net position.	14,809
Bond issue costs are paid in the current year and, therefore, are reported as expenditures in the governmental funds. This asset represents the unamortized portion recognized in the statement of net position.	12,267
General obligation bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. This liability represents the total current and long-term portion of the general obligation bonds payable recognized on the statement of net position.	(2,392,600)
Bond premiums are paid in the current year and, therefore, are reported in the funds. This liability represents the unamortized portion recognized in the statement of net position.	(111,113)
Accrued interest payable on bonds is not due and payable in the current period and, therefore, is not reported in the funds. This liability is accrued in the statement of net position.	(35,089)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(699)
Other post-employment benefit obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(36)
Derivative instruments do not provide or use current financial resources and are not reported in the fund statements. This is the amount by which derivative related liabilities exceeded assets at year-end.	(2,937)
TOTAL NET DEFICIT—GOVERNMENTAL ACTIVITIES	$ (1,778,917)

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

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Sales taxes	$ 113,152	$ -	$ -	$ 113,152
Interest on sales taxes	119	-	-	119
Public Transportation Fund	189,523	-	-	189,523
General State revenue	155,369	-	-	155,369
Innovation, Coordination & Enhancement (ICE)	10,398	-	-	10,398
IDOT State Grant - PACE (ADA)	8,500	-	-	8,500
Pace ADA 2012 Surplus Refund	1,767	-	-	1,767
State assistance	86,983	-	-	86,983
Investment income	18,466	179	58	18,703
Other revenues	8,201	2,317	-	10,518
Total revenues	592,478	2,496	58	595,032
EXPENDITURES:				
Financial assistance to Service Boards	171,700	-	-	171,700
Capital grants-discretionary	5,414	-	-	5,414
South Suburban Job Access Program (PACE)	7,500	-	-	7,500
Innovation, Coordination & Enhancement (ICE)	10,278	-	-	10,278
State General Revenue CTA	7,969	-	-	7,969
IDOT Cap Grant - PACE (ADA)	10,940	-	-	10,940
Capital grants- State bonds	184,089	-	29,303	213,392
Administrative	15,713	-	-	15,713
Regional	19,785	-	-	19,785
Capital outlay	295	-	-	295
Debt service:				
Principal	-	999,375	-	999,375
Interest	5,548	124,336	-	129,884
Debt related costs	-	942	-	942
Miscellaneous	-	1,552	-	1,552
Total expenditures	439,231	1,126,205	29,303	1,594,739
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	153,247	(1,123,709)	(29,245)	(999,707)
OTHER FINANCING SOURCES (USES):				
Transfers in	173,130	207,457	7	380,594
Transfers out	(212,457)	(173,137)	-	(385,594)
Debt issuance	-	950,000	-	950,000
Total other financing sources (uses)	(39,327)	984,320	7	945,000
NET CHANGE IN FUND BALANCES	113,920	(139,389)	(29,238)	(54,707)
FUND BALANCES:				
Beginning of year	285,029	297,858	208,301	791,188
End of year	$ 398,949	$ 158,469	$ 179,063	$ 736,481

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

REGIONAL TRANSPORTATION AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

NET CHANGE IN FUND BALANCES—TOTAL GOVERNMENTAL FUNDS	$ (54,707)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($1,512) exceeded depreciation ($843) in the current period.	669
Proceeds (if any) from disposals of capital assets are reported as financing sources in governmental funds; however, the gain (loss) on sale of disposal is recorded in the Statement of Activities.	(351)
The issuance of long-term debt provides current financial resources to governmental funds. However, this transaction has no effect on net position.	(950,000)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. However, this transaction has no effect on net position.	999,375
Accrued interest on bonds reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	2,881
Governmental funds report bond premiums as an other financing source. However, in the statement of activities, the premiums are amortized over the life of the bonds and recorded as a reduction of bond interest expense.	13,495
Unamortized bond issue costs reported in the statement of activities require the use of current financial resources and therefore, are fully recognized in the governmental funds. This is the amount by which 2012 amortization ($2,193) exceeded new issuance costs ($941).	(1,252)
Compensated absenses reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.	(30)
Net pension employee benefit obligations reported in the statement of activities does not require the use of current financial resources and therefore, is not reported as expenditures in governmental funds.	(18)
Increases (decreases) in the fair values of investment derivative instruments do not provide (use) financial resources and are not reported in the fund financial statements.	3,509
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 13,571

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

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET POSITION
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
DECEMBER 31, 2012
(In Thousands)

ASSETS:	
Current:	
Cash and cash equivalents	$ 10,285
Investments	13,721
Accrued interest on investments	20
Note receivable	1,554
Note accrued interest	7
Recoverable premium	259
Prepaid insurance	2,012
Total assets	27,858
LIABILITIES	
Due to General Fund	13
NET POSITION - Unrestricted	$ 27,845

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

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

OPERATING REVENUES:	
Note interest	$ 7
OPERATING EXPENSES:	
Insurance expense	5,779
Professional services	150
Bank charges and miscellaneous	13
Total operating expenses	5,942
OPERATING LOSS	(5,935)
NON-OPERATING REVENUES	
Investment income	77
Total nonoperating revenues	77
Transfer from General Fund	5,000
CHANGE IN NET POSITION	(858)
NET POSITION:	
Beginning of year	28,703
End of year	$ 27,845

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

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CASH FLOWS
BUSINESS TYPE ACTIVITIES—ENTERPRISE FUND
JOINT SELF-INSURANCE (PROPRIETARY) FUND
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Payments to insurance vendor	$ (6,040)
Payments to other vendors	(150)
Net cash flows from operating activities	(6,190)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Note interest received	36
Payments received - principal on notes receivable	4,659
Purchases of investments	(23,866)
Proceeds from sale and maturities of investments	19,475
Investment income	90
Net cash flows from investing activities	394
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Contributions received from RTA	5,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(796)
CASH AND CASH EQUIVALENTS:	
Beginning of year	11,081
End of year	$ 10,285
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	$ (5,935)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Note interest	(7)
Changes in:	
Prepaid insurance	(2)
Recoverable premium	(259)
Due to General Fund	13
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (6,190)

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

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012
(In Thousands)

	Pension Trust Fund	Sales Tax Agency Fund
ASSETS:		
Cash and cash equivalents	$ 13,940	$ -
Investments, at fair value:		
Corporate fixed income mutual fund	40,302	-
Equity mutual funds and common stocks	46,538	-
Common stocks	26,460	-
Balanced funds	18,117	-
Total Investments	131,417	-
Intergovernmental receivables:		
Sales taxes	-	169,970
New sales tax	-	70,551
Interest on sales taxes	-	23
Reduced fare reimbursement	-	34,070
PTF (new sales tax/RETT)	-	56,242
Advances to Service Boards	-	71,186
Pension contribution from Service Boards	11,915	-
Due from General Fund	1,578	-
Accrued dividends and interest	13	-
Total Receivables	13,506	402,042
Total assets	158,863	402,042
LIABILITIES:		
Intergovernmental payables:		
Sales taxes due to Service Boards	-	169,970
New sales tax due to Service Boards	-	70,073
Interest on sales taxes due to Service Boards	-	23
Reduced fare reimbursement	-	34,070
PTF (new sales tax/RETT)	-	56,242
Advances from State	-	71,186
Paratransit funding PACE	-	-
Due to RTA General Fund	18	-
Suburban Community Mobility Fund-SBD	-	478
Accrued other items	115	-
Total liabilities	133	402,042
Net position held in trust for pension benefits	$ 158,730	$ -

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

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

	Pension Trust Fund
ADDITIONS:	
Investment gain:	
Net appreciation in fair value of investments	$ 13,526
Interest and dividends	2,212
	15,738
Less investment expenses:	
Investment managers	295
Trust fees	41
Investment advisor	123
Total investment expenses	459
Net investment gain	15,279
Contributions:	
Metra pension contributions	9,921
Pace pension contributions	7,951
RTA pension contributions	2,368
Total contributions	20,240
Total net additions	35,519
DEDUCTIONS:	
Benefit payments	10,360
Administrative expenses	455
Total deductions	10,815
NET INCREASE IN PLAN NET POSITION HELD IN TRUST FOR PENSION BENEFITS	24,704
PLAN NET POSITION HELD IN TRUST FOR PENSION BENEFITS:	
Beginning of year	134,026
End of year	$ 158,730

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

NOTE 1. REPORTING ENTITY

The Regional Transportation Authority ("RTA") was established in 1974 upon approval of a referendum in its six-county Northeastern Illinois region. The operating responsibilities of the RTA are set forth in the RTA Act ("Act"). The RTA is a unit of local government, body politic, political subdivision and municipal corporation of the State of Illinois. As initially established, the RTA was an operating entity responsible for providing day-to-day bus and rail transportation services. However, on November 9, 1983, the Illinois General Assembly reorganized the structure and funding of the RTA from an operating entity to a planning, funding, and oversight entity. The reorganization placed all operating responsibilities in the Chicago Transit Authority ("CTA") and two operating divisions of the RTA: the Commuter Rail Division ("Metra") and the Suburban Bus Division ("Pace"), each having its own independent board of directors. These divisions conduct operations and deal with subsidized carriers. These three entities are defined in the Act as the "Service Boards."

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

The Act sets forth detailed provisions for the allocation of receipts by the RTA to the various Service Boards, and imposes a requirement that the RTA System as a whole achieves annually a "system-generated revenues recovery ratio" (i.e., aggregate income for transportation services provided) of at least 50% of the cost of transportation services. For purposes of the recovery ratio calculation, the Act requires that the costs used in the calculation include all operating costs consistent with generally accepted accounting principles, with certain exceptions. Capitalized expenditures are recorded as capital assets, and are excluded from the recovery ratio calculation as required by the Act. The Service Boards achieve their required recovery ratios by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA is responsible for monitoring the budgets and financial performance of the Service Boards.

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

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

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

In the judgment of the management of each of the entities and their analysis and application of Statement No. 14 criteria, while the RTA does exercise some fiscal oversight, the Service Boards are not part of the

RTA reporting entity for the purpose of preparing a comprehensive annual financial report in accordance with generally accepted accounting principles in the United States.

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

- The Service Boards maintain separate management, exercise control over all operations (including the fare structures), and are accountable for fiscal matters, including ownership of assets, relations with Federal and State transportation funding agencies that provide financial assistance in the acquisition of these assets, and the preparation of operating budgets. The Service Boards are also responsible for the purchase of services and approval of contracts relating to their operations.

- The RTA Board has control neither in the selection nor the appointment of any Service Board Director nor of any of its management. Further, directors of the Service Boards are excluded from serving on more than one entity's board of directors, including that of the RTA.

- The Illinois statutes required the RTA Board to approve the budgets of the Service Boards if such budgets meet specified system-generated revenues recovery ratios and other requirements as defined by the Act.

- The RTA is not entitled to any Service Board surplus or responsible for any Service Board deficits.

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

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide and Fund Financial Statements—The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the RTA in a manner similar to a private-sector business. The effect of interfund activities has been removed from these statements. Governmental activities which are supported by sales taxes and intergovernmental revenues are reported separately from the insurance activities. The insurance activities include interest charges for loans advanced for claims of the Service Boards. Likewise, the fiduciary fund type - RTA Pension Trust Fund and Sales Tax Agency Fund are presented separately and are not included in the government-wide financial statements of the RTA.

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

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

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

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

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

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

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

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

Assets, Liabilities and Fund Equity

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

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

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

Description	Useful Life
Furniture and equipment	5 years
Computer equipment and software	5 years
Leasehold improvements	Life of the lease

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

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

Changes in compensated absences for the year ended December 31, 2012 were as follows (amounts in thousands):

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012	Due Within One Year
Compensated absences payable	$ 669	$ 699	$ 669	$ 699	$ 65

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

Unearned/Deferred Revenue—-These amounts are recorded as assets and revenue recognition is based on certain time requirements.

Fund Balances—In the fund financial statements, governmental funds report fund balances in the following categories:

Nonspendable – This consists of amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.

Restricted – This consists of amounts that are restricted to specific purposes, that is, when constraints placed on the use of resources are either a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

Committed – This consists of amounts constrained by limitations that the Authority imposes upon itself through resolution by its board of directors. The commitment amount will be binding unless removed or amended in the same manner.

Assigned – This consists of net amounts that are constrained by the Authority's intent to be used for specific purpose, but that are neither restricted not committed.

Unassigned – This consists of residual deficit fund balances.

In instances where restricted, committed and assigned fund balances are available for use, RTA's policy is to use restricted resources first, followed by committed resources, then assigned resources, as needed.

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

*Sales Tax***—**Prior to 2008, the RTA Sales Tax consisted of (i) in Cook County, (a) a tax of 1 % of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a Food and Drug Tax) and (b) a tax of 0.75% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois other than Cook County, a tax of 0.25% of the gross receipts from all taxable retail sales (together with (i) (b), a General Sales Tax); and (iii) a tax of 1% on the use in Cook County, and 0.25% on the use in Northeastern Illinois other than Cook County of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a Use Tax); and (iv) a tax imposed in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax on persons engaged in a sale of service pursuant to which property in the form of tangible personal property or in the form of real estate is transferred incident to a sale of a service (a Service Occupation Tax).

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

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

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

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

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

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

The RTA recognizes as a receivable and revenue in the General Fund only the 15% of this portion of the total sales taxes collected to which it is entitled by the amended Act. The remaining 85% of this portion of the sales tax is recorded in the Agency Fund. The criteria applied for recognition of the receivable and related revenue are that the amounts are "measurable and available" for the RTA to meet its current obligations.

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

Public Transportation Fund—In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund," an amount equal to 30% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes) and RETT. These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the PTF through its 2011 fiscal year which will end June 30, 2012.

In February 2008, the PTF match of the pre-2008 RTA sales tax increased from 25% to 30%. In April 2008, the 5% PTF match was applied to the RETT and the RTA portion of the sales tax increase. In January 2009, the PTF match of both the RETT and the RTA portion of the sales tax increase rose from 5% to 30%.

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

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

The amounts allocable to each of the Service Boards from funding received by the RTA from a portion of the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. This portion corresponds to 25% of the pre-2008 sales tax receipts. The remaining portion of the State's PTF is combined with the sales tax resulting from the 2008 rate increase and allocated by statute first to the ADA Paratransit Fund, ICE Fund, and SCMF, with the remainder distributed 48% to the CTA, 39% to Metra, an 13% to Pace.

The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement—In the State's fiscal year 2013, which ends June 30, 2013, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation ("IDOT") is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities, and the elderly. For the State fiscal year ended June 30, 2012, the grant was in the amount of $34.1 million. For the state fiscal year ending June 30, 2013, the RTA anticipates a grant in the amount of $17 million.

Additional State Assistance/Additional Financial Assistance—The State has authorized Additional State Assistance ("ASA") which is supplemental financing for the RTA's Strategic Capital Improvement Program ("SCIP") bonds. The ASA available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP I bonds plus any debt service savings from the issuance of currently refunding or advance refunding SCIP I bonds, less interest earned on the unspent bond proceeds, or (ii) $55 million per year. The RTA recognized $34.6 million of ASA in 2012.

Beginning with the State's fiscal year 2001, the State has also authorized Additional Financial Assistance ("AFA") to pay for debt service requirements for SCIP II bonds authorized under the Illinois First Program. The amount available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds less interest earned on those bond proceeds, or (ii) $100 million in the State's fiscal years 2012 and 2013, per year. The RTA recognized $52.3 million of AFA in 2012.

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

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

Administration consists of those costs of the RTA incurred to carry out its administrative activities. These costs were limited by statute to $18.7 million for the year ended December 31, 2012.

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

Cash Flows—For purposes of the statement of cash flows, the RTA considers all short-term securities with original maturities of three months or less to be cash equivalents. Cash and cash equivalents aggregated $10.3 million at December 31, 2012 and are included in cash and cash equivalents under business-type activities on the accompanying statement of net position. The remaining $13.7 million constitutes investments in the Joint Self-Insurance Fund with original maturities in excess of three months.

Management's Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

New Accounting Pronouncements—During 2012, the Authority adopted the following GASB Statements:

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in pre-November 1989 FASB and AICPA Pronouncements*, was established to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, was established to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment to GASB Statement No. 53*, was established to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced.

Other accounting standards that the Authority is currently reviewing for applicability and potential impact on the financial statements include:

Statement No. 65, *Items Previously Reported as Assets and Liabilities,* was established to reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Authority is required to implement this statement for the year ending December 31, 2013.

Statement No. 66, *Technical Corrections – 2012,* was established to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two earlier pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement also amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and to an internal service fund type. Governments are allowed to base their decision about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* Finally, this Statement also amends Statement 62 by modifying the specific guidance on accounting for operating lease payments that vary from a straight-line basis; the difference between the initial investment and principal amount of a purchased loan or group of loans; and servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases* and result in guidance that is consistent with the requirements of Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* The Authority is required to implement this statement for the year ending December 31, 2013.

Statement No. 67, *Financial Reporting for Pension Plans*, will be effective for the Authority beginning with its year ended December 31, 2014. This statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans and requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules.

Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be effective for the Authority beginning with its year ended December 31, 2015. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

Management has not currently determined what impact, if any, these Statements may have on its financial statements.

NOTE 3. CASH AND INVESTMENTS

Governmental and Joint Self-Insurance Fund Investments

Cash and investments in the statement of net position may be restricted by bond covenants or through action of the RTA board as to their use. Unrestricted cash and investments may be used for any purpose.

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

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

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

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

Investments

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

As of December 31, 2012, the RTA's investments were as follows (amounts in thousands):

Investment Type	Fair Value
Commercial paper	$ 95,071
Fixed-income securities	56,543
Illinois Funds	82,838
Money market fund	9,583
U.S. Agency securities	280,483
Total	$ 524,518

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

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

As of December 31, 2012, the RTA's investments were as follows (amounts in thousands):

		Credit Rating		
Investment Type	Fair Value	Moody's	Standard & Poor's	Fitch
Commercial paper	$ 95,071	P-1	A-1	F1
Fixed-income securities	56,543	Aaa-mf	AAAm	*
Illinois Funds	82,838	*	AAAm	*
Money market fund	9,583	Aaa-mf	AAAm	AAAmmf
U.S. Agency securities	128,990	Aaa	AA+	AAA
U.S. Agency securities	151,493	Aaa	AA+	*
Total	$ 524,518			

* Rating not available

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

The RTA has investments in the following issuers that exceed 5% of the total investments:

In the Governmental funds, there are no investments in a single issuer that exceeds 5% of the total investments.

Joint Self-Insurance Fund Investment	Amount	% of Portfolio
Starbird Funding	$ 2,999,311	12%
Mizuho Funding	2,997,119	12%
Lexington Parker	1,498,528	6%

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

The Illinois Funds investment pool (2a7-like pool) is managed by the Treasurer of the State of Illinois and is not registered with the SEC. The Illinois Funds targets maintaining a $1 per share net asset value (NAV) at all times. The fair market of the investment pool is equal to the number of pool shares owned.

Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding at December 31, 2012, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2012 financial statements are as follows (amounts in thousands):

	Changes in Fair Value		Fair Value at December 31, 2012		
	Classification	**Amount**	**Classificatio**	**Amount**	**Notional**
Governmental activities					
Fair value hedges:					
Receive-fixed interest rate swap	Deferred inflow	$ (776)	Debt	$ 13,800	$ 84,840
Receive-fixed interest rate swap	Deferred inflow	391	Debt	13,897	96,442
Receive-fixed interest rate swap	Deferred inflow	(153)	Debt	20,105	144,663
Cash flow hedge:					
Pay-fixed interest rate swap	Deferred outflow	1,474	Debt	(31,951)	111,650
Investment derivatives:					
Basis swap	Investment revenu	1,437	Investment	(1,234)	184,539
Basis swap	Investment revenu	1,431	Investment	(1,234)	184,539
Basis swap	Investment revenu	641	Investment	(470)	52,000

Objective, Terms, Fair Value and Accounting of Derivative Instruments

The RTA engaged an independent pricing service with no vested interest in the interest rate swap transactions to perform the valuations, the required tests, and evaluation of all the swaps for compliance with GASB 53. The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

The table below displays the objectives, terms, and fair values of the RTA's derivative instruments outstanding as of December 31, 2012, along with the counterparties and their credit ratings.

Type of Swap	Objective	RTA Pays	RTA Receives	Trade Date	Effective Date	Maturity Date	Current Notional	Counterparty	Ratings	Fair Value
Receive-fixed	Hedge of fair value changes in the Series 1990 A, 1994 B, and 1994 D bonds	SIFMA Swap Index	4.30200%	11/16/2001	11/20/2001	06/01/2020	$84,840,000	UBS AG	A2/A/A	$ 13,800,170
Pay-fixed	Hedge of changes in cash flows on the Series 2005 B bonds	4.95200%	70% of USD-LIBOR	12/13/2002	06/01/2005	06/01/2025	$111,650,000	JPMorgan Chase Bank, N.A.	Aa3/A+/A+	$ (31,950,685)
Basis	Reduce interest expense (investment instrument under GASB 53)	SIFMA Swap Index	78.25% of USD-LIBOR	08/07/2003	08/11/2003	06/01/2024	$184,539,000	Merrill Lynch Capital Services, Inc. (Bank of America)	Baa2/A-/A	$ (1,233,770)
Basis	Reduce interest expense (investment instrument under GASB 53)	SIFMA Swap Index	78.25% of USD-LIBOR	08/07/2003	08/11/2003	06/01/2024	$184,539,000	UBS AG	A2/A/A	$ (1,233,770)
Basis	Reduce interest expense (investment instrument under GASB 53)	SIFMA Swap Index	79% of USD-LIBOR	03/22/2005	03/29/2005	07/01/2023	$52,000,000	JPMorgan Chase Bank, N.A.	Aa3/A+/A+	$ (470,913)
Receive-fixed	Hedge of fair value changes in the Series 2000 A and 2006 A	SIFMA Swap Index	4.36700%	06/07/2007	06/11/2007	07/01/2030	$96,442,000	JPMorgan Chase Bank, N.A.	Aa3/A+/A+	$ 13,896,601
Receive-fixed	Hedge of fair value changes in the Series 2000 A and 2006 A	SIFMA Swap Index	4.36700%	06/07/2007	06/11/2007	07/01/2030	$144,663,000	Goldman Sachs Bank USA	A2/A/A	$ 20,105,667

The receive-fixed swap transactions are associated with fixed rate debt. Combining a receive-fixed pay-variable rate swap with fixed-rate debt results in what is termed “synthetic” variable-rate debt. It is called synthetic because the economics are similar to floating-rate debt, but an additional instrument is involved unlike traditional floating-rate debt. When the RTA created synthetic floating-rate debt, it had very little unhedged variable-rate exposure in its overall debt profile. A comparison and determination was made that the terms and costs of issuing traditional floating-rate debt, which would involve ongoing liquidity, credit, and maintenance fees, would have been higher and involved greater risk than by creating synthetic variable-rate debt through the receive-fixed swap.

The three swaps where the RTA receives a fixed rate and pays a floating rate are considered fair value hedges. They all qualify for hedge accounting under GASB 53, therefore all cumulative changes in fair value as of December 31, 2012, which were all assets, were offset by a corresponding deferred inflow liability on the statement of net position.

The one swap where the RTA pays a fixed rate and receives a floating rate is considered a cash flow hedge. The swap exceeds the underlying $125.9 million bond principal by approximately $0.5 million of notional. This pay-fixed swap transaction is associated with variable debt. Combining a pay-fixed/receive-variable rate swap with variable-debt results in what is termed “synthetic” fixed-rate debt. It is called synthetic because the economics are similar to fixed-rate debt, but an additional instrument is involved unlike traditional fixed-rate debt. When the RTA created synthetic fixed-rate debt, a comparison and determination was made that the fixed rate on traditional debt would have been higher than the all-in fixed-rate on the swap, inclusive of credit support costs for the underlying variable-rate demand bonds. The RTA received a payment of $11.7 million when the swap agreement was entered into.

The three swaps where the RTA pays and receives floating rates, basis swaps, are deemed investment instruments under GASB 53 and are accounted for as investment instruments.

There are three main strategies the RTA pursues with respect to each transaction. Each swap can achieve one or more of these strategies. Then as a result of execution of the derivative, its value will change with respect to how prevailing rates in each reporting period compare to when the derivative was put in place. The accumulated changes in fair value, or total fair value of all the derivatives are a function of how prevailing interest rates and other market factors affect each transaction at each reporting period. Pursuant to GASB 53, each swap transaction is then evaluated to determine what type of accounting treatment to apply.

(i) Mitigate the effect of fluctuations in variable interest rates. This is the primary function of the swap. The RTA pays a fixed rate, and receives a floating rate. In an interest rate environment whose level is generally higher than the rate at which the RTA is fixed, the swap would result in a positive value to the RTA. Correspondingly, a lower rate environment than the fixed rate would result in a negative value to the RTA. The value primarily depends on the overall level of interest rates on the reporting date compared to what the RTA pays. The overall level of long-term interest rates from period to period is the primary driver of changes in value recorded from the investment derivatives where the RTA pays fixed and receives a floating rate. Interest rates have trended lower since inception of the pay-fixed swap, therefore, the mark-to-market value is generally more negative to the RTA.

(ii) Reduce interest expense from expected benefit resulting from the difference between tax-exempt and taxable rates. This is a function of the swap where the RTA receives a percentage of 1-month LIBOR when hedging tax-exempt variable debt, with the expectation of receiving an ongoing net benefit from paying a lower fixed rate at the time of putting on the swap transaction. The historical average ratio of 1-month LIBOR (short-term taxable rates) versus tax-exempt rates, a direct function of tax rates, is approximately 70%, but the ratio of long-term taxable rates and long-term tax-exempt rates is normally significantly higher than the percentage received by the RTA on the fixed-rate swap. Therefore, the fixed rate payable in exchange for a smaller percentage of LIBOR plus applicable spread will be significantly less than a long-term tax-exempt fixed rate. This reduction in fixed rate is the value of the benefit, the risk being tax rates change over the life of the percentage of LIBOR swap, or the variable rates on the RTA's hedged bonds do not closely match the percentage of LIBOR variable rate on the swap. The value of such a swap is determined by the prevailing level of taxable interest rates, with no reference to tax-exempt interest rates.

For the three basis swaps, the RTA receives 78.25% and 79% of 1-month LIBOR which is significantly higher than the historical average ratio of 70% stated above. This additional receipt to the RTA is the expected benefit and reduction to interest expense for the life of the basis swap transaction. The value of such a swap is determined by the prevailing level of taxable interest rates received versus the level of tax-exempt interest rates paid.

(iii) Converting a portion of fixed-rate debt to variable in an environment of higher long term fixed rates and lower variable interest rates, with no ongoing liquidity fees. This is the function of the swaps where the RTA receives fixed and pays the SIFMA Swap Index. The cancellation option in the two swaps mirror the RTA's call option on the underlying bonds. Including this option in the receive-fixed swap increased the fixed-rate receivable to the RTA. If either counterparty exercises their option and cancels the swap, interest rates will likely have declined, also allowing the RTA to refund the underlying fixed rate bonds for savings. The value of each swap is determined by the prevailing level of interest rates, and if applicable, the value of the cancellation option which is an asset to the counterparty. Interest rates have trended lower since inception of the receive fixed swaps, therefore, the mark-to-market value is generally more positive to the RTA.

Risks

Credit risk. This is the risk that the counterparty fails to perform according to its contractual obligations. The appropriate measurement of this risk at the reporting date is the sum fair value of swaps netting, or aggregating under a contract between the RTA and each counterparty. The RTA would be exposed to credit risk on derivative instruments under a netting agreement that would sum to an asset position. As of December 31, 2012, the RTA has credit risk exposure to Goldman Sachs Bank USA and UBS AG. This is because the transactions associated with each counterparty net to a positive fair value, meaning the RTA is exposed to the counterparty in the amount of the derivative contracts' fair values. However, should interest rates change and the fair values become negative, the RTA would not be exposed to credit risk.

The RTA has no credit risk exposure on the rest of the swap contracts because the swaps under each netting agreement with each counterparty have negative fair values, meaning the counterparties are exposed to the RTA in the amount of the derivatives' fair values. However, should interest rates change and the fair values of the swaps become positive, the RTA would be exposed to credit risk.

The swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds.

Interest rate risk. The RTA is exposed to interest rate risk on its interest rate swaps. On the receive fixed/pay variable, as interest rates increase, the risk increases. On pay fixed/receive variable, as interest rates decrease, the risk increases.

Basis risk. Basis risk is the risk that the interest rate paid by the RTA on underlying variable rate bonds to bondholders differs from the variable swap rate received from the applicable counterparty. The RTA bears basis risk on its fixed rate swap. The swap has basis risk since the RTA receives a percentage of LIBOR to offset the actual variable bond rate the RTA pays on its bonds. The RTA is exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the RTA pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost savings from the swap may not be realized.

Termination risk. The RTA or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If the fixed-rate swap is terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swaps have a negative fair value, the RTA would be liable to the counterparty for a payment equal to the swap's fair value.

Hedging derivative instrument payments and hedged debt. As of December 31, 2012, aggregate debt service requirements of the RTA's debt (fixed rate and variable rate) and net receipts/payments on associated hedging derivative instruments are as follows. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. The schedule below represents pay fixed derivative.

Year Ending December 31,	Principal	Interest	Hedging Derivatives, Net	Total
	(Amounts in Thousands)			
2013	$ 25,700	$ 35,173	$ (4,993)	$ 55,880
2014	27,305	33,980	(4,603)	56,682
2015	29,060	32,534	(4,321)	57,273
2016	39,305	30,355	(4,210)	65,450
2017	42,150	27,560	(4,176)	65,534
2018-2022	184,250	106,423	(16,662)	274,011
2023-2027	195,380	73,080	(2,551)	265,909
2028-2032	92,585	18,708	126	111,419
2033-2035	36,800	3,861	-	40,661
Total	$ 672,535	$ 361,674	$ (41,390)	$ 992,819

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

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the RTA's pension deposits may not be returned to it. The RTA's Pension Plan policy does not explicitly indicate custodial credit risk. As of December 31, 2012, none of the Plan's cash and investments was at risk.

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

As of December 31, 2012, the RTA's pension investments were as follows (amounts in thousands):

Investment Type	Fair Value	Weighted Average Maturity (Months)
Corporate fixed income mutual fund	$ 40,302	54
Money market fund	13,940	1
Total fair value	$ 54,242	
Portfolio weighted average maturity		40

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

As of December 31, 2012, the credit ratings for RTA pension investments were as follows:

Investment Type	Total Fair Value (Amounts in Thousands)		Credit Rating (where available) Moody's	Standard & Poor's	Fitch
Corporate fixed income mutual fund	$	40,302	NR	NR	NR
Money market fund		13,940	Aa3	AA-	AA
Balanced mutual fund		6,370	NR	NR	NR
Total	$	60,612			

NR - not rated

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

NOTE 4. INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

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

Receivable		**Amount (In Thousands)**
General Fund:		
Sales taxes	$	30,045
Innovation, Coordination & Enhancement (ICE)		239
State assistance (ASA & AFA)		106,293
Public Transportation Fund (PTF)		107,832
Pace ADA Paratransit		1,767
Interest on sales tax		16
Illinois Department of Transportation (IDOT) grants and others		4,321
JSIF Claims and Other Advances		22
Total Intergovernmental Receivables	$	250,535
Payable		
General Fund:		
Financial assistance	$	97,796
State bond payable SB		30,496
Accelerated sales tax		12,015
Capital assistance		29
Total General Fund		140,336
Capital Projects Fund:		
Capital grants, (CTA, METRA, PACE)		3,479
Total Intergovernmental Payables	$	143,815

NOTE 5. DUE TO/FROM OTHER FUNDS

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

The General Fund makes monthly transfers to the Debt Service Fund and occasionally makes transfers to the Joint Self-Insurance Fund. The General Fund owes the Pension Trust Fund for its share of contributions during the period. Cash receipts and payments on behalf of the Sales Tax Agency Fund originate in the General Fund.

On December 31, 2012, the amounts due to/from other funds presented in the Governmental Funds Balance Sheet, the Joint Self-Insurance Fund Statement of Net Position, and the Fiduciary Funds Statement of Fiduciary Net Position are as follows:

Receivable Fund	Payable Fund	Amount (In Thousands)
General	Pension	$ 18
General	Joint Self-Insurance	13
Pension Trust	General	1,578

NOTE 6. INTERFUND TRANSFERS

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

Transfer Out Fund	Transfer In Fund	Amount (In Thousands)
Debt Service	General	$ 173,130
Debt Service	Capital projects	7
General	Debt Service	207,457
General	Joint Self-Insurance	5,000

The purpose of Interfund transfers from the General Fund to Debt Service is to satisfy the RTA’s obligations to bondholders for principal and interest. The purpose of the Interfund transfer from the General Fund to the Joint Self-Insurance Fund is to make a capital contribution to the fund to purchase insurance.

NOTE 7. ADVANCES TO SERVICE BOARDS

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

CTA	$ 33,138
Metra	28,916
Pace	9,132
Total Service Board Advances	$ 71,186

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

NOTE 8. CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year (amounts in thousands):

	Balance at January 1, 2012	Additions	Retirements	Balance at December 31, 2012
Depreciable:				
Office furniture and equipment	$ 1,133	$ 10	$ -	$ 1,143
Computer equipment	4,227	285	-	4,512
Leasehold improvements	2,227	-	-	2,227
Subtotal	7,587	295	-	7,882
Less accumulated depreciation:				
Office furniture and equipment	752	123	-	875
Computer equipment	3,154	536	-	3,690
Leasehold improvements	987	184	-	1,171
Subtotal	4,893	843	-	5,736
Total Depreciable	2,694	(548)	-	2,146
Non-depreciable:				
Capital in Progress -Technology Program	11,797	1,217	351	12,663
Total Capital assets—net of accumulated depreciation	$ 14,491	$ 669	$ 351	$ 14,809

All capital assets are associated with governmental activities.

During 2012, total depreciation expense of $843 thousand was allocated between two functions; $98 thousand to the regional function and $745 thousand to the administrative function.

NOTE 9. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows (amounts in thousands):

	January 1, 2012	New Issues	Current Retirements	December 31, 2012	Due Within One Year
1990A	$ 52,900	$ -	$ 4,380	$ 48,520	$ 4,695
1991A	55,745	-	4,090	51,655	4,365
1992A* & 1992B	9,180	-	9,180	-	-
1994A* & 1994B	24,395	-	-	24,395	-
1994C* & 1994D	52,915	-	1,890	51,025	2,045
1997 Refunding	49,605	-	1,865	47,740	3,320
1999* Refunding	250,185	-	9,025	241,160	17,990
2000A*	213,315	-	6,245	207,070	6,610
2001A*	82,360	-	2,325	80,035	2,455
2001B* Refunding	29,800	-	-	29,800	-
2002A*	135,475	-	3,495	131,980	3,690
2002B	11,815	-	11,815	-	-
2003A*	227,275	-	5,600	221,675	5,910
2003B	131,120	-	3,265	127,855	3,435
2004A*	231,785	-	5,385	226,400	5,660
2005B Refunding	118,710	-	7,590	111,120	7,960
2006A*	234,555	-	4,150	230,405	4,390
2010A	57,365	-	4,075	53,290	4,235
2010B	112,925	-	-	112,925	-
2010C Cash Note	140,000	-	140,000	-	-
2011A Refunding	95,550	-	-	95,550	12,040
2011CP Cash Note	125,000	650,000	775,000	-	-
2012A Cash Note	-	300,000	-	300,000	-
Subtotal	2,441,975	950,000	999,375	2,392,600	88,800
Unamortized bond premium	124,608	-	13,495	111,113	13,495
Total	$ 2,566,583	$ 950,000	$ 1,012,870	$ 2,503,713	$ 102,295

* Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2012, the total general obligation bonds payable of $2,392.6 million are classified as current and long-term in the Statement of Net Position in the amounts of $88.8 million and $2,303.8 million, respectively.

Advance Refunding-On June 28, 2011, the RTA issued $95.55 million in General Obligation bonds with an average interest rate of 5 percent. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to call the 2002B Series bonds June 1, 2012. As a result, the 2002B Series bonds are considered to be redeemed and the liability for those bonds has been removed from the government-wide statement of net position. The refunding resulted in a redemption premium of $11.5 million paid at the call date. The RTA completed the refunding to reduce its total debt service payments over the next 9 years by $7.9 million, resulting in an economic gain of $7.2 million.

Debt Service Requirements—The "debt service requirements" set forth in the following tables represent payments due the bondholders, as required by the respective bond agreements. The amounts do not represent sinking fund payments the RTA must deposit with the trustee.

All amounts in the debt service requirement tables below, and on the following pages, are expressed in thousands.

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

The Series 1990A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 6.00% to 7.30% on May 1, 1990 and semiannually thereafter on November 1 and May 1 in each remaining year.

