Chicago Transit Authority

Financial Statements for the
Years Ended December 31, 1998 and 1997 and
Supplementary Information and
Independent Auditors' Report

CHICAGO TRANSIT AUTHORITY

TABLE OF CONTENTS

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PANDOLFI, TOPOLSKI, WEISS & CO., LTD.
Accountants and Management Consultants

2221 CAMDEN COURT, SUITE 300
OAK BROOK, ILLINOIS 60523
E-MAIL: info@ptwcpa.com
PHONE (630) 574-1040
FAX (630) 574-8313

INDEPENDENT AUDITORS' REPORT

Chicago Transit Board
Chicago Transit Authority
Chicago, Illinois

We have audited the accompanying balance sheet of the Chicago Transit Authority (the "Authority"), an Illinois municipal corporation, as of December 31, 1998, and the related statement of expenses, revenues and changes in accumulated deficit, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Authority as of December 31, 1997, were audited by other auditors whose report dated April 29, 1998, expressed an unqualified opinion on those statements.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 1998 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards,* we have also issued a report dated April 9, 1999 on our consideration of the Authority's internal control structure over financial reporting and tests of the Authority's compliance with certain provisions of laws, regulations, contracts, and grants.

The Year 2000 Required Supplementary Information on page 26 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the Authority is or will become year 2000 compliant, that the Authority's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Authority does business are or will become year 2000 compliant.

CHICAGO LOOP
400 N. Michigan, 16TH Floor
Chicago, IL 60611
Phone (312) 321-1040
Fax (312) 321-0481

NEW YORK METROPOLITAN AREA
208 Greenwood Avenue
Bethel, CT 06801
Phone (203) 797-9681
Fax (203) 744-7890

CENTRAL ILLINOIS
218 W. Lawrence Avenue
Springfield, IL 62704
Phone (217) 744-1040
Fax (217) 744-8113

CHICAGO METROPOLITAN AREA
2221 Camden Court, Suite 300
Oak Brook, IL 60523
Phone (630) 574-1040
Fax (630) 574-8313

INDIANA
833 W. Lincoln Highway
Suite 430W
Schererville, IN 46375
Phone (219) 322-1099

Our audit for the year ended December 31, 1998 was made for the purpose of forming an opinion on the 1998 financial statements taken as a whole. The accompanying information listed as Supplementary Schedule in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the Authority. This information is the responsibility of the Authority's management. Such additional information has been subjected to the auditing procedures applied in our audit of the 1998 financial statements and, in our opinion, is fairly stated in all material respects in relation to those financial statements taken as a whole.

During the fiscal year the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*

Pandolfi, Topolski, Weiss & Co., Ltd.

PANDOLFI, TOPOLSKI, WEISS & CO., LTD.

Chicago, Illinois
April 9, 1999

CHICAGO TRANSIT AUTHORITY
BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

	1998	1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 180,121,871	$ 118,054,784
Investments	1,620,000	1,720,000
Total cash and cash equivalents and investments	181,741,871	119,774,784
Grants receivable:		
Due from the RTA	74,389,687	64,605,284
Capital improvement projects from federal and state sources	16,733,554	25,683,294
Other	2,467,151	381,450
Total grants receivable	93,590,392	90,670,028
Accounts receivable	4,335,826	5,283,510
Materials and supplies	74,838,459	89,646,523
Prepaid expenses and other assets	1,494,053	973,958
Total current assets	356,000,601	306,348,803
OTHER ASSETS:		
Investments designated for employee's deferred compensation plan	-	226,766,100
Cash and investments held by trustee for supplemental retirement plan	29,019,909	24,177,869
Assets restricted for repayment of leasing commitments	1,387,627,884	1,100,154,057
Total other assets	1,416,647,793	1,351,098,026
TRANSPORTATION PROPERTY AND EQUIPMENT:		
Land	56,660,857	55,989,287
Buildings	919,489,884	812,540,716
Construction in process	33,678,301	90,382,298
Transportation vehicles	844,573,774	903,357,761
Leased rail equipment	366,159,422	366,159,422
Elevated structures, tracks, tunnels and power system	999,886,615	1,077,433,577
Signals	470,064,890	217,605,132
Other equipment	360,190,639	218,230,416
	4,050,704,382	3,741,698,609
Less accumulated depreciation	(1,624,176,609)	(883,305,444)
Total transportation property and equipment	2,426,527,773	2,858,393,165
TOTAL ASSETS	$ 4,199,176,167	$ 4,515,839,994

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

CHICAGO TRANSIT AUTHORITY
BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

	1998	1997
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 82,912,254	$ 77,355,653
Current portion of self-insurance reserves	62,273,708	56,945,980
Accrued payroll, vacation pay and related liabilities	80,467,696	76,200,216
Advances, deposits and other	5,283,159	7,092,836
Current portion of payable to the RTA	2,170,201	3,500,000
Current portion of supplemental retirement plan	1,800,000	1,800,000
Current portion of capital lease obligation	104,530,259	96,958,110
Deferred passenger revenue	15,377,274	17,351,458
Deferred operating assistance	19,135,815	6,939,630
Total current liabilities	373,950,366	344,143,883
LONG-TERM LIABILITIES:		
Self-insurance reserves, less current portion	150,967,401	159,365,960
Payable to the RTA, less current portion	-	1,872,965
Supplemental retirement plan, less current portion	40,422,941	24,618,274
Capital lease obligation, less current portion	1,277,776,120	1,012,815,516
Employee's deferred compensation plan	-	226,766,100
Accrued pension costs	289,487,209	245,818,000
Deferred revenue - leasing transactions	75,594,875	62,987,038
Other long-term liabilities	1,520,000	3,020,000
Total long-term liabilities	1,835,768,546	1,737,263,853
Total liabilities	2,209,718,912	2,081,407,736
EQUITY:		
Contributed capital	2,444,239,406	2,869,684,171
Accumulated deficit	(454,782,151)	(435,251,913)
Total equity	1,989,457,255	2,434,432,258
TOTAL LIABILITIES AND EQUITY	$ 4,199,176,167	$ 4,515,839,994

