

**CHICAGO TRANSIT AUTHORITY  
EMPLOYEE 401(k) PLAN**

**INDEPENDENT AUDITORS' REPORT,  
FINANCIAL STATEMENTS AND  
SUPPLEMENTAL SCHEDULE  
December 31, 2003 and 2002**

CHICAGO TRANSIT AUTHORITY  
EMPLOYEE 401(k) PLAN

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Crowe Chizek and Company LLC  
Member Horwath International

## INDEPENDENT AUDITORS' REPORT

To the Deferred Compensation Committee  
Chicago Transit Authority  
Chicago, Illinois 60612

We have audited the accompanying statement of net assets available for benefits of the Chicago Transit Authority Employee 401(k) Plan ("the Plan") as of December 31, 2003 and the related statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Plan as of December 31, 2002 and for the year then ended were audited by PTW & Co. who combined with Crowe Chizek and Company LLC as of January 1, 2005 and whose audit report dated November 12, 2003 expressed an unqualified opinion on those statements.

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 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 net assets available for benefits of the Chicago Transit Authority Employee 401(k) Plan as of December 31, 2003 and the changes in net assets available for benefits for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic 2003 financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2003, is presented for purposes of additional analysis and is not a required part of the financial statements. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic 2003 financial statements, and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Crowe Chizek and Company LLC*  
Crowe Chizek and Company LLC

Chicago, Illinois  
January 4, 2006

**FINANCIAL STATEMENTS**

CHICAGO TRANSIT AUTHORITY  
EMPLOYEE 401(K) PLAN  
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2003 and 2002

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	<u>2003</u>	<u>2002</u>
<b>ASSETS</b>		
Investments, at fair value	\$ <u>7,199,626</u>	\$ <u>4,289,194</u>
 <b>NET ASSETS AVAILABLE FOR BENEFITS</b>	 <u>\$ 7,199,626</u>	 <u>\$ 4,289,194</u>

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See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY  
EMPLOYEE 401(K) PLAN  
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

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	<u>2003</u>	<u>2002</u>
<b>ADDITIONS</b>		
Additions to net assets attributed to:		
Participants' Contributions	\$ 1,856,229	\$ 1,809,408
Interest Income	124,750	54,301
Net Appreciation (Depreciation) in Fair Value of Investments	1,002,944	(618,975)
Additional Deposits	<u>33,818</u>	<u>-</u>
<b>TOTAL ADDITIONS</b>	<u>3,017,741</u>	<u>1,244,734</u>
 <b>DEDUCTIONS</b>		
Deductions from net assets attributed to:		
Benefits Paid to Participants	92,865	97,196
Administrative Expenses	<u>14,444</u>	<u>11,904</u>
<b>TOTAL DEDUCTIONS</b>	<u>107,309</u>	<u>109,100</u>
 <b>INCREASE IN NET ASSETS</b>	 2,910,432	 1,135,634
 <b>NET ASSETS AVAILABLE FOR BENEFITS BEGINNING OF YEAR</b>	 4,289,194	 3,153,560
 <b>NET ASSETS AVAILABLE FOR BENEFITS END OF YEAR</b>	 <u>\$ 7,199,626</u>	 <u>\$ 4,289,194</u>

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See accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

CHICAGO TRANSIT AUTHORITY  
EMPLOYEE 401(k) PLAN  
DECEMBER 31, 2003 AND 2002

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**NOTE 1 - DESCRIPTION OF PLAN**

The following description of Chicago Transit Authority (the "Authority") Employee 401(k) Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

*General.* The Plan is a participatory defined contribution plan covering all permanent employees of the Authority. The Authority's Deferred Compensation Committee (the "Committee"), as Plan Administrator, controls and manages the operation and administration of the Plan. Great West Life and Annuity Insurance Company ("Great West") provides record keeping and administration services to the Plan.

*Plan Participation.* Any employee is eligible to commence participation in the Plan and thereby becomes a participant on the date of the employee's commencement of employment with the Authority, or on the effective date of the Plan, if later.

*Contributions.* For any year, participants may contribute to their account up to the lesser of 25 percent of the participant's compensation or \$12,000, as defined in the Plan. A catch up provision exists whereby a participant may contribute an additional \$2,000 if he or she has attained age 50. Participant contributions are tax-deferred until distributed. Participants may request that the custodian accept a rollover contribution from other qualified defined benefit or contribution plans. Participants direct the investment of their contributions into various investment options offered by the Plan. Contributions are subject to certain limitations.