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

Year Ending	Debt Service Requirements		
December 31	Principal	Interest	Total
2013	$ 4,695	$ 3,494	$ 8,189
2014	5,035	3,155	8,190
2015	5,395	2,793	8,188
2016	5,785	2,404	8,189
2017	6,200	1,988	8,188
2018-2020	21,410	3,155	24,565
Total	$ 48,520	$ 16,989	$ 65,509

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

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

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

Year Ending	Debt Service Requirements		
December 31	Principal	Interest	Total
2013	$ 4,365	$ 3,461	$ 7,826
2014	4,660	3,168	7,828
2015	4,970	2,856	7,826
2016	5,305	2,523	7,828
2017	5,660	2,168	7,828
2018-2021	26,695	4,616	31,311
Total	$ 51,655	$ 18,792	$ 70,447

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ -	$ 1,952	$ 1,952
2014	-	1,952	1,952
2015	-	1,952	1,952
2016	11,725	1,482	13,207
2017	12,670	506	13,176
Total	$ 24,395	$ 7,844	$ 32,239

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 2,045	$ 3,875	$ 5,920
2014	2,210	3,710	5,920
2015	7,360	3,340	10,700
2016	7,955	2,746	10,701
2017	8,600	2,105	10,705
2018-2020	22,855	2,209	25,064
Total	$ 51,025	$ 17,985	$ 69,010

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 3,320	$ 2,765	$ 6,085
2014	3,530	2,559	6,089
2015	3,750	2,341	6,091
2016	3,980	2,109	6,089
2017	4,230	1,863	6,093
2018-2022	25,380	5,054	30,434
2023	3,550	107	3,657
Total	$ 47,740	$ 16,798	$ 64,538

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 17,990	$ 13,405	$ 31,395
2014	16,735	12,407	29,142
2015	17,720	11,416	29,136
2016	10,425	10,607	21,032
2017	11,045	9,990	21,035
2018-2022	128,090	31,413	159,503
2023-2025	39,155	2,737	41,892
Total	$ 241,160	$ 91,975	$ 333,135

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 6,610	$ 13,211	$ 19,821
2014	7,005	12,798	19,803
2015	7,425	12,360	19,785
2016	7,870	11,896	19,766
2017	8,345	11,405	19,750
2018-2022	50,125	48,524	98,649
2023-2027	67,860	30,583	98,443
2028-2030	51,830	6,875	58,705
Total	$ 207,070	$ 147,652	$ 354,722

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

The Series 2001A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% in January 2001 and semiannually thereafter on July 1 and January 1 in each remaining year.

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 2,455	$ 4,751	$ 7,206
2014	2,595	4,598	7,193
2015	2,740	4,436	7,176
2016	2,895	4,264	7,159
2017	3,060	4,090	7,150
2018-2022	18,090	17,655	35,745
2023-2027	23,820	11,758	35,578
2028-2031	24,380	3,758	28,138
Total	$ 80,035	$ 55,310	$ 135,345

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ -	$ 1,639	$ 1,639
2014	2,295	1,576	3,871
2015	2,425	1,446	3,871
2016	2,560	1,309	3,869
2017	2,710	1,164	3,874
2018-2022	16,035	3,340	19,375
2023	3,775	104	3,879
Total	$ 29,800	$ 10,578	$ 40,378

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 3,690	$ 7,867	$ 11,557
2014	3,900	7,655	11,555
2015	4,120	7,431	11,551
2016	4,350	7,194	11,544
2017	4,600	6,944	11,544
2018-2022	27,280	30,306	57,586
2023-2027	36,150	21,118	57,268
2028-2032	47,890	8,943	56,833
Total	$ 131,980	$ 97,458	$ 229,438

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 5,910	$ 12,731	$ 18,641
2014	6,235	12,435	18,670
2015	6,575	12,092	18,667
2016	6,940	11,731	18,671
2017	7,320	11,349	18,669
2018-2022	43,095	50,246	93,341
2023-2027	56,160	36,963	93,123
2028-2032	72,565	18,569	91,134
2033	16,875	1,013	17,888
Total	$ 221,675	$ 167,129	$ 388,804

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 3,435	$ 7,067	$ 10,502
2014	3,610	6,873	10,483
2015	3,805	6,669	10,474
2016	4,010	6,454	10,464
2017	4,225	6,228	10,453
2018-2022	24,805	27,291	52,096
2023-2027	32,245	19,490	51,735
2028-2032	41,930	9,095	51,025
2033	9,790	281	10,071
Total	$ 127,855	$ 89,448	$ 217,303

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 5,660	$ 12,499	$ 18,159
2014	5,950	12,209	18,159
2015	6,255	11,880	18,135
2016	6,575	11,511	18,086
2017	6,920	11,123	18,043
2018-2022	40,620	49,189	89,809
2023-2027	52,815	36,663	89,478
2028-2032	68,670	19,755	88,425
2033-2034	32,935	1,919	34,854
Total	$ 226,400	$ 166,748	$ 393,148

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest*	Total
2013	$ 7,960	$ 3,535	$ 11,495
2014	8,425	3,265	11,690
2015	3,910	3,062	6,972
2016	685	2,986	3,671
2017	720	2,963	3,683
2018-2022	49,320	11,561	60,881
2023-2025	40,100	1,836	41,936
Total	$ 111,120	$ 29,208	$ 140,328

** Interest was calculated using a rate of 3.3%.*

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 4,390	$ 11,266	$ 15,656
2014	4,630	11,046	15,676
2015	4,970	10,815	15,785
2016	5,285	10,566	15,851
2017	5,615	10,302	15,917
2018-2022	40,540	46,953	87,493
2023-2027	87,420	32,386	119,806
2028-2032	40,755	11,833	52,588
2033-2035	36,800	3,861	40,661
Total	$ 230,405	$ 149,028	$ 379,433

2010 General Obligation Bonds—In January 2010, the RTA issued $62.2 million in General Obligation Bonds, Series 2010A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2010A Bonds mature on July 1, over a thirteen year period and interest is payable at rates ranging from 4.00% to 5.00% on July 1, 2010 and annually thereafter on July 1 in each remaining year.

Debt service requirements on the Series 2010A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 4,235	$ 2,664	$ 6,899
2014	4,450	2,453	6,903
2015	4,670	2,230	6,900
2016	4,905	1,997	6,902
2017	5,150	1,752	6,902
2018-2022	29,880	4,628	34,508
Total	$ 53,290	$ 15,724	$ 69,014

In January 2010, the RTA issued $112.9 million in General Obligation Bonds, Series 2010B, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2010B Bonds mature on July 1, over a twenty-five year period and interest is payable at rates ranging from 5.40% to 5.90% on July 1, 2010 and annually thereafter on July 1 in each remaining year.

Debt service requirements on the Series 2010B Bonds to maturity are set forth below:

Year Ending	Debt Service Requirements		
December 31	Principal	Interest	Total
2013	$ -	$ 6,622	$ 6,622
2014	-	6,622	6,622
2015	-	6,622	6,622
2016	-	6,622	6,622
2017	-	6,621	6,621
2018-2022	-	33,108	33,108
2023-2027	29,105	29,176	58,281
2028-2032	43,020	17,588	60,608
2033-2035	40,800	3,790	44,590
Total	$ 112,925	$ 116,771	$ 229,696

2011 General Obligation Bonds—In July 2011, the RTA issued $95.6 million in General Obligation Bonds, Series 2011A, to pay when due, or refund in advance of their maturities a portion of the RTA's Outstanding General Obligation Bonds, Series 2002B maturing from 2013 through 2019 and to pay Costs of Issuance of the Series 2011A Bonds.

The Series 2011A Bonds mature on June 1, over an eight-year period and interest is payable at rates ranging from 4.00% to 5.00% on December 1, 2011 and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2011A Bonds to maturity are set forth below:

Year Ending	Debt Service Requirements		
December 31	Principal	Interest	Total
2013	$ 12,040	$ 4,416	$ 16,456
2014	12,475	3,863	16,338
2015	13,000	3,227	16,227
2016	13,560	2,563	16,123
2017	14,165	1,870	16,035
2018-2019	30,310	1,533	31,843
Total	$ 95,550	$ 17,472	$ 113,022

2012 Cash Notes—In June 2012, the RTA issued $300 million in Working Cash Notes, Series 2012A (Taxable) to provide funds to manage the cash flow needs of the RTA and the Service Boards, including the payment of certain existing obligations of the RTA, and to pay the costs of issuance of the Notes.

The Series 2012A Working Cash Notes mature April 1, 2014 and June 1, 2014 and interest is payable at 1.044% and 1.064%, respectively.

Debt service requirements on the Series 2012 Working Cash Notes to maturity are set forth below:

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ -	$ 3,162	$ 3,162
2014	300,000	1,320	301,320
Total	$ 300,000	$ 4,482	$ 304,482

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

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

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

In the Debt Service Fund, $102,324 thousand in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2012.

NOTE 10. PENSION

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

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

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

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

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

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

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

Contributions and Vesting—The Plan is funded solely by employer contributions, which are actuarially determined under the projected unit credit method. During 2012, the RTA Board approved a resolution that a contribution of $13,494,000 be made to the Plan. The contribution is allocated as follows: Metra - $6,615,000; Pace - $5,300,000; RTA - $1,579,000. As of December 31, 2012, $13,494,000 had not been funded and was reported as contribution receivable by the Pension Fund in the Statements of Plan Net Position. The RTA has reported its liability of $1,579,000 in the General Fund (due to other funds). The 2012 contribution levels were within the actuarially determined ranges for the respective years.

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

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

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

Regional Transportation Authority Pension Plan
175 West Jackson Boulevard, Suite 1650
Chicago, IL 60604

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

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

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

Annual Pension Cost and Net Pension Obligation—For 2010, 2011 and 2012, the RTA, Metra and Pace annual pension costs equal the required contributions which were, $11,288,000, $12,547,000 and $13,494,000, respectively. The required contributions were determined as part of the January 1, 2010, 2011 and 2012 actuarial valuations.

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

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

	January 1, 2012	**January 1, 2011**	**January 1, 2010**
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Straight-line, open	Straight-line, open	Straight-line, open
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	Smoothed market value	Smoothed market value	Smoothed market value
Actuarial assumptions:			
Investment rate of return	7.75%	8.25%	8.5%
Projected salary increases:			
Age graded scale	Range of 3.5% to 7.5% based on attained age.	Range of 3.5% to 7.5% based on attained age.	Range of 3.5% to 7.5% based on attained age.
Mortality	RP2000 White Collar Mortality Table applied separately for males and females projected to 2018.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2018.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.
Withdrawals from service	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47 % at age 20 to 0.39% at age 60 for males.	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47 % at age 20 to 0.39% at age 60 for males.	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47 % at age 20 to 0.39% at age 60 for males.

The assumed rate of price inflation disclosed by the prior actuary was 2.50%. This assumption is not used directly in the valuation. However, the price inflation assumption underlies all of the other economic assumptions (investment return, salary increase, and payroll growth assumption).

Funded Status and Funding Progress – As of January 1, 2012, the most recent actuarial valuation date, the plan was 70.4% percent funded. The actuarial accrued liability for benefits was $200.845 million and the actuarial value of assets was $141.388 million resulting in an underfunded actuarial accrued liability ("UAAL") of $(59.457 million). The covered payroll (annual payroll of active employees covered by the Plan) was $67.176 million and the ratio of the UAAL to the covered payroll was 88.5 percent.

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

NOTE 11. OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The Regional Transportation Authority ("RTA") provides limited health care insurance coverage for its eligible retired employees. This is a single-employer plan. The plan does not issue a publicly available financial report.

Funding Policy. The required contribution is based on projected pay-as-you-go financing requirements. Eligible disabled pensioners receive coverage under the RTA's health plan with an employer contribution rate of 100% of the premiums for the coverage elected by the retiree. There is also an implicit rate subsidy of 20% related to all RTA retirees. The RTA contributed $0 to the plan during fiscal year 2012.

Annual OPEB Cost and Net OPEB Obligation. The RTA's 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 30 years.

The following table shows the components of RTA's annual OPEB cost for the year ended December 31, 2012, the amount actually contributed to the plan, and changes in RTA's net OPEB obligation to the plan:

Annual required contribution (ARC)	$ 18,103
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	18,103
Contribution made	-
Increase in net OPEB obligation	18,103
Net OPEB obligation beginning of year	18,081
Net OPEB obligation end of year	$ 36,184

RTA's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 is as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2012	$ 18,103	0.0%	$ 18,103
12/31/2011	18,081	0.0	18,081

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $108,778 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $108,778. The covered payroll (annual payroll of active employees covered by the Plan) was $8,232,426 and the ratio of the UAAL to the covered payroll was 1.32%.

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 the future employment, mortality, and the healthcare cost trend. Amounts determined reporting 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 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 employee 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 December 31, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent discount rate (includes inflation at 3.0 percent) annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 6.0 percent, and anticipated participation of 20.0 percent to 100 percent based on position of employee. The actuarial value of assets was determined using techniques that spread the effects of short-tem volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis over a 30-year period.

NOTE 12. RISK MANAGEMENT

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

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

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

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

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

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

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

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

CTA	$	2,500
Metra		2,500
Pace		250
RTA		100

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

NOTE 13. COMMITMENTS AND CONTINGENCIES

The RTA has an operating lease agreement for its office facilities. In 2012, the total rent paid by the RTA was $1,776,000. Minimum required annual rental payments by the RTA are as follows:

Year Ending December 31	Amount (in thousands)
2013	$ 2,019
2014	2,017
2015	2,062
2016	2,126
2017	2,101
Thereafter	13,804
Total	$ 24,129

NOTE 14. SUBSEQUENT EVENTS

As of May 1, 2013, the Authority entered into a Letter of Credit and Reimbursement Agreement which provides for the issuance of an irrevocable transferable direct-pay letter of credit to provide credit support for the timely repayment of principal and interest on commercial paper notes in an aggregate principal amount not to exceed $93 million at a fixed interest rate of 0.47%. The Authority has borrowed $10 million under this agreement.

REQUIRED SUPPLEMENTARY INFORMATION

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

	General Fund		
	Original and Final Budget	Actual	Variance
REVENUES:			
Sales taxes	$ 110,559	$ 113,152	$ 2,593
Interest on sales taxes	138	119	(19)
Public Transportation Fund	184,265	189,523	5,258
Innovation, Coordination & Enhancement (ICE)	10,159	10,398	239
State assistance (AFA & ASA)	130,071	86,983	(43,088)
Investment income	14,653	18,466	3,813
Other revenue	38,789	8,201	(30,588)
Total revenues	488,634	426,842	(61,792)
EXPENDITURES:			
Financial assistance to Service Boards	171,700	171,700	-
South Suburban Job Access Program	7,500	7,500	-
Innovation, Coordination and Enhancement (ICE)	10,159	10,278	(119)
Administration	16,197	15,713	484
Non-administration:			
Regional services and coordination programs	13,676	13,074	602
Regional Technical Assistance Program	3,853	5,237	(1,384)
Capital outlay	1,378	1,378	-
Technology program	46,450	1,473	44,977
Total expenditures	270,913	226,353	44,560
EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS	217,721	200,489	(17,232)
OTHER FINANCING USES			
Transfers out	(5,000)	(5,000)	-
Total other financing uses	(5,000)	(5,000)	-
NET CHANGE IN FUND BALANCE—BUDGETARY BASIS	$ 212,721	195,489	$ (17,232)
Budgetary basis to GAAP basis adjustments		(81,569)	
NET CHANGE IN FUND BALANCE—GAAP BASIS		113,920	
FUND BALANCE:			
Beginning of year		285,029	
End of year		$ 398,949	

Note 1. BUDGET AND BUDGETARY ACCOUNTING

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

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

The annual budget and related appropriations are prepared using the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States except for RTA capital expenditures and capital grants to the Service Boards. The RTA capital expenditures and capital grants to the Service Boards are budgeted on a project basis, which normally exceeds one year, and debt service payments, which are budgeted as transfers from the General Fund. Budgets for RTA capital expenditures and capital grants to the Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. In addition, for the sales tax agency fund, additions and deletions are treated as revenues and expenditures. All appropriations lapse at year-end.

Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. It is generally the policy of the RTA (ordinance 91-9) to fund the budgets of the Service Boards up to the amount appropriated in the annual Budget Ordinance. However, unfavorable economic conditions created the need to waive this policy for purposes of the adoption of the 2012 budget and 2013-2014 financial plan and the 2013 budget and 2014-2015 financial plan. Also waived for the purpose of the adoption of the 2013 budget and 2014-2015 financial plan was the provision of the RTA funding policy adopted by Ordinance 98-15 that requires that the RTA annual budget and two-year financial plan show a year-end unassigned fund balance equal to 5% of the RTA general fund by no later than the end of the three-year planning period.

The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

- The first source of funds to be credited against the budgeted funding amount is from Service Board sales tax receipts;

- The second source of funds to be credited against the budgeted funding amount is from PTF receipts; and

- The third source of funds credited against the budgeted funding amount is from unallocated RTA sales tax receipts and other discretionary receipts.

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

Note 2. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS ACCOUNTING

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

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

	General Fund (in thousands)
Net change in fund balance - budgetary basis	$ 195,489
Adjustments:	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(5,414)
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	1,082
Capital grants received that were not in the budget	165,636
Capital grants disbursed to the Service Boards that were not in the budget	(202,998)
Debt related costs incurred not in the budget	(5,548)
Net transfers in and out between the General Fund and Debt Service Fund not in the budget	(34,327)
Budgetary basis to GAAP basis adjustments	(81,569)
Net change in fund balance - GAAP basis	$ 113,920

REGIONAL TRANSPORTATION AUTHORITY
PENSION PLAN

SCHEDULE OF FUNDING PROGRESS
SIX YEARS ENDED DECEMBER 31, 2012
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Assets in Excess of AAL/ (AAL in Excess of Assets) (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2007	$ 102,524	$ 133,906	$ (31,382)	76.56%	$ 61,357	51.1%
January 1, 2008	114,032	146,418	(32,386)	77.88%	61,364	52.8%
January 1, 2009	106,021	153,284	(47,263)	69.17%	66,011	71.6%
January 1, 2010	118,805	166,663	(47,858)	71.28%	68,389	70.0%
January 1, 2011	127,343	185,374	(58,031)	68.70%	66,490	87.3%
January 1, 2012	141,388	200,845	(59,457)	70.40%	67,176	88.5%

REGIONAL TRANSPORTATION AUTHORITY
PENSION PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS
SIX YEARS ENDED DECEMBER 31, 2012
(In Thousands)

Year Ended:	Annual Required Contribution	Percentage Contributed
2007	$ 9,137	100%
2008	9,195	100%
2009	10,827	100%
2010	11,288	100%
2011	12,547	100%
2012	13,493	N/A [1]

[1] Contributions for the plan year ended December 31, 2012 will be paid during 2013.

Regional Transportation Authority

Other Post-Employment Benefits
Required Supplementary Information
Year Ended December 31, 2012

Analysis of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll ((b - a) / c)
12/31/11	$ -	$ 108,778	$ 108,778	$ -	$ 8,232,426	1.32 %
12/31/12	*	*	*	*	*	*

Employer Contributions

Fiscal Year Ending	Annual Required Contribution	Percentage Contributed
12/31/11	$ 18,081	- %
12/31/12	18,103	-

*The RTA has an actuarial valuation performed triennially.

COMBINING AND INDIVIDUAL FUND SCHEDULES

A. GENERAL FUND

The general fund is used to account for resources traditionally associated with the RTA which are not accounted for in another fund. A budget and actual schedule of general fund expenditures is presented in this section.

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

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES—
BUDGET AND ACTUAL—GENERAL FUND
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

	General Fund			
	Budget			
	Original	Amended	Actual	Variance
EXPENDITURES:				
Financial assistance to Service Boards	$ 171,700	$ 171,700	$ 171,700	$ -
South Suburban Job Access Program(PACE)	7,500	7,500	7,500	-
Innovation, Coordination & Enhancement (ICE)	10,159	10,159	10,278	(119)
Administration	16,197	16,166	15,713	453
Non-administration:				
Regional Services and Coordination Programs	13,676	13,647	13,074	573
Regional Technical Assistance Programs	3,853	3,913	5,237	(1,324)
Capital outlay	1,378	1,378	1,378	-
Technology program	46,450	46,450	1,473	44,977
TOTAL EXPENDITURES	$ 270,913	$ 270,913	$ 226,353	$ 44,560

REGIONAL TRANSPORTATION AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL—GENERAL AND SALES TAX AGENCY FUNDS YEAR ENDED DECEMBER 31, 2012 (In Thousands)

	General Fund		
	Budget	**Actual**	**Variance**
REVENUES:			
Sales taxes	$ 110,559	$ 113,152	$ 2,593
Interest on sales taxes	138	119	(19)
Public Transportation Fund	184,265	189,523	5,258
Innovation, Coordination & Enhancement (ICE)	10,159	10,398	239
State assistance (AFA & ASA)	130,071	86,983	(43,088)
Reduced fare reimbursement	-	-	-
Investment income	14,653	18,466	3,813
Other revenue	38,789	8,201	(30,588)
Total revenues	488,634	426,842	(61,792)
EXPENDITURES:			
Financial assistance to Service Boards	171,700	171,700	-
PTF (new sales tax/RETT)	-	-	-
Paratransit funding - PACE	-	-	-
Suburban Community Mobility Fund	-	-	-
South Suburban Job Access Program	7,500	7,500	-
Innovation, Coordination and Enhancement (ICE)	10,159	10,278	(119)
Reduced fare reimbursement	-	-	-
Administration	16,197	15,713	484
Non-administration:			
Regional services and coordination programs	13,676	13,074	602
Regional Technical Assistance Program	3,853	5,237	(1,384)
Interest on sales taxes to Service Boards	-	-	-
Capital outlay	1,378	1,378	-
Technology program	46,450	1,473	44,977
Total expenditures	270,913	226,353	44,560
EXCESS OF REVENUES OVER EXPENDITURES—BUDGETARY BASIS	217,721	200,489	(17,232)
OTHER FINANCING USES			
Transfers out	(5,000)	(5,000)	-
Total other financing uses	(5,000)	(5,000)	-
NET CHANGE IN FUND BALANCE—BUDGETARY BASIS	$ 212,721	195,489	$ (17,232)
Budgetary basis to GAAP basis adjustments		(81,569)	
NET CHANGE IN FUND BALANCE—GAAP BASIS		113,920	
FUND BALANCE:			
Beginning of year		285,029	
End of year		$ 398,949	

Sales Tax Agency Fund			Totals		
Budget	Actual	Variance	Budget	Actual	Variance
$ 877,500	$ 898,135	$ 20,635	$ 988,059	$ 1,011,287	$ 23,228
240	171	(69)	378	290	(88)
123,609	130,369	6,760	307,874	319,892	12,018
-	-	-	10,159	10,398	239
-	-	-	130,071	86,983	(43,088)
33,570	34,070	500	33,570	34,070	500
-	-	-	14,653	18,466	3,813
-	-	-	38,789	8,201	(30,588)
1,034,919	1,062,745	27,826	1,523,553	1,489,587	(33,966)
742,182	762,339	(20,157)	913,882	934,039	(20,157)
123,609	130,369	(6,760)	123,609	130,369	(6,760)
115,000	115,000	-	115,000	115,000	-
20,318	20,796	(478)	20,318	20,796	(478)
-	-	-	7,500	7,500	-
-	-	-	10,159	10,278	(119)
33,570	34,070	(500)	33,570	34,070	(500)
-	-	-	16,197	15,713	484
-	-	-	13,676	13,074	602
-	-	-	3,853	5,237	(1,384)
240	171	69	240	171	69
-	-	-	1,378	1,378	-
-	-	-	46,450	1,473	44,977
1,034,919	1,062,745	(27,826)	1,305,832	1,289,098	16,734
-	-	-	217,721	200,489	(17,232)
-	-	-	(5,000)	(5,000)	-
-	-	-	(5,000)	(5,000)	-
$ -	-	$ -	$ 212,721	195,489	$ (17,232)
	-			(81,569)	
	-			113,920	
	-			285,029	
	$ -			$ 398,949	

B. DEBT SERVICE FUND

Debt Service Fund Accounts:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2009B –to account for transfers received, investment income and principal and interest payments made for 2009B cash note borrowings.

2010A –to account for transfers received, investment income and principal and interest payments made for 2010A general obligation bonds.

2010B –to account for transfers received, investment income and principal and interest payments made for 2010B general obligation bonds.

2010C –to account for transfers received, investment income and principal and interest payments made for 2010C cash note borrowings.

2011 CP –to account for transfers received, investment income and principal and interest payments made for 2011 CP cash note borrowings.

2011A –to account for transfers received, investment income and principal and interest payments made for 2011A cash note borrowings.

2012A –to account for transfers received, investment income and principal and interest payments made for 2012 working cash note borrowings.

*Strategic Capital Improvement Program (SCIP) Bonds

REGIONAL TRANSPORTATION AUTHORITY

COMBINING BALANCE SHEET SCHEDULE-DEBT SERVICE FUND ACCOUNTS
December 31, 2012
(In Thousands)

	1990A	1991A	1994 A&B	1994 C&D	1997	1999	2000A	2001 A	2001 B	2002 A
ASSETS:										
Cash and investments	$ 1,612	$ 1,503	$ 195	$ 1,696	$ 2,399	$ 12,839	$ 10,211	$ 3,715	$ 164	$ 5,946
Accrued interest	-	-	-	-	-	-	-	-	-	-
Other receivable	-	-	-	-	-	-	-	-	-	-
Total assets	$ 1,612	$ 1,503	$ 195	$ 1,696	$ 2,399	$ 12,839	$ 10,211	$ 3,715	$ 164	$ 5,946
LIABILITIES:										
Accrued items	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
FUND BALANCES:										
Restricted for debt service	1,612	1,503	195	1,696	2,399	12,839	10,211	3,715	164	5,946
TOTAL LIABILITIES AND FUND BALANCES	$ 1,612	$ 1,503	$ 195	$ 1,696	$ 2,399	$ 12,839	$ 10,211	$ 3,715	$ 164	$ 5,946

(Continued)

REGIONAL TRANSPORTATION AUTHORITY

COMBINING BALANCE SHEET SCHEDULE-DEBT SERVICE FUND ACCOUNTS (Continued)
December 31, 2012
(In Thousands)

	2003 A	2003 B	2004 A	2005 B	2006 A	2010A	2010B	2011 Bonds	2012A	Total
ASSETS:										
Cash and investments	$ 9,589	$ 2,907	$ 4,088	$ 5,395	$ 8,080	$ 8,425	$ 13,146	$ 10,033	$ 381	$ 102,324
Accrued interest	-	-	-	-	4	3	-	-	-	7
Other receivable	-	-	-	-	-	-	-	-	56,147	56,147
Total assets	$ 9,589	$ 2,907	$ 4,088	$ 5,395	$ 8,084	$ 8,428	$ 13,146	$ 10,033	$ 56,528	$ 158,478
LIABILITIES:										
Accrued items	$ -	$ -	$ -	$ -	$ 4	$ 5	$ -	$ -	$ -	$ 9
FUND BALANCES:										
Restricted for debt service	9,589	2,907	4,088	5,395	8,080	8,423	13,146	10,033	56,528	$ 158,469
TOTAL LIABILITIES AND FUND BALANCES	$ 9,589	$ 2,907	$ 4,088	$ 5,395	$ 8,084	$ 8,428	$ 13,146	$ 10,033	$ 56,528	$ 158,478

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance -
Debt Service Fund Accounts
Year Ended December 31, 2012
(In Thousands)

	1990A	1991A	1992 A&B	1994 A&B	1994 C&D
REVENUE:					
Investment income	$ -	$ -	$ -	$ -	$ -
Other revenue	-	-	-	-	-
Total revenue	-	-	-	-	-
EXPENDITURES:					
Debt Service - principal	4,380	4,090	9,180	-	1,890
Debt Service - interest	3,809	3,735	294	1,952	4,028
Other debt related costs	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total expenditures	8,189	7,825	9,474	1,952	5,918
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,189)	(7,825)	(9,474)	(1,952)	(5,918)
OTHER FINANCING SOURCES (USES):					
Transfers in - principal	4,437	4,140	3,338	-	1,989
Transfers in - interest	3,746	3,680	235	1,952	4,013
Transfers in/(out) - CPF/GF	-	-	-	-	-
Other financing sources/(uses) DSF	-	-	128	(128)	-
Other financing sources - GF	-	-	-	-	-
Total other financing sources (uses)	8,183	7,820	3,701	1,824	6,002
NET CHANGE IN FUND BALANCES	(6)	(5)	(5,773)	(128)	84
FUND BALANCES:					
Beginning of year	1,618	1,508	5,773	323	1,612
End of year	$ 1,612	$ 1,503	$ -	$ 195	$ 1,696

(Continued)

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance -
Debt Service Fund Accounts (Continued)
Year Ended December 31, 2012
(In Thousands)

	1997	1999	2000 A	2001 A	2001 B
REVENUE:					
Investment income	$ -	$ -	$ -	$ -	$ -
Other revenue	-	-	-	-	-
Total revenue	-	-	-	-	-
EXPENDITURES:					
Debt Service - principal	1,865	9,025	6,245	2,325	-
Debt Service - interest	2,915	14,182	13,601	4,896	1,639
Other debt related costs	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total expenditures	4,780	23,207	19,846	7,221	1,639
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,780)	(23,207)	(19,846)	(7,221)	(1,639)
OTHER FINANCING SOURCES (USES):					
Transfers in - principal	2,791	14,730	6,444	2,396	-
Transfers in - interest	2,905	14,130	13,406	4,824	1,639
Transfers in/(out) - CPF/GF	-	-	-	-	-
Other financing sources/(uses) DSF	-	-	-	-	-
Other financing sources - GF	-	-	-	-	-
Total other financing sources (uses)	5,696	28,860	19,850	7,220	1,639
NET CHANGE IN FUND BALANCES	916	5,653	4	(1)	-
FUND BALANCES:					
Beginning of year	1,483	7,186	10,207	3,716	164
End of year	$ 2,399	$ 12,839	$ 10,211	$ 3,715	$ 164

(Continued)

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance -
Debt Service Fund Accounts (Continued)
Year Ended December 31, 2012
(In Thousands)

	2002 A	2002 B	2003 A	2003 B	2004A
REVENUE:					
Investment income	$ -	$ -	$ -	$ -	$ -
Other revenue	-	-	-	-	-
Total revenue	-	-	-	-	-
EXPENDITURES:					
Debt Service - principal	3,495	11,815	5,600	3,265	5,385
Debt Service - interest	8,068	325	13,011	7,243	12,775
Other debt related costs	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total expenditures	11,563	12,140	18,611	10,508	18,160
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(11,563)	(12,140)	(18,611)	(10,508)	(18,160)
OTHER FINANCING SOURCES (USES):					
Transfers in - principal	3,601	3,336	5,769	3,373	5,560
Transfers in - interest	7,968	147	12,871	7,227	12,042
Transfers in/(out) - CPF/GF	-	-	-	-	-
Other financing sources/(uses) DSF	-	-	-	-	-
Other financing sources - GF	-	-	-	-	-
Total other financing sources (uses)	11,569	3,483	18,640	10,600	17,602
NET CHANGE IN FUND BALANCES	6	(8,657)	29	92	(558)
FUND BALANCES:					
Beginning of year	5,940	8,657	9,560	2,815	4,646
End of year	$ 5,946	$ -	$ 9,589	$ 2,907	$ 4,088

(Continued)

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance - Debt Service Fund Accounts (Continued)
Year Ended December 31, 2012
(In Thousands)

	2005 B	2006 A	2009 B Note	2010 A	2010 B
REVENUE:					
Investment income	$ -	$ 82	$ -	$ 58	$ 10
Other revenue	-	-	-	-	2,317
Total revenue	-	82	-	58	2,327
EXPENDITURES:					
Debt Service - principal	7,590	4,150	-	4,075	-
Debt Service -iInterest	803	11,473	-	2,828	6,621
Other debt related costs	-	-	-	-	-
Miscellaneous	261	-	-	-	-
Total expenditures	8,654	15,623	-	6,903	6,621
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,654)	(15,541)	-	(6,845)	(4,294)
OTHER FINANCING SOURCES (USES):					
Transfers in - principal	7,827	4,281	-	4,162	-
Transfers in - interest	754	11,288	-	2,691	4,304
Transfers in/(out) - CPF/GF	-	-	-	-	(7)
Other financing sources/(uses) DSF	-	-	(56,147)	-	-
Other financing sources - GF	261	-	-	-	-
Total other financing sources (uses)	8,842	15,569	(56,147)	6,853	4,297
NET CHANGE IN FUND BALANCES	188	28	(56,147)	8	3
FUND BALANCES:					
Beginning of year	5,207	8,052	56,147	8,415	13,143
End of year	$ 5,395	$ 8,080	$ -	$ 8,423	$ 13,146

(Continued)

Regional Transportation Authority

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance -
Debt Service Fund Accounts (Continued)
Year Ended December 31, 2012
(In Thousands)

	2010C Note	2011 A	2012 A	Total
REVENUE:				
Investment income	$ 7	$ 21	$ 1	$ 179
Other revenue	-	-	-	2,317
Total revenue	7	21	1	2,496
EXPENDITURES:				
Debt Service - principal	140,000	775,000	-	999,375
Debt Service - interest	3,980	4,796	1,362	124,336
Other debt related costs	-	-	942	942
Miscellaneous	-	1,291	-	1,552
Total expenditures	143,980	781,087	2,304	1,126,205
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(143,973)	(781,066)	(2,303)	(1,123,709)
OTHER FINANCING SOURCES (USES):				
Transfers in - principal	-	8,756	-	86,930
Transfers in - interest	1,990	5,340	1,677	118,829
Transfers in/(out) - CPF/GF	(14,130)	(75,000)	(84,000)	(173,137)
Other financing sources/(uses) DSF	15,000	850,000	141,147	950,000
Other financing sources - GF	-	1,430	7	1,698
Total other financing sources (uses)	2,860	790,526	58,831	984,320
NET CHANGE IN FUND BALANCES	(141,113)	9,460	56,528	(139,389)
FUND BALANCES:				
Beginning of year	141,113	573	-	297,858
End of year	$ -	$ 10,033	$ 56,528	$ 158,469

C. CAPITAL PROJECTS FUND

Capital Projects Fund Accounts:

Strategic Capital Improvement Bonds (SCIP)—to account for 1992, 1994, 2000, 2001, 2002, 2003, 2004 and 2006 bond sales proceeds and related SCIP capital grants made to the Service Boards as expenditures are incurred. Investment income earned on SCIP bonds is recorded in the related Debt Service Fund accounts.

Non-SCIP Bonds—to account for 1990, 1991, 1992, 1994, 2002, and 2010 bond sale proceeds, investment income earned and related Non-SCIP investment income capital grants made to the Service Boards as expenditures are incurred.