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

CHICAGO TRANSIT AUTHORITY

STATEMENTS OF EXPENSES, REVENUES AND CHANGES IN ACCUMULATED DEFICIT
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
OPERATING EXPENSES:		
Labor and fringe benefits	$ 612,678,356	$ 604,126,988
Materials and supplies	73,341,784	50,873,201
Fuel	11,095,497	15,103,958
Electric power	20,806,724	23,586,711
Maintenance and repairs, utilities, rent and other	91,732,332	85,635,568
	809,654,693	779,326,426
Provisions for injuries and damages	13,366,274	32,100,000
Provisions for depreciation	224,040,991	111,157,616
	1,047,061,958	922,584,042
SYSTEM-GENERATED REVENUES:		
Fare box revenue	341,259,447	340,991,577
Pass revenue	22,268,277	19,261,312
	363,527,724	360,252,889
Reduced fare subsidies	17,400,000	17,042,147
Advertising and concessions	14,932,921	12,239,344
Contributions from local government agencies	5,000,000	5,000,000
Other revenue	12,529,869	5,697,258
Investment revenue	25,007,201	10,183,038
	438,397,715	410,414,676
Operating expenses in excess of system-generated revenues	(608,664,243)	(512,169,366)
PUBLIC FUNDING FROM RTA:		
Operating assistance	365,057,984	373,526,960
Net loss from operations	(243,606,259)	(138,642,406)
NONOPERATING REVENUE (EXPENSE):		
Recognition of leasing transaction proceeds	3,891,067	2,912,752
Interest revenue from leasing transactions	95,233,718	76,618,285
Interest expense from leasing transactions	(92,824,876)	(74,731,886)
Net loss	(237,306,350)	(133,843,255)
ADD CREDIT ARISING FROM TRANSFER OF PROVISION FOR DEPRECIATION OF TRANSPORTATION PROPERTY AND EQUIPMENT ACQUIRED THROUGH CAPITAL GAINS	217,776,112	105,178,387
INCREASE IN ACCUMULATED DEFICIT	(19,530,238)	(28,664,868)
ACCUMULATED DEFICIT- Beginning of year	(435,251,913)	(406,587,045)
ACCUMULATED DEFICIT - End of year	$ (454,782,151)	$ (435,251,913)

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

CHICAGO TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998 AND 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating expenses in excess of system-generated revenues	$(608,664,243)	$ (512,169,366)
Adjustments to reconcile operating expenses in excess of system-generated revenues to net cash from operating activities:		
Depreciation	224,040,991	111,157,616
Unrealized gain on investments	(3,611,955)	(2,979,400)
Investment revenue	(21,395,246)	(7,203,638)
Contributions from local governmental units	(5,000,000)	(5,000,000)
(Increase) decrease in assets:		
Accounts receivable	947,684	4,304,199
Materials and supplies	14,808,064	(4,833,204)
Prepaid expenses and other assets	(520,095)	491,623
Supplemental retirement plan assets	(4,842,040)	(1,952,345)
Grants receivable	(2,920,364)	18,403,329
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	5,556,601	(10,321,596)
Accrued payroll, vacation pay and related liabilities	4,267,480	(12,735,521)
Self-insurance reserves	(3,070,831)	(3,264,071)
Deferred passenger revenue	(1,974,184)	7,690,578
Advances, deposits and other	(1,809,677)	(502,713)
Deferred operating assistance	12,196,185	3,671,038
Accrued pension costs	43,669,209	47,988,368
Other long-term liabilities and supplemental retirement plan	14,304,667	(1,196,282)
Net cash flows used in operating activities	(334,017,754)	(368,451,385)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
Operating assistance from the RTA	365,057,984	371,705,542
Contributions from local governmental agencies	5,000,000	5,000,000
Payments to the RTA	(3,202,764)	(7,170,000)
Proceeds from lease transactions	16,498,905	11,866,013
Net cash flows provided by noncapital financing activities	383,354,125	381,401,555
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Payments for acquisition and construction of assets	(144,468,232)	(262,710,201)
Capital grants	135,703,702	265,451,950
Net cash flows provided by (used in) capital financing activities	(8,764,530)	2,741,749
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,620,000)	(1,720,000)
Proceeds from redemption of maturity of investments	1,720,000	1,700,000
Investment revenue	21,395,246	7,203,638
Net cash flows provided by investing activities	21,495,246	7,183,638
NET INCREASE IN CASH AND CASH EQUIVALENTS	62,067,087	22,875,557
CASH AND CASH EQUIVALENTS - Beginning of year	118,054,784	95,179,227
CASH AND CASH EQUIVALENTS - End of year	$ 180,121,871	$ 118,054,784

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

CHICAGO TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 1998 AND 1997

1. ORGANIZATION

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

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

***Financial Reporting Entity* -** Based on the application of Governmental Accounting Standards Board ("GASB") Statement No. 14, entitled "The Financial Reporting Entity," funds held by a trustee for the Supplemental Retirement Plans are included in the reporting entity. However, the fund established for the Employees' Retirement Plan has been determined not to be part of the reporting entity. This fund is a legal entity separate and distinct from the CTA. This fund is administered by its own oversight committee, of which the CTA appoints half the members, and over which the CTA has no direct authority. Accordingly, the accounts of this fund are not included in the accompanying financial statements.

