NEW ISSUE

RATINGS: FITCH: AAA
S&P: AAA
MOODY'S: Aaa

*Subject to compliance by the RTA with certain covenants, in the opinion of Bond Counsel, under present law, interest on the Series 2002B Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See "**TAX EXEMPTION**" herein for a more complete discussion. Interest on the Series 2002B Bonds is not exempt from present Illinois income taxes.*

$200,000,000
REGIONAL TRANSPORTATION AUTHORITY
Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois
General Obligation Bonds, Series 2002B

The General Obligation Bonds, Series 2002B (the *"Series 2002B Bonds"*), will be issued by the Regional Transportation Authority (the *"RTA"*) only as fully registered bonds 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 of the Series 2002B Bonds. 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 bonds representing their interest in the Series 2002B Bonds. Principal of and interest (payable December 1, 2002, and semiannually thereafter on June 1 and December 1 of each year) on the Series 2002B Bonds are payable by Amalgamated Bank of Chicago, Chicago, Illinois, or any successor or assign, as trustee (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 Series 2002B Bonds, as described herein. The Series 2002B Bonds are subject to optional redemption prior to maturity, as described herein.

The Series 2002B Bonds are being issued by the RTA to provide interim funding, as needed, for a portion of the costs incurred in connection with the reconstruction and expansion of rapid transit facilities operated by the CTA, to fund other public transportation projects authorized under the Act and approved by the Board of Directors of the RTA, and to pay Costs of Issuance of the Series 2002B Bonds. The Series 2002B Bonds are general obligations of the RTA to which its full faith and credit is pledged. The General Ordinance authorizing the Series 2002B Bonds 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 Series 2002B Bonds and parity obligations. The Series 2002B Bonds are also secured by the Series 2002B Debt Service Reserve Account. **The RTA does not have the power to levy *ad valorem* property taxes.**

The scheduled payment of principal of and interest on the Series 2002B Bonds when due will be guaranteed under a municipal bond new issue insurance policy to be issued concurrently with the delivery of the Series 2002B Bonds by

FGIC. Financial Guaranty Insurance Company

FGIC is a registered service mark used by Financial Guaranty Insurance Company, a private company not affiliated with any U.S. Government agency

Maturities, Amounts, Interest Rates and Yields

Due June 1	Amount	Interest Rate	Yield	Due June 1	Amount	Interest Rate	Yield
2003	$ 8,720,000	3.000%	1.590%	2012	$11,815,000	5.500%	4.080%
2004	8,900,000	4.500%	2.079%	2013	12,335,000	5.500%	4.160%
2005	9,125,000	5.000%	2.570%	2014	12,900,000	5.375%	4.280%
2006	9,400,000	5.000%	2.860%	2015	13,500,000	5.375%	4.390%
2007	9,710,000	5.000%	3.150%	2016	14,140,000	5.375%	4.490%
2008	10,060,000	5.250%	3.450%	2017	14,830,000	5.375%	4.590%
2009	10,450,000	5.250%	3.650%	2018	15,565,000	5.375%	4.710%
2010	10,870,000	5.500%	3.870%	2019	16,355,000	5.375%	4.800%
2011	11,325,000	5.500%	3.980%				

The Series 2002B Bonds are being offered when, as and if issued by the RTA and accepted by the Underwriter and subject to the approving legal opinion of Chapman and Cutler, Chicago, Illinois, Bond Counsel. The Series 2002B Bonds will be available for delivery to DTC upon payment therefor on or about July 10, 2002.

SALOMON SMITH BARNEY

June 20, 2002

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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 Series 2002B Bonds, 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 Series 2002B Bonds 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 Series 2002B Bonds at a level above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

THE SERIES 2002B BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE GENERAL ORDINANCE OR THE 2002B 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 SERIES 2002B BONDS IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2002B BONDS 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 SERIES 2002B BONDS 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. THESE SECURITIES 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.

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OFFICIAL STATEMENT

$200,000,000
REGIONAL TRANSPORTATION AUTHORITY
Cook, DuPage, Kane, Lake, McHenry and
Will Counties, Illinois
General Obligation Bonds, Series 2002B

INTRODUCTION

The purpose of this Official Statement, including the 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 Bonds, Series 2002B (the *"Series 2002B Bonds"*), in the principal amount of $200,000,000. The Series 2002B Bonds 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 November 1, 2001 (the *"2002B Series Ordinance"*).