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

REGIONAL TRANSPORTATION AUTHORITY

COMBINING BALANCE SHEET SCHEDULE
CAPITAL PROJECTS FUND ACCOUNTS
DECEMBER 31, 2012
(In Thousands)

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Eliminations	Total
ASSETS:					
Cash and investments	$ 75,792	$ 106,736	$ -	$ -	$ 182,528
Due from other funds	-	-	4,904	(4,904)	-
Accrued interest	3	11	-	-	14
TOTAL ASSETS	$ 75,795	$ 106,747	$ 4,904	$ (4,904)	$ 182,542
LIABILITIES:					
Due to Service Boards	$ 960	$ 2,517	$ 2	$ -	$ 3,479
Due to other funds	-	4,904	-	(4,904)	-
Total liabilities	960	7,421	2	(4,904)	3,479
FUND BALANCES:					
Committed-capital projects	74,835	99,326	4,902	-	179,063
TOTAL LIABILITIES AND FUND BALANCES	$ 75,795	$ 106,747	$ 4,904	$ (4,904)	$ 182,542

REGIONAL TRANSPORTATION AUTHORITY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - CAPITAL PROJECTS FUND ACCOUNTS
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
REVENUES:				
Investment income	$ -	$ 58	$ -	$ 58
Total revenues	-	58	-	58
EXPENDITURES:				
Capital grants—bonds	6,370	22,767	166	29,303
Total expenditures	6,370	22,767	166	29,303
Excess (deficiency) of revenues over expenditures	(6,370)	(22,709)	(166)	(29,245)
OTHER FINANCING SOURCES:				
Transfer in	-	7	-	7
Total other financing sources	-	7	-	7
NET CHANGE IN FUND BALANCES	(6,370)	(22,702)	(166)	(29,238)
FUND BALANCES:				
Beginning of year	81,205	122,028	5,068	208,301
End of year	$ 74,835	$ 99,326	$ 4,902	$ 179,063

D. AGENCY FUND

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

REGIONAL TRANSPORTATION AUTHORITY

COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
SALES TAX AGENCY FUND
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

	Balance January 1, 2012	Additions	Deductions	Balance December 31, 2012
ASSETS:				
Intergovernmental receivables:				
Sales taxes	$ 164,270	$ 630,695	$ 624,995	$ 169,970
New sales tax	68,892	256,940	255,281	70,551
Interest on sales taxes	40	171	188	23
Reduced fare reimbursement	34,070	34,070	34,070	34,070
PTF (new sales tax/RETT)	53,316	130,369	127,443	56,242
Advances to Service Boards	67,105	4,081	-	71,186
TOTAL ASSETS	$ 387,693	$ 1,056,326	$ 1,041,977	$ 402,042
LIABILITIES:				
Intergovernmental payables:				
Sales taxes due to Service Boards	$ 164,270	$ 630,695	$ 624,995	$ 169,970
New sales tax due to Service Boards	68,322	121,143	119,392	70,073
Interest on sales taxes due to Service Boards	40	171	188	23
Reduced fare reimbursement	34,070	34,070	34,070	34,070
PTF (new sales tax /RETT)	53,316	130,369	127,443	56,242
Advances from State	67,105	4,081	-	71,186
Paratransit funding PACE	475	115,000	115,475	-
Suburban Community Mobility Fund-SBD	95	20,797	20,414	478
TOTAL LIABILITIES	$ 387,693	$ 1,056,326	$ 1,041,977	$ 402,042

E. CAPITAL ASSETS

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

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF CAPITAL ASSETS—BY FUNCTION
DECEMBER 31, 2012
(In Thousands)

	Office Furniture and Equipment	Computer Equipment	Leasehold Improvements	Capital In Progress Technology Program	Total
Administrative	$ 842	$ 3,351	$ 1,779	$ 12,663	$ 18,635
Travel Information Center	301	1,161	448	-	1,910
Total capital assets	1,143	4,512	2,227	12,663	20,545
Less accumulated depreciation:					
Administrative	776	2,494	1,080	-	4,350
Travel Information Center	145	1,150	91	-	1,386
Total accumulated depreciation	921	3,644	1,171	-	5,736
Total capital assets—net	$ 222	$ 868	$ 1,056	$ 12,663	$ 14,809

STATISTICAL SECTION
(UNAUDITED)

CONTENTS

TABLE 1

REGIONAL TRANSPORTATION AUTHORITY
NET POSITION BY COMPONENT
LAST TEN YEARS
(In Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities—										
Net investment in capital assets	$ 3,081	$ 5,629	$ 6,877	$ 8,449	$ 9,754	$ 11,118	$ 12,660	$ 15,265	$ 14,491	$ 14,809
Restricted Net Assets	562,169	64,727	-	-	-	-	270,019	83,277	326,598	175,643
Unrestricted Net Assets	(2,026,325)	(1,785,276)	(1,901,466)	(1,932,898)	(1,947,173)	(2,062,740)	(2,234,127)	(1,972,190)	(2,133,577)	(1,969,369)
Total Net Position— Governmental Activities	$ (1,461,075)	$ (1,714,920)	$ (1,894,589)	$ (1,924,449)	$ (1,937,419)	$ (2,051,621)	$ (1,951,448)	$ (1,873,648)	$ (1,792,488)	$ (1,778,917)
Business-type activities—										
Unrestricted Net Position	$ 44,271	$ 39,621	$ 36,011	$ 31,831	$ 28,393	$ 28,859	$ 29,067	$ 28,963	$ 28,703	$ 27,845
Total Net Position— Business-Type Activities	$ 44,271	$ 39,621	$ 36,011	$ 31,831	$ 28,393	$ 28,858	$ 29,067	$ 28,963	$ 28,703	$ 27,845
Primary government—										
Net investment in capital assets	$ 3,081	$ 5,629	$ 6,877	$ 8,449	$ 9,754	$ 11,118	$ 12,660	$ 15,265	$ 14,491	$ 14,809
Restricted Net Position	562,169	64,727	-	-	-	-	270,019	83,277	326,598	175,643
Unrestricted Net Position	(1,982,054)	(1,745,655)	(1,865,455)	(1,901,067)	(1,918,780)	(2,033,882)	(2,205,060)	(1,943,227)	(2,104,874)	(1,941,524)
Total Net Position— Primary government	$ (1,416,804)	$ (1,675,299)	$ (1,858,578)	$ (1,892,618)	$ (1,909,026)	$ (2,022,764)	$ (1,922,381)	$ (1,844,685)	$ (1,763,785)	$ (1,751,072)

TABLE 2

REGIONAL TRANSPORTATION AUTHORITY
CHANGE IN NET POSITION
LAST TEN YEARS
(In Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
EXPENSES:										
Governmental activities:										
Financial assistance to Service Boards	$ 213,127	$ 179,799	$ 168,076	$ 162,434	$ 209,931	$ 249,948	$ 93,453	$ 97,648	$ 128,786	$ 171,700
Administration capital grants										
Discretionary	34,830	33,767	25,437	26,730	25,272	26,288	19,166	15,310	7,039	5,410
Bonds	319,253	290,102	251,693	138,706	88,056	93,085	47,957	103,456	229,890	213,394
Administration of operating grant										
CTA/PACE	-	-	54,252	54,252	40,010	58,142	74,138	27,230	21,680	36,687
Administrative expenses	6,666	6,554	6,534	7,561	6,967	7,532	12,014	8,551	8,918	16,507
Regional expenses	13,378	14,781	17,920	20,674	20,243	20,656	19,793	21,576	25,558	17,542
Technology program expenses	1,786	3,265	1,822	1,890	1,409	2,467	1,416	1,979	2,356	1,473
Interest expense	109,981	114,574	126,027	122,790	130,079	127,495	131,775	135,530	139,314	117,254
Miscellaneous	-	-	-	-	-	-	-	-	397	-
Total governmental activities	699,021	642,842	651,761	535,037	521,967	585,613	399,712	411,280	563,938	579,967
Business-type activities:										
Insurance Financing	3,082	5,319	4,624	5,566	4,855	4,375	3,827	4,740	6,137	5,942
Total business-type activities	3,082	5,319	4,624	5,566	4,855	4,375	3,827	4,740	6,137	5,942
Total primary government expenses	$ 702,103	$ 648,161	$ 656,385	$ 540,603	$ 526,822	$ 589,988	$ 403,539	$ 416,020	$ 570,075	$ 585,909
REVENUES:										
General:										
Sales taxes	$ 98,248	$ 101,344	$ 105,059	$ 112,024	$ 112,938	$ 109,003	$ 99,027	$ 103,168	$ 107,977	$ 113,152
Interest on sales taxes	41	53	137	317	376	1,081	309	137	167	119
Operating grant -(ADA)	-	-	54,252	54,252	54,252	14,441	9,101	9,480	9,930	10,398
Public Transportation Fund	164,738	170,397	175,668	186,136	188,931	227,201	228,501	242,318	375,500	355,159
State assistance	85,226	86,785	111,419	112,743	117,807	121,870	123,008	130,115	130,088	86,984
Regional program reimbursement	1,058	1,033	866	1,053	1,153	1,361	2,904	582	2,385	4,077
Technology program reimbursement	-	-	-	-	-	-	-	-	-	-
Investment income	16,548	27,538	24,608	35,534	31,534	(1,495)	39,174	8,607	19,350	22,213
Other revenues	2,509	1,847	83	3,118	2,006	1,868	1,437	2,269	5,081	6,436
Transfers (out)	-	-	-	-	-	(3,920)	(3,575)	(4,425)	(5,380)	(5,000)
Total governmental activities revenues	368,368	388,997	472,092	505,177	508,997	471,410	499,886	492,251	645,098	593,538
Business-type activities:										
General:										
Investment income	618	669	1,014	1,386	1,210	770	402	164	95	77
Other revenues	-	-	-	-	207	151	58	47	402	7
Transfers in	-	-	-	-	-	3,920	3,575	4,425	5,380	5,000
Total business-type activities revenues	618	669	1,014	1,386	1,417	4,841	4,035	4,636	5,877	5,084
Total primary government revenues	368,986	389,666	473,106	506,563	510,414	476,251	503,921	496,887	650,975	598,622
Governmental activities:										
CHANGES IN NET POSITION (DEFICIT)	(330,653)	(253,845)	(179,669)	(29,860)	(12,970)	(114,203)	100,174	80,971	81,160	13,571
NET POSITION (DEFICIT):										
Beginning of year	(1,130,422)	(1,461,075)	(1,714,920)	(1,894,589)	(1,924,449)	(1,937,419)	(2,051,622)	(1,954,619)	(1,873,648)	(1,792,488)
End of year	(1,461,075)	(1,714,920)	(1,894,589)	(1,924,449)	(1,937,419)	(2,051,622)	(1,954,619)	(1,873,648)	(1,792,488)	(1,778,917)
Business-type activities:										
CHANGES IN NET POSITION (DEFICIT)	(2,464)	(4,650)	(3,610)	(4,180)	(3,438)	466	208	(104)	(260)	(858)
NET POSITION (DEFICIT):										
Beginning of year	46,735	44,271	39,621	36,011	31,831	28,393	28,859	29,067	28,963	28,703
End of year	44,271	39,621	36,011	31,831	28,393	28,859	29,067	28,963	28,703	27,845
Total primary government	$ (1,416,804)	$ (1,675,299)	$ (1,858,578)	$ (1,892,618)	$ (1,909,026)	$ (2,022,763)	$ (1,925,552)	$ (1,844,685)	$ (1,763,785)	$ (1,751,072)
CHANGE IN NET POSITION:										
Governmental activities	$ (330,653)	$ (253,845)	$ (179,669)	$ (29,860)	$ (12,970)	$ (114,203)	$ 100,174	$ 80,971	$ 81,160	$ 13,571
Business-type activities	(2,464)	(4,650)	(3,610)	(4,180)	(3,438)	466	208	(104)	(260)	(858)
Total primary government	$ (333,117)	$ (258,495)	$ (183,279)	$ (34,040)	$ (16,408)	$ (113,737)	$ 100,382	$ 80,867	$ 80,900	$ 12,713

TABLE 3

REGIONAL TRANSPORTATION AUTHORITY
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(In Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	$ 66,406	$ 58,955	$ 93,384	$ 102,765	$ 107,948	$ 106,822	$ 155,551	$ 160,895	$ -	$ -
Unreserved	4,889	12,507	1,654	38,828	41,220	(53,482)	(27,893)	7,318	-	-
Nonspendable (1)	-	-	-	-	-	-	-	-	568	327
Restricted (1)	-	-	-	-	-	-	-	-	28,740	17,173
Committed (1)	-	-	-	-	-	-	-	-	157,345	204,895
Unassigned (1)	-	-	-	-	-	-	-	-	98,376	176,554
Total general fund balances	$ 71,295	$ 71,462	$ 95,038	$ 141,593	$ 149,168	$ 53,340	$ 127,658	$ 168,213	$ 285,029	$ 398,949
All other governmental funds										
Reserved	$ 569,278	$ 567,100	$ 308,345	$ 433,055	$ 349,402	$ 259,165	$ 468,582	$ 756,233	$ -	$ -
Restricted (1)	-	-	-	-	-	-	-	-	297,858	158,469
Committed (1)	-	-	-	-	-	-	-	-	208,301	179,063
Total all other governmental funds	$ 569,278	$ 567,100	$ 308,345	$ 433,055	$ 349,402	$ 259,165	$ 468,582	$ 756,233	$ 506,159	$ 337,532

(1) New fund balance categories used in FY11 due to the implementation of GASB 54

TABLE 4

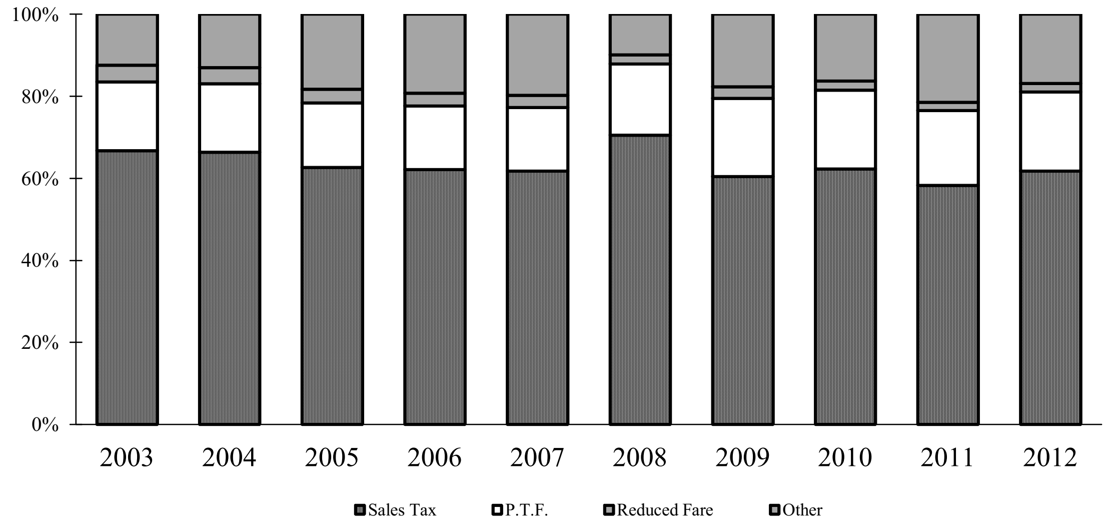
REGIONAL TRANSPORTATION AUTHORITY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(In Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
REVENUES:										
Sales taxes	$ 98,248	$ 101,344	$ 105,059	$ 112,024	$ 112,938	$ 109,003	$ 99,027	$ 103,168	$ 107,977	$ 113,152
Interest on sales taxes	41	53	137	317	376	1,081	309	137	166	119
Public Transportation Fund	164,738	170,397	175,668	186,136	188,931	188,829	169,354	171,169	181,428	189,523
New 5% PTF Advance Recovery	-	-	-	-	-	38,372	-	-	-	
General State Revenue								65,149	194,072	155,369
Innovation, Coordination, & Enhancement (ICE)	-	-	-	-	-	10,000	9,101	9,480	9,930	10,398
Operating assistance -CTA/PACE	-	-	54,252	54,252	54,252	4,441	-	-	-	-
PACE Loan PTF Advance Recovery	-	-	-	-	-	-	3,000	6,000	-	-
CTA Loan PTF Advance Recovery	-	-	-	-	-	-	56,147	-	-	-
IDOT State Grant - PACE (ADA)	-	-	-	-	-	-	-	-	-	8,500
Pace ADA 2012 Surplus Refund	-	-	-	-	-	-	-	-	-	1,767
State assistance	85,226	86,785	111,419	112,743	117,807	121,870	123,008	130,115	130,088	86,983
Investment income	16,548	27,538	24,608	35,533	31,534	(1,495)	39,174	16,799	19,101	18,703
Other revenues	3,469	2,839	912	4,172	3,159	3,229	4,341	2,852	7,466	10,518
Total revenues	368,270	388,956	472,055	505,176	508,997	475,330	503,461	504,869	650,228	595,032
EXPENDITURES:										
Financial assistance to Service Boards	213,127	179,799	168,076	162,434	209,931	249,948	93,453	97,648	128,786	171,700
Capital grants—discretionary	34,830	33,767	25,437	26,731	25,272	26,288	19,166	15,310	6,907	5,414
Capital Projects Expense-Working Cash Note	-	-	-	-	-	-	56,147	-	-	-
PACE Discr (CMAQ) Grant RTA share	-	-	-	-	-	-	-	-	132	-
South Suburban Job Access Program - (PACE)	-	-	-	-	-	3,750	7,500	7,500	7,500	7,500
5% PTF/RETT & ADA Paratransit (New Sales Tax)	-	-	-	-	-	42,813	-	-	-	-
Innovation, Coordination, & Enhancement (ICE)	-	-	-	-	-	10,000	9,101	9,480	9,930	10,278
State General Revenue CTA	-	-	-	-	-	-	-	-	-	7,969
IDOT Cap Grant - PACE (ADA)	-	-	-	-	-	-	-	-	-	10,940
PACE (PTF) expenditures	-	-	54,252	54,252	40,010	1,579	1,390	10,250	4,250	-
Capital grants—bonds	319,253	290,103	251,693	138,706	88,055	93,086	47,957	103,456	229,890	213,392
Administrative	6,480	6,370	6,380	6,747	6,772	7,258	11,441	7,699	8,231	15,713
Regional	16,833	20,617	19,705	23,967	22,528	24,509	22,105	25,689	27,102	19,785
Capital outlay	214	160	1,438	373	610	263	1,110	1,323	762	295
Debt service:										
Principal	37,940	40,430	49,570	55,110	59,135	64,685	68,455	74,060	919,110	999,375
Interest	102,668	119,271	128,852	125,155	131,233	131,705	135,361	134,121	139,215	129,884
Debt related costs	-	-	1,798	44	-	-	-	-	-	942
Debt issuance costs	4,240	3,424	975	2,222	1,529	1,590	2,965	2,982	4,912	-
Miscellaneous	-	-	-	-	-	-	-	-	397	1,552
Total expenditures	735,585	693,941	708,176	595,740	585,075	657,474	476,151	489,518	1,487,124	1,594,739
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(367,315)	(304,985)	(236,121)	(90,563)	(76,078)	(182,144)	27,310	15,351	(836,896)	(999,707)
OTHER FINANCING SOURCES (USES):										
Bond proceeds (gross)	457,167	260,000	-	250,350	-	-	-	-	705,000	-
Refunding bond proceeds (gross)	12,313	-	-	-	-	-	-	-	-	300,000
Issuance of refunding bonds	-	-	148,110	-	-	-	-	-	95,550	650,000
Payment to refunded bond escrow agent	-	-	(147,186)	-	-	-	-	-	(103,104)	-
SCIP II bond proceeds (gross)	-	-	-	1,826	-	-	-	-	-	-
Other financing sources (premium)	-	42,974	18	9,652	-	-	-	6,846	11,574	-
2009B Note Proceeds	-	-	-	-	-	-	260,000	315,100	-	-
Transfers out										
Capital Projects Fund	-	(6,225)	(70)	-	-	-	-	-	-	-
Debt Service Fund	(136,006)	(140,786)	(171,240)	(175,995)	(179,116)	186,268	195,261	228,065	(186,365)	(173,137)
General Fund	-	-	(540)	-	179,116	(190,188)	(198,836)	(217,174)	(335,567)	(212,457)
Joint Self-Insurance Fund	-	-	-	-	-	-	-	-	-	-
Capital Projects Fund	-	-	-	(41)	-	-	-	(15,316)	-	-
Transfers in										
Capital Projects Fund	(85)	-	8,541	3,315	-	-	-	-	-	7
Debt Service Fund	-	6,225	610	41	-	-	-	-	330,187	207,457
General Fund	136,091	140,786	162,699	172,680	-	-	-	-	186,339	173,130
Transfers in	-	-	-	-	-	-	-	-	26	-
Total other financing (uses) sources	469,480	302,974	942	261,827	-	(3,920)	256,425	317,521	703,640	945,000
NET CHANGE IN FUND BALANCES	$ 102,165	$ (2,011)	$ (235,179)	$ 171,264	$ (76,078)	$ (186,064)	$ 283,735	$ 332,872	$ (133,256)	$ (54,707)
Debt Service as a percentage of noncapital expenditures	19.12%	23.02%	25.50%	30.29%	32.57%	29.88%	42.90%	42.64%	71.29%	70.99%

Table 5

RTA REVENUE BY SOURCE

2003-2012



Last Ten Years *(In Thousands)*

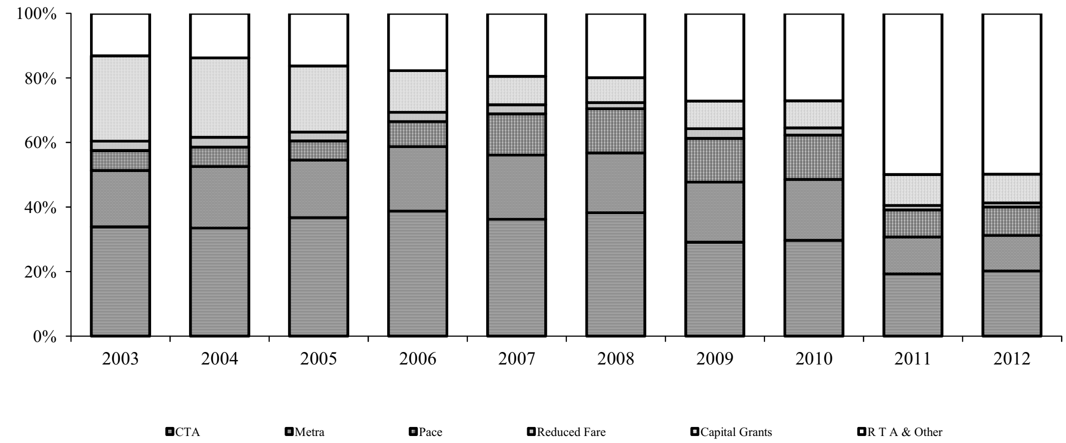
	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/03	$ 654,988	$ 164,739	$ 39,662	$ 122,517	$ 981,906
Percentage of Total	66.71%	16.78%	4.04%	12.48%	100%
12 Months Ended 12/31/04	675,628	170,397	40,153	132,664	1,018,842
Percentage of Total	66.30%	16.72%	3.94%	13.02%	100%
12 Months Ended 12/31/05	700,395	175,668	37,127	204,904	1,118,094
Percentage of Total	62.64%	15.71%	3.32%	18.33%	100%
12 Months Ended 12/31/06	746,829	186,136	37,327	232,193	1,202,485
Percentage of Total	62.11%	15.48%	3.10%	19.31%	100%
12 Months Ended 12/31/07	752,922	188,931	36,678	241,262	1,219,794
Percentage of Total	61.73%	15.49%	3.01%	19.78%	100%
12 Months Ended 12/31/08	921,245	227,201	28,919	129,784	1,307,149
Percentage of Total	70.48%	17.38%	2.21%	9.93%	100%
12 Months Ended 12/31/09	894,238	282,541	41,970	262,098	1,480,847
Percentage of Total	60.39%	19.08%	2.83%	17.70%	100%
12 Months Ended 12/31/10	931,435	287,404	33,570	243,845	1,496,254
Percentage of Total	62.25%	19.21%	2.24%	16.30%	100%
12 Months Ended 12/31/11	975,670	305,395	34,070	360,002	1,675,137
Percentage of Total	58.24%	18.23%	2.03%	21.49%	100%
12 Months Ended 12/31/12	1,021,686	319,892	34,070	279,571	1,655,219
Percentage of Total	61.73%	19.33%	2.06%	16.89%	100%

Note: Amounts above include revenues from the General Fund and the Agency Fund

Table 6

DISTRIBUTION OF EXPENDITURES

2003-2012



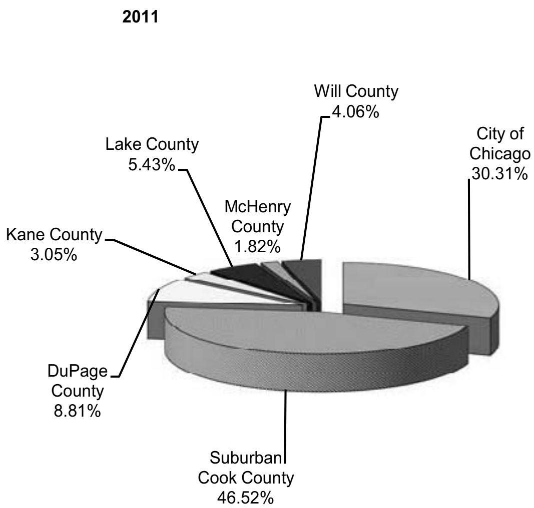
Last Ten Years *(In Thousands)*

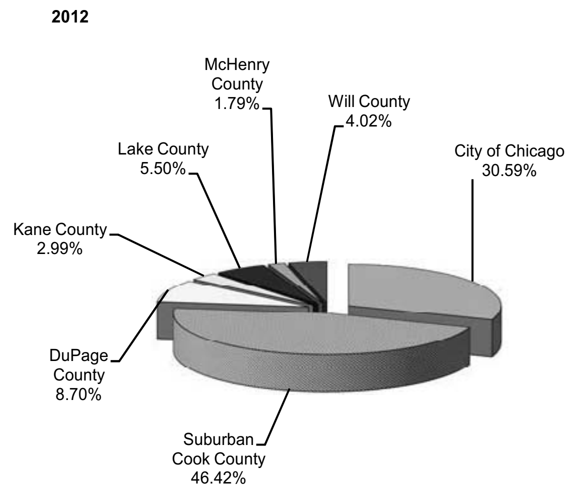
	Financial Assistance				Reduced	Capital	R T A	
	CTA	Metra	Pace	Total	Fare	Grants	and Other	Total
12 Months Ended 12/31/03	$ 453,488	$ 233,632	$ 82,747	$ 769,867	$ 39,662	$ 354,083	$ 175,838	$ 1,339,450
Percentage of Total	33.86%	17.44%	6.18%	57.48%	2.96%	26.43%	13.13%	100%
12 Months Ended 12/31/04	441,630	252,493	79,051	773,174	40,153	323,869	182,417	1,319,613
Percentage of Total	33.47%	19.13%	5.99%	58.59%	3.04%	24.54%	13.82%	100%
12 Months Ended 12/31/05	495,885	241,728	80,052	817,665	37,127	277,130	220,202	1,352,124
Percentage of Total	36.67%	17.88%	5.92%	60.47%	2.75%	20.50%	16.29%	100%
12 Months Ended 12/31/06	496,690	256,301	98,500	851,490	37,327	165,436	227,481	1,281,735
Percentage of Total	38.75%	20.00%	7.68%	66.43%	2.91%	12.91%	17.75%	100%
12 Months Ended 12/31/07	468,349	257,374	164,202	889,925	36,678	113,328	252,301	1,292,232
Percentage of Total	36.24%	19.92%	12.71%	68.87%	2.84%	8.77%	19.52%	100%
12 Months Ended 12/31/08	591,760	287,181	211,620	1,090,561	28,919	119,374	308,308	1,547,161
Percentage of Total	38.25%	18.56%	13.68%	70.49%	1.87%	7.72%	19.93%	100%
12 Months Ended 12/31/09	417,288	267,576	194,698	879,562	41,970	123,069	389,857	1,434,457
Percentage of Total	29.09%	18.65%	13.57%	61.32%	2.93%	8.58%	27.18%	100%
12 Months Ended 12/31/10	436,467	277,506	202,463	916,436	33,570	122,998	398,531	1,471,534
Percentage of Total	29.66%	18.86%	13.76%	62.28%	2.28%	8.36%	27.08%	100%
12 Months Ended 12/31/11	485,117	289,179	212,253	986,549	34,070	241,047	1,258,260	2,519,926
Percentage of Total	19.25%	11.48%	8.42%	39.15%	1.35%	9.57%	49.93%	100%
12 Months Ended 12/31/12	538,594	297,369	233,872	1,069,835	34,070	237,717	1,333,074	2,674,696
Percentage of Total	20.14%	11.12%	8.74%	40.00%	1.27%	8.89%	49.84%	100%

Note: Amounts above include expenditures from the General Fund and the Agency Fund

Table 7

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO





Last Ten Years *(In Thousands)*

	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/03	$198,383	$356,386	$40,916	$12,828	$24,968	$7,599	$13,905	$654,985
Percentage of Total	30.29%	54.41%	6.25%	1.96%	3.81%	1.16%	2.12%	100%
12 Months Ended 12/31/04	205,355	363,792	42,785	13,954	26,150	8,160	15,432	675,628
Percentage of Total	30.39%	53.85%	6.33%	2.07%	3.87%	1.21%	2.28%	100%
12 Months Ended 12/31/05	214,134	373,317	44,495	15,328	27,348	8,635	17,138	700,395
Percentage of Total	30.57%	53.30%	6.35%	2.19%	3.90%	1.23%	2.45%	100%
12 Months Ended 12/31/06	231,273	395,727	46,867	16,008	28,743	9,194	19,016	746,828
Percentage of Total	30.97%	52.99%	6.28%	2.14%	3.85%	1.23%	2.55%	100%
12 Months Ended 12/31/07	236,783	395,163	46,592	16,015	29,058	9,494	19,817	752,922
Percentage of Total	31.45%	52.48%	6.19%	2.13%	3.86%	1.26%	2.63%	100%
12 Months Ended 12/31/08	272,121	447,437	77,227	26,472	48,166	16,034	33,788	921,245
Percentage of Total	29.54%	48.57%	8.38%	2.87%	5.23%	1.74%	3.67%	100%
12 Months Ended 12/31/09	267,553	418,793	79,060	27,144	49,782	16,627	35,279	894,238
Percentage of Total	29.92%	46.83%	8.84%	3.04%	5.57%	1.86%	3.95%	100%
12 Months Ended 12/31/10	278,394	438,000	81,996	28,368	50,789	17,193	36,695	931,435
Percentage of Total	29.89%	47.02%	8.80%	3.05%	5.45%	1.85%	3.94%	100%
12 Months Ended 12/31/11	295,770	453,866	85,937	29,799	52,994	17,712	39,592	975,670
Percentage of Total	30.31%	46.52%	8.81%	3.05%	5.43%	1.82%	4.06%	100%
12 Months Ended 12/31/12	312,519	474,249	88,845	30,569	56,169	18,284	41,051	1,021,686
Percentage of Total	30.59%	46.42%	8.70%	2.99%	5.50%	1.79%	4.02%	100%

Note: Amounts above include revenues from the General Fund and the Agency Fund

Table 8

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

	Governmental Activities					
Fiscal Year	**General Obligation Bonds [a]**	**Working Cash Notes [a]**	**Total Primary Government**	**Percentage of Sales Tax**	**Percentage of Personal Income [b]**	**Per Capita [b]**
2003	$1,982,345	$ -	$ 1,982,345	33.04 %	0.45 %	16
2004	2,201,915	-	2,201,915	30.68	0.48	17
2005	2,156,155	-	2,156,155	32.48	0.46	17
2006	2,351,395	-	2,351,395	31.76	0.47	19
2007	2,292,260	56,000	2,348,260	32.06	0.44	18
2008	2,227,575	40,000	2,267,575	40.63	0.41	18
2009	2,419,120	-	2,419,120	36.97	0.46	19
2010	2,260,160	400,000	2,660,160	35.01	0.49	21
2011	2,176,975	265,000	2,441,975	39.95	0.43	19
2012	2,092,600	300,000	2,392,600	41.72	0.41	19

Note:

[a] Details regarding the Authority's outstanding debt can be found in the notes to the financial statements.

[b] See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

LEGAL DEBT CAPACITY

(In Thousands)

2012

Legal Debt Margin:	Balance Outstanding at December 31, 2012	Issued	
Debt Limitation per Act for General Obligations			$2,600,000
Debt applicable to limitation :			
Non-SCIP Bonds:			
1990A General Obligation Bonds	$48,520		
1991A General Obligation Bonds	51,655		
1994B General Obligation Bonds	7,095		
1994D General Obligation Bonds	29,225		
1997 General Obligation Refunding Bonds	47,740		
2003B General Obligation Bonds	127,855		
2005B General Obligation Refunding Bonds	111,120		
2010A General Obligation Bonds	53,290		
2010B General Obligation Bonds	112,925		
2011A General Obligation Refunding Bonds	95,550		
Total RTA Bonds Applicable to Limitation	684,975		(684,975)
SCIP Bonds:			
1992A General Obligation Bonds		$188,000	
1993A General Obligation Bonds		$55,000	
1994A General Obligation Bonds	17,300	195,000	
1994C General Obligation Bonds	21,800	62,000	
1999 General Obligation Refunding Bonds	241,160		
2000 General Obligation Bonds	207,070	260,000	
2001A General Obligation Bonds	80,035	100,000	
2001B General Obligation Refunding Bonds	29,800		
2002A General Obligation Bonds	131,980	160,000	
2003A General Obligation Bonds	221,675	260,000	
2004A General Obligation Bonds	226,400	260,000	
2006A General Obligation Bonds	230,405	250,350	
	1,407,625		
Total SCIP Bonds Applicable to Limitation		$1,790,350	($1,790,350)
Total SCIP Bonds Outstanding			
Total Bonds Outstanding	$2,092,600		
Debt Margin for General Obligations			124,675
Debt Limitation per Act for Working Cash Notes			400,000
* Total RTA Working Cash Notes Applicable to Limitation	$300,000		($300,000)
Debt Margin for Working Cash Notes			100,000
Total Legal Debt Margin			$224,675

* 2011 CP Notes were short-term and mature within 60 days; total 2011 CP Notes Issued in 2012: $650,000 & Matured $775,000 (includes $125,000 from 2011)

TABLE 10

REGIONAL TRANSPORTATION AUTHORITY
LEGAL DEBT MARGIN INFORMATION
LAST TEN YEARS
(In Thousands)

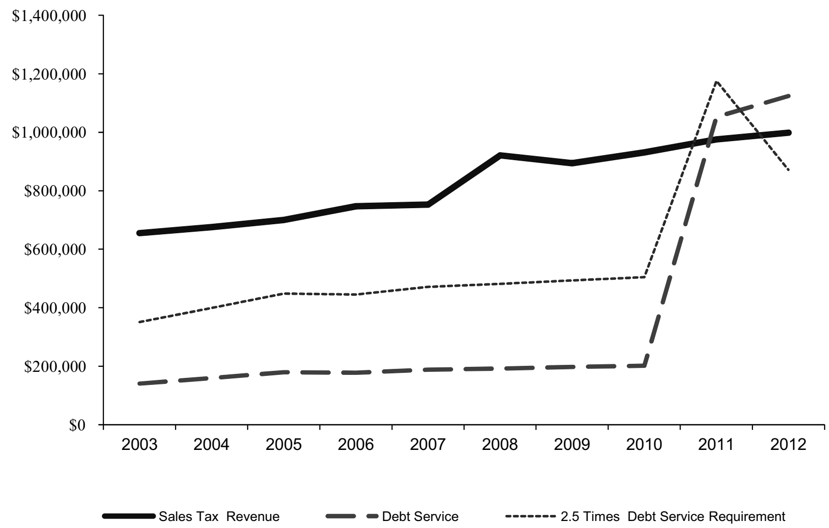
	Fiscal Year									
	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012 ***
Debt limit for General Obligations	$ 2,340,000	$ 2,600,000	$ 2,600,000	$ 2,600,000	$ 2,600,000	$ 2,600,000	$ 2,600,000	$ 2,600,000	$ 2,600,000	$ 2,600,000
Total net debt applicable to limit	2,051,930	2,291,115	2,270,665	2,495,485	2,468,755	2,440,700	2,411,155	2,553,355	2,513,670	2,475,325
Debt margin for General Obligations	288,070	308,885	329,335	104,515	131,245	159,300	188,845	46,645	86,330	124,675
Debt limit for Working Cash Notes	100,000	100,000	100,000	100,000	100,000	400,000	400,000	400,000	400,000	400,000
Total net debt applicable to limit	-	-	-	-	40,000	56,000	260,000	400,000	265,000	300,000
	100,000	100,000	100,000	100,000	60,000	344,000	140,000	-	135,000	100,000
Legal debt margin	$ 388,070	$ 408,885	$ 429,335	$ 204,515	$ 191,245	$ 503,300	$ 328,845	$ 46,645	$ 221,330	$ 224,675
Total legal debt margin as a percentage of debt limit	15.90%	15.14%	15.90%	7.57%	7.08%	16.78%	10.96%	1.55%	7.38%	7.49%

* 2011 CP Notes were short-term and mature within 60 days; total 2011 CP Notes Issued in 2012: $650,000 & Matured $775,000 (includes $125,000 from 2011)

Table 11

COMPARISON OF SALES TAX REVENUE
TO DEBT SERVICE REQUIREMENT

2003 - 2012
(In Thousands)



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

Last Ten Years *(In Thousands)*

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Sales Tax Revenue	$654,985	$675,628	$700,395	$746,829	$752,922	$921,245	$894,238	$931,435	$975,670	$998,218
Debt Service Requirement	$140,607	$159,702	$179,536	$178,086	$188,551	$192,555	$197,529	$201,994	$1,052,441	$1,123,712
2.5 Times Debt Service Requirement	$351,518	$399,255	$448,840	$445,215	$471,378	$481,388	$493,823	$504,985	$1,175,310	$871,430

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

Table 12

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

Last Ten Years *(In Thousands)*

	Debt Service Requirements			Total	Ratio of Debt Service to Total
Year	Principal	Interest	Total	Expenditures	Expenditures
2003	$ 37,940	$ 102,667	$ 140,607	$ 1,339,450	10.50%
2004	40,430	119,272	159,702	1,319,613	12.10%
2005	49,570	129,966	179,536	1,352,124	13.28%
2006	55,110	122,976	178,086	1,281,765	13.89%
2007	59,135	129,416	188,551	1,292,232	14.59%
2008	64,685	127,870	192,555	1,547,161	12.45%
2009	68,455	129,074	197,529	1,434,457	13.77%
2010	74,060	127,934	201,994	1,475,959	13.69%
2011	919,110	133,331	1,052,441	2,519,926	41.76%
2012*	999,375	124,337	1,123,712	2,679,696	41.93%

*2011 CP Notes were short-term and mature within 60 days; total 2011 CP Notes Issued in 2012: $650,000 & Matured $775,000 (includes $125,000 from 2011)

Table 13

FEDERAL ALLOCATION OF CAPITAL FUNDS
TO NORTHEASTERN ILLINOIS

Last Ten Calendar Years

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

Federal Fiscal Year	Total Awarded	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Regional Transportation Authority
2003	$ 463.90	$ 256.70	$ 173.50	$ 33.70	$ -
2004	493.16	291.76	168.05	33.35	-
2005	536.83	330.08	174.80	31.95	-
2006	496.62	280.03	168.69	47.90	-
2007	449.49	288.61	128.45	32.43	-
2008	489.91	279.38	169.55	40.98	-
2009	917.78	535.32	297.57	84.89	-
2010	459.25	266.23	154.97	38.05	-
2011	489.37	299.50	145.02	44.85	-
2012	537.26	306.46	149.63	41.39	39.78
Total	$ 5,333.57	$ 3,134.07	$ 1,730.23	$ 429.49	$ 39.78

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

REGIONAL TRANSPORTATION AUTHORITY
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population [1]	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate [2]
2003	12,556,006	$ 435,900,840	$ 34,717	6.7%
2004	12,589,773	455,290,572	36,164	6.2%
2005	12,609,903	472,072,676	37,437	5.8%
2006	12,643,955	504,493,021	39,900	4.7%
2007	12,695,866	532,587,009	41,950	5.1%
2008	12,747,038	554,521,494	43,502	6.4%
2009	12,796,778	522,945,597	40,865	10.0%
2010	12,841,980	539,680,018	42,025	10.5%
2011	12,869,257	562,662,480	43,721	9.8%
2012	12,875,255	577,008,488	44,815	8.9%

(1) Source: Bureau of Economic Analysis U.S. Department of Commerce
(2) Source: Bureau of Labor Statistics Data U.S. Department of Labor

REGIONAL TRANSPORTATION AUTHORITY
PRINCIPAL EMPLOYERS

CURRENT YEAR				**Eight Years Ago**			
	2012				**2004**		
Employer [1]	**Employees**	**Rank**	**% of Total Region Employment**	**Employer [1]**	**Employees**	**Rank**	**% of Total Region Employment**
United States Government	52,144	1	1.34%	United States Government	88,000	1	2.24%
Chicago Public Schools	40,145	2	1.03%	Chicago Public Schools	39,402	2	1.00%
City of Chicago	30,197	3	0.77%	Jewel/Osco	36,749	3	0.94%
Cook County	21,057	4	0.54%	City of Chicago	35,978	4	0.92%
Advocate Health Care	16,710	5	0.43%	Cook County	26,505	5	0.68%
State of Illinois	15,400	6	0.40%	Advocate Health Care	25,196	6	0.64%
JP Morgan Chase & Co.	15,103	7	0.39%	United Parcel Service of Am	19,563	7	0.50%
University of Chicago	15,029	8	0.39%	State of Illinois	17,222	8	0.44%
Walgreen Co.	14,528	9	0.37%	SBC Communications	17,000	9	0.43%
AT&T Inc.	14,000	10	0.36%	United Airlines	15,830	10	0.40%
Total	234,313		6.01%		321,445		8.19%

Note: RTA service area includes Cook and the five collar Counties.
The information obtained from the sources below has been adjusted
to reflect only employers from these areas.