Based upon the criteria set forth in GASB No. 14, the CTA is not considered a component unit of the RTA because the CTA maintains separate management, exercises control over all operations, and is fiscally independent from the RTA. Because governing authority of the CTA is entrusted to the Chicago Transit Board comprised of four members appointed by the Mayor of the City of Chicago and three members appointed by the Governor of the State of Illinois, the CTA is not financially accountable to the RTA and is not included as a component unit in the RTA's financial statements, but is combined in proforma statements with the RTA as statutorily required.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The operations of the CTA are accounted for on a proprietary fund basis. This basis is used when operations are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, and the periodic determination of revenues earned, costs incurred, and net income (loss) is appropriate. The Authority follows all applicable Governmental Accounting Standards Board ("GASB") Statements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

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

Basis of Accounting and Measurement Focus - The accounts of the CTA are reported using the "flow of economic resources" (cost of services) measurement focus and the accrual basis of accounting. Under the "flow of economic resources" measurement focus, all assets and liabilities are included on the balance sheet. Fund equity consists of contributed capital and accumulated deficit. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

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

Investments **–** Investments are generally stated at cost or amortized cost in accordance with GASB Statement No. 31. Adjustments are made to cost, for any premium or discount, which is amortized over the maturity of the investment. Investments designated for the supplemental retirement plan and the employees' deferred compensation plan are stated at fair market value. The deferred compensation plan investments are not included in the financial statements for fiscal year 1998 per implementation of GASB Statement No. 32.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Materials and Supplies - Materials and supplies inventories are stated at the lower of cost or market value. The CTA uses the average cost method to determine the cost of such inventories.

Transportation Property and Equipment - Transportation property (including major improvements) and equipment are recorded at cost, less accumulated depreciation. The cost of maintenance and repairs is charged to operations as incurred. The provision for depreciation of transportation property and equipment is calculated under the straight-line method at amounts based on the respective estimated useful lives of major asset classifications, as follows:

	Years
Buildings	40
Elevated structures, tracks, tunnels and power system	20-40
Transportation vehicles:	
Bus	12
Rail	25-33
Signals	10-20
Other equipment	5-10

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

Cash Overdraft - The CTA has cash overdrafts of $11,895,125 and $16,339,142 at December 31, 1998 and 1997, respectively. These overdrafts are recorded in accounts payable and accrued expenses.

Self-insurance - The CTA provides for the present value of the self-insurance programs for public liability and property damage, workers' compensation and health benefit claims as more fully described in Note 6. The RTA, as authorized under the Joint Self-Insurance Fund (the "Fund") described in Note 6, provides excess liability insurance to protect the self-insurance programs currently maintained by the CTA. Claims are recorded in the year of occurrence. The public liability and property damage and workers' compensation programs are administered by the CTA. The health benefit program is administered primarily by a third-party administrator for a service fee.

A liability for each self-insured risk is provided based upon the present value of the estimated ultimate cost of settling claims using a case-by-case review and historical experience. A liability for claims incurred but not reported is also provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The estimate for injury and damage claims is adjusted for a current trend rate and discount factor of 5% and 6.5%, respectively. The estimate for workers' compensation claims is adjusted for a combined current trend rate and discount factor of 5.5% and 6%, respectively.

In 1997, the Authority adopted GASB Statement No. 30, "Risk Financing Omnibus," which provides guidance for calculating the liability for self-insurance programs. GASB Statement No. 30 requires the liability for self-insurance programs to be based on the estimated cost of settling the claims. Estimated claims should include specific incremental claim adjustment expenditures which are incurred solely because of the claims. Estimated recoveries on unsettled claims should also be evaluated in terms of their estimated realizable value and deducted from the liability. Based on the valuations as performed by the Authority's actuaries and Authority management, the effect of adoption of GASB Statement No. 30 was not significant on the Authority's self-insurance programs.

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

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

Retirement Plan - The CTA has a retirement plan for all nontemporary, full-time employees with service greater than one year. Pension expense recorded by the CTA includes a provision for current service costs and the amortization of past service cost over a period of approximately 40 years.

Cash and Cash Equivalents - Cash and cash equivalents include deposits and other investments with maturities, when purchased, of three months or less.

Prior Year Reclassifications - Certain reclassifications have been made in prior year amounts to conform to current year presentations.

3. BUDGET AND BUDGETARY BASIS OF ACCOUNTING

The CTA is required under Section 4.01 of the Regional Transportation Authority Act to submit for approval an annual budget to the RTA by November 15 prior to the commencement of each fiscal year. The budget is prepared on a basis consistent with generally accepted accounting principles except for the exclusion of certain income and expenses. For 1998, these amounts include investment income, depreciation expense, FICA and fringe benefit expense, incentive retirement compensation payments in excess of expense, pension expense in excess of pension contributions and deferred revenue from leasing transactions. The CTA's actual expenses on a budgetary basis were greater than budgeted expenses after amendment by $32,385,470 and $604,236 in 1998 and 1997, respectively.

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

The RTA funds the budgets of the service boards rather than the actual operating expenses in excess of system-generated revenue. Favorable variances from budget remain as deferred operating assistance to the CTA, and can be used in future years with RTA approval.