*Participants Accounts.* Each participant's account is increased with the participant's contribution and allocations of Plan earnings and decreased by an allocation of administrative expenses, withdrawals and Plan investment losses, as applicable. The expenses are allocated based on the balance of the participant's account at the end of each quarter. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

*Vesting.* A participant will at all times be fully vested and have a non forfeitable interest in all amounts attributable to the 401(k) contributions, the participant's rollover contributions and transfers of assets to the custodial account, on the participant's behalf.

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(Continued)



CHICAGO TRANSIT AUTHORITY  
EMPLOYEE 401(k) PLAN  
DECEMBER 31, 2003 AND 2002

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**NOTE 1 - DESCRIPTION OF PLAN (Continued)**

*Investing Options.* Upon enrollment in the Plan, a participant may direct employee contributions in one percent increments in any of the following options:

**Aggressive Profile Fund** - The fund seeks long-term capital appreciation.

**Moderately Aggressive Profile Fund** - The fund seeks long-term capital appreciation primarily through investments in underlying portfolios that emphasize equity investments, and to a lesser degree, in underlying portfolios that emphasize fixed income investments.

**Moderate Profile Fund** - The fund seeks long-term capital appreciation primarily through investments in underlying portfolios with a relatively equal emphasis on equity and fixed income investments.

**Moderately Conservative Profile Fund** - The fund seeks capital appreciation primarily through investments in underlying portfolios that emphasize fixed income investments, and to a lesser degree, in underlying portfolios that emphasize equity investments.

**Conservative Profile Fund** - The fund seeks capital preservation primarily through investments in underlying portfolios that emphasize fixed income securities.

**Templeton Foreign Fund** - The fund seeks long-term capital growth by primarily investing in stocks and debt securities of companies and governments outside of the United States

**Vanguard Institutional Index Fund** - This fund is designed for institutional investors. The fund invests in all 500 shares of S&P 500 in the same proportion as they are represented in the index. The correlation between the performance of the fund and the index is expected to be 95 percent or higher. The fund may invest up to 20 percent of assets in futures and options but generally remains fully invested in common stocks.

**T. Rowe Price Small-Cap Stock Fund** - This fund seeks long-term growth of capital through investing at least 80% of total assets in equity securities of small companies.

**Third Avenue Value Fund** - The fund invests in undervalued common stocks and debt securities.

**Vanguard Small-Cap Index Fund** - The fund invests in a statistically selected sample of the stocks included in the MSCI US Small Cap 1750 Index. Stocks are selected on the basis of industry weightings, market sensitivity, and fundamental characteristics such as capitalization, earnings, variability, and financial leverage.

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CHICAGO TRANSIT AUTHORITY  
EMPLOYEE 401(k) PLAN  
DECEMBER 31, 2003 AND 2002

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**NOTE 1 - DESCRIPTION OF PLAN (Continued)**

**William Blair Small Cap Growth Fund I** - The fund invests primarily in a diversified portfolio of common stocks of small emerging, rapid growth domestic companies that are of high quality and that have had especially vigorous growth in revenues and earnings.

**American Century Income & Growth Fund** - The fund seeks capital growth by investing in common stock, predominantly in large companies in the United States that appear to be undervalued but have strong dividend growth potential.

**Ariel Appreciation Fund** - Funds are invested primarily in common stocks of small to medium sized companies.

**Vanguard Mid Cap Index Fund** - The fund seeks to parallel the performance of the MSCI US Mid Cap 450 Index. The fund invests substantially all assets in each stock found in the index, in approximately the same proportion as represented in the index. Management uses a passive approach when selecting securities and seeks to create a mix of securities that will match the performance of the index.

**Wayne Hummer Growth Fund** - The fund seeks long-term capital growth through investing primarily in common stocks of domestic corporations.

**American Funds Growth Fund of America** - The fund seeks capital growth by primarily investing in common stocks.

**American Funds Washington Mutual** - The fund seeks income and the opportunity for growth of principal through investing primarily in equity-type securities.

**Fidelity Magellan Fund** - Funds are invested in common stocks and convertible securities of domestic, foreign, and multinational issuers of all sizes.

**T. Rowe Price Blue Chip Growth Fund** - The fund seeks long-term capital growth through investing 80% of assets in common stocks of mid- and large-capitalization blue chip companies.

**Van Kampen Growth & Income Fund** - The fund seeks income and long-term capital growth through investing primarily in income-producing equities, including common stocks and convertible securities.

**Vanguard Institutional Index Fund** - The funds seeks to replicate the aggregate price and yield performance, before fund expenses, of the S&P 500 Index.