(1) Crain's Chicago Business

Table 16

RTA & SERVICE BOARDS OPERATING CHARACTERISTICS

2012

Chicago Transit Authority

Rapid Transit

- 8 rail routes
- 145 stations served
- 1,200 rapid transit cars
- 231.1 million riders per year
- 1,090 STO* positions

Motor Bus

- 129 bus routes
- 1,781 buses
- 314.4 million riders per year
- 3,688 STO* positions

CTA Totals

- 1.4 billion rail passenger miles per year
- 712.9 million bus passenger miles per year
- 119.1 million vehicle revenue miles per year
- 4,428 without STO* positions

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

Metra Commuter Rail Division*

- 11 rail routes
- 488 route miles
- 1,155 miles of track
- 241 stations
- 146 locomotives
- 839 passenger cars
- 171 electric cars
- 703 weekly trains operated
- 95.8% on-time performance
- 81.3 million riders per year
- 4,380 full-time employees
- 1.6 billion passenger miles per year
- 43.1 million vehicle miles per year

**All data exclude NICTD South Shore*

Pace Suburban Bus Division

Fixed Route Bus

- 138 regular routes
- 35 feeder routes
- 14 shuttle routes
- 581 vehicles in use during peak periods
- 32.1 million riders per year
- 7 seasonal routes
- 687 Pace-owned buses
- 1,460 full-time employees

ADA Paratransit

- 234 Pace owned lift-equipped buses in service
- 3.8 million riders per year
- 35 full-time employees

Dial-A-Ride

- 68 local services
- 176 Pace owned lift-equipped buses in service
- 210 communities served
- 1.3 million riders per year

Vanpool

- 694 vanpool vehicles in operation
- 2.0 million riders for the year

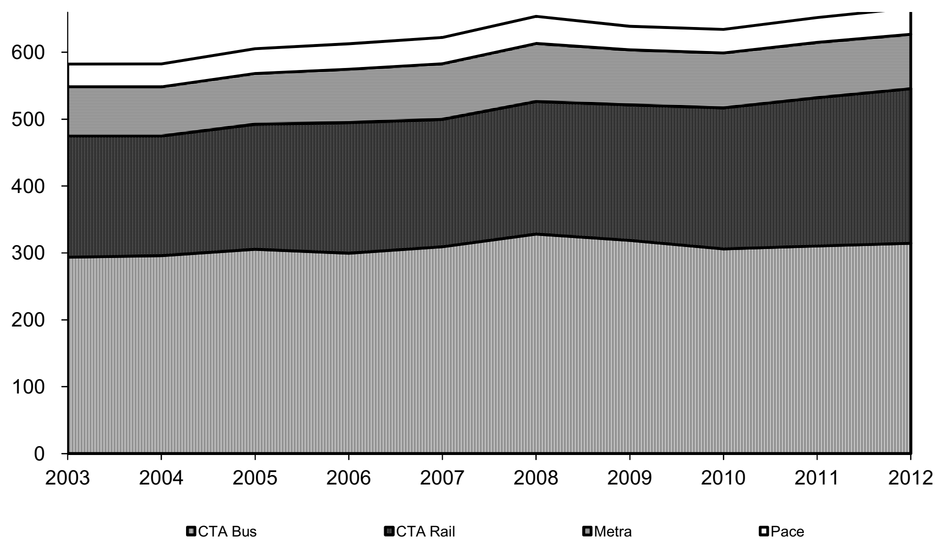
Source of data: Information obtained from the Service Boards, the NTD and RTA records.

Table 17

System Ridership and Unlinked Passenger Trips

2003-2012

(In Millions)



Last Ten Years *(In Millions)*

Service Consumed:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CTA - Bus	293.6	296.0	305.5	299.6	309.3	328.2	318.7	306.0	310.4	314.4
CTA - Rail	181.1	178.7	186.8	195.2	190.3	198.1	202.6	210.8	221.6	231.1
Total CTA*	474.7	474.7	492.3	494.8	499.6	526.3	521.3	516.8	532.0	545.5
Metra	74.0	73.8	76.1	79.9	83.3	86.8	82.3	82.2	82.7	81.3
Pace**	33.7	34.1	36.9	38.0	39.2	40.5	35.1	35.1	37.1	39.2
System Total	582.4	582.6	605.3	612.7	622.1	653.6	638.7	634.1	651.8	666.0
Percent Change	-2.20%	0.03%	3.90%	1.22%	1.53%	5.06%	-2.28%	-0.72%	2.79%	2.18%

CTA Stat amounts include rail-to-rail transfers.

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

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

Table 18

Regional Transportation Authority
Full-time Employee by Function

Last Five Fiscal Years

	2008	2009	2010	2011	2012
Audit	0	0	0	3	3
Executive Office	3	3	3	3	2
Communications	4	6	5	12	11
Finance & Performance Management	30	30	18	24	26
Human Resources	0	0	0	3	3
Information Technology	0	0	0	7	7
Administration	0	0	14	0	0
Legal	4	5	3	8	6
Government and Community Affairs	0	0	2	4	6
Planning	38	43	49	46	47
Research, Analysis & Policy Development	6	6	11	0	0
Totals	**85**	**93**	**105**	**110**	**111**

Regional Transportation Authority

The six-county public transportation system serving northeastern Illinois

RTA Main Office
175 W. Jackson Blvd, Ste. 1650
Chicago, Illinois 60604
312-913-3200
www.RTAchicago.com

RTA Customer Service
165 N. Jefferson St.
Chicago, Illinois 60661
312-913-3110

RTA ADA Certification Helpline
312-663-HELP (4357)

Travel Information Center
and RTA Reduced Fare Card
312-836-7000
www.RTAchicago.com

The RTA Transit Benefit Fare Program
312-913-3230

Chicago Transit Authority
567 W. Lake St.
Chicago, Illinois 60661
888-968-7282
www.transitchicago.com

Metra
547 W. Jackson Blvd.
Chicago, Illinois 60661
312-322-6777
www.metrarail.com

Pace
550 W. Algonquin Rd.
Arlington Heights, Illinois 60005
847-364-7223
www.pacebus.com

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APPENDIX C

SPECIAL-PURPOSE COMBINING FINANCIAL STATEMENTS OF THE RTA AND THE SERVICE BOARDS FOR THE PERIOD ENDED DECEMBER 31, 2012

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2012

Regional Transportation Authority and Service Boards

Special-Purpose Combining Financial Statements for the Year Ended December 31, 2012 and Independent Accountants' Compilation Report

cta

Metra

pace

Regional Transportation Authority

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

(See Independent Accountant's Compilation Report)

Prepared by:

Department of Finance and Performance Management

Bea Reyna-Hickey, CFO
Senior Deputy Executive Director

And

Controller Division

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

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Regional Transportation Authority

175 W. Jackson Blvd.
Suite 1650
Chicago, IL 60604
(312) 913-3200
www.rtachicago.com

July 19, 2013

Board of Directors
Regional Transportation Authority
175 West Jackson Boulevard, Suite 1650
Chicago, Illinois 60604

Dear Directors:

I have the pleasure to submit to you the Combining Financial Statements Report for the Regional Transportation Authority, the Chicago Transit Authority, the Commuter Rail Division and the Suburban Bus Division for the year ended December 31, 2012. This Report fulfills the requirements of Section 4.05 of the RTA Act. This Report represents the operations of our transit system in the aggregate and not as individual components. It shows the magnitude of the resources on hand and in use for public transportation in the Northeastern Illinois Region.

The RTA's independent accountants have compiled the Combining Financial Statements Report. They have not subjected these statements to audit. The audited financial statements of each individual organization are available upon request. As always, the RTA staff acknowledges the commitment by the RTA Board and the Service Boards to fiscal responsibility, to ensure financially sound public transportation in northeastern Illinois.

Sincerely,

Joseph Costello
Executive Director
Regional Transportation Authority

McGladrey

Independent Accountant's Compilation Report

To the Board of Directors
Regional Transportation Authority
Chicago, Illinois

We have compiled the accompanying special-purpose combining statements of net position of the Regional Transportation Authority and Service Boards as of December 31, 2012, and the related special-purpose combining statements of revenues and expenses and changes in net position, and special-purpose combining statements of cash flows for the year then ended and supplementary information and statistical information (included in the accompanying prescribed form). We have not audited or reviewed the accompanying financial statements, supplementary information and statistical information (included in the accompanying prescribed form) and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with the requirements of the Regional Transportation Authority Act (Act) as described in Note 1.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Act and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The financial statements included in the accompanying prescribed form are presented in accordance with the Regional Transportation Act and are not intended to be a presentation in accordance with accounting principles generally accepted in the United States of America.

McGladrey LLP

Schaumburg, Illinois
July 19, 2013

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2012
(In Thousands)

		Service Boards					
	RTA Government - Wide	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Combining Adjustments Debit	Combining Adjustments Credit	Total Combined
ASSETS:							
CURRENT ASSETS:							
Cash and investments:							
Restricted - cash and cash equivalents	$ -	$ 121,395	$ -	$ 29,254	$ -	$ -	$ 150,649
Unrestricted - cash and cash equivalents	158,535	124,090	74,164	69,547	-	-	426,336
Restricted - investments	284,852	-	-	-	-	-	284,852
Unrestricted - investments	239,906	1,000	-	-	-	-	240,906
Unamortized bond issue costs	2,193	-	-	-	-	-	2,193
Receivables:							
Intergovernmental receivables	250,535	-	-	-	-	59,733	190,802
Grant projects	-	33	69,918	960	-	3,510	67,401
RTA financial assistance	-	246,638	79,013	43,516	-	117,518	251,649
Other carriers	-	-	3,023	-	-	-	3,023
Other receivables	-	134,117	7,006	9,703	-	339	150,487
Interest on investments	157	-	-	-	-	-	157
Loan to S.B. note and interest	1,561	-	-	-	-	-	1,561
Materials and supplies inventory	-	46,056	19,059	4,428	-	-	69,543
Prepaid expenses and other assets	62,174	5,399	1,271	2,559	-	-	71,403
Derivative Instrument	-	172	-	-	-	-	172
Total current assets	999,913	678,900	253,454	159,967	-	181,100	1,911,134
Capital assets:							
Plant, property and equipment	7,882	8,886,178	6,017,036	506,777	-	-	15,417,873
Capital projects in progress	12,663	505,302	308,859	6,847	-	-	833,671
Less accumulated depreciation	(5,736)	(5,599,169)	(3,525,112)	(348,177)	-	-	(9,478,194)
Total capital assets	14,809	3,792,311	2,800,783	165,447	-	-	6,773,350
Other assets:							
Unamortized bond issue costs	10,074	32,429	-	-	-	-	42,503
Derivative instrument	47,802	-	-	-	-	-	47,802
Net pension asset	-	19,097	-	-	-	-	19,097
Restricted cash and investments with Trustee	-	804,205	-	-	-	-	804,205
Restricted assets under sale/leaseback	-	1,659,597	108,129	108,003	-	-	1,875,729
Total other assets	57,876	2,515,328	108,129	108,003	-	-	2,789,336
TOTAL ASSETS	$ 1,072,598	$ 6,986,539	$ 3,162,366	$ 433,417	$ -	$ 181,100	$ 11,473,820
DEFERRED OUTFLOWS OF RESOURCES:							
Accumulated decrease in fair value of hedging derivatives	31,951	-	-	-	-	-	31,951

(Continued)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENT OF NET POSITION (Continued)
DECEMBER 31, 2012
(In Thousands)

		Service Boards					
LIABILITIES	**RTA Government-Wide**	**Chicago Transit Authority**	**Commuter Rail Division**	**Suburban Bus Division**	**Combining Adjustments Debit**	**Combining Adjustments Credit**	**Total Combined**
CURRENT LIABILITIES:							
Vouchers payable	$ -	$ 144,256	$ 87,776	$ 4,468	$ -	$ -	$ 236,500
Accrued interest payable	35,089	21,107	-	-	-	-	56,196
Intergovernmental payables	143,815	-	-	-	121,028	-	22,787
Due to other funds	1,578	-	-	-	-	-	1,578
Current portion of general obligation bond payable, net	102,295	80,814	-	-	-	-	183,109
Other current liabilities:							
Accrued other expenses	6,988	110,521	30,366	50,824	58,511	-	140,188
Deferred revenue, assistance and other	1,999	88,481	10,377	1,382	-	-	102,239
Capital lease obligation	-	98,748	9,142	-	-	-	107,890
Claims liability	-	86,589	8,103	18,049	1,561	-	111,180
Total current liabilities	291,764	630,516	145,764	74,723	181,100	-	961,667
LONG-TERM LIABILITIES:							
Long-term portion of general obligation bond, net	2,401,418	3,747,692	-	-	-	-	6,149,110
Post retiree health benefits	-	-	6,000	-	-	-	6,000
Claims liability	-	170,482	14,599	17,143	-	-	202,224
Capital lease obligation	-	1,698,983	98,987	108,003	-	-	1,905,973
Deferred revenue	77,590	-	-	-	-	-	77,590
Derivative instrument	34,889	-	-	-	-	-	34,889
Accrued pension cost	-	42,211	-	4,768	-	-	46,979
Certificate of participation	-	49,987	-	-	-	-	49,987
Deferred rent	2,158	-	-	-	-	-	2,158
Other long-term liabilities	-	61,210	-	2,040	-	-	63,250
	-						
Total long-term liabilities	2,516,055	5,770,565	119,586	131,954	-	-	8,538,160
Total liabilities	2,807,819	6,401,081	265,350	206,677	181,100	-	9,499,827
DEFERRED INFLOWS OF RESOURCES:							
Advance from State	-	-	-	9,132	-	-	9,132
Accumulated increase in fair value of hedging derivatives/others	47,802	172	-	-	-	-	47,974
NET POSITION (DEFICIT):							
Invested in capital assets, net of related debt	14,809	2,383,120	2,800,784	165,447	-	-	5,364,160
Net position restricted for:							
Payment on obligations and others	175,643	119,253	-	-	-	-	294,896
Unrestricted (deficit)	(1,941,524)	(1,917,087)	96,232	52,161	1,446,080	1,446,080	(3,710,218)
TOTAL NET POSITION (DEFICIT)	$ (1,751,072)	$ 585,286	$ 2,897,016	$ 217,608	$ 1,446,080	$ 1,446,080	$ 1,948,838

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

(Concluded)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

	RTA Government-Wide Funds	Service Boards: Chicago Transit Authority	Service Boards: Commuter Rail Division	Service Boards: Suburban Bus Division	Combining Adjustments: Debit	Combining Adjustments: Credit	Total Combined
REVENUES:							
Service Boards operating revenues	$ -	$ 596,499	$ 356,547	$ 69,138	$ 657	$ -	$ 1,021,527
Sales taxes	113,152	-	-	-	-	1,012,280	1,125,432
Interest on sales taxes	119	-	-	-	-	-	119
Public Transportation Fund	355,159	-	-	-	130,370	-	224,789
Operating assistance - CTA and Pace	10,398	-	-	-	-	-	10,398
State assistance	86,984	-	-	-	-	-	86,984
Investment income	22,290	-	-	-	-	-	22,290
Program revenues and others	10,520	-	-	-	-	-	10,520
Total revenues	598,622	596,499	356,547	69,138	131,027	1,012,280	2,502,059
EXPENSES:							
Operating expenses	-	1,292,918	676,512	327,334	-	284	2,296,480
Depreciation	-	379,510	211,443	47,779	-	-	638,732
Financial assistance to Service Boards	171,700	-	-	-	-	171,700	-
Operating grant - CTA and Pace	36,687	-	-	-	-	36,687	-
Capital grants—discretionary	5,410	-	-	-	-	5,410	-
Capital grants—bonds	213,394	-	-	-	-	213,394	-
Insurance (JSIF)	5,942	-	-	-	-	5,942	-
Administrative expenses	16,507	-	-	-	-	383	16,124
Regional expenses	17,542	-	-	-	-	-	17,542
Technology program	1,473	-	-	-	-	-	1,473
Bond interest	117,254	-	-	-	-	-	117,254
Total expenses	585,909	1,672,428	887,955	375,113	-	433,800	3,087,605
OPERATING INCOME (LOSS)	12,713	(1,075,929)	(531,408)	(305,975)	131,027	1,446,080	(585,546)
NONOPERATING REVENUE (EXPENSE):							
RTA financial assistance	-	645,524	457,109	266,225	1,285,748	-	83,110
Leasehold revenue	-	4,262	-	-	-	-	4,262
Interest revenue from leasing transactions	-	116,039	6,880	6,439	-	-	129,358
Interest expense on leasing transactions	-	(118,439)	(6,880)	(6,439)	-	-	(131,758)
Interest expense on bond transactions	-	(194,237)	-	-	-	-	(194,237)
Other public funding	-	48,670	140,495	1,703	-	-	190,868
Capital grants	-	366,402	12,197	41,020	29,305	-	390,314
Investment income	-	9,091	-	188	-	-	9,279
Gain on sale of assets	-	140	-	-	-	-	140
Total nonoperating revenue (expense)	-	877,452	609,801	309,136	1,315,053	-	481,336
CHANGE IN NET POSITION	12,713	(198,477)	78,393	3,161	1,446,080	1,446,080	(104,210)
NET POSITION (DEFICIT):							
Beginning of year	(1,763,785)	783,763	2,818,623	214,447	-	-	2,053,048
End of year	$ (1,751,072)	$ 585,286	$ 2,897,016	$ 217,608	$ 1,446,080	$ 1,446,080	$ 1,948,838

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

	RTA Joint Self-Insurance Fund	Service Boards: Chicago Transit Authority	Service Boards: Commuter Rail Division	Service Boards: Suburban Bus Division	Total Combined
CASH FLOWS FROM OPERATING ACTIVITIES:					
Fares received from passengers	$ -	$ 553,253	$ 301,132	$ 58,560	$ 912,945
Payments to employees	-	(918,316)	(283,754)	(119,641)	(1,321,711)
Payments to vendors	(6,190)	(308,538)	(384,413)	(190,636)	(889,777)
Other receipts and payments	-	30,314	52,632	9,529	92,475
Net cash used in operating activities	(6,190)	(643,287)	(314,403)	(242,188)	(1,206,068)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Financial assistance—operating	5,000	678,494	350,465	272,149	1,306,108
Net cash provided by noncapital financing activities	5,000	678,494	350,465	272,149	1,306,108
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest income from assets restricted for payment of leasehold obligations	-	116,039	-	-	116,039
Repayment of lease/leaseback obligations	-	(104,485)	-	-	(104,485)
Increase/decrease in assets restricted for payment of leasehold obligations	-	(29,217)	-	-	(29,217)
Financial assistance—grant projects	-	343,360	248,743	38,567	630,670
Interest expense on bonds	-	(200,506)	-	-	(200,506)
Proceeds from issuance of bonds (net)	-	2,203	-	-	2,203
Repayment of bonds payable	-	(62,093)	-	-	(62,093)
Repayment of long-term liabilities	-	(3,971)	-	-	(3,971)
Payments for capital acquisition	-	(358,681)	(277,800)	(39,384)	(675,865)
Net cash used in capital and related financing activities	-	(297,351)	(29,057)	(817)	(327,225)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Note principal and interest	4,695	-	-	-	4,695
Investment income	90	9,091	204	188	9,573
Sales and purchases of investments, net	(4,391)	271,151	-	-	266,760
Net cash (used) by investing activities	394	280,242	204	188	281,028
NET INCREASE IN CASH AND CASH EQUIVALENTS	(796)	18,098	7,209	29,332	53,843
CASH AND CASH EQUIVALENTS—Beginning of year	11,081	227,387	66,955	69,469	374,892
CASH AND CASH EQUIVALENTS—End of year	$ 10,285	$ 245,485	$ 74,164	$ 98,801	$ 428,735
RECONCILIATION OF OPERATING ACTIVITIES:					
Net loss from operations	$ (5,935)	$ (1,075,929)	$ (531,408)	$ (305,975)	$ (1,919,247)
Adjustments to reconcile operating loss to net cash flows from operating activities:					
Depreciation	-	379,510	211,444	47,779	638,733
Claims provision and settlement	-	-	864	-	864
State reduced fare assistance	-	-	(3,571)	-	(3,571)
Interest and dividends received	(7)	-	(204)	-	(211)
Changes in current assets and liabilities	(248)	53,132	8,472	16,008	77,364
NET CASH USED IN OPERATING ACTIVITIES	$ (6,190)	$ (643,287)	$ (314,403)	$ (242,188)	$ (1,206,068)

NOTE 1. PRESCRIBED BASIS FOR REPORTING

The accompanying special purpose combining financial statements are presented as required by the Regional Transportation Authority (RTA) Act (Act) and are not intended to be presented in accordance with accounting principles generally accepted in the United States of America. These financial statements combine the assets, liabilities, net position, revenues and expenses of the RTA and the Service Boards (CTA, Metra and PACE). The special purpose combining financial statements are not in accordance with accounting principles generally accepted in the United States of America (GAAP) primarily due to a different entity perspective and due to the omission of significant disclosures. The RTA and each individual Service Board receive a separate audit of their financial statements in accordance with accounting principles generally accepted in the United States of America. These individual statements are prepared in accordance with GAAP and include all required footnote disclosures.

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

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

NOTE 2. ORGANIZATIONAL STRUCTURE

RTA

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

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

CTA

The 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.

Metra

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

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

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

Pace

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

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

Reporting Periods

The RTA, CTA, Metra and Pace (the Combined Entities) all report on a calendar-year basis. All statements enclosed herewith are based on each entity's December 31, 2012 year-end.

NOTE 3. REPORTING ENTITY

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

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

- The Service Boards maintain separate management, exercise control over all operations (including the passenger fare structure), and are accountable for fiscal matters, including ownership of assets, relations with federal and state transportation funding agencies that provide financial assistance in the acquisition of these assets, and the preparation of operating budgets. The Service Boards are also responsible for the purchase of services and approval of contracts relating to their operations.

- The RTA Board has control neither in the selection nor the appointment of any Service Board Director nor of any of its management. Further, directors of the Service Boards are excluded from serving on more than one entity's board of directors, including that of the RTA, except for the Chairman of the CTA Board of Directors who is also an RTA Board member.

- The Illinois statutes require the RTA Board to approve the budgets of the Service Boards, if such budgets meet specified system-generated revenue recovery ratios and other requirements as defined by the Act.

- The RTA is not entitled to any Service Board surplus or responsible for any Service Board deficit.

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

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant policies:

Basis of Accounting—The 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 related cash flows. Sales taxes are recognized as revenues if collected by the retailers by year-end. Grants and similar items are recognized as revenues when qualifying expenditures have been incurred and as soon as all eligibility requirements imposed by the grantors have been met. Prepaid expenses are recorded using the consumption method.

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

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

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

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

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

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

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

Revenue/Sales Taxes

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

Sales Tax—Prior to 2008**,** the RTA Sales Tax consisted of (i) in Cook County, (a) a tax of 1% of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a Food and Drug Tax) and (b) a tax of 0.75% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois other than Cook County, a tax of 0.25% of the gross receipts from all taxable retail sales (together with (i) (b), a General Sales Tax); and (iii) a tax of 1% on the use in Cook County, and 0.25% on the use in Northeastern Illinois other than Cook County of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a Use Tax); and (iv) a tax imposed in the same locations and at the same rates as the Food and Drug Tax and the General Sales Tax on persons engaged in a sale of service pursuant to which property in the form of tangible personal property or in the form of real estate is transferred incident to a sale of a service (a Service Occupation Tax).

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

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

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

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

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

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

The RTA recognizes as a receivable and revenue in the General Fund only the 15% of this portion of the total sales taxes collected to which it is entitled by the amended Act. The remaining 85% of this portion of the sales tax is recorded in the Agency Fund.

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

Public Transportation Fund—In accordance with the Act, the State Treasurer is authorized and required to transfer from the State’s General Revenue Fund to a special fund in the State Treasury designated the “Public Transportation Fund,” an amount equal to 30% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes) and RETT. These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the PTF through its 2012 fiscal year which will end June 30, 2012.

In February 2008, the PTF match of the pre-2008 RTA sales tax increased from 25% to 30%. In April 2008, the 5% PTF match was applied to the RETT and the RTA portion of the sales tax increase. In January 2009, the PTF match of both the RETT and the RTA portion of the sales tax increase rose from 5% to 30%.

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

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

The amounts allocable to each of the Service Boards from funding received by the RTA from a portion of the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. This portion corresponds to 25% of the pre-2008 sales tax receipts. The remaining portion of the State's PTF is combined with the sales tax resulting from the 2008 rate increase and allocated by statute first to the ADA Paratransit Fund, ICE Fund, and SCMF, with the remainder distributed 48% to the CTA, 39% to Metra, and 13% to Pace.

The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement— In the State's fiscal year 2013, which ends June 30, 2013, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation ("IDOT") is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities, and the elderly. For the State fiscal year ended June 30, 2012, the grant was in the amount of $34.1 million. For the state fiscal year ending June 30, 2013, the RTA anticipates a grant in the amount of $17 million.

Additional State Assistance/Additional Financial Assistance—The State has authorized Additional State Assistance ("ASA") which is supplemental financing for the RTA's Strategic Capital Improvement Program ("SCIP") bonds. The ASA available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds plus any debt service savings from the issuance of refunding or advance refunding SCIP bonds, less interest earned on the unspent bond proceeds, or (ii) $55 million per year. The RTA recognized $34.6 million of ASA in 2012.

Beginning with the State's fiscal year 2001, the State has also authorized Additional Financial Assistance ("AFA") to pay for debt service requirements for SCIP bonds authorized under the Illinois First Program. The amount available to the RTA during the State's July through June fiscal year is limited to the lesser of (i) the actual debt service payable during such year on any outstanding SCIP bonds less interest earned on those bond proceeds, or (ii) $100 million in the State's fiscal years 2012 and 2013, per year. The RTA recognized $52.3 million of AFA in 2012.

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

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

Administration consists of those costs of the RTA incurred to carry out its administrative activities. These costs were limited by statute to $18.7 million for the year ended December 31, 2012.

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

Expenses are recognized using the accrual basis of accounting. Expenses are recognized in the period incurred.

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

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

New Accounting Pronouncements—During 2012, the Authority adopted the following GASB Statements:

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in pre-November 1989 FASB and AICPA Pronouncements*, was established to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in certain FASB and AICPA pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, was established to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed.

Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – An Amendment to GASB Statement No. 53*, was established to enhance comparability and improve financial reporting by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced.

Other accounting standards that the Authority is currently reviewing for applicability and potential impact on the financial statements include:

Statement No. 65, *Items Previously Reported as Assets and Liabilities,* was established to reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The Authority is required to implement this statement for the year ending December 31, 2013.

Statement No. 66, *Technical Corrections – 2012,* was established to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two earlier pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This Statement also amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and to an internal service fund type. Governments are allowed to base their decision about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* Finally, this Statement also amends Statement 62 by modifying the specific guidance on accounting for operating lease payments that vary from a straight-line basis; the difference between the initial investment and principal amount of a purchased loan or group of loans; and servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases* and result in guidance that is consistent with the requirements of Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* The Authority is required to implement this statement for the year ending December 31, 2013.

Statement No. 67, *Financial Reporting for Pension Plans*, will be effective for the Authority beginning with its year ended December 31, 2014. This statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. This statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans and requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules.

Statement No. 68, *Accounting and Financial Reporting for Pensions*, will be effective for the Authority beginning with its year ended December 31, 2015. This statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

Management has not currently determined what impact, if any, these Statements may have on its financial statements.

NOTE 5. BUDGET AND BUDGETARY ACCOUNTING

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

The annual budget and related appropriations are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States except for RTA capital expenses and capital grants to the Service Boards. The RTA capital expenses and capital grants to the Service Boards are budgeted on a project basis, which normally exceeds one year, and debt service payments, which are budgeted as transfers from the general fund. Budgets for RTA capital expenses and capital grants to the Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. In addition, for the sales tax agency fund, additions and deletions are treated as revenues and expenses. All appropriations lapse at year-end.

Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenses in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenses and total administration appropriations/expenses. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenses and the total administration appropriations/expenses. It is generally the policy of the RTA (ordinance 91-9) to fund the budgets of the Service Boards up to the amount appropriated in the annual Budget Ordinance. However, unfavorable economic conditions created the need to waive this policy for purposes of the adoption of the 2012 budget and 2013-2014 financial plan and the 2013 budget and 2014-2015 financial plan. Also waived for the purpose of the adoption of the 2013 budget and 2014-2015 financial plan was the provision of the RTA funding policy adopted by Ordinance 98-15 that requires that the RTA annual budget and two-year financial plan show a year-end unreserved and undesignated fund balance equal to 5% of the RTA general fund by no later than the end of the three-year planning period.

The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

- The first source of funds to be credited against the budgeted funding amount is from Service Board sales tax receipts;

- The second source of funds to be credited against the budgeted funding amount is from PTF receipts; and

- The third source of funds credited against the budgeted funding amount is from unallocated RTA sales tax receipts and other discretionary receipts.

The reimbursement of Service Boards' capital expenses and the payment of PTF funds, unallocated RTA sale tax receipts and other discretionary funds of the RTA shall be made under the terms and conditions of grant agreements governing such expenses.

NOTE 6. LEASES

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

CTA

During 2008, the CTA entered into a lease-purchase agreement to finance the purchase of 150 sixty foot New Flyer articulated hybrid buses and certain related parts and equipment with a book value of $82.3 million and $91.6 million at December 31, 2012 and 2011, respectively. 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 $85 million is reflected in the accompanying December 31, 2012 statement of net position as a capital lease obligation.

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

On October 26, 2006, the Public Building Commission of Chicago (PBC) issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91.3 million. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The principal amount of the bonds refunded was $111.1 million.

The proceeds from the sale of the 2006 bonds are being held in escrow under an escrow refunding agreement and have been invested in United States Treasury obligations. The principal amount of such obligations, together with interest earned thereon, will permit the payment of principal and interest on the refunded bonds up to and including their respective call dates. The refunded bonds are treated in the financial statements as defeased obligations. Accordingly, neither the trust account assets nor the refunded bonds appear in the accompanying financial statements. This refunding decreased annual debt service payments over 27 years by approximately $388,000, resulting in an economic gain of approximately $20.4 million. Based upon the requirements of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Accounts*, the CTA recorded a deferred amount (loss) on refunding of $2.4 million. The remaining unamortized portion of $1.4 million is recorded as a component of long-term debt in the accompanying statements of net position.

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 statements of net position. The present value of the future payments to be made by the CTA under the lease of approximately $79.2 million is reflected in the accompanying December 31, 2012 statement of net position as a capital lease obligation.

In 2003, CTA entered into a lease and leaseback agreement with a third party pertaining to certain buses, with a book value of $3.8 million and $7.5 million at December 31, 2012 and 2011, respectively. 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 $16.2 million is reflected in the accompanying December 31, 2012 statement of net position 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 $3.8 million and $10.1 million at December 31, 2012 and 2011, respectively. 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 $133.4 million is reflected in the accompanying December 31, 2012 statement of net position 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 $5.3 million and $6.1 million at December 31, 2012 and 2011, respectively. 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 $103.3 million is reflected in the accompanying December 31, 2012 statement of net position as a capital lease obligation.

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 $199.6 million and $213.4 million at December 31, 2012 and 2011, respectively. 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 $161.5 million is reflected in the accompanying December 31, 2012 statement of net position 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 $40 million and $42.6 million at December 31, 2012 and 2011, respectively. 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 $46.7 million is reflected in the accompanying December 31, 2012 statement of net position as a capital lease obligation.

In connection with the 1997 Agreements, the CTA also received proceeds of $11.9 million. 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 $43 million and $46 million at December 31, 2012 and 2011, respectively. 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 $46.5 million is reflected in the accompanying December 31, 2012 statement of net position as a capital lease obligation.

In connection with the 1996 Agreements, the CTA also received proceeds of $10.9 million and agreed to make approximately $80 million of improvements to one of the facilities. The FTA has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

During 1995, the CTA entered into sale/leaseback agreements (the 1995 Agreements) with third parties. The 1995 Agreements provided for the CTA to sell and lease back certain rail equipment with a book value of $46.6 million and $56 million at December 31, 2012 and 2011, respectively. At December 31, 2012, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling $1,106 million. 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, 2012 are as follows (in thousands of dollars):

2012	Beginning balance	Additions*	Principal paid	Ending balance	Interest paid	Due in one year
2003 (Buses)	$ 16,026	$ 571	$ (411)	$ 16,186	$ 571	$ -
2002 (Buses)	126,993	6,399	-	133,392	6,398	-
2002 (QTE)	97,178	6,170	-	103,348	6,170	-
1998 (Green)	172,370	11,792	(22,712)	161,450	11,792	23,051
1997 (Garages)	43,388	3,262	-	46,650	3,262	-
1996 (Skokie/Racine)	43,308	3,183	-	46,491	3,183	-
1995 (Pickle)	1,088,462	81,193	(63,698)	1,105,957	81,193	63,698
Total lease/leasebacks	1,587,725	112,570	(86,821)	1,613,474	112,569	86,749
2006 PBC Lease	81,305	-	(2,115)	79,190	6,186	2,204
2008 Bus Lease	94,393	-	(9,376)	85,017	4,060	9,795
Total capital lease obligation	$ 1,763,423	$ 112,570	$ (98,312)	$ 1,777,681	$ 122,815	$ 98,748

* Additions include accretion of interest.

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

Future Minimum Lease Payments: As of December 31, 2012, future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2013	$ 98,748
2014	250,303
2015	93,624
2016	1,230,594
2017	44,153
2018-2022	355,036
2023-2027	207,635
2028-2032	25,825
2033-2035	6,031
Total future minimum payments	2,311,949
Less interest	534,268
Present value of minimum lease payments	$ 1,777,681

The present value of all future payments to be made by the CTA under all its leases of approximately $1.8 billion is reflected in the accompanying December 31, 2012 statement of net position as capital lease obligations.

Metra

On September 18, 1998, Metra entered into transactions to lease 174 railcars to three equity investors (the headlease) and simultaneously subleased the railcars back (the sublease). Under these agreements, Metra maintains the right to use the railcars and is also responsible for their continued maintenance and insurance. Metra's sublease arrangements have been recorded as long-term obligations for accounting purposes.

At closing, the railcars had a fair market value of approximately $296.9 million and a book value of $262.9 million. As part of the headlease agreements, Metra received prepayments equivalent to the net present value of the headlease obligations totaling approximately $274 million.

Metra transferred approximately $177.4 million and $52.9 million of the prepayment proceeds to third parties in accordance with the terms of debt and equity payment undertaking agreements, respectively. These agreements constituted commitments by the debt and equity payment undertakers to pay Metra's sublease and buy-out options, under the terms of the subleases. The debt payment undertaker and equity payment undertaker are finance companies. In connection with the transaction, Metra recognized $43.7 million as leasehold revenue in 1998.

One of the lease agreements was terminated in 2008. On August 29, 2011, Metra entered into an agreement with another investor to terminate a second lease. As a result of the termination, payments were made to the equity investor by the equity payment undertaker and debt payment undertaker from the restricted assets that based upon the executed termination agreement, released Metra from any further liability. Accordingly, Metra removed approximately $63.4 million of assets restricted for payment of obligations under leasing transactions and approximately $63.4 million of amounts payable for leasehold transactions from its financial statements. No gain or loss was realized by Metra as a result of the termination agreement. In accordance with the provisions of the termination agreement, Metra was required to pay all legal expenses of all parties involved, which totaled approximately $164 thousand during the year ended December 31, 2011. No payments were made in 2012.

In 2008, American International Group, Inc. (AIG) incurred a ratings downgrade. AIG acted as the DPU, EPU, and Standby Letter of Credit Provider (SLOCP) for these transactions. Once AIG's ratings fell below levels specified per the terms of the agreements, AIG was required to provide additional collateral to securitize the transactions. Later in 2008, AIG's credit ratings were further downgraded which triggered an event of default. The remaining investor has advised Metra that they are satisfied with AIG, and has been providing waivers for the additional collateral requirements on a quarterly basis. Metra does not anticipate any material adverse financial impact as a result of the termination of the remaining leases. In the event the investor terminates the transactions, Metra's maximum exposure is approximately $24.8 million at December 31, 2012.

The net present value of the future payments due under the remaining subleases has been recorded as a liability on the accompanying statements of net position. Since the debt and equity payment undertaking agreements have been structured to meet all future obligations under the subleases, the related asset balances have been recorded to equal the sublease liabilities on the accompanying statements of net position. The following table sets forth the aggregate amounts due under the sublease agreements:

Future Minimum Lease Payments: As of December 31, 2012, future minimum lease payments for capital leases, in the aggregate, are as follows:

2013	$	9,142
2014		9,142
2015		9,142
2016		9,142
2017		9,143
2018-2021		111,924
Total future minimum payments		157,635
Less imputed interest		(49,506)
Present value of minimum lease payments	$	108,129

The present value of minimum lease payments of the Metra lease is $108 million which is reflected in the accompanying December 31, 2012 statement of net position as capital lease obligations.

Pace

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

The first lease and leaseback agreement with a third party pertained to certain buses (lots 1, 2, and 3) having an original cost of $62.3 million less accumulated depreciation of $57.4 million for a net book value of $4.9 million at December 31, 2012. Under the bus lease agreements, Pace entered into a long term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately $76.6 million and is reflected in the accompanying December 31, 2012 Statement of Net Position as the total of the current and long term portions of the Capital Lease Obligation.