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

That the budget is in balance with regard to anticipated revenues from all sources, including operating subsidies and the costs of providing services and funding operating deficits;

That the budget provides for sufficient cash balances to pay, with reasonable promptness, costs and expenses when due;

That the budget provides for the CTA to meet its required system-generated revenue recovery ratio; and

That the budget is reasonable, prepared in accordance with sound financial practices and complies with such other RTA requirements as the RTA Board of Directors may establish.

3. BUDGET AND BUDGETARY BASIS OF ACCOUNTING (Continued)

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

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

The CTA's deposits and investments are held by the CTA's custodial bank covered by a master trust agreement. Under this agreement, the custodial bank or its agent holds all instruments in the CTA's name. Deposits and investments of the employees' deferred compensation plan, supplemental retirement plan and assets restricted for repayment of leasing commitments are held separately from those of the CTA's custodial bank.

The CTA maintained designated cash and investment balances of $34.7 million and $14.8 million at December 31, 1998 and 1997, respectively, to fund the annual injury and damage obligations under provisions of Section 39 of the Metropolitan Transportation Authority Act. Management indicates that the CTA will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Deposits - The carrying amounts of CTA's cash and deposits were $5,007,375 and $3,569,645 at December 31, 1998 and 1997, respectively. The bank balances for these cash and deposits were fully insured by the Federal Depository Insurance Corporation or collateralized by securities held by the custodial bank in CTA's name.

Assets Restricted for Repayment of leasing Commitments - As discussed in Note 9, the CTA maintains a separate account for cash and investments to be used for future payments related to certain leasing transactions.

Investments - Illinois statutes authorize the CTA to invest in obligations of U.S. Treasury agencies, direct obligations of any bank, repurchase agreements, commercial paper rated within the highest classification set by two standard rating services, or money market and mutual funds investing in obligations of the U.S. Treasury and U.S. Agencies. The deferred compensation plan is managed by a third-party administrator; the investments in pooled funds of $226,766,100 at December 31, 1997, are not included below. The deferred compensation plan investments at December 31, 1998, are not included in the financial statements per implementation of GASB Statement No. 32.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Investments at December 31, 1998 and 1997 consisted of the following:

	1998 Book Value	1998 Fair Value	1997 Book Value	1997 Fair Value
U.S. Government issues	$ 83,166,156	$ 83,458,644	$ 26,442,229	$ 26,468,819
Repurchase agreements	37,500,000	38,501,826	34,200,000	34,207,809
Commercial paper	54,264,488	54,584,248	30,117,756	30,164,758
Mutual funds	30,823,761	30,823,761	38,693,251	49,623,023
Total	$ 205,754,405	$ 207,368,479	$ 129,453,236	$140,464,409

At December 31, 1998 and 1997, all of the U.S. Government issues, repurchase agreements and commercial paper were held by CTA or its agent in the CTA's name or are insured or registered (risk category 1). The mutual funds are not subject to risk categorization as they are not evidenced by securities that exist in physical or book entry form.

GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," was implemented by the Authority in fiscal year 1998. The 1997 balances have been restated by $10,929,772 to reflect the implementation. The Authority reported investments of the supplemental retirement plan at fair value in the balance sheet and market gains in the statement of expenses and revenues. The Authority reported money market investments, which include commercial paper and U.S Treasury and agency obligations, that mature within one year or less of the date of their acquisition at amortized cost, which reasonably approximates fair value.

A reconciliation of the balance sheets to amounts presented in Note 4 is as follows:

	1998	1997
Cash and cash equivalents	$ 180,121,871	$ 118,054,784
Investments	1,620,000	1,720,000
Cash and investments held by trustee for supplemental retirement plan	29,019,909	24,177,869
Total	$ 210,761,780	$ 143,952,653

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash and deposits	$ 5,007,375	$ 3,569,645
U.S. Government issues	83,166,156	37,372,001
Repurchase agreements	37,500,000	34,200,000
Commercial paper	54,264,488	30,117,756
Mutual funds	30,823,761	38,693,251
Total	$ 210,761,780	$ 143,952,653

Supplemental Disclosure** of **Noncash Investing and Financing Activities **-** As described in Note 9, the CTA has entered into various lease transactions with third parties since 1995. The current and long-term portion of payables under the lease transactions are $104,530,259 and $1,277,776,120, respectively.

There were no significant cash interest payments made during 1998 and 1997. The CTA retired $8.7 million and $17.8 million in fully depreciated transportation property and equipment during 1998 and 1997, respectively.

5. BUDGETED PUBLIC FUNDING FROM THE REGIONAL TRANSPORTATION AUTHORITY AND THE STATE OF ILLINOIS

As discussed in Note 1, the Act established the RTA as a regional oversight board and defined the sources of funding to the RTA. Under the Act, each service board is entitled to a portion of the funds collected by the RTA. The allocation of these funds to each service board is based on various methods as defined in the Act. The components of budgeted operating funding from the RTA were as follows:

	1998	1997
FTA operating assistance	$ 4,389,000	$ 17,245,202
Illinois state sales tax allocation	224,792,000	220,270,601
Public Transportation Fund/RTA discretionary funding	148,084,000	139,682,197
Total	$ 377,265,000	$ 377,198,000

Reduced fare subsidies received from the State of Illinois were $17.4 million and $17.0 million for 1998 and 1997, respectively, for discounted services provided to the elderly, disabled, or student riders.