The Series 2002B Bonds 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 Series 2002B Bonds. The Series 2002B Bonds 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. 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 Series 2002B Bonds and other Authority Obligations (as hereinafter defined). The Series 2002B Bonds are also secured by the Series 2002B Debt Service Reserve Account (as hereinafter defined).

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

The Series 2002B Bonds 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 SERIES 2002B BONDS**—AUTHORITY OBLIGATIONS—Additional Authority Obligations."

Certain factors that may affect an investment decision concerning the Series 2002B Bonds are described throughout this Official Statement, including descriptions of the RTA's financial results and projections and the security for the Series 2002B Bonds. Persons considering a purchase of the Series 2002B Bonds 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 2002B Series Ordinance."

THE SERIES 2002B BONDS

AUTHORITY

The Series 2002B Bonds are being issued pursuant to the Regional Transportation Authority Act of the State of Illinois, as amended (the "*Act*"), the Local Government Debt Reform Act of the State of Illinois, as amended, the General Ordinance and the 2002B Series Ordinance.

PURPOSE

The proceeds of the Series 2002B Bonds will be used to provide interim funding, as needed, for a portion of the costs incurred in connection with the reconstruction and expansion of rapid transit facilities operated by the CTA, to fund other public transportation projects authorized by the Act and approved by the Board (the "*Project*") and to pay Costs of Issuance of the Series 2002B Bonds. See "**USE OF SERIES 2002B BOND PROCEEDS**" and "**RTA CAPITAL PROGRAM**—PROJECTS EXPECTED TO BE FINANCED WITH SERIES 2002B BOND PROCEEDS".

CAPITAL ASSETS FUND

The General Ordinance establishes the Capital Assets Fund. All proceeds received upon the issuance of the Series 2002B Bonds (other than accrued interest and amounts to be used to pay Costs of Issuance of the Series 2002B Bonds) will be deposited in a separate account in the Capital Assets Fund designated as the Series 2002B Bonds Capital Assets Account (the "*2002B Capital Assets Account*") established pursuant to the 2002B Series Ordinance. All funds in the 2002B Capital Assets Account will be held by the Trustee and (i) paid out on the order of an Authorized Officer for the purposes of paying or reimbursing the CTA, as needed, for costs incurred by the CTA for its CTA Blue Line Project (as hereinafter defined), (ii) with the prior approval of the Board, paid out on the order of an Authorized Officer for other Capital Asset Purposes, or (iii) transferred on the order of an Authorized Officer to the Debt Service Fund for the payment of the principal of and interest on Authority Obligations. See "**RTA CAPITAL PROGRAM**—PROJECTS EXPECTED TO BE FINANCED WITH SERIES 2002B BOND PROCEEDS".

MATURITIES AND INTEREST RATES

The Series 2002B Bonds will be dated as of June 1, 2002, will mature on the dates and in the amounts set forth on the cover page hereof, and will bear interest payable commencing on December 1, 2002 and semiannually thereafter on June 1 and December 1 in each year at the rates set forth on the cover page hereof. The Series 2002B Bonds will be issued in the denomination of $5,000 or any integral multiple thereof.

REGISTRATION

The Series 2002B Bonds will be issued only as fully registered Bonds 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."

OPTIONAL REDEMPTION

The Series 2002B Bonds maturing on and after June 1, 2013 are subject to redemption prior to maturity at the option of the Authority, in whole or in part on any date on and after June 1, 2012, and if in part, from such maturity or maturities as the Authority may determine, and if less than an entire maturity, in integral multiples of $5,000 selected by the Trustee as provided in the General Ordinance, at the Redemption Prices (expressed as a percentage of the principal amount to be redeemed) set forth below plus accrued interest to the redemption date:

REDEMPTION DATES (DATES INCLUSIVE)	REDEMPTION PRICES
June 1, 2012 to May 31, 2013	101%
June 1, 2013 and thereafter	100%

REDEMPTION PROCEDURES

In the event of the redemption of less than all of the Series 2002B Bonds of a particular maturity, the Trustee will select by lot from such maturity, using such method as it deems proper (based on units of $5,000 principal amount), the Series 2002B Bonds or portions thereof that are to be redeemed.