The second lease and leaseback agreement with a third party pertained to certain buses (lot 4) having an original cost of $29.0 million less accumulated depreciation of $23.6 million for a net book value of $ 5.4 million at December 31, 2012. Under the bus lease agreements, Pace entered into a long term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to Pace under a sublease. The present value of the future payments to be made by Pace under the lease is approximately $31.4 million and is reflected in the accompanying December 31, 2012 Statement of Net Position as the total of the current and long term portions of the Capital Lease Obligation.

2012	Beginning balance	Additions	Reductions	Ending balance	Interest expense	Due in one year
2003 (Buses)	$ 72,153	$ 4,495	$ -	$ 76,648	$ 4,496	$ -
2003 (Buses)	29,412	1,943	-	31,355	1,943	-
Total	$ 101,565	$ 6,438	$ -	$ 108,003	$ 6,439	$ -

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

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

	Capital Leases
2013	$ -
2014	-
2015	-
2016	124,400
Total future minimum payments	124,400
Less interest	(16,397)
Present value of minimum lease payments	$ 108,003
A reconciliation of the Statement of Net Position to amount presented above:	
Capital Lease Obligation, less current portion	$ 108,003
Capital Lease Obligation, current portion	-
Total	$ 108,003

The present value of the future payments including the purchase option to be made by Pace under these leases are approximately $108 million and is reflected in the accompanying December 31, 2012 statement of net position as a capital lease obligation.

NOTE 7. COMMITMENTS AND CONTINGENCIES

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

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

The RTA has also established a loss financing plan to cover funding of losses incurred by the RTA and the Service Boards over certain established limits.

CTA

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 statements.

Defeased Debt: On October 26, 2006, the PBC issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91.3 million. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The outstanding balance of the defeased debt was $82 thousand as of December 31, 2012.

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).

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 has negotiated with the private investors and they have agreed to forbear from enforcing the provision of the agreements that require replacement of the guarantor.

Metra

Litigation: Metra is a defendant in a number of legal actions. These actions have been considered in estimating and funding Metra's retained risk liability program. The total of amounts claimed under these legal actions, including potential settlements, could exceed the amount of the accrued claims. In the opinion of Metra's management, the retained risk funding and Metra's limited excess indemnity insurance coverage from commercial carriers are adequate to cover the ultimate liability of these legal actions, in all material respects.

Grants: Metra receives moneys from federal and state government agencies under various grants. The costs, both direct and indirect, charged to these grants are subject to audits and disallowance by the granting agency. It is the opinion of management of Metra that any disallowances or adjustments would not have a material adverse effect on the financial position of Metra.

Leases: Metra has entered into several noncancelable operating leases, primarily for the use of passenger terminals, which expire on various dates through 2045. Future minimum rental payments under all noncancelable operating leases having initial or remaining terms in excess of one year as of December 31, 2012 were as follows:

2013	$ 10,477
2014	10,478
2015	10,480
2016	10,482
2017	10,484
2018-2022	21,331
2023-2027	8,532
2028-2031	4,749
Thereafter	16,621
Total	$ 103,634

Total rent expense aggregated $15.5 million and $16.3 million for the years ended December 31, 2012 and 2011, respectively.

Grants – At December 31, 2012, Metra had $501.7 million in unexpended obligations related to federal and state (including local) capital grant contracts.

Pace

Agreements with Pace's paratransit public funded carriers generally provide that Pace will reimburse the lesser of the approved budget, $3.00 per ride, or up to 75% of defined operating deficits incurred, within defined service guidelines, in the provision of specified demand response public transportation services.

Grant agreements with Pace's public contract carriers provide that Pace reimburse defined operating expenses, limited to their approved budget level, incurred in providing public transportation services.

Pace receives significant financial assistance from federally assisted programs, principal of which is FTA. These programs are subject to audit under the requirements of *OMB Circular A-133* for which a separate report is issued.

RTA

The RTA has an operating lease agreement for its office facilities. In 2012, the total rent paid by the RTA was $1,776,000. Minimum required annual rental payments by the RTA are as follows:

2013	$ 2,019
2014	2,017
2015	2,062
2016	2,126
2017	2,101
2018-2024	13,804
Total	$ 24,129

NOTE 8. CASH AND INVESTMENTS

The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/1, et seq. Each of the Combined Entities has established its own investment policy which is in line with the State statute or, in some cases, more restrictive.

The Combined Entities have on hand, as of December 31, 2012; $1.1 billion of cash and investments (excludes CTA bond proceeds held by Trustee). Of this amount, $436 million is restricted for self-insurance and other damage reserve liabilities, debt service, health insurance claims, and capital projects.

NOTE 9. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in RTA's bonds payable were as follows:

(In thousands)	January 1, 2012	New Issues	Current Retirements	December 31, 2012	Due Within One Year
1990A	$ 52,900	$ -	$ 4,380	$ 48,520	$ 4,695
1991A	55,745	-	4,090	51,655	4,365
1992A* & 1992B	9,180	-	9,180	-	-
1994A* & 1994B	24,395	-	-	24,395	-
1994C* & 1994D	52,915	-	1,890	51,025	2,045
1997 Refunding	49,605	-	1,865	47,740	3,320
1999* Refunding	250,185	-	9,025	241,160	17,990
2000A*	213,315	-	6,245	207,070	6,610
2001A*	82,360	-	2,325	80,035	2,455
2001B* Refunding	29,800	-	-	29,800	-
2002A*	135,475	-	3,495	131,980	3,690
2002B	11,815	-	11,815	-	-
2003A*	227,275	-	5,600	221,675	5,910
2003B	131,120	-	3,265	127,855	3,435
2004A*	231,785	-	5,385	226,400	5,660
2005B Refunding	118,710	-	7,590	111,120	7,960
2006A*	234,555	-	4,150	230,405	4,390
2010A	57,365	-	4,075	53,290	4,235
2010B	112,925	-	-	112,925	-
2010C Cash Note	140,000	-	140,000	-	-
2011A Refunding	95,550	-	-	95,550	12,040
2011CP Cash Note	125,000	650,000	775,000	-	-
2012A Cash Note	-	300,000	-	300,000	-
Subtotal	2,441,975	950,000	999,375	2,392,600	88,800
Unamortized bond premium	124,608	-	13,495	111,113	13,495
Total	$ 2,566,583	$ 950,000	$ 1,012,870	$ 2,503,713	$ 102,295

* Strategic Capital Improvement Program (SCIP) Bonds

At December 31, 2012, the total general obligation bonds payable of $2,392.6 million are classified as current and long-term in the Statement of Net Position in the amounts of $88.8 million and $2,303.8 million, respectively.

Advance Refunding-On June 28, 2011, the RTA issued $95.55 million in General Obligation bonds with an average interest rate of 5 percent. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to call the 2002B Series bonds June 1, 2012. As a result the 2002B Series bonds are considered to be redeemed and the liability for those bonds has been removed from the government-wide statement of net position. The refunding resulted in a redemption premium of $11.5 million paid at the call date. The RTA completed the refunding to reduce its total debt service payments over the next 9 years by $7.9 million, resulting in an economic gain of $7.2 million.

Debt Service Requirements—The "debt service requirements" set forth in the following tables represent payments due the bondholders, as required by the respective bond agreements. The amounts do not include sinking fund payments the RTA must deposit with the trustee.

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

The Series 1990A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 6.00% to 7.30% on May 1, 1990 and semiannually thereafter on November 1 and May 1 in each remaining year.

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

Year Ending	Debt Service Requirements		
December 31	Principal	Interest	Total
2013	$ 4,695	$ 3,494	$ 8,189
2014	5,035	3,155	8,190
2015	5,395	2,793	8,188
2016	5,785	2,404	8,189
2017	6,200	1,988	8,188
2018-2020	21,410	3,155	24,565
Total	$ 48,520	$ 16,989	$ 65,509

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

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

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

Year Ending	Debt Service Requirements		
December 31	Principal	Interest	Total
2013	$ 4,365	$ 3,461	$ 7,826
2014	4,660	3,168	7,828
2015	4,970	2,856	7,826
2016	5,305	2,523	7,828
2017	5,660	2,168	7,828
2018-2021	26,695	4,616	31,311
Total	$ 51,655	$ 18,792	$ 70,447

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ -	$ 1,952	$ 1,952
2014	-	1,952	1,952
2015	-	1,952	1,952
2016	11,725	1,482	13,207
2017	12,670	506	13,176
Total	$ 24,395	$ 7,844	$ 32,239

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 2,045	$ 3,875	$ 5,920
2014	2,210	3,710	5,920
2015	7,360	3,340	10,700
2016	7,955	2,746	10,701
2017	8,600	2,105	10,705
2018-2020	22,855	2,209	25,064
Total	$ 51,025	$ 17,985	$ 69,010

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 3,320	$ 2,765	$ 6,085
2014	3,530	2,559	6,089
2015	3,750	2,341	6,091
2016	3,980	2,109	6,089
2017	4,230	1,863	6,093
2018-2022	25,380	5,054	30,434
2023	3,550	107	3,657
Total	$ 47,740	$ 16,798	$ 64,538

1999 General Obligation Refunding Bonds**—**In August 1999, the RTA issued $299 million in General Obligation Bonds, Series 1999, to provide funds to refund in advance of maturity the RTA's outstanding

Series 1992A Bonds, maturing June 1 in the years 2015 and 2022, in the aggregate amount of $114 million, Series 1993A Bonds, maturing June 1 in the years 2009 and 2013, in the aggregate amount of $10 million, Series 1994A Bonds, maturing June 1 in the years 2006-2009, 2012, 2015 and 2024, in the aggregate amount of $143 million and Series 1994C Bonds, maturing June 1 in the year 2025, in the aggregate amount of $22 million.

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 17,990	$ 13,405	$ 31,395
2014	16,735	12,407	29,142
2015	17,720	11,416	29,136
2016	10,425	10,607	21,032
2017	11,045	9,990	21,035
2018-2022	128,090	31,413	159,503
2023-2025	39,155	2,737	41,892
Total	$ 241,160	$ 91,975	$ 333,135

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 6,610	$ 13,211	$ 19,821
2014	7,005	12,798	19,803
2015	7,425	12,360	19,785
2016	7,870	11,896	19,766
2017	8,345	11,405	19,750
2018-2022	50,125	48,524	98,649
2023-2027	67,860	30,583	98,443
2028-2030	51,830	6,875	58,705
Total	$ 207,070	$ 147,652	$ 354,722

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

The Series 2001A Bonds mature on July 1 over a thirty-year period and interest is payable at rates ranging from 5.0% to 6.0% in January 2001 and semiannually thereafter on July 1 and January 1 in each remaining year.

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 2,455	$ 4,751	$ 7,206
2014	2,595	4,598	7,193
2015	2,740	4,436	7,176
2016	2,895	4,264	7,159
2017	3,060	4,090	7,150
2018-2022	18,090	17,655	35,745
2023-2027	23,820	11,758	35,578
2028-2031	24,380	3,758	28,138
Total	$ 80,035	$ 55,310	$ 135,345

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ -	$ 1,639	$ 1,639
2014	2,295	1,576	3,871
2015	2,425	1,446	3,871
2016	2,560	1,309	3,869
2017	2,710	1,164	3,874
2018-2022	16,035	3,340	19,375
2023	3,775	104	3,879
Total	$ 29,800	$ 10,578	$ 40,378

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 3,690	$ 7,867	$ 11,557
2014	3,900	7,655	11,555
2015	4,120	7,431	11,551
2016	4,350	7,194	11,544
2017	4,600	6,944	11,544
2018-2022	27,280	30,306	57,586
2023-2027	36,150	21,118	57,268
2028-2032	47,890	8,943	56,833
Total	$ 131,980	$ 97,458	$ 229,438

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 5,910	$ 12,731	$ 18,641
2014	6,235	12,435	18,670
2015	6,575	12,092	18,667
2016	6,940	11,731	18,671
2017	7,320	11,349	18,669
2018-2022	43,095	50,246	93,341
2023-2027	56,160	36,963	93,123
2028-2032	72,565	18,569	91,134
2033	16,875	1,013	17,888
Total	$ 221,675	$ 167,129	$ 388,804

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 3,435	$ 7,067	$ 10,502
2014	3,610	6,873	10,483
2015	3,805	6,669	10,474
2016	4,010	6,454	10,464
2017	4,225	6,228	10,453
2018-2022	24,805	27,291	52,096
2023-2027	32,245	19,490	51,735
2028-2032	41,930	9,095	51,025
2033	9,790	281	10,071
Total	$ 127,855	$ 89,448	$ 217,303

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

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

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest	Total
2013	$ 5,660	$ 12,499	$ 18,159
2014	5,950	12,209	18,159
2015	6,255	11,880	18,135
2016	6,575	11,511	18,086
2017	6,920	11,123	18,043
2018-2022	40,620	49,189	89,809
2023-2027	52,815	36,663	89,478
2028-2032	68,670	19,755	88,425
2033-2034	32,935	1,919	34,854
Total	$ 226,400	$ 166,748	$ 393,148

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

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

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

Year Ending December 31	Debt Service Requirements		
	Principal	Interest*	Total
2013	$ 7,960	$ 3,535	$ 11,495
2014	8,425	3,265	11,690
2015	3,910	3,062	6,972
2016	685	2,986	3,671
2017	720	2,963	3,683
2018-2022	49,320	11,561	60,881
2023-2025	40,100	1,836	41,936
Total	$ 111,120	$ 29,208	$ 140,328

** Interest was calculated using a rate of 3.3%.*

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

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

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

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 4,390	$ 11,266	$ 15,656
2014	4,630	11,046	15,676
2015	4,970	10,815	15,785
2016	5,285	10,566	15,851
2017	5,615	10,302	15,917
2018-2022	40,540	46,953	87,493
2023-2027	87,420	32,386	119,806
2028-2032	40,755	11,833	52,588
2033-2035	36,800	3,861	40,661
Total	$ 230,405	$ 149,028	$ 379,433

***2010 General Obligation Bonds*—**In January 2010, the RTA issued $62.2 million in General Obligation Bonds, Series 2010A, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2010A Bonds mature on July 1, over a thirteen year period and interest is payable at rates ranging from 4.00% to 5.00% on July 1, 2010 and annually thereafter on July 1 in each remaining year.

Debt service requirements on the Series 2010A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 4,235	$ 2,664	$ 6,899
2014	4,450	2,453	6,903
2015	4,670	2,230	6,900
2016	4,905	1,997	6,902
2017	5,150	1,752	6,902
2018-2022	29,880	4,628	34,508
Total	$ 53,290	$ 15,724	$ 69,014

***General Obligation Bonds*—**In January 2010, the RTA issued $112.9 million in General Obligation Bonds, Series 2010B, to finance a portion of the costs incurred in connection with the construction, acquisition, repair and replacement of certain public transportation facilities.

The Series 2010B Bonds mature on July 1, over a twenty-five year period and interest is payable at rates ranging from 5.40% to 5.90% on July 1, 2010 and annually thereafter on July 1 in each remaining year.

Debt service requirements on the Series 2010B Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ -	$ 6,622	$ 6,622
2014	-	6,622	6,622
2015	-	6,622	6,622
2016	-	6,622	6,622
2017	-	6,621	6,621
2018-2022	-	33,108	33,108
2023-2027	29,105	29,176	58,281
2028-2032	43,020	17,588	60,608
2033-2035	40,800	3,790	44,590
Total	$ 112,925	$ 116,771	$ 229,696

2011 General Obligation Bonds—In July 2011, the RTA issued $95.6 million in General Obligation Bonds, Series 2011A, to pay when due, or refund in advance of their maturities a portion of the RTA's Outstanding General Obligation Bonds, Series 2002B and to pay Costs of Issuance of the Series 2011A Bonds.

The Series 2011A Bonds mature on June 1, over a eight year period and interest is payable at rates ranging from 4.00% to 5.00% on December 1, 2011 and semi-annually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 2011A Bonds to maturity are set forth below:

Year Ending December 31	Debt Service Requirements Principal	Interest	Total
2013	$ 12,040	$ 4,416	$ 16,456
2014	12,475	3,863	16,338
2015	13,000	3,227	16,227
2016	13,560	2,563	16,123
2017	14,165	1,870	16,035
2018-2019	30,310	1,533	31,843
Total	$ 95,550	$ 17,472	$ 113,022

2012 Cash Notes—In June 2012, the RTA issued $300 million in Working Cash Notes, Series 2012A (Taxable) to provide funds to manage the cash flow needs of the RTA and the Service Boards, including the payment of certain existing obligations of the RTA, and to pay the costs of issuance of the Notes.

The Series 2012A Working Cash Notes mature April 1, 2014 and June 1, 2014 and interest is payable at 1.044% and 1.064%, respectively.

Debt service requirements on the Series 2012 Working Cash Notes to maturity are set forth below:

Year Ending	Debt Service Requirements		
December 31	Principal	Interest	Total
2013	$ -	$ 3,162	$ 3,162
2014	300,000	1,320	301,320
Total	$ 300,000	$ 4,482	$ 304,482

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

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

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

In the Debt Service Fund, $102,324 thousand in investments are available to service principal and interest payments of the RTA's long-term debt as of December 31, 2012.

NOTE 10. OTHER LONG-TERM LIABILITIES

Pace receives a one month advance from the Illinois Department of Revenue to compensate for the delay in the processing of sales tax payments. The advance is forwarded to the Regional Transportation Authority and is then allocated among the three Service Boards. Pace reported a liability of $9.1 million and $8.6 million, respectively, for this advance for the years ended December 31, 2012 and December 31, 2011.

NOTE 11. PENSION PLANS

CTA

Plan Descriptions

Employees' Plan: The CTA participates in a single employer defined benefit pension plan covering substantially all full-time permanent union and non-union employees. The Retirement Plan for Chicago Transit Authority Employees (the Employees' Plan) is governed by Illinois state statute (40 ILCS 5/22-101).

Substantially all non-temporary, full-time employees who have completed one year of continuous service ("Service") participate in the Employees' Plan. Benefits are in the form of an annual retirement benefit payable monthly for life, in an amount based upon compensation and Service. An employee who has reached age 65 may retire with unreduced benefits. Employees hired prior to September 5, 2001 may retire at any age with unreduced benefits after completion of 25 years of Service, or at age 55 with reduced benefits after completion of 3 years of Service. For those hired after September 5, 2001, but prior to January 18, 2008, unreduced benefits are payable at age 55 with 25 years of Service, and reduced benefits are payable at age 55 with 3 years of Service. Employees hired on or 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. These minimum age and service requirements do not apply to members on a disability allowance. The covered payroll for the Employees'

Plan for the fiscal years ended December 31, 2012 and 2011 was $541.4 million and $528.3 million, respectively. The Employees' Plan issues a separate stand-alone financial report which is available at http://www.ctaretirement.org/index.asp.

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 $55.90 million at January 1, 2012, to $54.7 million at January 1, 2013. The key factors causing the decrease in actuarial liabilities include: expected growth, favorable investment experience and retirement experience gains.

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, 2012 are as follows:

	Open	**Closed**	**Board**
Retirees and beneficiaries currently receiving benefits	121	396	20
Terminated employees entitled to but not yet receiving benefits	10	8	6
Active plan members	19	-	5
Total	150	404	31

The covered payroll for the Open Supplemental Retirement Plan for the fiscal years ended December 31, 2012 and 2011 was $2.3 million and $2.5 million, respectively. The covered payroll for the Board Supplemental Retirement Plan was $150 thousand and $175 thousand for the fiscal years ended December 31, 2012 and 2011, respectively.

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):

	Employees' Plan Pension	Open Supplemental	Closed Supplemental	Board Plan
Contribution rates:				
CTA	11.30%	Actuarial	Pay-Go Funding	Pay-Go Funding
Plan members	8.650%	None	None	8.650%
Annual pension cost (APC)	$107,586	$2,894	$2,811	$327
Actual 2012 contributions:				
CTA	$62,678	$2,267	$3,299	$323
Plan members	$48,032	$0	$0	$12
Actuarial valuation date	January 1, 2012	January 1, 2013	January 1, 2013	January 1, 2013
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 - Open	17 years - Closed	9 years - Closed	30 years - Open
Asset valuation method	Fair market value	Fair market value	Fair market value	Fair market value
Actuarial assumptions:				
Investment rate of return	8.50%	7.0%	4.5%	4.5%
Projected salary increases	1.5%	3.5%	N/A	N/A
Includes inflation at	1.5% - 4.0%	0%	N/A	N/A

The short-term salary increase and inflation assumptions for the Employees' Plan were updated to reflect the current economic environment, current furlough and salary programs in place, and the pay increases embedded into the current collective bargaining agreements. There were no significant assumption changes for the Supplemental and Board plans from the prior year valuation.

The following represents the significant components of the APC and changes in net pension obligation (asset) (NPO) during the year ended December 31, 2012 (in thousands of dollars):

	Employees' Plan	Supplemental Retirement Plans		
	Pension	Open	Closed	Board
Annual Required Contribution	$ 107,569	$ 2,267	$ 4,116	$ 348
Interest on NPO	(1,862)	(1,354)	720	68
Adjustment to ARC	1,879	1,981	(2,025)	(89)
Annual pension cost	107,586	2,894	2,811	327
Contributions made	62,678	2,267	3,299	323
Increase (decrease) in NPO	44,908	627	(488)	4
NPO - December 31, 2011	(21,904)	(19,343)	14,394	1,363
NPO - December 31, 2012	$ 23,004	$ (18,716)	$ 13,906	$ 1,367

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 (asset)/ obligation
Employees' Plan Pension	December 31, 2012	$ 107,586	$ 62,678	58.3%	$ 23,003
	December 31, 2011	76,165	60,235	79.1	(21,904)
	December 31, 2010	63,452	57,274	90.3	(37,834)
Open Supplemental Plan	December 31, 2012	$ 2,894	$ 2,267	78.3%	$ (18,716)
	December 31, 2011	2,720	2,210	81.3	(19,343)
	December 31, 2010	3,048	2,600	85.3	(19,853)
Closed Supplemental Plan	December 31, 2012	$ 2,811	$ 3,299	117.4%	$ 13,905
	December 31, 2011	2,904	3,447	118.7	14,394
	December 31, 2010	2,803	3,259	116.3	14,937
Board Supplemental Plan	December 31, 2012	$ 327	$ 323	98.8%	$ 1,367
	December 31, 2011	354	323	91.2	1,363
	December 31. 2010	347	329	94.8	1.332

Funded Status and Funding Progress: The following is funded status information for the Employees' Plan Pension as of January 1, 2011, and the three supplemental plans as of January 1, 2012, 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	1/1/2012	$ 1,662,196	$ 2,808,184	$1,145,988	59.2%	$ 541,354	211.7%
Open Supplemental Plan	1/1/2013	37,040	54,716	17,676	67.7%	2,282	774.6%
Closed Supplemental Plan	1/1/2013	-	28,963	28,963	0.0%	N/A	N/A
Board Supplemental Plan	1/1/2013	70	4,778	4,708	1.5%	150	3138.7%

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.

The RTA, Metra and Pace

Plan Descriptions- the Plan, which became effective July 1, 1976, is a multiple-employer, defined benefit pension plan. The Plan covers substantially all employees of the RTA and its Commuter Rail and Suburban Bus Divisions (Metra and Pace, respectively), collectively referred to hereinafter as the Employer, who are not otherwise covered by a union pension plan. The responsibilities for administering the Plan are divided among a Board of Trustees, a Retirement Committee, a Plan Administrator, and the RTA Board of Directors ("RTA Board").

The Plan is a pension trust fund of the RTA and has no component units.

The Plan is classified as a "governmental plan" and is, therefore, exempt from the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

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

The Plan provides that, upon retirement, benefits will be reduced by a defined percentage for participants who received credit for prior service with an eligible employer.

The Plan permits early retirement with reduced benefits at age 55 after completing ten years of credited service. As a result of the August 1, 1999 amendment to the Plan, participants may receive their full vested benefits if they are at least 55 years of age and their combined age at retirement and credited years of service equals eighty-five or higher (known as “Rule of Eighty Five Early Retirement”).

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

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

Contributions and Vesting—The Plan is funded solely by employer contributions, which are actuarially determined under the projected unit credit method. During 2012, the RTA Board approved a resolution that a contribution of $13,494,000 be made to the Plan. The contribution is allocated as follows: Metra - $6,615,000; Pace - $5,300,000; RTA - $1,579,000. As of December 31, 2012, $13,494,000 had not been funded and was reported as contribution receivable in the Statements of Plan Net Assets. The 2012 contribution levels were within the actuarially determined ranges for the respective years.

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

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

Regional Transportation Authority Pension Plan
175 West Jackson Boulevard, Suite 1650
Chicago, IL 60604

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

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

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

Annual Pension Cost and Net Pension Obligation—For 2010, 2011 and 2012, the RTA’s annual pension costs equal the required contributions which were, $11,288,000, $12,547,000 and $13,494,000, respectively. The required contributions were determined as part of the January 1, 2010, 2011 and 2012 actuarial valuations.

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

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

	January 1, 2012	January 1, 2011	January 1, 2010
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Straight-line, open	Straight-line, open	Straight-line, open
Remaining amortization period	30 years	30 years	30 years
Asset valuation method	Smoothed market value	Smoothed market value	Smoothed market value
Actuarial assumptions:			
Investment rate of return	7.75%	8.25%	8.5%
Projected salary increases:			
Age graded scale	Range of 3.5% to 7.5% based on attained age.	Range of 3.5% to 7.5% based on attained age.	Range of 3.5% to 7.5% based on attained age.
Mortality	RP2000 White Collar Mortality Table applied separately for males and females projected to 2018.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2018.	RP2000 White Collar Mortality Table applied separately for males and females projected to 2011.
Withdrawals from service	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47 % at age 20 to 0.39% at age 60 for males.	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47 % at age 20 to 0.39% at age 60 for males.	Termination rates range from 5.47% at age 20 to 0.49% at age 60 for females, and from 5.47 % at age 20 to 0.39% at age 60 for males.

Funded Status and Funding Progress – As of January 1, 2012, the most recent actuarial valuation date, the plan was 70.4 percent funded. The actuarial accrued liability for benefits was $200.845 million and the actuarial value of assets was $141.388 million resulting in an underfunded actuarial accrued liability (UAAL) of $(59.457 million). The covered payroll (annual payroll of active employees covered by the Plan) was $67.176 million and the ratio of the UAAL to the covered payroll was 88.5 percent.

NOTE 11. RISK MANAGEMENT

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

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

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

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

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

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

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

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

CTA	$	2,500
Metra		2,500
Pace		250
RTA		100

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

NOTE 12. REGION-WIDE FINANCIAL INFORMATION

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

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

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

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

For 2012, the region-wide system-generated recovery ratio is calculated from the Combining Region-Wide Schedules of Revenues and Expenses—(Budget and Actual Budget Basis) as follows:

System-generated Revenues Recovery Ratio (in thousands)	**Revenues**	**Expenses**
CTA[a]	$ 689,489	$1,134,651
Metra[b]	358,818	638,700
Pace[c]	57,345	191,182
RTA	23,986	34,505
Total	$ 1,129,638	$1,999,038

The region-wide system-generated recovery ratio for 2012 equals 56.7%.

a) The system-generated recovery ratio for the CTA included leasehold revenues of $4.3 million and Senior/ Circuit Breaker Free Rides revenue of $21.5 million, but excluded CTA expenses for security costs of $37.5 million and Pension Obligation Bond debt service for $141.4 million. It also included in-kind services of $22 million, both as revenues and expenses.

b) Metra's system-generated recovery ratio included Senior/ Circuit Breaker Free Rides revenue of $2.3 million, but excluded $18.5 million security costs, $16.3 million for lease of transportation facilities, $2.9 million for funded depreciation to carriers.

c) Pace's system-generated recovery ratio included an in-kind credit of $860 thousand both as revenues and expenses.

d) In 2008, the region was provided $200 million expense exclusion toward the regional recovery ratio in an effort to accommodate the increased funding associated with state legislation that increased the percentage of sales tax collected by the RTA. The exclusion was set to decrease by $40 million dollars each year and expire completely in 2013. In 2012, the total expense exclusion was $40 million. The $40 million was applied to the system-wide generated Recovery Ratio.

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

Also, in the RTA Act section 4.01(b) requires the RTA Board to determine that the level of fares charged for ADA paratransit services is sufficient to cause the aggregate of all projected revenues from such fares charged and received in each fiscal year to equal at least 10% of the aggregate costs of providing such ADA paratransit services in fiscal years 2012. Pace ended the year with a 10.0% recovery ratio for Regional ADA Paratransit Services. The 2012 budget for ADA paratransit service adopted by the RTA meets the 10% recovery ratio requirement.

NOTE 13. RECONCILIATION OF GOVERNMENT-WIDE TO REGION-WIDE REVENUES AND EXPENSES

RTA's government-wide financial statements do not include fiduciary fund financial statement information which is added in the region-wide presentation. As also stated in Note 12, in-kind services are added in the system-generated revenues and expenses.

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

	RTA	CTA	Metra	Pace
Government-wide revenues (page 41)	$ 598,622	$ 1,786,627	$ 973,228	$ 384,713
Sales tax agency fund	1,062,745	-	-	-
Pension trust fund	35,978	416	-	-
Senior free rides	-	21,507	2,270	-
In-kind services	-	22,000	-	860
Recovery ratio relief	-	-	-	-
FEMA reimbursement	-	-	-	-
Others (5307 fund)	-	-	-	-
ADA Regional Paratransit funding	-	-	-	128,401
Region-wide revenues (page 42)	1,697,345	1,830,550	975,498	513,974
Government-wide expenses (page 41)	585,909	1,985,104	894,835	381,552
Sales tax agency fund	1,062,745	-	-	-
Pension trust fund	11,274	-	-	-
In-kind services	-	22,000	-	860
Security costs	-	(37,468)	(18,518)	-
Lease of transportation facilities	-	-	(16,349)	-
Pension and other employee benefits	-	(134,419)	-	-
Capital (depreciation, disposals/additions)	(844)	-	(2,945)	-
Others	-	-	-	-
Region-wide expenses (page 42)	1,659,084	1,835,217	857,023	382,412
Net revenues (expenses)	$ 38,261	$ (4,667)	$ 118,475	$ 131,562

NOTE 14. SUBSEQUENT EVENTS

RTA

As of May 1, 2013, the Authority entered a Letter of Credit and Reimbursement Agreement which provides for the issuance of an irrevocable transferable direct-pay letter of credit to provide credit support for the timely repayment of principal and interest on commercial paper notes in an aggregate principal amount not to exceed \$93 million at a fixed interest rate of 0.47%. The Agency has borrowed \$10 million under this agreement.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING GOVERNMENT-WIDE SCHEDULES OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

	RTA Government-Wide	Service Boards: Chicago Transit Authority	Service Boards: Commuter Rail Division	Service Boards: Suburban Bus Division	Combining Adjustments: Debit	Combining Adjustments: Credit	Total Combined
REVENUES:							
Service Boards operating revenues	$ -	$ 596,499	$ 356,547	$ 69,138	$ 657	$ -	$ 1,021,527
RTA financial assistance	-	645,524	457,109	266,225	1,285,748	-	83,110
Other public funding	-	48,670	140,495	1,703	-	-	190,868
Capital grants	-	366,402	12,197	41,020	29,305	-	390,314
Sales taxes	113,152	-	-	-	-	1,012,280	1,125,432
Interest on sales taxes	119	-	-	-	-	-	119
Public Transportation Fund	355,159	-	-	-	130,370	-	224,789
Operating assistance	10,398	-	-	-	-	-	10,398
State assistance	86,984	-	-	-	-	-	86,984
Investment income	22,290	9,231	-	188	-	-	31,709
Gain on Sale of assets	-	-	-	-	-	-	-
Program revenues and other	10,520	4,262	-	-	-	-	14,782
Interest revenue from leasing transactions	-	116,039	6,880	6,439	-	-	129,358
Total revenues	598,622	1,786,627	973,228	384,713	1,446,080	1,012,280	3,309,390
EXPENSES:							
Operating	-	1,292,918	676,512	327,334	-	284	2,296,480
Depreciation	-	379,510	211,443	47,779	-	-	638,732
Financial Assistance to Service Boards	171,700	-	-	-	-	171,700	-
Operating Assistance - CTA & Pace	36,687	-	-	-	-	36,687	-
Capital grants—discretionary	5,410	-	-	-	-	5,410	-
Capital grants—bonds	213,394	-	-	-	-	213,394	-
Insurance (JSIF)	5,942	-	-	-	-	5,942	-
Administrative expenses	16,507	-	-	-	-	383	16,124
Regional expenses	17,542	-	-	-	-	-	17,542
Technology program	1,473	-	-	-	-	-	1,473
Bond interest	117,254	194,237	-	-	-	-	311,491
Interest expense from leasing transactions	-	118,439	6,880	6,439	-	-	131,758
Miscellaneous	-	-	-		-	-	-
Total expenses	585,909	1,985,104	894,835	381,552	-	433,800	3,413,600
NET REVENUES (EXPENSES)	$ 12,713	$ (198,477)	$ 78,393	$ 3,161	$ 1,446,080	$ 1,446,080	$ (104,210)

Note 1—Changes in net assets shown on page 4 and net revenues and expenses shown on this page are similar.
Note 2—Government-wide to Region-wide revenues and expenses shown on this page are reconciled in Note 13.

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

SPECIAL-PURPOSE COMBINING REGION-WIDE SCHEDULES OF REVENUES AND EXPENSES—BUDGET AND ACTUAL (BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2012
(In Thousands)

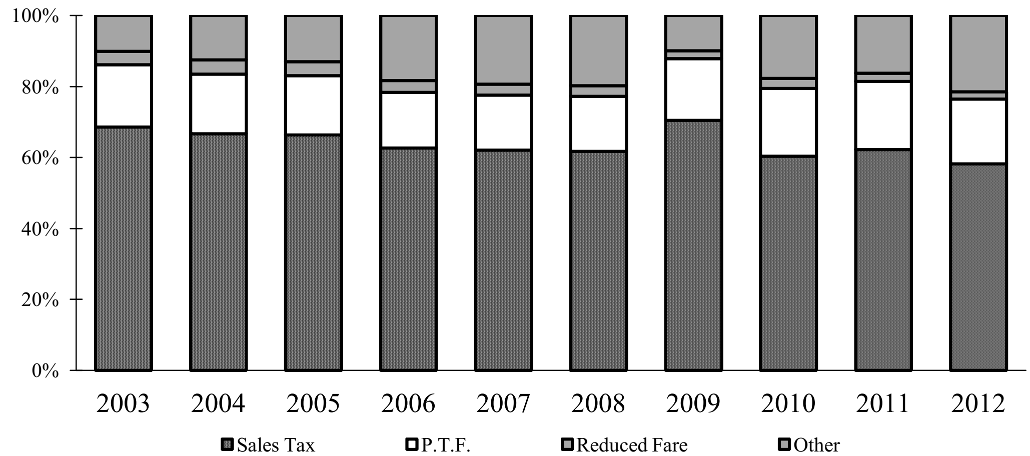
	RTA Government-Wide and Fiduciary Funds (1)	Service Boards: Chicago Transit Authority	Service Boards: Commuter Rail Division	Service Boards: Suburban Bus Division	Combining Adjustments: Debit	Combining Adjustments: Credit	Total Combined	Total Region-Wide Budget
REVENUES:								
RTA financial assistance	$ -	$ 645,524	$ 457,109	$ 266,225	$ 1,285,748	$ -	$ 83,110	$ -
Other public funding	-	-	140,495	1,703	-	-	142,198	-
Capital grants	-	366,402	12,197	41,020	29,305	-	390,314	-
Interest revenue from leasing transactions	-	116,039	6,880	6,439	-	-	129,358	-
Sales taxes	1,011,287	-	-	-	-	-	1,011,287	998,218
Public Transportation Fund	485,528	-	-	-	130,370	-	355,158	307,874
Operating Assistance	10,398	-	-	128,401	-	-	138,799	-
State Assistance Inc.	86,984	-	-	-	-	-	86,984	130,071
State reduced fare reimbursement	34,070	-	-	-	34,070	-	-	33,570
Pension contribution	20,240	-	-	-	1,579	-	18,661	-
Pension and other employee benefits	15,738	417	-	-	-	-	16,155	-
Investment income / others	-	12,679	-	12,841	-	-	25,520	-
Interest on sales taxes to Service Boards	171	-	-	-	171	-	-	-
Subtotal	1,664,416	1,141,061	616,681	456,629	1,481,243	-	2,397,544	1,469,733
Investment income	22,290	-	-	-	-	-	22,290	15,312
Other revenues	10,520	-	-	-	-	-	10,520	18,220
Interest on sales taxes	119	-	-	-	-	-	119	378
Service Boards revenues	-	645,982	356,547	56,485	657	-	1,058,357	1,048,328
Add (Subtract):								-
Senior Free Ride	-	21,507	2,270	-	-	-	23,777	-
Recovery ratio relief	-	-	-	-	-	-	-	-
FEMA reimbursement	-	-	-	-	-	-	-	-
In-kind services	-	22,000	-	860	-	-	22,860	22,860
Leasehold revenue	-	-	-	-	-	-	-	-
Subtotal	32,929	689,489	358,817	57,345	657	-	1,137,923	1,105,098
Total revenues	1,697,345	1,830,550	975,498	513,974	1,481,900	-	3,535,467	2,574,831
EXPENSES:								
Depreciation	-	374,458	211,443	47,779	-	-	633,680	-
Interest expenses from leasing transactions	-	118,439	6,880	6,439	-	-	131,758	-
Interest expenses from bond transactions	-	94,520	-	-	-	-	94,520	-
Operating grants to Service Boards	1,059,979	-	-	-	-	1,059,979	-	-
CTA & PACE (PTF) expenditures	168,943	-	-	-	-	158,671	10,272	-
Capital grants—discretionary	5,410	-	-	-	-	5,410	-	-
Capital grants—bonds	221,363	-	-	-	-	221,363	-	-
State reduced fare reimbursement	34,070	-	-	-	-	34,070	-	-
Regional expenses and other	17,216	-	-	128,401	-	-	145,617	-
Bond-related expenses	117,254	-	-	-	-	-	117,254	224,000
Pension and other employee benefits	-	113,149	-	-	-	-	113,149	-
Miscellaneous Expense	-	-	-	-	-	-	-	-
Interest on sales taxes to Service Boards	171	-	-	-	-	171	-	-
Subtotal	1,624,406	700,566	218,323	182,619	-	1,479,664	1,246,250	224,000
Operating expenses	-	1,291,506	676,512	190,321	-	284	2,158,055	2,282,239
Pension and other employee benefits	-	-	-	-	-	1,579	(1,579)	-
Administrative expenses	16,507	-	-	-	-	-	16,507	16,166
Regional expenses	17,542	-	-	-	-	373	17,169	17,560
Technology program	1,473	-	-	-	-	-	1,473	12,467
Add (Subtract):							-	-
In-kind services	-	22,000	-	860	-	-	22,860	22,860
Cost of contracting	-	-	-	8,612	-	-	8,612	8,611
Security costs	-	(37,468)	(18,518)	-	-	-	(55,986)	(55,986)
Pension Obligation Bond Debt Service	-	(141,387)	-	-	-	-	(141,387)	(141,387)
Lease of transportation facilities	-	-	(16,349)	-	-	-	(16,349)	(16,349)
Capital (depreciation, disposals/additions)	(844)	-	(2,945)	-	-	-	(3,789)	(3,789)
Subtotal	34,678	1,134,651	638,700	199,793	-	2,236	2,005,586	2,142,392
Total expenses	1,659,084	1,835,217	857,023	382,412	-	1,481,900	3,251,836	2,366,392
NET REVENUES (EXPENSES)	$ 38,261	$ (4,667)	$ 118,475	$ 131,562	$ 1,481,900	$ (1,481,900)	$ 283,631	$ 208,439

(1) RTA amounts represent government-wide revenues and expenses and fiduciary fund increases (revenues) and decreases (expenses).