6. INJURY AND DAMAGE, GROUP HEALTH AND WORKERS' COMPENSATION SELF-INSURANCE PROGRAMS

Chapter 70, Paragraph 3605/39 of the Illinois Compiled Statutes requires the CTA to establish an injury and damage reserve in order to provide for the adjustment, defense, and satisfaction of all suits, claims, and causes of action, and the payment and satisfaction of all judgments entered against the CTA for damages caused by injury to or death of any person and for damages to property resulting from the construction, maintenance and operation of the transportation system. The statute also requires the CTA to separately fund the current year's budgeted provision for the injury and damage reserve. See Note 4 regarding amounts maintained in this account.

Changes in the self-insurance accounts were as follows:

	Injury and Damage	Group Health	Workers' Compensation
Balance at December 31, 1996	$ 158,576,011	$ 24,000,000	$ 37,000,000
Provision:			
Funded	32,100,000	60,980,835	10,084,708
Overfunded			
Payments	(27,660,525)	(65,634,855)	(13,134,234)
Balance at December 31, 1997	163,015,486	19,345,980	33,950,474
Provision:			
Funded	42,000,000	61,639,966	11,918,099
Over funded	(28,633,726)	-	-
Payments	(18,006,980)	(58,482,439)	(10,330,447)
Balance at December 31, 1998	$ 158,374,780	$ 22,503,507	$ 32,362,822

6. INJURY AND DAMAGE, GROUP HEALTH AND WORKERS' COMPENSATION SELF-INSURANCE PROGRAMS (Continued)

The RTA provides excess liability insurance to protect the self-insurance programs currently maintained by the CTA. The insurance covers the CTA for injury and damage claims up to $45 million per occurrence and in the aggregate, with a $5 million deductible. At December 31, 1998 and 1997, no claim existed that would have been submitted under this insurance policy.

The CTA participates in a Joint Self-Insurance Fund (the "Fund") with the RTA that permits the CTA to receive monies necessary to pay injury and damage claims in excess of $2.5 million per occurrence up to a maximum of $47.5 million from the Fund. The CTA is obligated to reimburse the Fund for any damages paid plus a floating interest rate which is calculated at 5.34% and 5.32% per annum for the years ended December 31, 1998 and 1997, respectively. However, reimbursement payments, including interest, cannot exceed $3.5 million in any one year. During 1997, the CTA borrowed $2.5 million from the Fund to pay injury and damage claims. No borrowings were made in 1998.

7. EMPLOYEES' DEFERRED COMPENSATION PLAN

The CTA offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan, available to all CTA employees, permits deferral of a portion of compensation until future years. The deferred amount is not available to employees until termination, retirement, death, or unforeseeable emergency.

For fiscal year 1997, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the CTA (without being restricted to the provisions of benefits under the plan), subject only to the claims of the CTA's general creditors. Participants' rights under the plan are equal to those of general creditors of the CTA in an amount equal to the fair market value of the deferred amount for each participant.

7. EMPLOYEES' DEFERRED COMPENSATION PLAN (Continued)

Section 1448 of the Small Business Jobs Protection Act of 1996 amended provisions of Internal Revenue Code Section 457 such that the CTA has placed all assets and income of the plan into a separate trust for the exclusive benefit of participants as of October 1, 1998. As a result, such amounts are no longer subject to the claims of the Authority's general creditors, and neither deferred compensation plan assets nor liabilities are presented on the balance sheet for fiscal year 1998 per implementation of GASB Statement No. 32.

Participating employees may request that their deferred compensation be invested, at the discretion of the CTA, in any of several investment funds.

8. TRANSPORTATION PROPERTY AND EQUIPMENT

The CTA has capital grant contracts with federal, state and regional agencies including the U.S. Department of Transportation, Federal Transit Administration (“FTA”), the State of Illinois Department of Transportation ("IDOT") established under the Transportation Bond Act, and the RTA. Under these contracts, the CTA has acquired rapid transit cars and buses and is constructing, renewing and improving various portions of track structures, and related operating facilities and systems. It is anticipated that the FTA will finance approximately 80% of the total cost of these projects, with the balance of the cost being financed principally by IDOT and the RTA. Commitments of approximately $442.8 million have been entered into for federal and state (including local) capital grant contracts as of December 31, 1998.

The CTA also has additional capital grant contracts, which are 100% funded by the RTA or IDOT. Commitments of approximately $107 million have been entered into for these federal and state (including local) capital grants as of December 31, 1998.

Funding sources for transportation property and equipment of the CTA are as follows:

	1998	1997
Funding source:		
Federal (FTA)	$ 2,544,928,517	$ 2,467,948,050
State (principally IDOT)	399,674,807	382,832,657
RTA	723,457,441	605,825,104
CTA (generally prior to 1973)	126,572,636	126,572,635
Other	256,070,981	158,520,163
Total	$ 4,050,704,382	$ 3,741,698,609

9. LEASING TRANSACTIONS

During 1998, the Authority entered into a lease/leaseback agreement (the “1998 Agreement”) with a third party pertaining to a rail line (“green line”), with a book value of $530,531,342 at December 31, 1998. The 1998 Agreement, which provides certain cash and tax benefits to the third party, also provides for a trust established by the Authority 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 Authority under a separate lease (the “1998 Lease”). Under the 1998 Lease, the Authority is required to make the payments of $14,604,524 for 1999 through 2000, $23,016,047 for 2001 through 2002 and $27,113,279 for 2003. At December 31, 1998, the total payments due under the agreement are recorded as capital lease obligations of approximately $292.1 million.