Upon any redemption thereof, the Trustee is required to give notice to the Holders of those Series 2002B Bonds which are to be redeemed in whole or in part. Such notice is to be mailed by first class mail, postage prepaid, not less than thirty days nor more than sixty days prior to the redemption date and will specify those Series 2002B Bonds which are subject to redemption, the principal amount to be redeemed, the Redemption Price, the redemption date and the place where the Redemption Price will be payable and shall state that from and after the redemption date, interest on such Series 2002B Bonds will cease to accrue.

USE OF THE SERIES 2002B BOND PROCEEDS

The proceeds of the Series 2002B Bonds will provide funds for the Project and will be applied approximately as follows:

Deposit to 2002B Capital Assets Account	$213,798,470.21
Deposit to 2002B Bonds Account	1,125,739.06
Underwriter's Discount	648,000.00
Costs of Issuance[1]	1,494,680.89
TOTAL	$217,066,890.16

[1] Includes premiums for the Municipal Bond Insurance Policy and the Reserve Fund Credit Instrument.

See "**RTA CAPITAL PROGRAM** – PROJECTS EXPECTED TO BE FINANCED WITH SERIES 2002B BOND PROCEEDS."

SECURITY FOR THE SERIES 2002B BONDS

SECURITY AND SOURCES OF PAYMENT

The Series 2002B Bonds are general obligations of the RTA to which the full faith and credit of the RTA is pledged.

The Series 2002B Bonds, 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 Series 2002B Bonds and other Authority Obligations 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 Series 2002B Bonds and other Authority Obligations 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 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." The Series 2002B Bonds are also secured by the Series 2002B Debt Service Reserve Account. See "**SECURITY FOR THE SERIES 2002B BONDS**—DEBT SERVICE RESERVE FUND."

"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 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 SERIES 2002B BONDS**—AUTHORITY OBLIGATIONS."

"Sales Tax Revenues" means all tax receipts received by or on behalf of the Authority from the RTA Sales Tax 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. 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 Series 2002B Bonds and other Outstanding Authority Obligations. Separate accounts in the Debt Service Fund are required to be established for each series of obligations. The 2002B Series Ordinance establishes the Series 2002B Bonds Account (the *"2002B Bonds Account")*.

The 2002B Series Ordinance establishes a monthly deposit requirement for the Series 2002B Bonds in the 2002B Bonds Account. The General Ordinance provides that each month, any amounts in the Debt Service Fund in excess of the required deposits therein (other than in any Rebate Accounts created thereunder) are required to be transferred to the Debt Service Reserve Fund until the amount in each Account in the Debt Service Reserve Fund equals the Reserve Requirement (as hereinafter defined) for such Account, are then used to make required deposits to the Rebate Accounts, and are then paid by the Trustee to the RTA or upon the RTA's direction.

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, as described above, an amount sufficient to make up the deficiency.

DEBT SERVICE RESERVE FUND

The General Ordinance establishes a Debt Service Reserve Fund to be maintained by the Trustee as additional security for Bonds issued under the General Ordinance. The Authority may create separate accounts in the Debt Service Reserve Fund relating to particular series of Bonds. A Series 2002B Bonds Debt Service Reserve Fund Account is established by the 2002B Series Ordinance for the purpose of securing the Series 2002B Bonds (the *"Series 2002B Debt Service Reserve Account"*). Fourteen other Debt Service Reserve Fund Accounts (securing the Series 1990A Bonds, the Series 1991A Bonds, the Series 1992A Bonds, the Series 1993A&B Bonds, the Series 1993C Bonds, the Series 1994A&B Bonds, the Series 1994C&D Bonds, the Series 1996 Bonds, the Series 1997 Bonds, the Series 1999 Bonds, the Series 2000A Bonds, the Series 2001A Bonds, the Series 2001B Bonds and the Series 2002A Bonds, respectively) have been created in the Debt Service Reserve Fund and future Series Ordinances may create additional accounts in the Debt Service Reserve Fund to secure future series of Bonds. Holders of Bonds of a particular series have no claim against any Debt Service Reserve Fund Account securing another series of Outstanding Bonds.