Table 1

RTA REVENUE BY SOURCE

2003-2012



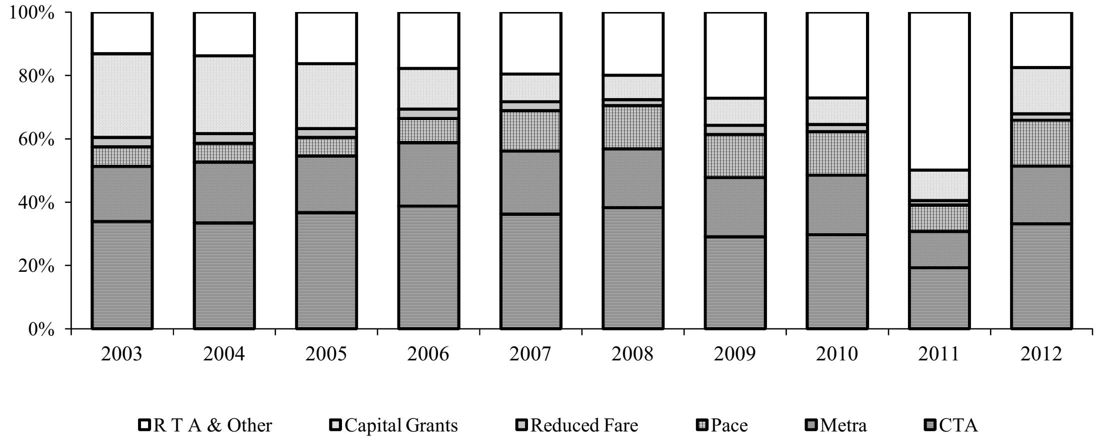
Last Ten Years *(In Thousands)*

	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/03	$ 654,988	$ 164,739	$ 39,662	$ 122,517	$ 981,906
Percentage of Total	66.71%	16.78%	4.04%	12.48%	100%
12 Months Ended 12/31/04	675,628	170,397	40,153	132,664	1,018,842
Percentage of Total	66.30%	16.72%	3.94%	13.02%	100%
12 Months Ended 12/31/05	700,395	175,668	37,127	204,904	1,118,094
Percentage of Total	62.64%	15.71%	3.32%	18.33%	100%
12 Months Ended 12/31/06	746,829	186,136	37,327	232,193	1,202,485
Percentage of Total	62.11%	15.48%	3.10%	19.31%	100%
12 Months Ended 12/31/07	752,922	188,931	36,678	241,262	1,219,794
Percentage of Total	61.73%	15.49%	3.01%	19.78%	100%
12 Months Ended 12/31/08	921,245	227,201	28,919	129,784	1,307,149
Percentage of Total	70.48%	17.38%	2.21%	9.93%	100%
12 Months Ended 12/31/09	894,238	282,541	41,970	262,098	1,480,847
Percentage of Total	60.39%	19.08%	2.83%	17.70%	100%
12 Months Ended 12/31/10	931,435	287,404	33,570	243,845	1,496,254
Percentage of Total	62.25%	19.21%	2.24%	16.30%	100%
12 Months Ended 12/31/11	975,670	305,395	34,070	360,002	1,675,137
Percentage of Total	58.24%	18.23%	2.03%	21.49%	100%
12 Months Ended 12/31/12	1,021,686	319,892	34,070	279,571	1,655,219
Percentage of Total	61.73%	19.33%	2.06%	16.89%	100%

Table 2

DISTRIBUTION OF EXPENSES

2003-2012



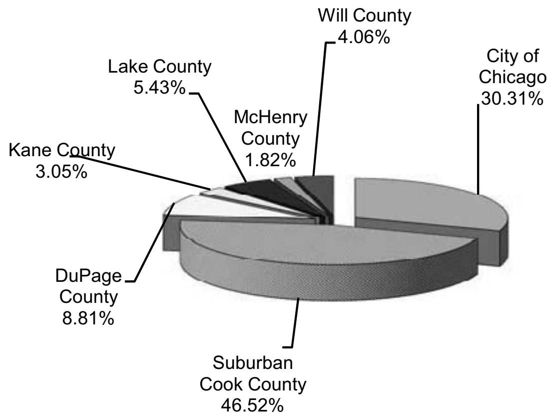
Last Ten Years *(In Thousands)*

	Financial Assistance				Reduced	Capital	R T A	
	CTA	Metra	Pace	Total	Fare	Grants	and Other	Total
12 Months Ended 12/31/03	$453,488	$233,632	$82,747	$ 769,867	$39,662	$ 354,083	$ 175,838	$ 1,339,450
Percentage of Total	33.86%	17.44%	6.18%	57.48%	2.96%	26.43%	13.13%	100%
12 Months Ended 12/31/04	441,630	252,493	79,051	773,174	40,153	323,869	182,417	1,319,613
Percentage of Total	33.47%	19.13%	5.99%	58.59%	3.04%	24.54%	13.82%	100%
12 Months Ended 12/31/05	495,885	241,728	80,052	817,665	37,127	277,130	220,202	1,352,124
Percentage of Total	36.67%	17.88%	5.92%	60.47%	2.75%	20.50%	16.29%	100%
12 Months Ended 12/31/06	496,690	256,301	98,500	851,490	37,327	165,436	227,481	1,281,735
Percentage of Total	38.75%	20.00%	7.68%	66.43%	2.91%	12.91%	17.75%	100%
12 Months Ended 12/31/07	468,349	257,374	164,202	889,925	36,678	113,328	252,301	1,292,232
Percentage of Total	36.24%	19.92%	12.71%	68.87%	2.84%	8.77%	19.52%	100%
12 Months Ended 12/31/08	591,760	287,181	211,620	1,090,561	28,919	119,374	308,308	1,547,161
Percentage of Total	38.25%	18.56%	13.68%	70.49%	1.87%	7.72%	19.93%	100%
12 Months Ended 12/31/09	417,288	267,576	194,698	879,562	41,970	123,069	389,857	1,434,457
Percentage of Total	29.09%	18.65%	13.57%	61.32%	2.93%	8.58%	27.18%	100%
12 Months Ended 12/31/10	436,467	277,506	202,463	916,436	33,570	122,998	398,531	1,471,534
Percentage of Total	29.66%	18.86%	13.76%	62.28%	2.28%	8.36%	27.08%	100%
12 Months Ended 12/31/11	485,117	289,179	212,253	986,549	34,070	241,047	1,258,260	2,519,926
Percentage of Total	19.25%	11.48%	8.42%	39.15%	1.35%	9.57%	49.93%	100%
12 Months Ended 12/31/12	538,594	297,369	233,872	1,069,836	34,070	237,717	1,333,074	2,674,696
Percentage of Total	20.14%	11.12%	8.74%	40.00%	1.27%	8.89%	49.84%	100%

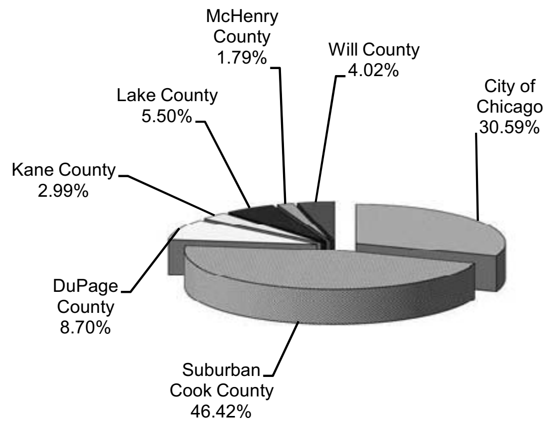
Table 3

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO

2011



2012



Last Ten Years *(In Thousands)*

	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/03	$198,383	$356,386	$40,916	$12,828	$24,968	$7,599	$13,905	$654,985
Percentage of Total	30.29%	54.41%	6.25%	1.96%	3.81%	1.16%	2.12%	100%
12 Months Ended 12/31/04	205,355	363,792	42,785	13,954	26,150	8,160	15,432	675,628
Percentage of Total	30.39%	53.85%	6.33%	2.07%	3.87%	1.21%	2.28%	100%
12 Months Ended 12/31/05	214,134	373,317	44,495	15,328	27,348	8,635	17,138	700,395
Percentage of Total	30.57%	53.30%	6.35%	2.19%	3.90%	1.23%	2.45%	100%
12 Months Ended 12/31/06	231,273	395,727	46,867	16,008	28,743	9,194	19,016	746,828
Percentage of Total	30.97%	52.99%	6.28%	2.14%	3.85%	1.23%	2.55%	100%
12 Months Ended 12/31/07	236,783	395,163	46,592	16,015	29,058	9,494	19,817	752,922
Percentage of Total	31.45%	52.48%	6.19%	2.13%	3.86%	1.26%	2.63%	100%
12 Months Ended 12/31/08	272,121	447,437	77,227	26,472	48,166	16,034	33,788	921,245
Percentage of Total	29.54%	48.57%	8.38%	2.87%	5.23%	1.74%	3.67%	100%
12 Months Ended 12/31/09	267,553	418,793	79,060	27,144	49,782	16,627	35,279	894,238
Percentage of Total	29.92%	46.83%	8.84%	3.04%	5.57%	1.86%	3.95%	100%
12 Months Ended 12/31/10	278,394	438,000	81,996	28,368	50,789	17,193	36,695	931,435
Percentage of Total	29.89%	47.02%	8.80%	3.05%	5.45%	1.85%	3.94%	100%
12 Months Ended 12/31/11	295,770	453,866	85,937	29,799	52,994	17,712	39,592	975,670
Percentage of Total	30.31%	46.52%	8.81%	3.05%	5.43%	1.82%	4.06%	100%
12 Months Ended 12/31/12	312,519	474,249	88,845	30,569	56,169	18,284	41,051	1,021,686
Percentage of Total	30.59%	46.42%	8.70%	2.99%	5.50%	1.79%	4.02%	100%

LEGAL DEBT CAPACITY
(in Thousands)

2012

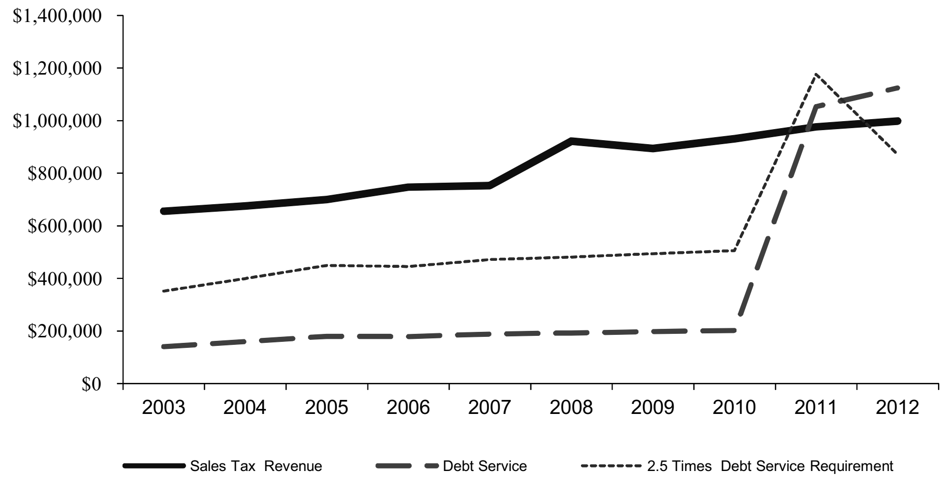
Legal Debt Margin:	Balance Outstanding at December 31, 2012	Issued	
Debt Limitation per Act for General Obligations			$2,600,000
Debt applicable to limitation :			
Non-SCIP Bonds:			
1990A General Obligation Bonds	$48,520		
1991A General Obligation Bonds	51,655		
1994B General Obligation Bonds	7,095		
1994D General Obligation Bonds	29,225		
1997 General Obligation Refunding Bonds	47,740		
2003B General Obligation Bonds	127,855		
2005B General Obligation Refunding Bonds	111,120		
2010A General Obligation Bonds	53,290		
2010B General Obligation Bonds	112,925		
2011A General Obligation Refunding Bonds	95,550		
Total RTA Bonds Applicable to Limitation	684,975		(684,975)
SCIP Bonds:			
1992A General Obligation Bonds		$188,000	
1993A General Obligation Bonds		55,000	
1994A General Obligation Bonds	17,300	195,000	
1994C General Obligation Bonds	21,800	62,000	
1999 General Obligation Refunding Bonds	241,160		
2000 General Obligation Bonds	207,070	260,000	
2001A General Obligation Bonds	80,035	100,000	
2001B General Obligation Refunding Bonds	29,800		
2002A General Obligation Bonds	131,980	160,000	
2003A General Obligation Bonds	221,675	260,000	
2004A General Obligation Bonds	226,400	260,000	
2006A General Obligation Bonds	230,405	250,350	
	1,407,625		
Total SCIP Bonds Applicable to Limitation		$ 1,790,350	($1,790,350)
Total SCIP Bonds Outstanding			
Total Bonds Outstanding	$2,092,600		
Debt Margin for General Obligations			124,675
Debt Limitation per Act for Working Cash Notes			400,000
* Total RTA Working Cash Notes Applicable to Limitation	$300,000		($300,000)
Debt Margin for Working Cash Notes			100,000
Total Legal Debt Margin			$224,675

*2011 CP Notes were short-term and matured within 60 days: total 2011 CP Notes issued in 2012: $650,000; Matured $775,000 (includes $125,000 outstanding from 2011)

Table 5

COMPARISON OF SALES TAX REVENUE
TO DEBT SERVICE REQUIREMENT

2003 - 2012
(In Thousands)



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

Last Ten Years *(In Thousands)*

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012*
Sales Tax Revenue	$654,985	$675,628	$700,395	$746,829	$752,922	$921,245	$894,238	$931,435	$975,670	$998,218
Debt Service Requirement	$140,607	$159,702	$179,536	$178,086	$188,551	$192,555	$197,529	$201,994	$1,052,441	$1,123,712
2.5 Times Debt Service Requirement	$351,518	$399,255	$448,840	$445,215	$471,378	$481,388	$493,823	$504,985	$1,175,310	$871,430

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

Table 6

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

Last Ten Years *(In Thousands)*

	Debt Service Requirements			Total	Ratio of Debt Service to Total
Year	Principal	Interest	Total	Expenses	Expenses
2003	$37,940	$ 102,667	$ 140,607	$ 1,339,450	10.50%
2004	40,430	119,272	159,702	1,319,613	12.10%
2005	49,570	129,966	179,536	1,352,124	13.28%
2006	55,110	122,976	178,086	1,281,765	13.89%
2007	59,135	129,416	188,551	1,292,232	14.59%
2008	64,685	127,870	192,555	1,547,161	12.45%
2009	68,455	129,074	197,529	1,434,457	13.77%
2010	74,060	127,934	201,994	1,475,959	13.69%
2011	919,110	133,331	1,052,441	2,519,926	41.76%
2012 *	999,375	124,337	1,123,712	2,679,696	41.93%

* 2011 CP Notes were short-term and matured within 60 days: total 2011 CP Notes issued in 2012: $650,000; Matured $775,000 (includes $125,000 outstanding from 2011)

Table 7

FEDERAL ALLOCATION OF CAPITAL FUNDS TO NORTHEASTERN ILLINOIS

Last Ten Calendar Years

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

Federal Fiscal Year	Total Awarded	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Regional Transportation Authority
2003	$ 463.90	$ 256.70	$ 173.50	$ 33.70	$ -
2004	493.16	291.76	168.05	33.35	-
2005	536.83	330.08	174.80	31.95	-
2006	496.62	280.03	168.69	47.90	-
2007	449.49	288.61	128.45	32.43	-
2008	489.91	279.38	169.55	40.98	-
2009	917.78	535.32	297.57	84.89	-
2010	459.25	266.23	154.97	38.05	-
2011	489.37	299.50	145.02	44.85	-
2012	537.26	306.46	149.63	41.39	39.78
Total	$ 5,333.57	$3,134.07	$ 1,730.23	$ 429.49	$ 39.78

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

Table 8

RTA & SERVICE BOARDS OPERATING CHARACTERISTICS

2012

Chicago Transit Authority

Rapid Transit

- 8 rail routes
- 145 stations served
- 1,200 rapid transit cars
- 231.1 million riders per year
- 1,090 STO* positions

Motor Bus

- 129 bus routes
- 1,781 buses
- 314.4 million riders per year
- 3,688 STO* positions

CTA Totals

- 1.4 billion rail passenger miles per year
- 712.9 million bus passenger miles per year
- 119.1 million vehicle revenue miles per year
- 4,428 without STO* positions

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

Metra Commuter Rail Division*

- 11 rail routes
- 488 route miles
- 1,155 miles of track
- 241 stations
- 146 locomotives
- 839 passenger cars
- 171 electric cars
- 703 weekly trains operated
- 95.8% on-time performance
- 81.3 million riders per year
- 4,380 full-time employees
- 1.6 billion passenger miles per year
- 43.1 million vehicle miles per year

All data exclude NICTD South Shore

Pace Suburban Bus Division

Fixed Route Bus

- 138 regular routes
- 35 feeder routes
- 14 shuttle routes
- 581 vehicles in use during peak periods
- 32.1 million riders per year
- 7 seasonal routes
- 687 Pace-owned buses
- 1,460 full-time employees

ADA Paratransit

- 234 Pace owned lift-equipped buses in service
- 3.8 million riders per year
- 35 full-time employees

Dial-A-Ride

- 68 local services
- 176 Pace owned lift-equipped buses in service
- 210 communities served
- 1.3 million riders per year

Vanpool

- 694 vanpool vehicles in operation
- 2.0 million riders for the year

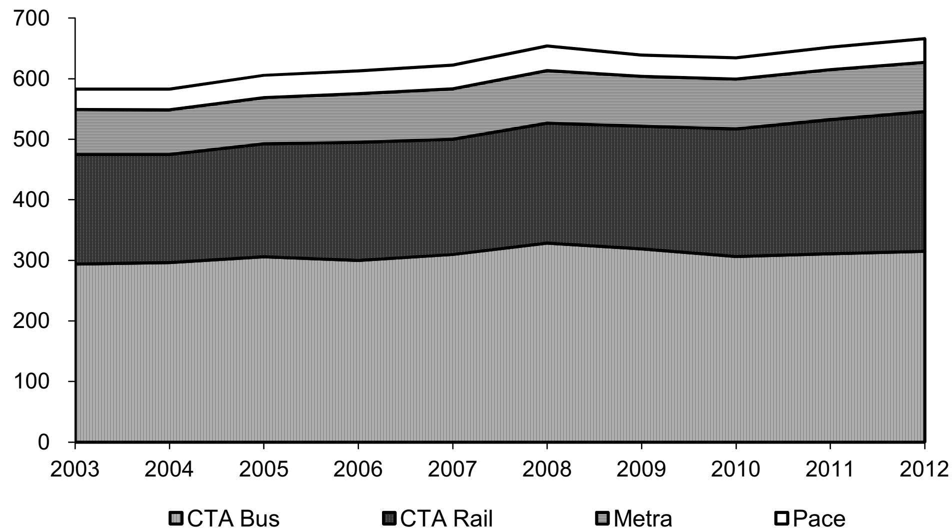
Source of data: Information obtained from the Service Boards, the NTD and RTA records.

Table 9

System Ridership and Unlinked Passenger Trips

2003-2012

(In Millions)



Last Ten Years *(In Millions)*

Service Consumed:	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
CTA - Bus	293.6	296.0	305.5	299.6	309.3	328.2	318.7	306.0	310.4	314.4
CTA - Rail	181.1	178.7	186.8	195.2	190.3	198.1	202.6	210.8	221.6	231.1
Total CTA*	474.7	474.7	492.3	494.8	499.6	526.3	521.3	516.8	532.0	545.5
Metra	74.0	73.8	76.1	79.9	83.3	86.8	82.3	82.2	82.7	81.3
Pace**	33.7	34.1	36.9	38.0	39.2	40.5	35.1	35.1	37.1	39.2
System Total	582.4	582.6	605.3	612.7	622.1	653.6	638.7	634.1	651.8	666.0
Percent Change	-2.20%	0.03%	3.90%	1.22%	1.53%	5.06%	-2.28%	-0.72%	2.79%	2.18%

CTA Stat amounts include rail-to-rail transfers.

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

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

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

The following is a summary of the financial results, as reported to the Service Boards, of each transportation agency, which had a purchase of service agreement with a Service Board or received financial grants or financial assistance from a Service Board during 2012.

(In Thousands)

	Operating Revenues	Operating Expenses	Operating Deficit	Service Board Funding	Other Public Funding
Metra					
Union Pacific	$ 104,606	$ 213,122	$ (108,516)	$ (108,516)	$ -
Burlington Northern/Santa Fe	62,004	79,765	(17,761)	(17,761)	-
Northern Indiana Commuter					
Transportation District (NICTD)	3,194	7,526	(4,332)	(4,332)	-
Total Metra	$ 169,804	$ 300,413	$ (130,609)	$ (130,609)	$ -
Pace					
Summary of Services					
Fixed Route - Public Funded Carriers	$ 1,509	$ 3,365	$ (1,856)	$ 3,930	$ 2,421
Fixed Route - Private Contract Carriers	1,505	5,695	(4,190)	-	-
Total Fixed Route Service	3,014	9,060	(6,046)	3,930	2,421
Private Contract Carriers					
DAR Services	1,429	13,416	$ (11,987)	11,987	6,821
DAR and Stable Services	9,311	124,101	(114,790)	114,790	-
Total Private Contract Carriers	10,740	137,517	(126,777)	126,777	6,821
Paratransit - Municipal Carriers	394	5,123	(4,729)	924	3,805
Total Pace	$ 14,148	$ 151,700	$ (137,552)	$ 131,631	$ 13,047
Pace					
Detail of Services					
Fixed Route - Public Funded Carriers					
City of Highland Park	$ 602	$ 1,316	$ (714)	$ 1,677	$ 1,075
Village of Downers Grove	107	253	(146)	260	153
Village of Niles	529	1,515	(986)	1,710	1,181
Village of Schaumburg	271	281	(10)	283	12
Total	$ 1,509	$ 3,365	$ (1,856)	$ 3,930	$ 2,421
Private Contract Carriers - Fixed Route					
Academy Coach Lines	$ -	$ -	$ -	$ -	$ -
First Student	1,227	3,848	(2,621)	-	-
First Transit	30	541	(511)	-	-
Keeshin - Coach USA	-	-	-	-	-
M V Transportation	248	1,306	(1,058)	-	-
Total	$ 1,505	$ 5,695	$ (4,190)	$ -	$ -

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Passenger Revenue	Contract Expense	Operating Deficit	Service Board Funding	Other Public Funding
Private Contract Carriers - Dial-a-Ride Services					
Barrington	$ 2	$ 93	$ (91)	$ 91	$ 44
Bloomingdale Township	30	324	(294)	294	89
Call Centers	-	190	(190)	190	6
Call in Rides	48	706	(658)	658	-
Central Lake	8	104	(96)	96	28
Central Will	75	755	(680)	680	199
Community Service Transit	98	64	34	(34)	-
Downers Grove	21	85	(64)	64	20
Dupage County	3	14	(11)	11	-
Dupage Township	9	162	(153)	153	44
Elk Grove	21	281	(260)	260	208
Freemont Township	1	9	(8)	8	2
Hampshire Township	1	19	(18)	18	4
Hometown	1	24	(23)	23	23
Leyden Township	16	160	(144)	144	117
Marengo	2	104	(102)	102	-
McHenry Township	62	1,093	(1,031)	1,031	419
Milton Township	49	269	(220)	220	4
Naperville/Lisle	176	1,012	(836)	836	638
Northwest Lake Demo	32	315	(283)	283	243
Northwest Suburban Cook	24	178	(154)	154	-
N. Suburban Cook	2	69	(67)	67	-
Northeast Lake-Warren	18	315	(297)	297	21
Northeast Lake-Zion	4	62	(58)	58	9
Northwest Lake	21	288	(267)	267	-
Pioneer Center	8	287	(279)	279	-
Ride DuPage	176	1,414	(1,238)	1,238	827
Ride In Kane	442	3,856	(3,414)	3,414	2,812
Ride In McHenry	65	812	(747)	747	833
South Cook	-	2	(2)	2	-
Southwest Lake-Wauconda	3	35	(32)	32	8
Southwest Will	3	33	(30)	30	14
Village of Skokie/West Cook	-	189	(189)	189	184
Wayne Township	6	74	(68)	68	20
Woodstock	2	19	(17)	17	5
Total	$ 1,429	$ 13,416	$ (11,987)	$ 11,987	$ 6,821

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

Pace

Detail of Services, continued

(In Thousands)

	Passenger Revenue	Contract Expense	Net Contract Cost	Service Board Funding	Other Public Funding
Private Contract Carriers - Dial-a-Ride and Stable Services (ADA Services)					
South Cook	$ 712	$ 9,673	$ (8,961)	$ 8,961	$ -
North Suburban Cook	598	7,307	(6,709)	6,709	-
West Cook	267	2,242	(1,975)	1,975	-
North Lake	129	1,097	(968)	968	-
Kane County	49	521	(472)	472	-
Southwest/Central Will	47	457	(410)	410	-
DuPage County	124	1,265	(1,141)	1,141	-
Northeastern/Central Lake	7,385	101,539	(94,154)	94,154	-
Total	$ 9,311	$ 124,101	$ (114,790)	$ 114,790	$ -

	Operating Revenues	Operating Expenses	Operating Deficit	Service Board Funding	Other Public Funding
Paratransit - Municipal Carriers					
Bensenville	$ 19	$ 263	$ (244)	$ 45	$ 199
Bloom	20	375	(355)	56	297
Crestwood	7	92	(85)	19	67
Ela	11	159	(148)	30	117
Forest Park	21	95	(74)	56	19
Fox Lake/Grant	2	6	(4)	2	2
Frankfort	7	98	(91)	20	71
Harvard	3	26	(23)	7	16
Lemont	6	79	(73)	17	56
Lyons	14	338	(324)	40	284
Norridge	9	98	(89)	25	65
Oak Park	40	389	(349)	73	276
Orland Park	23	261	(238)	34	204
Palatine	21	193	(172)	31	141
Palos Hills	7	64	(57)	13	43
Park Forest	23	118	(95)	57	39
Rich Township	33	581	(548)	66	482
Schaumburg	87	1,146	(1,059)	219	839
Stickney	19	299	(280)	54	226
Tinley Park	10	85	(75)	26	50
Vernon Township	4	137	(133)	10	123
Washington Township	1	23	(22)	2	20
Worth	7	198	(191)	22	169
Total	$ 394	$ 5,123	$ (4,729)	$ 924	$ 3,805

Regional Transportation Authority

The six-county public
transportation system
serving northeastern Illinois

RTA Main Office
175 W. Jackson Blvd, Ste. 1650
Chicago, Illinois 60604
312-913-3200
www.RTAchicago.com

RTA Customer Service
165 N. Jefferson St.
Chicago, Illinois 60661
312-913-3110

RTA ADA Certification Helpline
312-663-HELP (4357)

Travel Information Center
and RTA Reduced Fare Card
312-836-7000
www.RTAchicago.com

The RTA Transit Benefit Fare Program
312-913-3230

Chicago Transit Authority
567 W. Lake St.
Chicago, Illinois 60661
888-968-7282
www.transitchicago.com

Metra
547 W. Jackson Blvd.
Chicago, Illinois 60661
312-322-6777
www.metrarail.com

Pace
550 W. Algonquin Rd.
Arlington Heights, Illinois 60005
847-364-7223
www.pacebus.com

APPENDIX D

SERVICE BOARDS' HISTORICAL FINANCIAL RESULTS AND 2014 BUDGET AND 2015-16 FINANCIAL PLANS

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The following tables, D-I through D-VIII, are referred to earlier in this Official Statement. See "THE REGIONAL TRANSPORTATION AUTHORITY," "HISTORICAL FINANCIAL RESULTS" and "2014 BUDGET AND 2015-16 FINANCIAL PLAN" herein.

Table D-I

CTA
2008-2013 Financial Results
(Dollars in Thousands)

	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Estimate
Revenues:						
Passenger Revenue	$471,099	$505,713	$509,179	$527,853	$548,799	$575,073
Reduced Fare Reimbursement	31,855	28,239	28,245	26,026	27,780	21,464
Other Revenue	49,601	67,680	56,633	58,438	69,403	66,830
Total Revenues	$552,555	$601,632	$594,057	$612,317	$645,982	$663,367
Expenses						
Labor	$873,636	$856,468	$835,142	$ 893,834	$921,884	$936,449
Material	100,568	87,900	80,077	67,919	85,437	54,984
Fuel	91,834	100,539	52,063	57,273	62,908	64,332
Power	35,442	37,645	28,208	28,099	25,020	25,285
Insurance & Claims	7,718	15,397	43,000	15,000	24,000	(2,208)
Other	105,189	163,648	200,559	230,209	172,257	262,085
Total Operating Expenses	$1,214,387	$1,261,597	$1,239,049	$1,292,334	$1,291,506	$1,340,927
Operating Deficit	$661,832	$659,965	$644,992	$680,017	$645,524	$677,560
Recovery Ratio %	49.2%	54.6%	57.2%	57.3%	60.8%	60.0%

Source: Prepared by the RTA from budgetary basis information. The budgetary basis is non-GAAP presentation.

Table D-II*

CTA
2014 Budget and 2015-16 Financial Plan
(Dollars in Thousands)

	2014 Budget	2015 Plan	2016 Plan
Revenues			
Passenger Revenue	$593,050	$609,477	$626,360
Reduced Fare Reimbursement	21,464	28,322	28,322
Other Revenue	56,453	60,336	61,901
Total Revenues	$670,967	$698,135	$716,583
Expenses			
Labor	$973,700	$991,405	$1,016,190
Material	61,800	63,036	64,297
Fuel	60,246	60,954	62,782
Power	27,444	27,993	28,833
Insurance & Claims	0	11,792	24,000
Other	261,658	267,406	275,280
Total Expenses	$1,384,848	$1,422,586	$1,471,382
Operating Deficit	$713,881	$724,451	$754,799
Recovery Ratio %(1)	54.0%		

** Prepared by the RTA from budgetary information. The 2015-16 Plan figures represent indicative amounts for financial planning.*

(1) The recovery ratios are established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as provided by the Act. By policy, the revenue figure for the CTA excludes the gain from leasing transactions restricted by ordinance for capital projects. Expenses exclude certain items as provided by the Act.

Table D-III

Metra
2008-2013 Financial Results
(Dollars in Thousands)

	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Estimate
Revenues						
Passenger Revenue...	$251,693	$236,068	$239,449	$245,487	$301,132	$306,000
Reduced Fare Reimbursement.........	2,865	3,400	3,400	3,400	3,571	2,378
Other Revenue..........	61,299	59,118	53,550	54,424	51,845	50,000
Total Revenues.....	$315,857	$298,586	$296,399	$303,311	$356,548	$358,378
Expenses						
Operations	$208,768	$213,700	$214,982	$220,999	$225,632	$237,200
Fuel/Power	81,812	51,153	64,953	82,190	83,518	84,400
Maintenance	241,285	256,510	254,521	260,980	271,953	277,800
Power........................	36,920	33,084	43,871	46,163	49,984	50,000
Insurance & Claims/Other(1)........	25,819	22,452	37,464	34,016	45,425	54,300
Total Operating Expenses..................	$594,603	$576,899	$615,791	$644,348	$676,512	$703,700
Operating Deficit	$278,746	$278,313	$319,392	$341,037	$319,964	$345,322
Recovery Ratio %	57.4%	56.4%	52.6%	54.9%	56.2%	54.1%

Source: Prepared by the RTA from budgetary basis information. The budgetary basis is non-GAAP presentation.
(1) Includes Regional Services.

Table D-IV*

Metra
2014 Budget and 2015-16 Financial Plan
(Dollars in Thousands)

	2014 Budget	2015 Plan	2016 Plan
Revenues			
Passenger Revenue	$310,000	$321,662	$334,562
Reduced Fare Reimbursement	2,378	3,138	3,138
Other Revenue	51,800	53,000	54,500
Total Revenues..........................	$364,178	$377,800	$392,200
Expenses			
Operations	$249,700	$256,000	$265,400
Fuel/Power	88,500	91,700	93,800
Maintenance	289,300	295,200	307,200
Administration (l)	84,200	87,200	90,600
Insurance & Claims/Other	16,900	17,900	20,700
Total Expenses	$728,600	$748,000	$777,700
Operating Deficit	$364,422	$370,200	$385,500
Recovery Ratio % (2)	53.0%		

** Prepared by the RTA from budgetary information. The 2015-16 Plan figures represent indicative amounts for financial planning.*

(1) Includes Regional Services.

(2) The recovery ratios are established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as provided by the Act.

Table D-V

Pace
2008-2013 Financial Results
(Dollars in Thousands)

	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Estimate
Revenues						
Passenger Revenue	$28,400	$32,833	$32,262	$34,651	$35,211	$36,022
Reduced Fare Reimbursement	3,089	2,351	2,416	2,571	2,629	1,978
Other Revenue	20,473	15,447	16,900	17,999	18,646	18,970
Total Revenues	$51,963	$50,631	$51,578	$55,221	$56,486	$56,970
Expenses						
Labor	$ 96,245	$101,408	$104,252	$107,222	$116,009	$120,751
Purchased Transportation Suburban Service	25,890	25,985	25,096	26,919	27,181	28,316
Fuel	21,969	12,081	13,096	20,252	20,770	21,759
Insurance	7,826	13,596	11,546	7,752	7,572	8,144
Other	20,027	21,345	22,258	17,045	18,790	22,384
Total Expenses	$171,957	$174,415	$176,249	$179,690	$190,322	$201,354
Operating Deficit	$119,994	$123,784	$124,671	$124,469	$133,836	$144,384
Recovery Ratio %	36.0%	33.3%	35.2%	36.0%	30.0%	30.0%

Source: Prepared by the RTA from budgetary basis information. The budgetary basis is non-GAAP presentation.

Table D-VI*

Pace
2014 Budget and 2015-16 Financial Plan
(Dollars in Thousands)

	2014 Budget	2015 Plan	2016 Plan
Revenues			
Passenger Revenue	$36,987	$37,567	$38,157
Reduced Fare Reimbursement	1,978	2,610	2,610
Other Revenue	19,512	20,260	21,080
Total Revenues	$58,477	$60,437	$61,847
Expenses			
Labor (l)	$128,565	$133,703	$138,907
Purchased Transportation Suburban Service	30,032	31,289	32,598
Fuel	22,288	22,346	22,411
Insurance	8,327	8,852	9,410
Other	25,548	26,548	31,148
Total Expenses	$214,760	$222,738	$234,474
Operating Deficit	$156,283	$162,301	$172,627
Recovery Ratio % (2)	30.0%		

** Prepared by the RTA from budgetary information. The 2015-16 Plan figures represent indicative amounts for financial planning.*

(1) Includes health insurance and other expenditures previously included in other line items.

(2) The recovery ratios are established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as provided by the Act.

Table D-VII

ADA Paratransit (1)
2008-2013 Financial Results
(Dollars in Thousands)

	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Actual	2013 Estimated
Revenues						
Passenger Revenue.............	$6,996	$7,178	$8,385	$8,873	$9,289	$9,932
Other Revenue	939	1,365	2,157	4,889	3,551	2,563
Total Revenues................	$7,935	$8,543	$10,542	$13,762	$12,840	$12,495
Expenses						
Labor..................................	$ 2,390	$ 2,950	$ 2,799	$ 2,766	$ 3,228	$ 3,127
Purchased Transportation....	97,111	102,821	104,174	115,666	124,104	133,905
Fuel	2,004	1,481	1,891	2,512	2,578	2,815
Insurance	353	510	114	353	147	252
Other	5,768	6,991	6,085	6,812	6,957	8,663
Total Expenses	$107,626	$114,753	$115,063	$128,109	$137,014	$148,762
Plan/Budget Balancing Actions..................................	–	–	–	–	–	–
Operating Deficit	$99,691	$106,210	$104,521	$114,347	$124,174	$136,267
Recovery Ratio % (2)	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

Source: Prepared by the RTA from budgetary basis information. The budgetary basis is non-GAAP presentation.