During 1997, the Authority entered into four lease/leaseback agreements (the "1997 Agreements") with a third party pertaining to certain of its facilities having a book value of $68.2 million at December 31, 1998. The 1997 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the Authority 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 Authority under separate leases (the "Leases").

During 1997, 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 Authority and may take possession of the facilities upon a default by the CTA under the Lease. Under the Leases, the Authority is required to make annual rental payments of $12.8 million during the years 1999 through 2001, and of $10.4 million, $15.4 million, and $12.1 million during the years 2002, 2003, and 2004, respectively. One of the Leases also requires a payment at the end of the initial term (in the year 2024) of $129.5 million, which is due on the same day as the only remaining payment due from the Equity Trust of $111.5 million. The additional three Leases require a payment at the end of the initial terms (in the year 2025) of $458.1 million, which is due on the same day as the only remaining payment due from the Equity Trust of $395.4 million. The present value of the future payments to be made by CTA under the leases (net of the payment due from the Equity Trust in 2022 and 2023) of approximately $76.5 million is reflected in the accompanying December 31, 1998 balance sheet as capital lease obligations.

9. LEASING TRANSACTIONS (Continued)

In connection with the 1997 Agreements, the Authority also received proceeds of $11.9 million. The FTA has approved the Authority's right to the benefit received from these transactions. The Authority has elected to defer recognition of the proceeds over the remaining 27- and 28-year lives of the leases.

During 1996, the Authority entered into similar lease/leaseback agreements (the "1996 Agreements") with a third party pertaining to certain of its facilities, with a book value of $64.1 million at December 31, 1998. The 1996 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the Authority 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 Authority under a separate lease (the "1996 Lease").

Under the 1996 Lease, the Authority is required to make annual rental payments of $12.6 million during the years 1998 through 2002 and a $7.8 million payment in the year 2004. The 1996 Lease also requires a payment at the end of the initial term (in the year 2024) of $653.5 million, which is due on the same day as the only remaining payment due from the 1996 Equity Trust of $550.8 million. The present value of the future payments to be made by CTA under the leases (net of the payment due from the 1996 Equity Trust in 2024) of approximately $64.6 million is reflected in the accompanying December 31, 1998 balance sheet as capital lease obligations.

In connection with the 1996 Agreements, the Authority 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 Authority's right to the benefit received from these transactions. The Authority has elected to defer recognition of the proceeds over the remaining 28-year life of the leases.

During 1995, the Authority entered into sale/leaseback agreements (the "1995 Agreements") with third parties. The 1995 Agreements provided for the Authority to sell and lease back certain rail equipment totaling $487,103,405 at cost for a period of nineteen years beginning on the date of the respective transaction. At December 31, 1998, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling $949.1 million. The Authority 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.

10. DEFINED BENEFIT PENSION PLANS

Plan Descriptions - The CTA maintains a trusteed, single-employer, defined benefit pension plan covering substantially all full-time permanent union and nonunion employees and Chicago Transit Board members. The Employees' Retirement Plan (the "Employees' Plan") is governed by the terms of the employees' collective bargaining agreement. The CTA also maintains a separate, nontrusteed plan for selected individuals. The Supplemental Retirement Plan, which includes the Retirement Plan for Board Members and the Supplemental Retirement Plan for selected Officers, Executives, Supervisory and Professional Employees (the "Supplemental Plan"), provides benefits in addition to the Employees' Plan to management employees in certain employment classifications and Chicago Transit Board members. As of December 31, 1998 and 1997, Supplemental Retirement Plan assets include cash and investments of $29,019,909 and $24,177,869, respectively.

Substantially all nontemporary, full-time employees who have completed one year of continuous service are covered by the Employees' Plan. Employees who retire at or after age 65 (or after completion of 25 years of continuous service with full benefits or at age 55 with reduced benefits) are entitled to an annual retirement benefit payable monthly for life, in an amount based upon compensation and credited service. The Employees' Plan also provides death, disability and hospitalization benefits. The Employees' Plan issues a separate stand-alone financial report and is available upon request.

The covered payroll for the Employees' Plan for 1998 and 1997 was $406,444,341 and $457,716,790, respectively. The covered payroll for the Supplemental Plan for 1998 and 1997 was $14,048,754 and $16,357,599, respectively. The CTA's total payroll in 1998 and 1997 was $463,218,009 and $507,195,692, respectively.

The CTA has adopted GASB Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers," for the Plans. GASB Statement No. 27 requires the accrued pension liability be calculated as the cumulative difference, including interest, between the employer's required contributions in accordance with the Plans' actuarially required contribution funding requirements and the actual contributions made by the employer for all fiscal years beginning after December 15, 1986 and through the date of transition.