**Vanguard Wellington Fund** - Funds are invested in commons stocks and bonds.

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CHICAGO TRANSIT AUTHORITY  
EMPLOYEE 401(k) PLAN  
DECEMBER 31, 2003 AND 2002

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**NOTE 1 - DESCRIPTION OF PLAN (Continued)**

**Dodge & Cox Balanced Fund** - Funds are invested in common stocks, preferred stocks and bonds.

**Janus Balanced Fund** - The fund seeks long term capital growth consistent with preservation of capital and balanced by current income.

**Federal Government Income Securities Fund** - The fund seeks current income and capital preservation. At least 80% of its assets are invested in securities that are guaranteed or sponsored by the U.S. governmental agencies or instrumentalities that are not guaranteed.

**Neuberger Berman High Income Bond Fund** - The fund seeks high total returns consistent with capital preservation.

**PIMCO Total Return Admin Fund** - The fund seeks total return consistent with preservation of capital through investing in debt securities, corporate bonds, and mortgage-related securities.

**Stable Income Fund** - Funds are invested in a pool of fixed interest contracts with Great West, Lincoln National Life, and American United Life.

*Payment of Benefits.* On termination of service due to death, disability, or retirement, a participant may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or annual installments over a 15-year period. The annuity becomes payable to the participant and/or the participant's spouse for a life annuity, a unit refund life annuity or a joint and last survivor.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of Presentation.* The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

*Use of Estimates.* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

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CHICAGO TRANSIT AUTHORITY  
EMPLOYEE 401(k) PLAN  
DECEMBER 31, 2003 AND 2002

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Investment Valuation and Income Recognition.* Investments of the Plan are stated at fair value. The fair values of participation units owned by the Plan in pooled separate accounts are based on quoted redemption values as of the last business day of the plan year. Purchases and sales of securities are recorded on a trade-date basis. Guaranteed (stable income fund) accounts are fully benefit responsive and are valued at estimated fair value as determined by the custodian based on a comparison of the contractual rates of return with current rates of return on contracts having similar maturities.

*Expenses.* The participants of the Plan as provided by the Plan document pay the Plan's expenses. (See Note 4)

*Contributions.* Contributions are recognized when such amounts are withheld from participant's payroll checks.

*Participants' Accounts.* Earnings and losses are allocated to an individual participant's account based upon the investment performance of each specific option selected.

**NOTE 3 - INVESTMENTS**

Investments greater than five percent of the Plan's net assets at December 31, 2003 and 2002 were as follows:

	<u>2003</u>	<u>2002</u>
Templeton Foreign Fund	\$ 375,275	\$ -
Ariel Appreciation Fund	698,515	412,080
Fidelity Magellan Fund	780,295	415,099
Vanguard Institutional Index Fund	1,224,726	702,566
Dodge & Cox Balanced Fund	370,137	-
Stable Income Fund	1,772,740	1,193,759

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CHICAGO TRANSIT AUTHORITY  
EMPLOYEE 401(k) PLAN  
DECEMBER 31, 2003 AND 2002

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**NOTE 3 - INVESTMENTS (Continued)**

Interest income for the year ended December 31, 2003 and 2002 totaled \$124,750 and \$54,301 respectively.

Net appreciation (depreciation) in fair value of investments attributable to pooled separate accounts totaled \$1,002,944 and (\$618,975) for the years ended December 31, 2003 and 2002 respectively.

**NOTE 4 - ADMINISTRATIVE EXPENSES**

The Plan records administrative charges to participants based on \$6.00 per participant plus .0375% of account assets per calendar quarter. Actual fees for the year are the lesser of \$14.50 per participant, per calendar quarter, or .07% of the greater of \$173 million of Plan assets or actual Plan assets per calendar quarter. Any difference between recorded and actual fees is amortized over the subsequent year. Administrative expenses totaled \$14,444 and \$11,904 for the year ended December 31, 2003 and 2002 respectively.

**NOTE 5 - SERVICE CONTRACT WITH INSURANCE COMPANY**

The Authority annually renews its service agreement for administrative, record keeping and communication with Great-West Life & Annuity Insurance Company with respect to services to be provided in connection with the Plan. Great-West utilized the services of their wholly owned subsidiary, Financial Administrative Services Corporation of Colorado ("FASCorp"), as its agent in performing the administration and record keeping functions. Such services included account valuation and cash processing, withdrawal processing, transfers and changes in investment allocation, automated account inquiry, production of account statements and annuity payment administration. Great-West also utilized the services of another wholly owned subsidiary, Benefits Communication Corporation ("BenefitsCorp"), as its agent in performing the communication functions. BenefitsCorp offered financial planning and services customized for 401(k) Cash or Deferred Arrangements. Services included marketing, enrollment, and counseling working within state and local governments.