In connection with the issuance of any series of Bonds, the General Ordinance requires an amount, if any, to be deposited in the Debt Service Reserve Fund Account securing such series of Bonds so that the value of such Account at least equals the Reserve Requirement for such Account calculated immediately after the delivery of such series of Bonds. Each month, the Trustee is required to pay to and deposit in each Debt Service Reserve Fund Account, if the amount on deposit in such Account 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. See "**SECURITY FOR THE SERIES 2002B BONDS**—DEBT SERVICE FUND." If in any month, after the required deposits to the Debt Service Fund (other than to any Rebate Accounts) 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), the value of any Account in the Debt Service Reserve Fund is less than the Reserve Requirement for such Account, the RTA is required immediately to deposit with the Trustee any and all other money which it has on hand and is lawfully available to make up the deficiency. Transfers or deposits to the Debt Service Reserve Fund shall be made proportionately to the respective Accounts therein on the basis of the amount of the deficiency in each Account prior to any such transfer or deposit.

All amounts on deposit in the Series 2002B Debt Service Reserve Account shall be held in trust for the sole benefit of the Holders of the Series 2002B Bonds, and shall be transferred by the Trustee to the Debt Service Fund to the credit of the 2002B Bonds Account at the times and in the amounts as required in order to pay principal of the Series 2002B Bonds, at maturity or on Sinking Fund Installment dates, and to pay interest on the Series 2002B Bonds, as it falls due, if there are not sufficient amounts in the 2002B Bonds Account for that purpose.

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 Reserve Fund Credit Instrument. See Appendix E—"Summary of Certain Provisions of the General Ordinance and the 2002B Series Ordinance—Debt Service Reserve Fund."

Reserve Fund Credit Instruments provided by Ambac Assurance Corporation (*"AMBAC"*), Financial Guaranty Insurance Company (*"Financial Guaranty"* or *"FGIC"*), MBIA Insurance Corporation (*"MBIA"*) or Financial Security Assurance Inc. (*"FSA"*) (each a *"Credit Provider"*) are held in all of the Debt Service Reserve Accounts. 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, respectively. Each Reserve Fund Credit Instrument was fully qualified for deposit in the Debt Service Reserve Fund on the date of such deposit and remains so qualified based upon the credit rating of each Credit Provider. The Authority makes no representation as to the current financial condition of any Credit Provider. Set forth in the following table is the Credit Instrument Coverage amount for each Debt Service Reserve Account satisfied by a Reserve Fund Credit Instrument.

DEBT SERVICE RESERVE FUND CREDIT INSTRUMENTS

ACCOUNT	CREDIT INSTRUMENT COVERAGE	CREDIT PROVIDER
Series 1990A	$ 8,156,338	AMBAC
Series 1991A	7,830,099	FGIC
Series 1992A&B	18,205,744	AMBAC
Series 1993A&B	8,266,885	FGIC
Series 1993C	2,326,500	AMBAC
Series 1994A&B	20,934,198	AMBAC
Series 1994C&D	16,307,673	FGIC
Series 1996	15,123,500	MBIA
Series 1997	9,838,500	FGIC
Series 1999	29,872,500	FSA
Series 2000A	19,920,033	MBIA
Series 2001A	7,228,281	FGIC
Series 2001B	3,771,500	FGIC
Series 2002A	11,566,188	MBIA
Series 2002B	19,029,838	FGIC

RESERVE FUND CREDIT INSTRUMENT

Concurrently with the issuance of the Series 2002B Bonds, Financial Guaranty Insurance Company (*"Financial Guaranty"*) will issue its Municipal Bond Debt Service Reserve Fund Policy for the Series 2002B Bonds (the *"Reserve Policy"*). The Reserve Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Series 2002B Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Authority, provided that the aggregate amount paid under the Reserve Policy may not exceed the maximum amount set forth in the Reserve Policy ($19,029,838). Financial Guaranty will make such payments to the paying agent (the "*Paying Agent*") for the Series 2002B Bonds, on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from the Paying Agent of the nonpayment of such amount by the Authority. The term "nonpayment" in respect of a Series 2002B Bond includes any payment of principal or interest made to an owner of a Series 2002B Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Reserve Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 2002B Bonds. The Reserve Policy covers failure to pay principal of the Series 2002B Bonds on their respective stated maturity dates and not on any date on which the Series 2002B Bonds may have been accelerated and covers the failure to pay an installment of interest on the stated date for its payment. The Reserve Policy shall terminate on the earlier of the scheduled final maturity date of the Series 2002B Bonds or the date on which no Series 2002B Bonds are Outstanding.