10. DEFINED BENEFIT PENSION PLANS (Continued)

***Funding Policy and Annual Pension Cost* -** Contribution requirements of the Plans may be amended by the Board of Trustees of the Plans. The CTA's annual pension cost for the current year and related information for each plan is as follows:

	Employees' Plan	Supplemental Plan
Contribution rates:		
CTA	6%	Actuarially determined
Plan members	3%	Actuarially determined
Annual pension cost (APC)	$ 81,325,000	$ 3,337,317
Actual contributions:		
CTA	$ 26,095,000	$ 3,176,527
Plan members	13,048,000	25,491
Actuarial valuation date	January 1, 1998	January 1, 1998
Actuarial cost method	Entry Age Normal Cost	Projected Unit Credit
Remaining amortization period	40	40
Asset valuation method	4-year smoothed market	Fair market value
Actuarial assumptions:		
Investment rate of return	9.0%	9.0%
Projected salary increases	5.5%	5.5%

10. DEFINED BENEFIT PENSION PLANS (Continued)

There were no significant assumption changes for either plan from the prior year valuation. The following represents the significant components of the APC and changes in Net Pension Obligation (NPO) during the year ended December 31, 1998:

	Employees' Plan	Supplemental Plan
NPO - December 31, 1997	$ 245,818,000	$ 26,418,274
Annual required contribution (ARC)	82,052,000	3,415,504
Interest on NPO	22,124,000	2,377,645
Adjustment to ARC	(22,851,000)	(2,455,832)
Annual pension cost	81,325,000	3,337,317
NPO before contributions	327,143,000	29,755,591
Total contributions	(39,143,000)	(3,106,640)
NPO - December 31, 1998	$ 288,000,000	$ 26,648,951

A reconciliation of the balance sheet to amounts presented above:

NPO – December 31, 1998	$ 288,000,000	$ 26,648,951
Additional pension accruals	1,487,209	15,573,990
Total	$ 289,487,209	$ 42,222,941

Funding Progress **-** The following summarizes the funding progress for the Plans:

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Employees' Plan	1/l/98	$1,470,510,000	$1,994,422,000	$523,912,000	73.7%	$407,406,425	128.6%
	1/l/97	1,373,715,000	1,748,190,000	374,475,000	78.6%	457,716,790	81.8%
	1/1/96	1,285,155,000	1,669,915,000	384,760,000	77.7%	443,508,000	86.8%
Supplemental Plan	1/l/98	471,839	32,112,921	31,641,082	1.5%	14,048,754	225.2%
	1/l/97	363,023	28,831,519	28,468,496	1.3%	16,357,599	174.0%
	1/l/96	354,716	28,613,847	28,259,131	1.2%	15,114,237	187.0%

10. DEFINED BENEFIT PENSION PLANS (Continued)

Three-Year Trend Information **-** The following summarizes fund information for the Plans:

	Year Ended	Annual Pension Cost (APC)	Actual Contributions	Percentage Net of APC Contributed	Pension Obligation
Employees' Plan	12/31/98	$ 81,325,000	$ 39,143,000	48.1%	$ 288,000,000
	12/31/97	67,945,000	21,017,000	30.9%	245,818,000
	12/31/96	66,092,000	39,215,872	9.3%	197,829,632
Supplemental Plan	12/31/98	3,337,317	3,106,640	93.1%	$ 26,648,951
	12/31/97	3,078,570	2,748,825	89.3%	26,418,951
	12/31/96	3,055,326	2,764,652	90.5%	26,079,966

Early Retirement Program **-** In 1992, the Authority offered an Incentive Retirement Program (the "1992 Program") to all nonunion employees otherwise eligible to retire under existing CTA retirement plan provisions. The 1992 Program was intended to be a voluntary early retirement incentive plan under the meaning of Section 623(f)(2)(B)(ii) of the Age Discrimination in Employment Act of 1967, as amended. The 1992 Program offered increased benefit payouts and elimination of early retirement penalties and is funded, as incentive payments are required. Payments, funded by the Supplemental Plan, of $1.5 and $.9 million, respectively, were made during 1998 and 1997.

In January 1997, the CTA agreed to a new agreement with certain of its unions. As part of the provisions of the new agreement, the Authority offered a new Incentive Retirement Program (the " 1997 Program") to all eligible union employees with 25 years or more of service on or before December 31, 1999. Employees eligible for the 1997 Program had until June 30, 1997 to elect the early retirement option. All costs related to the 1997 Program will be funded by the Employees' Plan.

11. ACCUMULATED DEFICIT

The accumulated deficit primarily represents operating costs not eligible for reimbursement under the RTA agreement. These costs include depreciation expense; injury and damage expense in excess of budgeted provision, and accrued pension costs in excess of pension contributions.

12. CONTRIBUTED CAPITAL

Donated assets or grants for the acquisition of capital assets are recorded as contributions of capital. Depreciation recognized on assets donated or acquired through capital grants has been applied to the appropriate contributed capital account.

Changes in contributed capital are as follows:

	Contributed Capital			
	Federal	State	Other	Total
Balance at January 1, 1997	$ 1,828,099,935	$ 273,369,728	$ 607,941,644	$ 2,709,410,607
Transfer of provision for depreciation of property acquired through capital grants	(71,565,486)	(11,332,847)	(22,280,055)	(105,178,388)
Contributions for transportation property and equipment additions	140,796,126	12,589,453	112,066,373	265,451,952
Balance at December 31, 1997	1,897,329,875	274,626,334	697,727,962	2,869,684,171
Transfer of provision for depreciation of property acquired through capital grants	(120,128,064)	(18,466,934)	(79,181,114)	(217,776,112)
Contributions for transportation property and equipment additions	83,042,572	17,810,842	217,002,972	317,856,386
Retirements of transportation property And equipment	(81,916)	(18,014)	(12,816)	(112,746)
Adjustments to transportation property and equipment *	(307,069,988)	(26,934,436)	(191,407,869)	(525,412,293)
Balance at December 31, 1998	$ 1,553,092,479	$ 247,017,792	$ 644,129,135	$ 2,444,239,406

*In 1998 the CTA implemented a new fixed asset system. The implementation of the system provided a more accurate reflection of contributed capital and accumulated depreciation. As a result of this implementation, contributed capital was reduced and accumulated depreciation was increased by $525,412,293.