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CHICAGO TRANSIT AUTHORITY  
EMPLOYEE 401(k) PLAN  
DECEMBER 31, 2003 AND 2002

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**NOTE 6 - INVESTMENT CONTRACT WITH INSURANCE COMPANY**

The Plan has entered into a benefit-responsive investment contract with the Great West Life & Annuity Insurance Company. Great West maintains the contributions in a general account. The account is credited with earnings on the underlying investments and charged for participant withdrawals and administrative expenses. The contract is included in the financial statements at contract value as reported to the Plan by Great West, which approximates fair value. Contract value represents contributions made under the contract, plus earnings, less participant withdrawals and administrative expenses. Participants may ordinarily direct the withdrawal or transfer of all or a portion of their investment at contract value.

There are no reserves against contract value for credit risk of the contract issuer or otherwise. The average yield and crediting interest rates were approximately 4.3% for 2003. The crediting interest rate is based on an agreed-upon formula with the issuer, but cannot be less than four percent.

**NOTE 7 - INCOME TAX STATUS**

The Plan has received a determination letter from the Internal Revenue Service dated October 18, 2002, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. The Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator and the Plan's Tax Counsel believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax-exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

**NOTE 8 - PARTY IN INTEREST TRANSACTIONS**

As of December 31, 2003 and 2002, the Plan held certain investments which were issued by Great West, the custodian of the Plan. These investments and transactions therein qualify as party-in-interest transactions. The Plan also paid certain administrative fees to the custodian or a party related to the custodian.

**NOTE 9 - PLAN TERMINATION**

Although it has not expressed any intention to do so, the Authority has the right to terminate the Plan subject to the provisions set forth in the Plan agreement.

CHICAGO TRANSIT AUTHORITY  
EMPLOYEE 401(k) PLAN  
DECEMBER 31, 2003 AND 2002

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**NOTE 10 - RISKS AND UNCERTAINTIES**

The Plan's investments are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risks associated with certain investments and the level of uncertainty related to changes in the values of investments, it is at least reasonably possible that changes in risks in the near term would materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits and the Statements of Changes in Net Assets Available for Benefits.

CHICAGO TRANSIT AUTHORITY  
EMPLOYEE 401(K) PLAN  
SCHEDULE OF ASSETS (HELD AT END OF YEAR)  
As of DECEMBER 31, 2003

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
		<u>Pooled Separate Accounts:</u>		
*	GWL&A	Aggressive Profile Fund	#	\$ 103,167
*	GWL&A	Moderately Aggressive Profile Fund	#	73,604
*	GWL&A	Moderate Profile Fund	#	126,036
*	GWL&A	Moderately Conservative Profile Fund	#	34,424
*	GWL&A	Conservative Profile Fund	#	90,304
*	GWL&A	Templeton Foreign Fund	#	375,275
*	GWL&A	Vanguard Institutional Index Fund	#	20,037
*	GWL&A	T. Rowe Price Small-Cap Stock Fund	#	3,179
*	GWL&A	Third Avenue Value Fund	#	247,508
*	GWL&A	Vanguard Small-Cap Index Fund	#	61,857
*	GWL&A	William Blair Small Cap Growth Fund I	#	77,719
*	GWL&A	American Century Equity Income Fund	#	787
*	GWL&A	Ariel Appreciation Fund	#	698,515
*	GWL&A	Vanguard Mid Cap Index Fund	#	31,363
*	GWL&A	Wayne Hummer Growth Fund	#	255,064
*	GWL&A	American Funds Growth Fund of America	#	233,238
*	GWL&A	American Funds Washington Mutual	#	85,617
*	GWL&A	Fidelity Magellan Fund	#	780,295
*	GWL&A	T. Rowe Price Blue Chip Growth Fund	#	4,235
*	GWL&A	Van Kampen Growth & Income Fund	#	19,619
*	GWL&A	Vanguard Institutional Index Fund	#	1,224,726
*	GWL&A	Vanguard Wellington Fund	#	287,071
*	GWL&A	Dodge & Cox Balanced Fund	#	370,137
*	GWL&A	Janus Balanced Fund	#	219,602
*	GWL&A	Federal Government Income Securities	#	568
*	GWL&A	Neuberger Berman High Income Bond	#	2,171
*	GWL&A	PIMCO Total Return Admin Fund	#	768
				<u>5,426,886</u>
		<u>Guaranteed Investment Contract:</u>		
*	GWL&A	Stable Income Fund	#	<u>1,772,740</u>
				<u>\$ 7,199,626</u>

\* Indicates a party in interest to the Plan.

# Investment is participant directed; therefore, historical cost is not required.