(1) On July 1, 2006, Pace assumed operating responsibility for all ADA paratransit service in the Region. Previously, ADA paratransit was included in Pace and CTA results.

(2) Recovery ratio in 2008-2011 includes expense credit for capital cost of contracting.

Table D-VIII*

ADA Paratransit
2014 Budget and 2015-16 Financial Plan
(Dollars in Thousands)

	2014 Budget	2015 Plan	2016 Plan
Revenues			
Passenger Revenue	$10,414	$10,921	$11,453
Other Revenue	2,505	2,579	2,656
Total Revenues..........................	$12,919	$13,500	$14,109
Expenses			
Labor...	$ 3,238	$ 3,366	$ 3,482
Purchased Transportation..............	144,531	156,003	168,390
Fuel	3,009	3,159	3,317
Insurance......................................	255	266	280
Other	9,052	9,361	9,682
Total Expenses	$160,085	$172,155	$185,151
Plan/Budget Balancing Actions........	$0	$1,187	$2,552
Operating Deficit.............................	$147,166	$157,468	$168,490
Recovery Ratio % (1)	10.0%	10.0%	10.0%

** Prepared by the RTA from budgetary information. The 2015-16 Plan figures represent indicative amounts for financial planning.*

(1) The recovery ratios are established by the RTA Board as part of the budget approval process. The Service Boards endeavor to achieve or exceed these ratios to comply with their approved budgets, as provided by the Act.

APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND SERIES ORDINANCE

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE SERIES ORDINANCE

The following is a summary of certain provisions of the General Ordinance and the Series Ordinance. This summary is not a full statement of the terms of the General Ordinance or the Series Ordinance and accordingly is qualified by reference to the General Ordinance and the Series Ordinance and is subject to the full text of the General Ordinance and the Series Ordinance. Capitalized terms not defined in this summary or in the Official Statement have the respective meanings set forth in the General Ordinance or the Series Ordinance.

GENERAL DEFINITIONS

The following are definitions of certain terms used in the General Ordinance and the Series Ordinance.

"Accountant" means an independent certified public accountant or a firm of independent certified public accountants selected or approved by the Authority.

"Accountant's Certificate" means an opinion signed by an Accountant.

"Act" means the Regional Transportation Authority Act, as supplemented and amended (70 ILCS 3615/1.01 *et seq.*).

"Additional Authority Obligations" means any Authority Obligations issued after the time of issuing the initial Series of Authority Obligations.

"Additional Financial Assistance" shall have the meaning set forth in the Act. See "THE REGIONAL TRANSPORTATION AUTHORITY–RTA FINANCES-State Assistance" in this Official Statement.

"Additional State Assistance" shall have the meaning set forth in the Act. See "THE REGIONAL TRANSPORTATION AUTHORITY–RTA FINANCES-State Assistance" in this Official Statement.

"Annual Debt Service Requirements" means, for any twelve-month period ending on an April 30 and with respect to any Series of Authority Obligations, the amount required during that period to be deposited in the account of the Debt Service Fund in respect of principal and interest for that Series of Authority Obligations. With respect to Authority Obligations which bear interest at variable rates, the deposits shall be calculated in respect of interest as if the Authority Obligations would bear interest at the maximum rate which those Obligations may bear pursuant to law or the applicable authorizing Series Ordinance, or if there is no such maximum rate at a rate equal to 20% per year. With respect to Authority Obligations for which there is a purchase, unscheduled mandatory redemption or similar unscheduled requirement which is provided to be paid by use of a Credit Support Instrument, the deposits shall be calculated in respect of principal on the basis of scheduled payments of principal (at maturity or pursuant to Sinking Fund Installments) and not pursuant to the purchase, redemption or similar unscheduled requirements provided so to be paid through the Credit Support Instrument.

"Authority Obligations" means the Bonds and the Notes.

"Authorized Officer" in respect of any act or duty, means the Chairman, the Treasurer, and in addition any director, officer or employee of the Authority authorized by the bylaws or a resolution of the Authority to perform that particular act or duty. With respect to any investment of funds, Authorized Officer also includes any investment advisor appointed by resolution of the Authority.

"Board" means the Board of Directors of the Authority.

"Bond" or *"Bonds"* means any of the Authority's General Obligation Bonds which are issued pursuant to the Act, the General Ordinance and a Series Ordinance.

"Bond Anticipation Notes" means any of the Authority's General Obligation Bond Anticipation Notes issued in anticipation of Bonds, which notes are issued pursuant to the Act, the General Ordinance and a Series Ordinance.

"Capital Asset Purposes" means any or all of the following purposes as provided in the Act: to pay costs to the Authority or a Service Board of constructing or acquiring any public transportation facilities (including funds and rights relating to those facilities, as provided in the Act); to repay advances to the Authority or a Service Board made for those purposes; to pay other expenses of the Authority or a Service Board incident to or incurred in connection with such construction or acquisition; to provide funds for any transportation agency to pay principal of or interest or redemption premium on any bonds or notes by such transportation agency to construct or acquire any public transportation facilities or to provide funds to purchase such bonds or notes; and to provide funds for any transportation agency to construct or acquire public transportation facilities, to repay advances made for such purposes, and to pay other expenses to or incurred in connection with such construction or acquisition.

"Chairman" means the Chairman of the Board.

"Code" means the Internal Revenue Code of 1986, as amended.

"Compound Accreted Value" means, with respect to a Bond issued at an original issue discount in excess of 2%, the principal amount of the Bond at maturity less the unaccrued original issue discount. The amount of the discount shall be accrued on a constant interest rate basis (that is, actuarially on a geometric progression) from the date of issuance of the initially issued Bonds of that Series until the date specified in the applicable Series Ordinance as that date on which those Bonds shall have achieved a compound accreted value equal to their full principal amount (either at the final maturity date of the Bond or earlier, as the case may be).

"Costs of Issuance" means all fees and costs incurred by the Authority relating to the issuance of Authority Obligations including, without limitation, printing costs, administrative costs, Trustee's initial fees and charges, paying agent's initial fees, legal fees, rating costs, accounting fees and financial advisory fees, the cost of any bond insurance premium to insure any Authority Obligations and any amounts to be paid to obtain a Credit Support Instrument or Reserve Fund Credit Instrument.

"Counsel's Opinion" means an opinion signed by a lawyer or firm of lawyers, not employees of the Authority.

"Credit Support Instrument" means a letter of credit, line of credit, insurance policy, guaranty, surety bond or other obligation issued by a Qualified Provider which guarantees or otherwise ensures the ability of the Authority or the Trustee to pay the principal, Redemption Price of or interest on or Purchase Price of, any Authority Obligations or by which the institution shall be obligated to purchase Authority Obligations from the Holders of the Authority Obligations.

"Debt Service Fund" means the Bond Debt Service Fund established in the General Ordinance. See "SECURITY FOR THE NOTES–DEBT SERVICE FUND" in this Official Statement.

"Debt Service Reserve Fund" means the Debt Service Reserve Fund established in the General Ordinance. See "SECURITY FOR THE NOTES–DEBT SERVICE RESERVE FUND" in this Official Statement.

"Events of Default" means the occurrence of an event specified in the General Ordinance and described herein which shall give the Trustee the power to take steps to protect, enhance or enforce rights granted in the General Ordinance, a Series Ordinance or an Authority Obligation. See "DEFAULT PROVISIONS; REMEDIES OF HOLDERS" in this APPENDIX E.

"Fiscal Year" means the period of twelve calendar months ending with December 31 of any year, or such other period as may by the Authority be established from time to time.

"Fitch" means, Fitch, Inc., its successors and assigns, and, if dissolved or liquidated or no longer performing the functions of a securities rating agency, shall refer to any other nationally recognized securities rating organization designated by the Authority, by notice to the Trustee.

"Government Obligations" means the obligations referred to in clauses (a) and (g) of the definition of Investment Obligations; *provided* that the obligations referred to in clause (g) shall be accompanied by (i) an opinion of a firm of nationally recognized independent certified public accountants to the effect that the escrow is sufficient to pay the obligations when due and (ii) the approving opinion of bond counsel delivered at the time of the issuance of such obligations.

"Holder" when used with respect to any Authority Obligations means the registered owner of Authority Obligations. "Bondholder" means a holder of a Bond; "Noteholder" means a holder of a Note.

"Investment Obligations" means any of the following obligations which at the time of investment of any amounts in any Fund or Account established pursuant to the General Ordinance are legal investments under the laws of the State for that Fund or Account:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, including obligations described in (b) below to the extent unconditionally guaranteed by the United States of America; or any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (a) as long as the receipt, certificate or other evidence of an ownership interest represents a direct interest in future principal and interest payments on obligations unconditionally guaranteed by the United States of America and such obligations are held by a custodian in safekeeping on behalf of the holders of the receipt, certificate or other evidence of an ownership interest therein;

(b) obligations of the Export-Import Bank of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Finance Bank, the Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, the Farmers Home Administration, the Federal Farm Bank and the Federal Home Loan Mortgage Association, including obligations of any other agency or corporation which has been or may hereafter be created pursuant to an Act of Congress as an agency or instrumentality of the United States of America which obligations of such agency or corporation have been approved by S&P if S&P at the time maintains a rating of any of the Authority Obligations; or any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in this clause (b), which receipt, certificate or other evidence of an ownership interest shall be first approved by S&P if S&P at the time maintains a rating of any of the Authority Obligations;

(c) direct and general obligations of the State;

(d) direct and general obligations of any state, other than Illinois, which obligations are rated in either of the two highest rating categories by (i) S&P if S&P at the time maintains a rating of any of the Authority Obligations or (ii) any nationally recognized rating agency other than S&P if S&P at the time does not maintain a rating of any Authority Obligations;

(e) repurchase agreements for obligations described in clauses (a) and (b) of this definition, *provided* that the entity which agrees to repurchase such obligations from the Authority must be a Qualified Financial Institution or a government bond dealer reporting to, trading with and recognized as a primary dealer by a Federal Reserve Bank, in any case with capital and surplus aggregating at least $50,000,000, and *provided* that the agreement provides for the Authority to be secured by such obligations (by delivery to the Trustee or its agent in that capacity or by other steps which, as evidenced by a Counsel's Opinion, shall have the effect of securing the Trustee to the same effect as if it or its agent in that capacity were the holder of the underlying obligations) with a market value at least equal to the repurchase amount;

(f) negotiable or non-negotiable time deposits evidenced by certificates of deposit, or investment agreements, or similar banking arrangements, issued or made by banks, savings and loan associations, trust companies or national banking associations (which may include the Trustee) which are members of the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, *provided* that such time deposits, investment agreements, or similar banking arrangements in any such bank, savings and loan association, trust company or national banking association either (i) are continuously secured by obligations described in subparagraphs (a), (b), (c) or (d) of this definition (by physical delivery to the Trustee or its agent in that capacity or by other steps which, as evidenced by a Counsel's Opinion, shall have the effect of securing the Trustee to the same effect as if it or its agent were in that capacity the physical holder of the underlying obligations), and *provided* that such obligations at all times have a market value at least equal to the maturity value of the deposits so secured, including accrued interest or (ii) are continuously and fully insured by the Federal Deposit Insurance Corporation;

(g) (i) obligations of States or political subdivisions of States (within the meaning of the United States Internal Revenue Code, as amended) which are fully secured and defeased as to principal and interest by an irrevocable escrow of direct obligations of the United States of America and rated in the highest rating category by S&P if S&P at the time maintains a rating of any of the Authority Obligations and (ii) any other receipt, certificate or other evidence of an ownership interest in obligations or in specified portions thereof (which may consist of specified portions of the interest thereon) of the character described in subclause (i) of this clause (g), which receipt, certificate or other evidence of an ownership interest shall be first approved by S&P if S&P at the time maintains a rating of any of the Authority Obligations;

(h) investment agreements with Qualified Financial Institutions;

(i) obligations of the International Bank for Reconstruction and Development (the World Bank);

(i) obligations of the International Bank for Reconstruction and Development (the World Bank);

(j) corporate securities, including commercial paper and fixed income obligations, which are rated in the highest rating category by (i) S&P if S&P at the time maintains a rating of any of the Authority Obligations or (ii) any nationally recognized rating agency other than S&P if S&P at the time does not maintain a rating of any Authority Obligations; and

(k) any other investment permitted by Illinois law rated investment grade by (i) S&P if S&P at the time maintains a rating of any of the Authority Obligations or (ii) any nationally recognized rating agency other than S&P if S&P at the time does not maintain a rating of any Authority Obligations; *provided* that no investment of funds in the Debt Service Fund shall be made pursuant to the fifth paragraph of 30 ILCS 235/2(e) (formerly Ill. Rev. Stat. ch. 85, par. 902), as in effect on May 18, 1990; *provided, however,* that the investments described in subparagraphs (e) and (f) above constitute permitted Investment Obligations only for certain accounts in the Capital Assets Fund.

"Moody's" means Moody's Investors Service, its successors and assigns, and, if dissolved or liquidated or no longer performing the functions of a securities rating agency, shall

refer to any other nationally recognized securities rating organization designated by the Authority, by notice to the Trustee.

"Notes" means Bond Anticipation Notes or Working Cash Notes, or any other general obligation notes as may be authorized to be issued by the Authority pursuant to the Act.

"Operating Expenses" means day to day operating expenses of the Authority or of a Service Board consisting of wages, salaries and fringe benefits, professional and technical services (including legal, audit, engineering and other consulting services), office rentals, furniture, fixtures and equipment, insurance premiums, claims for self-insured amounts under insurance policies, public utility obligations for telephone, light, heat and similar items, travel expenses, office supplies, postage, dues, subscriptions, fuel purchases, and payments of grants and payments under purchase of service agreements for operations of transportation agencies (as defined in the Act).

"Outstanding" means, when used with reference to Authority Obligations, all such obligations which have been issued, except (a) Authority Obligations which have been paid or redeemed in full both as to principal and interest or (b) Authority Obligations provision for the payment or redemption of which has been made pursuant to the General Ordinance, as described under "DEFEASANCE" in this APPENDIX E. For a list of all Outstanding Authority Obligations, see "SECURITY FOR THE NOTES–SECURITY AND SOURCES OF PAYMENT" in this Official Statement

"Policy Costs" means draws and payment of expenses on the Reserve Fund Policy and accrued interest thereon.

"Public Transportation Fund Revenues" shall have the meaning set forth under "SECURITY FOR THE NOTES–SECURITY AND SOURCES OF PAYMENT" in this Official Statement.

"Purchase Price" means the price at which a Holder of an Authority Obligation shall have the right pursuant to a Series Ordinance to have the Obligation purchased from the Holder by the Authority or the Trustee.

"Qualified Financial Institution" means a bank, trust company, national banking association, insurance company or other financial services company whose long-term debt obligations or whose claims paying abilities are rated in any of the three highest rating categories (without reference to subcategories) by (i) S&P if S&P at the time maintains a rating of any of the Authority Obligations or (ii) any nationally recognized rating agency other than S&P if S&P at the time does not maintain a rating of any Authority Obligations. For purposes of the General Ordinance, the term "financial services company" shall include any investment banking firm or any affiliate or division thereof which may be legally authorized to enter into the transactions described in the General Ordinance pertaining, applicable or limited to a Qualified Financial Institution.

"Qualified Provider" means a bank (including without limitation, a national banking association or a foreign bank authorized to do business in the United States), insurance company or other institution, which bank, company or institution provides letters of credit, lines of credit, insurance policies, guaranties, surety bonds or other similar obligations for municipal bonds,

which obligation of the institution is rated in one of the top three full rating categories by Moody's and S&P.

"Rebate Account" or *"Rebate Accounts"* means the account or accounts of that name with respect to the various Series of Authority Obligations established pursuant to the General Ordinance.

"Redemption Price" means, with respect to any Authority Obligation (or portion of any Authority Obligation) the price on any redemption date, exclusive of accrued and unpaid interest, at which the Authority Obligation (or a portion of it) may or must be redeemed pursuant to the General Ordinance and the Series Ordinance pursuant to which the Authority Obligation was issued.

"Reserve Fund Credit Instrument" means a non-cancelable insurance policy, a non-cancelable surety bond or an irrevocable letter of credit which may be delivered to the Trustee in lieu of or in partial substitution for cash or securities required to be on deposit in the Debt Service Reserve Fund. In the case of an insurance policy or surety bond, the company providing the policy or bond shall be an insurer which, at the time of the issuance of the policy or bond, has been assigned a credit rating which is within one of the two highest ratings accorded insurers by both Moody's and S&P. In the case of a letter of credit, it shall be issued by a banking institution which has, or the parent of which has, or the holding corporation of which it is the principal bank has, at the time of the issuance of the letter of credit, a credit rating on its long-term unsecured debt within one of the two highest rating categories from both Moody's and S&P. The insurance policy, surety bond or letter of credit shall grant to the Trustee the right to receive payment for the purposes for which the Debt Service Reserve Fund may be used and shall be irrevocable during its term.

"Reserve Fund Credit Instrument Coverage" means, with respect to any Reserve Fund Credit Instrument, at any date of determination, the amount available to pay principal, Redemption Price or Purchase Price of and interest on the Bonds secured by such Reserve Fund Credit Instrument.

"Revenues" shall have the meaning set forth under "SECURITY FOR THE NOTES–SECURITY AND SOURCES OF PAYMENT" in this Official Statement.

"S&P" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, its successors and assigns, and, if dissolved or liquidated or no longer performing the functions of a securities rating agency, shall refer to any other nationally recognized securities rating organization designated by the Authority, by notice to the Trustee.

"Sales Tax Revenues" shall have the meaning set forth under "SECURITY FOR THE NOTES–SECURITY AND SOURCES OF PAYMENT" in this Official Statement.

"Secured Government Payments" means payments made to the Authority, or to a trustee for holders of bonds or notes of the Authority, from the State or from the Federal government (or any agency of the State or the Federal government), pursuant to a contract between the Authority or a Service Board and the State or the Federal government (or any agency of the State or the Federal government), as described in the next two sentences of this definition. Such a contract

shall provide for the payments from the State or the Federal government (or any agency of the State or the Federal government) to be on account of either: (i) public transportation service provided by or financed by the Authority or a Service Board, or (ii) public transportation facilities purchased or acquired by the Authority or a Service Board. Such a contract shall allow payments under it to be assigned or pledged to a trustee for holders of bonds or notes of the Authority. Secured Government Payments shall not mean any Public Transportation Fund Revenues, any taxes by or on behalf of the Authority collected by the Illinois Department of Revenue or any Additional State Assistance.

"Separate Ordinance Obligations" means any bonds or notes of the Authority, whether or not issued under Section 4.04 of the Act, as amended from time to time, the authorizing ordinance for which bonds or notes states that they are not issued pursuant to the General Ordinance, and which bonds or notes are secured by a pledge or assignment of Secured Government Payments or *ad valorem* property tax receipts.

"Series 2014A1 Notes" means the General Obligation Working Cash Notes, Series 2014A1 (Taxable) of the Authority.

"Series Ordinance" means an ordinance of the Authority authorizing the issuance of a series of Bonds or Notes in accordance with the terms and provisions of the General Ordinance.

"Service Board" means the Chicago Transit Authority, the Commuter Rail Division of the Authority or the Suburban Bus Division of the Authority.

"Sinking Fund Installments" means, with respect to any date, the principal amount of Term Bonds of any Series which are required to be redeemed by the Authority on that date pursuant to and in the amounts provided by the Series Ordinance for that Series, or which are required to be paid at maturity and not required previously to be redeemed.

"State" means the State of Illinois.

"Supplemental Ordinance" means an ordinance supplemental to the General Ordinance adopted by the Authority in accordance with the conditions described under "MODIFICATION OF GENERAL ORDINANCE" in this APPENDIX E.

"Trusteed Money" means the Sales Tax Revenues, Public Transportation Fund Revenues and any other money or funds which may be assigned by the Authority for direct payment to the Trustee. It also means all amounts held by the Trustee in the Debt Service Fund and the Debt Service Reserve Fund pursuant to the General Ordinance, a Series Ordinance or a Supplemental Ordinance.

"Working Cash Notes" means any of the Authority's general obligation Working Cash Notes issued pursuant to the Act, the General Ordinance and a Series Ordinance.

ORDINANCES CONSTITUTE CONTRACT

In consideration of the purchase and acceptance of any Authority Obligations issued under the General Ordinance by their Holders from time to time, the General Ordinance shall constitute a contract between the Authority and the Holders of the Authority Obligations. The pledges, grants, assignments, covenants, liens and security interests provided for and set forth in the General Ordinance to be performed by the Authority will be for the benefit, protection and security of the Holders of any and all of the Authority Obligations. Each Series Ordinance will constitute a contract between the Authority and the Holders of the Authority Obligations of that Series.

CUSTODY AND APPLICATION OF BOND AND NOTE PROCEEDS

The General Ordinance authorizes the issuance of the Bonds, Bond Anticipation Notes and Working Cash Notes of the Authority.

Capital Assets Fund. The General Ordinance establishes a Capital Assets Fund as a separate and distinct fund to be used as provided in the General Ordinance and in any Series Ordinances authorizing the issuance of Bonds or Notes other than Working Cash Notes. All proceeds of any Series of Authority Obligations which are designated by the Series Ordinance authorizing the issuance of that Series of Authority Obligations to be used for Capital Asset Purposes may be deposited in the Capital Assets Fund. The Authority may, in the Series Ordinance authorizing any such Series of Authority Obligations, provide for the creation of separate and distinct accounts within the Capital Assets Fund, to be used as provided in the applicable Series Ordinance. All moneys deposited in the Capital Assets Fund will be held by either the Trustee or the Authority as shall be directed by the Series Ordinance and will be disbursed as provided in the applicable Series Ordinance. All interest and other investment income earned on the Capital Assets Fund will be deposited in the Capital Assets Fund (to the credit of the Accounts within the Capital Assets Fund, if any, on the basis of their contribution to the cost of the relevant investment).

Working Cash Fund. The General Ordinance establishes a Working Cash Fund as a separate and distinct fund to be used as provided in the General Ordinance and the Series Ordinances authorizing the issuance of Working Cash Notes, to pay Costs of Issuance and Operating Expenses to cover anticipated cash flow deficits. All proceeds of any Series of Working Cash Notes, which are designated by the Series Ordinance authorizing the issuance of that Series of Notes to be used for Costs of Issuance or Operating Expenses may be deposited in the Working Cash Fund. A Series Ordinance may provide for separate and distinct Accounts in the Working Cash Fund, to be used as provided in the Series Ordinance. All moneys deposited in the Working Cash Fund will be held by the Trustee or the Authority as shall be directed in the Series Ordinance and will be disbursed as provided in the applicable Series Ordinance. All interest and other investment income earned on the Working Cash Fund will be deposited as received in the Working Cash Fund (to the credit of the accounts within the Working Cash Fund, if any, on the basis of their contribution to the cost of the relevant investment), and may be applied by the Authority in the manner as provided in the Series Ordinance.

If a Series Ordinance provides for money deposited in any Account in the Capital Assets Fund or the Working Cash Fund to be held by the Trustee, those amounts, and interest and other investment income on those amounts, will be disbursed as provided in that Series Ordinance. No Series Ordinance so providing such deposits to be held by the Trustee shall be effective without the consent of the Trustee as to that deposit and method of disbursement.

Additional Funds. The Authority may, in the Series Ordinance authorizing the issuance of any Series of Authority Obligations, establish additional Funds to be held, invested and disbursed by the Trustee as provided in the Series Ordinance.

NATURE AND SOURCE OF PAYMENT OF AUTHORITY OBLIGATIONS

The General Ordinance provides that all Authority Obligations are general obligations of the Authority to which is pledged the full faith and credit of the Authority. All Authority Obligations are superior to and have priority over any other obligations of the Authority, except Separate Ordinance Obligations to the extent that under the Act and their authorizing ordinances they have a prior claim to Secured Government Payments or *ad valorem* property tax receipts.

Authority Obligations are payable as to principal, Redemption Price, Purchase Price and interest from all Revenues and from all Funds received or held by the Authority, including, without limitation, amounts in the appropriate accounts of the Debt Service Fund and Debt Service Reserve Fund with respect to a Series of Authority Obligations, or otherwise on hand at the Authority, which are in any event legally available to be so applied. Authority Obligations are payable from Additional State Assistance, Additional Financial Assistance, amounts in the Authority's joint self-insurance fund or from amounts required by ordinances authorizing Separate Ordinance Obligations to be on deposit in any debt service fund or debt service reserve fund for such Separate Ordinance Obligations or from amounts payable upon any credit support instrument or reserve fund credit instrument in respect of Separate Ordinance Obligations.

EQUALITY OF AUTHORITY OBLIGATIONS

All Authority Obligations authorized pursuant to the General Ordinance rank equally as to security, regardless of the time or times of their issue, and are entitled to no priority one over another between Authority Obligations within the same maturity, with respect to any funds pledged as security for or available for the payment of the Authority Obligations, other than as expressly provided in the General Ordinance. Nothing shall prohibit the Authority from providing Credit Support Instruments solely for certain Authority Obligations and not others. As provided by the General Ordinance, the Debt Service Reserve Fund is available for the payment of principal, Redemption Price and Purchase Price of and interest only on Bonds.

ASSIGNMENT OF TRUSTEED MONEY

The Authority has irrevocably assigned the Trusteed Money to the Trustee, for the benefit of the Holders from time to time of the Authority Obligations, to be held, invested and used as provided in the General Ordinance. The State Treasurer, the State Department of Revenue and the State Comptroller are authorized and directed to pay and cause to be paid directly to the Trustee and not to the Authority all Trusteed Money coming into the hands of any of them or into the Treasury of the State. The Chairman or the Secretary of the Authority is authorized and directed to cause a certified copy of the General Ordinance and of each Series Ordinance to be filed with the State Treasurer, the Comptroller and the State Department of Revenue. Upon receipt thereof, the State Treasurer, the State Department of Revenue and the Comptroller will subsequently, notwithstanding any other provisions of the Act, provide for the Trusteed Money held or received by any of them or in the Treasury of the State to be paid directly to the Trustee instead of the Authority. After such notice, the assignment will be valid and binding from the date of the General Ordinance without any physical delivery or further act, and will be valid and binding as against and prior to the claims of all other parties having claims of any kind against the Authority or any other person irrespective of whether the other parties have notice of the assignment. When the assignment is discharged in accordance with the General Ordinance with respect to all of the Authority Obligations, the Trustee will promptly deliver to the State Treasurer, the Comptroller and the State Department of Revenue written notice of that fact and subsequently all Trusteed Money will again be paid to the Authority the same as before the assignment.

While any of the Authority Obligations are Outstanding, the Authority will pay to the Trustee for deposit in the Debt Service Fund all Trusteed Money received by the Authority (other than amounts withdrawn from the Debt Service Fund in accordance with the General Ordinance).

PLEDGE EFFECTED BY THE GENERAL ORDINANCE

For the benefit of the Holders from time to time of the Authority Obligations, the Authority pledges and grants to the Trustee a first lien on and first security interest in all Trusteed Money, all Revenues and all of its funds on hand from which Authority Obligations are payable as provided in the General Ordinance (which Revenues and funds lawfully may be so used) for payment in full of the principal, Redemption Price and Purchase Price of and interest on Authority Obligations, as such amounts become due and payable. Amounts required to be deposited in any Account, other than a Rebate Account, of the Debt Service Fund secure and will be used for only the Authority Obligations with respect to which the Account is established. The pledge, lien and security interest with respect to any Authority Obligation will be valid and binding from the time that Authority Obligation is issued, without any physical delivery or further act, and will be valid and binding as against and prior to the claims of all other parties having claims of any kind against the Authority or any other person irrespective of whether such other parties have notice of such pledge, lien and security interest. In furtherance of this pledge, lien and security interest, in the event any Authority Obligation will not be paid when due as to principal, Redemption Price, Purchase Price or interest, the Trustee may require any such Revenues and funds on hand, excluding the joint self-insurance fund referred to in the definition of "Revenues," to be paid directly to the Trustee for such application.

Such pledge and grant of lien and security interest is subject to the right of the Authority to apply any amounts which it has on hand and which are not required by the terms of the General Ordinance and the Series Ordinances to remain on deposit or to be deposited in the Debt Service Fund and the Debt Service Reserve Fund for its other legal purposes.

ESTABLISHMENT OF DEBT SERVICE FUND

The General Ordinance establishes the Debt Service Fund as a separate and distinct fund, to be maintained by the Trustee in trust for the Holders from time to time of the Authority Obligations, and will be invested and used, all as provided by the General Ordinance. Such trust will be irrevocable so long as any of the Authority Obligations are outstanding. All receipts of

Trusteed Money will be deposited by the Trustee in the Debt Service Fund, or, as hereinafter described, in the Debt Service Reserve Fund. Other Revenues and funds of the Authority will be deposited in the Debt Service Fund and the Debt Service Reserve Fund as required by the General Ordinance and any Series Ordinance.

ESTABLISHMENT OF ACCOUNTS IN DEBT SERVICE FUND

The General Ordinance provides that the Authority will, in each Series Ordinance, provide for the establishment of separate Accounts within the Debt Service Fund relating to particular Series of Authority Obligations. The creation of separate Accounts in the Debt Service Fund will not create any preference of one Series of Authority Obligations over any other Series, except that amounts required to be deposited in any Account of the Debt Service Fund secure and will be used for only the Authority Obligations with respect to which the Account is established. The deposits to be made to the various Accounts of the Debt Service Fund will be made each month proportionately on the basis of the amounts required to be deposited in each Account. The investments and deposits of any of the Accounts of the Debt Service Fund may be commingled, except with respect to Rebate Accounts, as provided in the General Ordinance.

In each Series Ordinance establishing an Account in the Debt Service Fund, the Authority will provide a monthly deposit requirement with respect to such Account (other than the Rebate Account). The monthly deposit requirement may be expressed in absolute dollar terms or as a formula, but will provide for the deposit of amounts sufficient to pay the principal, Redemption Price and Purchase Price of, and interest on the Authority Obligations of the relevant Series as those amounts come due. With respect to Authority Obligations for which a purchase or redemption requirement is provided to be paid through a Credit Support Instrument the Series Ordinance need not set forth specific deposit requirements in respect of those amounts, but the Authority will make, in any event, deposits in the Debt Service Fund sufficient to meet all obligations of the Authority with respect to those requirements.

The monthly deposit requirements with respect to each Series of Authority Obligations will not be less than the following amounts:

(a) The amount in respect of interest will not be less than the product of the interest coming due on the next interest payment date on that Series and a fraction, the numerator of which is one and the denominator of which is the number of months less one from the preceding interest payment date on that Series or, in respect of interest on the first interest payment date, from the date of delivery of the Series to that next interest payment date, until the full amount of that interest on the next interest payment date has been provided so to be deposited. The deposit requirements in respect of interest may be reduced (including to zero) to the extent that amounts specified in a Series Ordinance are deposited in the Debt Service Fund to the credit of the Account in that Fund. With respect to Authority Obligations which will bear interest at variable rates, the monthly deposit requirements in respect of interest will be calculated as provided in the Series Ordinance for such Obligations.

(b) The amount in respect of principal, except for the first principal payment date for a Series, will not be less than the product of the principal coming due (whether at maturity or pursuant to Sinking Fund Installments) on the next such principal payment date and a fraction, the numerator of which is one and the denominator of which is the number of months less one from the preceding principal payment date to the next principal payment date until the full amount of that principal on the next principal payment date has been provided so to be deposited. The amount in respect of principal on the first principal payment date will be the amounts specified in the Series Ordinance for that Series, which will be sufficient so that the full amount of that principal will have been provided to have been deposited (based on dates for deposit of Sales Tax Revenues as anticipated by the Board) not less than 20 days prior to that principal payment date.

(c) With respect to Authority Obligations for which there is a purchase, mandatory redemption or similar requirement which is provided to be paid through a Credit Support Instrument, the required deposits described in paragraph (b) above in respect of principal will be based on scheduled principal payments (at maturity or pursuant to Sinking Fund Installments) and not based on purchase, redemption or similar requirements provided so to be paid through such an instrument.

The Series Ordinance establishes deposit requirements for the Notes in the Notes Account of the Debt Service Fund as follows:

(i) For each month prior to the first interest payment date on the Series 2014A1 Notes, the Authority shall deposit into the Series 2014A1 Notes Account an amount equal to the amount of interest coming due on the first interest payment date for the Series 2014A1 Notes (minus the amount of accrued interest and capitalized interest, as may be applicable to the first interest payment, deposited in the Series 2014A1 Notes Account upon the issuance and delivery of the Series 2014A1 Notes) multiplied by a fraction, the numerator of which shall be one and the denominator of which shall equal the number of full calendar months between the date of delivery of the Series 2014A1 Notes and the first interest payment date for the Series 2014A1 Notes, minus one, until the full amount of the interest payment for the Series 2014A1 Notes is on deposit in the Series 2014A1 Notes Account.

(ii) For each month beginning in the month of the first interest payment date on the Series 2014A1 Notes, the Authority shall deposit into the Series 2014A1 Notes Account an amount equal to the amount of the interest coming due on the next interest payment date with respect to the Series 2014A1 Notes (minus the amount of capitalized interest, as may be applicable to such interest payment date, deposited in the Series 2014A1 Notes Account upon the issuance and delivery of the Series 2014A1 Notes) multiplied by a fraction, the numerator of which shall be one and the denominator of which shall be equal to the number of full calendar months between the last interest payment date and the next interest payment date, minus one, until the full amount of the interest payment for the Series 2014A1 Notes is on deposit in the Series 2014A1 Notes Account.

(iii) At least 50 days prior to the first principal payment date on the Series 2014A1 Notes, the Authority shall make an initial deposit into the Series 2014A1 Notes

Account in an amount equal to one-half of the principal coming due on the first principal payment date for the Series 2014A1 Notes.

(iv) At least 20 days prior to the first principal payment date on the Series 2014A1 Notes, the Authority shall make a second deposit into the Series 2014A1 Notes Account in an amount equal to one-half of the amount of principal coming due on the first principal payment date for the Series 2014A1 Notes.

(v) For each month beginning in the month of the first principal payment date of the Series 2014A1 Notes, the Authority shall deposit into the Series 2014A1 Notes Account an amount equal to the product of the principal coming due on the next principal payment date of the Series 2014A1 Notes and a fraction, the numerator of which shall be one and the denominator of which shall be the number of months, minus one, from the preceding principal payment date to the next principal payment date with respect to the Series 2014A1 Notes, until the full amount of the principal payment of the Series 2014A1 Notes is on deposit in the Series 2014A1 Notes Account.

There will be deposited in the Debt Service Fund to the credit of the Rebate Accounts, after there are no deficiencies in any of the other Accounts in the Debt Service Fund or the Debt Service Reserve Fund, the amounts as will be required to be held available for rebate to the United States of America with respect to each Series of Authority Obligations. The amount so to be held available will be determined from time to time by the Authority pursuant to the Series Ordinances, as certified by an Authorized Officer to the Trustee.

In any period in which there is any deficiency in any Account in the Debt Service Fund, the amount of the deficiency will be added to and be a part of the monthly deposit requirement for such Account for that and all succeeding periods until there no longer remains any such deficiency.

In any month after all of the required deposits and credits to all Accounts in the Debt Service Fund have been made (other than Rebate Accounts) and there is no deficiency in any of the Accounts (other than Rebate Accounts), the Trustee will pay from the Debt Service Fund proportionately to the Accounts in the Debt Service Reserve Fund any remaining amounts in the Debt Service Fund until the value of each Account in the Debt Service Reserve Fund, calculated as provided in the General Ordinance, will equal the Reserve Requirement for such Account, and then will credit to the Rebate Accounts proportionately until there are no deficiencies in any such Accounts, and then will pay any remaining amounts in the Debt Service Fund after all of the required deposits and credits to all accounts in the Debt Service Fund (including the Rebate Accounts) have been made and there are no deficiencies in any such Accounts, to the Authority, or upon the Authority's direction.

If for any reason in any month the required deposits and credits are not made to the Debt Service Fund and all Accounts in it and to the Debt Service Reserve Fund and all Accounts in it, then the Authority will immediately deposit with the Trustee any and all other money and funds which it has on hand or available to it, from which Authority Obligations are payable as provided in the General Ordinance, to make up such deficiency which lawfully may be so used. The Trustee will deposit in and credit such funds first to the Debt Service Fund Accounts other than the Rebate Accounts, proportionately on the basis of the amount of the deficiency in each such Account, then to the Debt Service Reserve Fund Accounts proportionately on the basis of the amount of the deficiency in each such Account, and then proportionately to the Rebate Accounts. The Authority will not use any such other moneys or funds for any other purpose until such deficiency is made up.

If for any reason in any month the required deposits and credits are not made to the Debt Service Fund and all Accounts in it and to the Debt Service Reserve Fund and all Accounts in it by the last date in the month in which the Sales Tax Revenues are normally received by the Trustee, and in any event by the 25th day of the month, then the Trustee will so notify the Authority and, whether or not it receives that notice, the Authority will make all required deposits as provided in the preceding paragraph.

USE AND WITHDRAWAL OF MONEY FROM THE ACCOUNTS IN THE DEBT SERVICE FUND

From the amounts deposited in or credited to the Accounts in the Debt Service Fund, the Trustee will pay first out of the Account (other than the Rebate Account) and then out of the Rebate Account, in each case pertaining to each Series of Authority Obligations to the Paying Agents for that Series of Authority Obligations, on the business day preceding each interest payment date or principal payment date (whether at maturity or pursuant to Sinking Fund Installments) or mandatory redemption date or date of required purchase, not being made by a Credit Support Instrument, an amount equal to the principal, Redemption Price, Purchase Price and interest on the Series of Authority Obligations coming due on the following business day. In lieu of making such payments to a Paying Agent on the business day prior to the day that a payment with respect to Authority Obligations is due, the Trustee at the direction of the Treasurer or other Authorized Officer, and with the approval of the Paying Agent, may on that prior business day deposit Investment Obligations maturing on the day of payment sufficient for that payment.