13. COMMITMENTS AND CONTINGENCIES

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

On May 1, 1998, the CTA defeased the capital lease agreement with the Public Building Commission of Chicago (the "PBC"). The CTA placed approximately $13.1 million into an irrevocable trust with a third party in order to meet all of its payment obligations throughout the term of the lease.

As described in Note 9, the CTA entered into lease financing agreements with a third party in 1996, 1997, and 1998 and sale/leaseback agreements with third parties during 1995. The CTA also leases office facilities under various noncancelable operating lease agreements. As of December 31, 1998, all leases provide for future minimum rental payments, in the aggregate, as follows:

	Operating Leases	Capital Leases
1999	$ 4,476,164	$ 104,530,259
2000	4,476,164	104,892,722
2001	4,476,164	112,184,244
2002	4,518,508	109,748,494
2003	4,788,642	106,240,748
2004 and thereafter	19,154,568	2,710,223,110
Total minimum lease payments	$ 41,890,210	3,247,819,577
Less interest		1,865,513,198
Present value of minimum lease payments		$ 1,382,306,379

A reconciliation of the balance sheet to amount presented above:

Capital lease obligation, less current portion	$ 1,277,776,120
Current portion of capital lease obligation	104,530,259
Total	$ 1,382,306,379

REQUIRED SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 1998

YEAR 2000

The Year 2000 project has been identified as a top priority item by upper management. As of December 31, 1998, the CTA has committed-contracted $12,929,275 with vendors for assistance in addressing the Year 2000 issues.

The CTA has identified 9 system groups that are mission critical and is subjecting those systems and equipment to the following work phases:

1. Awareness Stage – Encompasses establishing a budget and project plan (for example, a timeline or chart noting major tasks and due dates) for dealing with the year 2000 issue.
2. Assessment Stage – When the organization begins the actual process of identifying all of its systems (preparing an inventory) and individual components of the systems.
3. Remediation Stage – When the organization actually makes changes to systems and equipment. This stage deals primarily with the technical issues of converting existing systems, or switching to complaint systems. During this stage, decisions are made on how to address year 2000 system or equipment issues, and the required changes are made.
4. Validation/Testing Stage – When the organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and retested.

The CTA schedule calls for completion of all phases by October 1, 1999.

Critical Systems	Awareness	Assessment	Remediation	Validation	Testing
G.E.A.C. HR:M Package Payroll/Personnel	C	C	P	P	P
G.E.A.C. HR:M Package General Ledger	C	C	P	P	P
AP/PO/IM Software Package, Purchasing Inventory, Material Request	C	C	P	P	P
Contingency System for F.A.S.T. Field Automated System for Transit	C	C	P	P	P
R.I.M.S. Oracle Rail Information System	C	C	P	P	P
PC 70 Conversion	C	C	P	P	P
VMS Vehicle Maintenance System	C	C	C	C	P
VMT Vehicle Maintenance Train	C	C	C	C	P
VMR Vehicle Maintenance Rail	C	C	C	C	P

(C = Complete; P = In Process; A = Needs to be Addressed)

SUPPLEMENTARY SCHEDULE

CHICAGO TRANSIT AUTHORITY

SCHEDULE OF EXPENSES AND REVENUES - BUDGET AND ACTUAL - BUDGETARY BASIS YEARS ENDED DECEMBER 31, 1998 AND 1997

	Actual - Budgetary Basis	Original Budget	Variance Favorable (Unfavorable)
OPERATING EXPENSES:			
Labor and fringe benefits	$ 575,409,135	$ 559,296,000	$ (16,113,135)
Materials and supplies	73,341,702	60,365,000	(12,976,702)
Fuel	11,095,497	15,251,000	4,155,503
Electric power	20,806,724	24,700,000	3,893,276
Maintenance and repairs, utilities, rent and other	91,732,412	92,388,000	655,588
Provision for injuries and damages	42,000,000	30,000,000	(12,000,000)
Total operating expenses	814,385,470	782,000,000	(32,385,470)
SYSTEM-GENERATED REVENUES:			
Fares and passes	363,527,700	362,735,000	792,700
Reduced fare subsidies	17,400,000	17,400,000	-
Advertising and concessions	14,932,900	10,100,000	4,832,900
Interest income	22,803,800	5,300,000	17,503,800
Contributions from local governmental units	5,000,000	5,000,000	-
Other revenue	25,663,086	4,200,000	21,463,086
Total system-generated revenues (A)	449,327,486	404,735,000	44,592,486
Operating expenses in excess of system-generated revenues	365,057,984	377,265,000	12,207,016
PUBLIC FUNDING FROM THE RTA:			
Operating assistance	365,057,984	377,265,000	12,207,016
NET REVENUE - Budgetary basis	$ -	$ -	$ -
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS:			
Provision for depreciation	$ 224,040,991		
FICA and fringe benefit expense	(6,400,000)		
Pension expense in excess of pension contributions	43,669,222		
Provision for injury and damage claims	(28,633,726)		
Unrealized gain on investments	10,929,772		
Revenue from leasing transactions (B)	(3,891,067)		
Interest income from sale/leaseback	(95,233,718)		
Interest expense from sale/leaseback	92,824,876		
NET LOSS - GAAP basis	$ 237,306,350		
CTA RECOVERY RATIO:			
Total operating expenses	$ 814,385,470		
Less mandated security costs	2,611,050		
Subtotal (C)	$ 811,774,420		
Recovery Ratio (A)+(B)/(C)	55.8%		