The Trustee will use, upon the written direction of the Treasurer or other Authorized Officer of the Authority, amounts in any Account, other than a Rebate Account, to purchase Authority Obligations of the Series to which such Account pertains at a price not in excess of the principal amount (or Compound Accreted Value with respect to Authority Obligations sold at a discount in excess of 2%) plus accrued interest to the date of purchase; *provided, however*, that amounts in an Account may be so used only if after any purchase there will remain on deposit in such Account an amount equal to the amount which would have been required to have been deposited had the purchased Authority Obligations never been Outstanding. The principal amount of the Authority Obligations so purchased will be applied against the Sinking Fund Installments for the Series of Authority Obligations purchased as provided in the Series Ordinance authorizing the issuance of that Series.

Amounts in Rebate Accounts will be used at the direction of an Authorized Officer to make rebate payments to the United States of America. Amounts in a Rebate Account in excess of the amounts which the Authority will determine is needed for making rebates, will no longer be required to be deposited into that Rebate Account and will be used first to make up any deficiencies in the Debt Service Fund and the Debt Service Reserve Fund and then will be paid to the Authority.

In each month, the Trustee, upon required deposits to the Debt Service Fund and the Debt Service Reserve Fund having been made, will immediately pay to the Authority amounts in the Debt Service Fund in excess of the then required deposits and credits in all Accounts in the Debt Service Fund.

DEBT SERVICE RESERVE FUND

The General Ordinance establishes the Debt Service Reserve Fund, to be maintained by the Trustee. The Authority may, in any Series Ordinance, provide for the establishment of separate Accounts within the Debt Service Reserve Fund relating to particular Series of Bonds. The creation of separate Accounts in the Debt Service Reserve Fund for particular Series of Bonds will not create any preference of one Series of Bonds over any other Series, except that amounts required to be deposited in any Account of the Debt Service Reserve Fund will secure and will be used only for the Bonds with respect to which the Account is established. Transfers or deposits to be made to the various Accounts will be made proportionately on the basis of the amount of the deficiency in each Account prior to any such transfer or deposit. The investments and deposits of any of the various Accounts in the Debt Service Reserve Fund may be commingled with any other Accounts in the Debt Service Reserve Fund, but may not be commingled with other funds or accounts of the Authority.

In connection with the issuance of any Bonds, the General Ordinance requires an amount, if any, to be deposited in the respective Debt Service Reserve Fund Account so that the value of the Debt Service Reserve Fund Account at least equals the Reserve Requirement on all Bonds outstanding immediately after the delivery of such Series of Bonds and secured by such Account. Each month, the Trustee is required to pay to and deposit in each Debt Service Reserve Fund Account, if the amount on deposit is less than the Reserve Requirement for such Account, all amounts in the Debt Service Fund in excess of the amounts required to be on deposit in the Debt Service Fund. If in any month after the required deposits to the Accounts (other than the Rebate Accounts) in the Debt Service Fund have been made and any transfers from the Debt Service Fund to the Debt Service Reserve Fund have been made (as described in the preceding sentence) and the value of any Account in the Debt Service Reserve Fund is less than the Reserve Requirement for such Account, the Authority is required immediately to deposit with the Trustee any and all other money which it has on hand or available to it to make up the deficiency which lawfully may be so used.

Amounts in the respective Debt Service Reserve Fund Account will be transferred by the Trustee to the credit of the respective Debt Service Fund Account at the times and in the amounts as required in order to pay principal of the Bonds secured by such Debt Service Reserve Fund Account at maturity or on Sinking Fund Installment or purchase dates and to pay interest on such Bonds as it falls due, if there are not sufficient amounts in the Debt Service Fund Account for that purpose.

On May 1 of each year, and also on each date that any refunding Bonds are issued under the General Ordinance or that any Reserve Fund Credit Instrument is deposited with the Trustee, or as soon after those dates as feasible, the Trustee will pay to and deposit in the Debt Service Fund proportionately to the credit of the various Accounts with respect to the various Series of Bonds all amounts in any Debt Service Reserve Fund Account to the extent the value of the Debt Service Reserve Fund Account is in excess of the Reserve Requirement for such Account.

Whenever the Trustee determines that the total amount in the Debt Service Reserve Fund, together with all amounts in the Debt Service Fund (other than in Rebate Accounts), will be sufficient to pay or to redeem or to provide for the payment or redemption of all the Outstanding Bonds, the Trustee will pay to and deposit in the Debt Service Fund to the credit of the various accounts with respect to the various Series of Bonds (other than the Rebate Accounts) such remaining amounts in the Debt Service Reserve Fund.

All or any part of the Reserve Requirement may be met by deposit with the Trustee of a Reserve Fund Credit Instrument. A Reserve Fund Credit Instrument will, for purposes of determining the value of a Debt Service Reserve Fund Account, be valued at the Reserve Fund Credit Instrument Coverage for that Reserve Fund Credit Instrument, except as provided in the next two sentences. If a Reserve Fund Credit Instrument is to terminate (or is subject to termination) prior to the last principal payment date on any Outstanding Bond secured by the Debt Service Reserve Fund Account, then the Reserve Fund Credit Instrument Coverage of that Instrument will be reduced by the amount provided in the next sentence. The amount of the reduction will be the amount, if any, by which the value of the Debt Service Reserve Fund Account, not counting the value of the Reserve Fund Credit Instrument Coverage of that Instrument, is less than the Reserve Requirement for such Account after the first date that the Reserve Fund Credit Instrument is so to terminate (or is subject to termination); *provided, however,* if the Series Ordinance with respect to such Bonds requires deposits to be made in the Debt Service Reserve Fund Account equal in each year, starting not less than three years prior to the termination date, to not less than one-third of the original Reserve Fund Credit Instrument Coverage of the Instrument, until such deposits equal the amount of that original Coverage, then the reduction will be only by that amount from time to time that deposits have so been required to have been made in the Debt Service Reserve Fund Account; and *provided further,* if by the terms of the Reserve Fund Credit Instrument and the terms of the related Series Ordinance, the Trustee has the right and duty to draw upon the Reserve Fund Credit Instrument prior to its termination for deposit in the Debt Service Reserve Fund Account all or part of its Coverage then the reduction will be only by that amount as the Trustee will not have the right and duty so to draw.

Any amounts in a Debt Service Reserve Fund Account which are not required to be transferred to the corresponding Debt Service Fund Account in order to pay principal of or interest on the Bonds secured by such Debt Service Reserve Fund Account may, from time to time, be used to pay costs of acquiring a Reserve Fund Credit Instrument or to make payments due under a reimbursement agreement or to reinstate coverage with respect to a Reserve Fund Credit Instrument, but only if, after such payment, the value of each Account in the Debt Service Reserve Fund will not be less than the Reserve Requirement for such Account. The Authority may provide for the pledge and assignment and grant of a lien on or any security interest in the amounts on deposit in the Debt Service Reserve Fund Account to any provider of a Reserve Fund Credit Instrument deposited in such Account to secure the Authority's obligation to make payments under a related reimbursement agreement; *provided, however*, that any such lien or security interest will be junior in priority to the claim of the Trustee for the benefit of the Holders of the Bonds secured by such Account.

SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

The General Ordinance provides that all moneys held under the General Ordinance by the Trustee will be continuously and fully secured for the benefit of the Authority and the Holders of the Authority Obligations, as their respective interests may appear, by Investment Obligations of a market value at least equal at all times to the amount of the deposit so held by the Trustee. However, it will not be necessary for the Trustee to give security for any amount of moneys as is insured by federal deposit insurance, for the Trustee to give security for any moneys which will be represented by Investment Obligations purchased under the provisions of the General Ordinance as an investment of such moneys, or for any Paying Agent to give security for the deposit of any moneys held by it in trust for the Holders of Authority Obligations.

The General Ordinance provides that, upon direction of an Authorized Officer, moneys in the Funds and Accounts established by the General Ordinance will be invested by the Trustee in Investment Obligations so that the maturity date or date of redemption at the option of the holder of such Investment Obligations will coincide, as nearly as practicable, with the times at which moneys in the Funds and Accounts will be required for the purposes provided in the General Ordinance.

The Trustee will maintain all amounts in each Fund established by the General Ordinance in investments and moneys which are separate and distinct from those of any other Fund. The Trustee will maintain all amounts in each Rebate Account in investments and deposits which are separate and distinct from those of any other Fund or Account.

Moneys in the Debt Service Reserve Fund will be invested by the Trustee upon direction of an Authorized Officer, in Investment Obligations the maximum maturity of which will not be more than ten (10) years from the date of such investment; *provided, however,* that at least 25% of the moneys in each Account of the Debt Service Reserve Fund will from time to time be invested in Investment Obligations the average maturity of which will not be more than two (2) years from the date of any investment. A Reserve Fund Credit Instrument will be treated as an investment in an Investment Obligation of a maturity equal to the number of days of advance notice which must be given in order to obtain payments on it.

All interest and other investment earnings on amounts in the Debt Service Fund or any Account in it or in the Debt Service Reserve Fund or any Account therein will be deposited in and credited to the Fund and the Account in which it was earned and will be used in the same manner as other amounts in that Fund and that Account.

In computing the value of any Fund or Account held by the Trustee under the provisions of the General Ordinance, obligations purchased as an investment of moneys in such Fund or Account will be valued at the cost or market price of such obligations, whichever is lower, exclusive of accrued interest, except that with respect to the Debt Service Reserve Fund, obligations will be valued at par or, if purchased at less than par, at their cost to the Authority.

NO INCONSISTENT SECURITY INTERESTS

The Authority covenants in the General Ordinance that it will not secure any obligation other than Authority Obligations with a pledge of, nor will it create or suffer to exist a lien on or security interest in, nor will it assign, any Trusteed Money, any Revenues or any other of its funds on hand from which Authority Obligations are payable in such a way that the claims for those other obligations on the Trusteed Money or such other Revenues or funds will be senior to or on a parity with the claims of the Holders of the Authority Obligations, but only in such a manner as would cause such claims for such other obligations to be junior and subordinate to the claims of the Holders of Authority Obligations to such amounts.

ADDITIONAL AUTHORITY OBLIGATIONS

Under the provisions of the General Ordinance the Authority covenants with the Holders from time to time of all Authority Obligations that it will not issue any Additional Authority Obligations except as described below.

1. Any Additional Authority Obligations must be issued under Section 4.04 of the Act, as it may be amended from time to time, or a successor to that Section.

2. The Authority may issue at any time Additional Authority Obligations for any lawful purpose allowed by the Act if there is no default in payment of Authority Obligations or in making all required deposits to the Debt Service Fund, if upon the issuance of the Additional Authority Obligations which are Bonds the value of each Account in the Debt Service Reserve Fund is not less than the Reserve Requirement for such Account and if the "Revenues test" is met.

The "Revenues test" is met if, at the date the contract is made to sell the Additional Authority Obligations, (a) Sales Tax Revenues equal or exceed 2.5 times the maximum Annual Debt Service Requirements for the then current or any future twelve-month period ending April 30 for all Authority Obligations to be Outstanding upon the issuance of the Additional Authority Obligations, and (b) Sales Tax Revenues equal or exceed 1.0 times the Authority's obligation to repay due and owing policy costs required pursuant to the Municipal Bond Debt Service Reserve Policies deposited into the respective Debt Service Reserve Fund Accounts to satisfy the Reserve Requirements for the Outstanding Bonds for which such Municipal Bond Debt Service Reserve Policies have been issued.

For purposes of the "Revenues test," "Sales Tax Revenues" will be an amount equal to one-half of the sales tax revenues for the most recently completed 24 months for which the Authority has financial statements available, will be calculated consistent with generally accepted accounting principles and will be evidenced either by an Accountant's Certificate or (for months for which audited financial statements are not available) by a certificate of an Authorized Officer of the Authority.

3. Notwithstanding paragraphs (2) and (4), the Authority may issue Additional Authority Obligations to pay, purchase, redeem or refund Authority Obligations if there will be in the judgment of the Authority no money available to make payments of interest on or principal

of those Authority Obligations (at maturity or on Sinking Fund Installment dates or pursuant to other mandatory redemption or purchase obligations) as such amounts come due.

4. In addition to Additional Authority Obligations that may be issued pursuant to paragraphs (2) and (3) above, the Authority may issue Additional Authority Obligations to pay, purchase, redeem or refund any Authority Obligations if the total amount of the required deposits in the Debt Service Fund with respect to all Authority Obligations after the issuance of the Additional Authority Obligations will be not in excess of the required deposits in the Fund for all Authority Obligations Outstanding prior to the issuance of those Additional Authority Obligations in each Fiscal Year in which any of those Authority Obligations Outstanding prior to the issuance are to remain Outstanding.

The General Ordinance provides that nothing therein will prohibit the Authority from issuing Separate Ordinance Obligations which may (but need not) be general obligations of the Authority, and from assigning, pledging, and granting a first lien on and first security interest in Secured Government Payments or *ad valorem* real property tax receipts, or both, as well as amounts in a debt service fund and a debt service reserve fund for such Obligations, for the payment of principal, redemption price, purchase price of and interest on such Separate Ordinance Obligations, and for reimbursing a provider of a credit support instrument or reserve fund credit instrument for such Obligations and for reinstating coverage under such an instrument but only to the extent that such Secured Government Payments and receipts have not been specifically and explicitly pledged by a Series Ordinance to Authority Obligations.

MAINTENANCE OF EXISTENCE

The Authority covenants that it will not take any action to cause itself to be terminated or dissolved. It will take all necessary actions to maintain its existence under the Act.

IMPOSITION OF TAXES

The Authority covenants that it will impose and continue to impose taxes, as provided in Section 4.03 of the Act and, in addition, further taxes as subsequently authorized by law, sufficient to make the required deposits in and credits to the various Accounts in the Debt Service Fund and to pay the principal of and all interest on and to meet other debt service requirements of the Authority Obligations as they become due, and will take any steps necessary for the collection and receipt of those taxes.

OBTAINING FUNDS

The Authority will take all necessary steps to obtain and to apply as provided in the General Ordinance in a timely fashion all amounts which it is entitled to receive as are required in order to pay the principal, Redemption Price, Purchase Price and interest on all Authority Obligations.

BUDGETS AND ANNUAL APPROPRIATION ORDINANCES

The Authority will adopt, in the manner provided by the Act, budgets and annual appropriation ordinances in conformity with the Act which will make all needed provisions in them for the payment of principal, Redemption Price, Purchase Price and interest on all Authority Obligations.

FINANCIAL STATEMENTS

The Authority will keep proper books and accounts relating to, among other things, the amount of its revenues and expenses, in conformity to the Act, and will cause an audit of its annual financial statements to be prepared by an independent firm of certified public accountants within 120 days of the end of each Fiscal Year. The Authority will furnish a copy of those financial statements, together with that audit report, to the Trustee and to any other Holder of the Authority Obligations who will request a copy.

DEFAULT PROVISIONS; REMEDIES OF HOLDERS

Proceedings Brought by Trustee. The General Ordinance provides that if default is made by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part contained in the General Ordinance, any Series Ordinance or in the Authority Obligations, or upon the filing by or on behalf of the Authority of a petition for the bankruptcy of the Authority, or some other similar proceeding such as for receivership of the Authority or a substantial part of its assets shall have been undertaken, the Trustee, by its agents and attorneys, may proceed, and upon written request of the Holders of not less than 25% in principal amount of the Authority Obligations Outstanding will proceed, to protect and enforce its rights and the rights of the Holders of those Authority Obligations under the General Ordinance by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the General Ordinance, or in aid of the execution of any power granted in the General Ordinance or any Series Ordinance or any remedy granted under the Act or for a writ of mandamus, or for an accounting against the Authority as if the Authority were the trustee of an express trust, or in the enforcement of any other legal or equitable right as the Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights or to perform any of its duties under the General Ordinance.

All rights of action under the General Ordinance or any Series Ordinance may be enforced by the Trustee without the possession or protection of any of the Authority Obligations on the trial or other proceedings, and any such suit or proceedings instituted by the Trustee will be brought in its name.

The Holders of a majority in principal amount of the Authority Obligations at the time Outstanding may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, *provided* that the Trustee will have the right to decline to follow any such direction if the Trustee shall be advised by counsel that the action or proceeding so directed would involve the Trustee in personal liability or be unjustly prejudicial to the Holders not parties to such direction.

Upon commencing a suit in equity or upon other commencement of judicial proceedings by the Trustee to enforce any right under the General Ordinance or any Series Ordinance, the Trustee will be entitled to exercise any and all rights and powers conferred in the General Ordinance and provided to be exercised by the Trustee upon the occurrence of any Event of Default.

Regardless of the happening of an Event of Default, the Trustee will have power to, but unless requested in writing by the Holders of a majority in principal amount of the Authority

Obligations then Outstanding, and furnished with reasonable security and indemnity, will be under no obligation to, institute and maintain such suits and proceedings as it may be advised will be necessary or expedient to prevent any impairment of the security under the General Ordinance or any Series Ordinance by any acts which may be unlawful or in violation of the General Ordinance or any Series Ordinance, and such suits and proceedings as the Trustee may be advised will be necessary or expedient to preserve or protect its interests and the interests of the Holders of the Authority Obligations, including, without limitation, steps with regard to any Credit Support Instrument.

For purposes of these paragraphs describing remedies, the principal amount of any Authority Obligations issued at an original issue discount of more than 2% of its face amount will be its Compound Accreted Value.

Application of Moneys After Default. In the General Ordinance, the Authority has covenanted that if an Event of Default occurs and is not remedied, the Authority, upon the demand of the Trustee, will cause to be paid over to the Trustee all moneys, securities and funds then held by or available to the Authority which are legally able to be used to pay debt service on the Authority Obligations and which are needed for that purpose. During the continuance of an Event of Default, the Trustee will apply all moneys, securities, and funds received by the Trustee as follows and in the following order: (a) to the payment of the reasonable and proper charges, expenses and liabilities of the Trustee and Paying Agents; (b) to the payment of the interest and principal then due on the Authority Obligations, as follows: (i) to the payment to the persons entitled to such payments of all interest then due in the order that the interest became due, together with accrued and unpaid interest on the Authority Obligations previously called for redemption, and, if the amount available shall not be sufficient to pay in full any interest which became due on the same date, then to the payment of such interest ratably, according to the amounts due, to the persons entitled to such payments, without any discrimination or preference; and (ii) to the payment to the persons entitled to such payments of the unpaid principal or Redemption Price or Purchase Price of any Authority Obligations which shall have become due, whether at maturity or pursuant to Sinking Fund Installments or otherwise, in the order of such due dates, and, if the amount available shall not be sufficient to pay in full all the Authority Obligations due on any date, then to the payment of such principal or Redemption Price or Purchase Price ratably, according to the amounts of principal or Redemption Price due, to the persons entitled to such payments, without any discrimination or preference.

No remedy by the terms of the General Ordinance or any Series Ordinance conferred upon or reserved to the Trustee or the Holders of the Authority Obligations is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the General Ordinance or any Series Ordinance or existing law, including under the Act, or in equity or by statute.

No delay or omission of the Trustee or any Holder to exercise any right or power arising upon the happening of an Event of Default will impair any right or power or shall be construed to be a waiver of or an acquiescence in any such Event of Default.

The Trustee will promptly mail written notice of the occurrence of any Event of Default to each Holder of Authority Obligations then Outstanding at his or her address, if any, appearing upon the registry books of the Authority.

MODIFICATION OF GENERAL ORDINANCE

The General Ordinance includes provisions by which the Authority may, by Supplemental Ordinance, modify the General Ordinance or any Series Ordinance without the consent of the Holders of Authority Obligations in order to further secure or provide for payment of Authority Obligations, to impose further limitations on the issuance of Authority Obligations and incurring of obligations by the Authority, to surrender any right, power or privilege reserved to or conferred upon the Authority under the General Ordinance, to take any action for the collection and application of moneys sufficient to pay principal and interest on the Authority Obligations as they fall due, to confirm as further assurance any covenant, assignment, lien, or security interest in the General Ordinance, and with the consent of the Trustee, to correct ambiguities, defects or inconsistent provisions in the General Ordinance or any Series Ordinance.

Other than these modifications, the General Ordinance may not be amended except with the consent of the Holders of 66-2/3% in principal amount of all the Bonds then Outstanding (other than Bonds of a Series which is unaffected by such modification or amendment) and the consent of the Holders of 66-2/3% in principal amount of all the Notes then Outstanding (other than Notes of a Series which is unaffected by such modification or amendment) by written instrument. No such modification or amendment shall extend the maturity of or reduce the interest rate on, or otherwise alter or impair the obligation of the Authority to pay the principal, redemption or Purchase Price, if any, of or interest on any Authority Obligation at the time and place and at the rate and in the currency provided in such Authority Obligation without the express consent of the Holder of such Authority Obligation, nor permit the preference or priority of any Authority Obligation over any other Authority Obligation, nor reduce the percentages of Bonds and Notes required for the written consent to an amendment or modification, nor modify any of the rights or obligations of the Trustee or any Paying Agent at the time acting pursuant to the General Ordinance, without the written assent of such Agent. For purposes of this paragraph, the principal amount any Authority Obligation issued at an original issue discount of more than 2% of its face amount will be its Compound Accreted Value.

RESIGNATION OR REMOVAL OF TRUSTEE OR PAYING AGENTS; SUCCESSOR TRUSTEES; SUCCESSOR PAYING AGENTS

The Trustee may at any time, except during such time as the Authority shall have failed to pay (and shall continue to fail to pay) principal on any Authority Obligations at maturity or on Sinking Fund Installment dates or to pay interest on any Authority Obligation as it comes due or to make any required deposits into the Debt Service Fund, resign and be discharged of the duties and obligations under the General Ordinance by giving not less than sixty (60) days' written notice to the Authority and publishing notice of the resignation, specifying the date when such resignation will take effect, once in a daily newspaper of general circulation in the City of Chicago. Such resignation will take effect upon the day specified in such notice unless previously a successor will have been appointed, in which event such resignation will take effect immediately on the appointment of the successor.

The Trustee will be removed by the Authority if at any time the Authority is so requested by an instrument or concurrent instruments in writing filed with the Trustee and the Authority, and signed by the Holders of a majority in principal amount of the Authority Obligations then Outstanding or their attorneys-in-fact duly authorized, excluding any Authority Obligations held by or for the account of the Authority. The Authority may remove the Trustee at any time, except during such time as the Authority will have failed to pay (and will continue to fail to pay) principal of any Authority Obligation (at maturity or on Sinking Fund Installment dates) or to pay interest on any Authorized Obligation as it comes due or to make any required deposits into the Debt Service Fund, for such cause as will be determined by the Authority by filing with the Trustee an instrument of removal signed by an Authorized Officer of the Authority.

In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee or of its property or affairs, the Authority shall then by resolution appoint a successor Trustee. The Authority will publish notice of any such appointment made by it in a daily newspaper of general circulation in the City of Chicago, such publication in each case to be made within twenty (20) days after such appointment. If appointment of a successor Trustee shall not be made within forty-five (45) days after the Trustee shall have given to the Authority written notice, or after a vacancy in the office of the Trustee shall have otherwise occurred, the Trustee or any Holder of the Authority Obligations may apply to any court of competent jurisdiction to appoint a successor Trustee. That court may thereupon, after such notice, if any, as such court may deem proper, prescribe and appoint a successor Trustee. Any Trustee appointed in succession to the Trustee shall be a bank or trust company organized under the laws of the State or a national banking association doing business and having its principal office in Cook, DuPage, Kane, Lake, McHenry or Will Counties, Illinois, shall have significant prior experience as a trustee under bond resolutions or indentures of trust, shall have a capital and surplus aggregating at least Twenty Million Dollars ($20,000,000), and shall be willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the General Ordinance. No resignation or removal of the Trustee shall become effective until a successor has been appointed and has accepted the duties of the Trustee.

Any Paying Agent may at any time resign and be discharged of the duties and obligations created by the General Ordinance by giving at least sixty (60) days' written notice to the Authority and the Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the Authority. Any successor Paying Agent shall be appointed by the Authority and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having a capital and surplus aggregating at least Twenty Million Dollars ($20,000,000), and willing and able to accept the office of Paying Agent on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the General Ordinance. In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there be no successor then appointed, to the Trustee until such successor is appointed. The Authority shall notify the Trustee and the Holders of the Authority Obligations, in the manner provided for notification of redemption, as to the appointment of a successor Paying Agent.

Maintenance of Bond Insurance, Credit Support Instruments and Reserve Fund Credit Instruments

The Authority will enforce or cause to be enforced, as provided under the General Ordinance, the provisions of each policy of bond insurance insuring the payment of principal of and interest on the Authority Obligations, each Credit Support Instrument and each Reserve Fund Credit Instrument. The Authority will, as provided under the General Ordinance, duly perform its covenants and agreements pertaining to such policies or Instruments so that each will remain in full force and effect during their term or as provided in a Series Ordinance. The Authority will not consent, agree to or permit any rescission of or amendment to or otherwise take any action under or in connection with such bond insurance policy, Credit Support Instrument or Reserve Fund Credit Instrument which would in any manner materially impair or materially adversely affect the rights of the Authority or the Trustee under such bond insurance policies, Credit Support Instrument or Reserve Fund Credit Instrument or the rights or security of the Holders of the Authority Obligations.

Defeasance

If the Authority shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Authority Obligations then Outstanding, the principal and interest and Redemption Price, if any, to become due on the Authority Obligations, at the times and in the manner stipulated in the Authority Obligations, the General Ordinance and the Series Ordinances, then and in that event the covenants, agreements and other obligations of the Authority to the Holders of the Authority Obligations, shall be discharged and satisfied.

Authority Obligations for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee or any Paying Agents (through deposit by the Authority of funds for such payment or redemption or otherwise), whether at or prior to the maturity or redemption date of such Authority Obligations, shall be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Outstanding Authority Obligations of any Series shall, prior to their maturity or redemption date, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if there shall have been deposited with such Trustee or Paying Agents either moneys in an amount which shall be sufficient, or Government Obligations the principal of and interest on which when due will provide moneys which, when added to the moneys, if any, deposited with such Trustee or Paying Agents at the same time, shall be sufficient (as evidenced by an Accountant's Certificate) to pay the principal of those Authority Obligations at maturity, or on Sinking Fund Installment dates for Term Bonds, or Redemption Price, if applicable, and interest due and to become due on those Authority Obligations on and prior to the redemption date or maturity date (or Sinking Fund Installment dates for Term Bonds) thereof, as the case may be, and in case any of the Authority Obligations are to be redeemed on any date prior to their maturity, the Authority shall have given the Trustee, in form satisfactory to it, irrevocable instructions to give any required notice of redemption on that date of such Authority Obligations as provided in the General Ordinance. Neither Government Obligations nor moneys deposited with the Trustee as described in these paragraphs concerning defeasance nor principal or interest payments of any such Government Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on those Authority Obligations; *provided* that any cash received from such principal or interest payments on such Government Obligations deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Government Obligations maturing at times and in principal amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on those Authority Obligations on and prior to such redemption date or maturity date of the Authority Obligations, as the case may be. With respect to Authority Obligations for which there are purchase or similar obligations of the Authority or redemption provisions other than pursuant to Sinking Fund Installments or at the option of the Authority, the Series Ordinance shall prescribe the extent to which and the manner in which this paragraph shall be applicable to those obligations.

Under the General Ordinance, any moneys held by the Trustee or Paying Agents in trust for the payment and discharge of any of the Authority Obligations which remain unclaimed for six years after the date of deposit of such moneys if deposited with the Trustee or Paying Agents after the date when the Authority Obligations become due and payable will, at the written request of the Authority, be repaid by the Trustee or Paying Agents to the Authority (after notice thereof having been published twice, commencing at least 30 days prior to such repayment as provided in the General Ordinance), as its absolute property and free from trust, and the Trustee or Paying Agents will thereupon be released and discharged with respect to such amounts and the Holders shall look only to the Authority for the payment of such Authority Obligations.

APPENDIX F

CERTAIN PROVISIONS RELATING TO GLOBAL BOOK-ENTRY ONLY SYSTEM

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APPENDIX F

CERTAIN PROVISIONS RELATING TO GLOBAL BOOK-ENTRY ONLY SYSTEM

General. The following information concerning The Depository Trust Company, New York, New York (*"DTC"*) has been furnished by DTC for use in this Official Statement. Neither the Authority nor the Underwriter is responsible for its accuracy or completeness.

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (*"Direct Participants"*) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (*"DTCC"*). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (*"Indirect Participants"*). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note (*"Beneficial Owner"*) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners.

Beneficial Owners will not receive certificates representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the transaction documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the Authority or the Trustee, on each payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Notes of any series at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Notes certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Notes certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE HAS ANY RESPONSIBILITY OR OBLIGATION TO THE PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, CEDE & CO. OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR PURCHASE PRICE OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BENEFICIAL OWNERS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE NOTES; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC.

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APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

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APPENDIX G

PROPOSED FORM OF OPINION OF BOND COUNSEL

May 7, 2014

The Board of Directors of the
Regional Transportation Authority

Dear Members:

We have examined a record of proceedings relating to the issuance of $225,000,000 aggregate principal amount of General Obligation Working Cash Notes, Series 2014A1 (Taxable) (the "Notes") of the Regional Transportation Authority, a unit of local government, body politic, political subdivision and municipal corporation of the State of Illinois (the "Authority") duly organized and existing under the Regional Transportation Authority Act, 70 Illinois Compiled Statutes 3615 (the "Act"). The Notes are authorized and issued under and pursuant to the Act and the Local Government Debt Reform Act, 30 Illinois Compiled Statutes 350, and by virtue of an ordinance adopted by the Board of Directors (the "Board") of the Authority on August 8, 1985 and entitled: "An Ordinance Authorizing the Issuance of Bonds and Notes of the Regional Transportation Authority", as amended and supplemented (the "General Ordinance") and an ordinance adopted by the Board on February 19, 2014 and entitled: "A Series Ordinance Authorizing the Issuance of Not to Exceed $300,000,000 Regional Transportation Authority General Obligation Working Cash Notes, Series 2014A (Taxable)" (the "Series Ordinance"). The Notes are "Authority Obligations" and "Working Cash Notes" under the General Ordinance.

The Notes are dated May 7, 2014, mature (without option of prior redemption) on the following maturity dates in the respective principal amount set opposite each such maturity date in the following table and bear interest at the respective interest rate per annum set forth opposite such maturity dates:

Maturity Date	Principal Amount	Interest Rate
April 1, 2016	$112,500,000	0.50%
May 6, 2016	112,500,000	0.55

The Notes bear interest from their date payable on October 1, 2014, April 1, 2015, October 1, 2015 and April 1, 2016 and at maturity in the case of the Notes maturing on May 6, 2016.

Pursuant to the General Ordinance the Authority has previously issued Authority Obligations (the "Outstanding Authority Obligations"). The Notes, the Outstanding Authority Obligations and other Authority Obligations hereafter issued under the General Ordinance are ratably and equally entitled to the benefits and security of the General Ordinance, including the pledge of "Revenues" as defined in the General Ordinance.

Based upon our examination of said record of proceedings, we are of the opinion that:

1. The Authority has all requisite power and authority under the Constitution and the laws of the State of Illinois to adopt the General Ordinance and the Series Ordinance, to issue the Notes thereunder, and to perform all of its obligations under the General Ordinance and the Series Ordinance in those respects.

2. The General Ordinance and the Series Ordinance have been duly adopted by the Board, are in full force and effect and constitute valid and binding contractual obligations of the Authority enforceable in accordance with their terms.

3. The Notes have been duly authorized and issued, are the legal, valid and binding general obligations of the Authority, are payable from Revenues, are entitled to the benefits and security of the Act, the General Ordinance and the Series Ordinance and are enforceable in accordance with their terms.

4. All Authority Obligations, including the Notes, are ratably and equally secured under the General Ordinance by the pledges and assignments created by the General Ordinance. The General Ordinance creates a valid pledge of and lien on the Revenues for the benefit and security of all Authority Obligations, subject to the application of the funds held under the General Ordinance in accordance with the terms of the General Ordinance.

Interest on the Notes is not exempt from Federal or Illinois income taxes.

In rendering the foregoing opinion, we advise you that the enforceability (but not the validity or binding effect) of the Notes, the General Ordinance and the Series Ordinance (i) may be limited by any applicable bankruptcy, insolvency or other laws affecting the rights or remedies of creditors now or hereafter in effect and (ii) is subject to principles of equity in the event that equitable remedies are sought, either in an action at law or in equity.

Respectfully yours,

APPENDIX H

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (B)(5) OF RULE 15C2-12

This Continuing Disclosure Undertaking (the *"Agreement"*) is executed and delivered by the Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois (the *"Issuer"*), in connection with the issuance of $225,000,000 General Obligation Working Cash Notes, Series 2014A1 (Taxable) (the *"Notes"*) by the Issuer. The Notes are being issued pursuant to the Bond and Note General Ordinance adopted by the Board of Directors of the Issuer (the *"Board"*) on August 8, 1985, as supplemented and amended (the *"General Ordinance"*), and the Series Ordinance adopted by the Board on February 19, 2014 (the *"Series Ordinance"*). In consideration of the issuance of the Notes by the Issuer and the purchase of such Notes by the beneficial owners thereof, the Issuer covenants and agrees as follows.

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the Issuer as of the date set forth below, for the benefit of the beneficial owners of the Notes and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Issuer represents that it will be the only obligated person with respect to the Notes at the time the Notes are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Notes.

2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

Annual Financial Information means the financial information and operating data described in *Exhibit I*.

Annual Financial Information Disclosure means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

Audited Financial Statements means the audited financial statements of the Issuer prepared pursuant to the standards and as described in *Exhibit I*.

Commission means the Securities and Exchange Commission.

Dissemination Agent means any agent designated as such in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation, and such agent's successors and assigns.

EMMA means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

Exchange Act means the Securities Exchange Act of 1934, as amended.

MSRB means the Municipal Securities Rulemaking Board.

Official Statement means the Final Official Statement, dated June 13, 2012, relating to the Notes.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Notes.

Reportable Event means the occurrence of any of the Events with respect to the Notes set forth in *Exhibit II*.

Reportable Events Disclosure means dissemination of a notice of a Reportable Event as set forth in Section 5.

Rule means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

State means the State of Illinois.

Undertaking means the obligations of the Issuer pursuant to Sections 4 and 5.

3. CUSIP NUMBERS. The CUSIP Numbers of the Notes are set forth in *Exhibit III*. The Issuer will include the CUSIP Numbers in all disclosure materials described in Sections 4 and 5 of this Agreement.

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, the Issuer hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Issuer will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the Issuer hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the

MSRB or the Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

6. CONSEQUENCES OF FAILURE OF THE ISSUER TO PROVIDE INFORMATION. The Issuer shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Issuer to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed a default under the Series Ordinance or the General Ordinance, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with this Agreement shall be an action to compel performance.

7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the Issuer by resolution or ordinance authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a "no-action" letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the Issuer, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Notes, as determined by parties unaffiliated with the Issuer (such as Bond Counsel).

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Issuer shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. TERMINATION OF UNDERTAKING. The Undertaking of the Issuer shall be terminated hereunder if the Issuer shall no longer have any legal liability for any obligation on or relating to repayment of the Notes under the Series Ordinance. The Issuer shall give notice to EMMA in a timely manner if this Section is applicable.

9. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may

discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

10. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which is required by this Agreement. If the Issuer chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

11. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, if any, and the beneficial owners of the Notes, and shall create no rights in any other person or entity.

12. RECORDKEEPING. The Issuer shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

13. ASSIGNMENT. The Issuer shall not transfer its obligations under the Series Ordinance unless the transferee agrees to assume all obligations of the Issuer under this Agreement or to execute an Undertaking under the Rule.

14. GOVERNING LAW. This Agreement shall be governed by the laws of the State.

REGIONAL TRANSPORTATION AUTHORITY,
COOK, DUPAGE, KANE, LAKE, MCHENRY
AND WILL COUNTIES, ILLINOIS

By: ______________________________
Allan Sharkey, Treasurer

By: ______________________________
Bea Reyna-Hickey, Chief Financial Officer

Address: 175 West Jackson Boulevard
Suite 1650
Chicago, Illinois 60604

Date: May 7, 2014

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

I. Annual Financial Information means the information included in APPENDIX B and APPENDIX C and information of the type set forth in the Official Statement under the following headings:

RTA Statements of Revenues and Expenditures
(Including Funding for the Service Boards) 2009-2013 Financial Information
2014 Budget and 2015-16 Financial Plan

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available from the MSRB; the Final Official Statement need not be available from the Commission. The Issuer shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA so that such entities receive the information within 210 days after the end of each fiscal year of the Issuer. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

II. Audited Financial Statements.

Within 210 days after the end of each fiscal year, the Issuer will submit to EMMA its Audited Financial Statements prepared in accordance with generally accepted accounting principles. If audited financial statements are not available, unaudited financial statements will be provided and the audited financial statements will be filed promptly after they become available.

III. If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the Issuer will provide a notice of such change as required by Section 4.

EXHIBIT II

EVENTS WITH RESPECT TO THE NOTES FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Issuer*
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

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* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

EXHIBIT III

CUSIP NUMBERS

$225,000,000
GENERAL OBLIGATION WORKING CASH NOTES, SERIES 2014A1 (TAXABLE)

MATURITY	CUSIP NUMBER
April 1, 2016	759911X70
May 6, 2016	759911X88

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REGIONAL TRANSPORTATION AUTHORITY, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois • General Obligation Working Cash Notes, Series 2014A1 (Taxable)

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