Generally, in connection with its issuance of a Reserve Policy, Financial Guaranty requires, among other things, (i) that so long as it has not failed to comply with its payment obligations under the Reserve Policy, it be granted the power to exercise any remedies available at law or under the authorizing documents other than (A) acceleration of the Series 2002B Bonds or (B) remedies which would adversely affect holders in the event that the Authority fails to reimburse Financial Guaranty for any draws on the Reserve Policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its issuance of the Reserve Policy are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Authority is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Series 2002B Bonds and reference should be made to the information under the caption "**RATINGS**" for a discussion of such ratings and the basis for their assignment to the Series 2002B Bonds. Reference should be made to the information under the caption "**RATINGS**" for a discussion of the underlying ratings of the Series 2002B Bonds.

The Reserve Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

For information concerning Financial Guaranty, see "**MUNICIPAL BOND INSURANCE POLICY**."

REBATE ACCOUNT

The General Ordinance establishes in the Debt Service Fund a separate Rebate Account with respect to each series of Authority Obligations issued after November 1, 1986. The General Ordinance requires that there 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 shall 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 RTA.

AUTHORITY OBLIGATIONS

Prior to January 1, 2000, the RTA was authorized under the Act (i) to issue $500 million of bonds for public transportation projects (*"SCIP Bonds"*) approved by the Governor of the State as part of the RTA's Strategic Capital Improvement Program (*"SCIP Program"*), (ii) to issue and have outstanding from time to time $500 million 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 $100 million of working cash notes.

Effective January 1, 2000, the Act was amended to authorize the RTA (i) to issue an additional $260,000,000 of SCIP Bonds in each year for the period of 2000 through 2004 and (ii) to issue and have outstanding from time to time an additional $300,000,000 of non-SCIP Bonds. Pursuant to this authorization, the Authority issued $260,000,000 of SCIP Bonds in June, 2000, $100,000,000 of SCIP Bonds in March, 2001 and $160,000,000 of SCIP Bonds in March, 2002. The Series 2002B Bonds constitute a portion of the non-SCIP Bonds that can be issued for public transportation projects pursuant to this authorization. The Authority may issue additional SCIP Bonds and/or non-SCIP Bonds prior to the end of the year 2002.

The following table sets forth the aggregate statutory authorization of Authority Obligations for public transportation projects permitted as of the dates shown.

RTA BOND AUTHORIZATION
[in millions]

	Prior to 1/1/99	1/1/00	1/1/01	1/1/02	1/1/03	1/1/04
Non-SCIP Bonds[1]	$ 500	$ 800	$ 800	$ 800	$ 800	$ 800
SCIP Bonds[2]	500	760	1,020	1,280	1,540	1,800
Working Cash Notes[1]	100	100	100	100	100	100
Total	$1,100	$1,660	$1,920	$2,180	$2,440	$2,700

[1] Authorized to be issued and outstanding.

[2] Authorized to be issued.

The Authority is authorized to issue non-SCIP Bonds to refund non-SCIP Bonds within the limits on the principal amount of outstanding non-SCIP Bonds described above.

Effective July 1, 1999, the Act was amended to authorize the Authority to issue bonds or notes in such amounts as may be necessary to provide for the refunding of SCIP Bonds. However, no such refunding obligation may mature later than the final maturity of the refunded SCIP Bonds and the debt service in any year for such refunding obligations may not exceed the debt service requirements for the SCIP Bonds refunded in that year.

Upon the issuance of the Series 2002B Bonds, the Authority will have $968,405,000 of SCIP Bonds Outstanding and will have $641,975,000 (including the Series 2002B Bonds) of non-SCIP Bonds Outstanding. No Working Cash Notes are outstanding.

Under the Act, Authority Obligations, which include the Series 2002B Bonds, 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.

Additional Authority Obligations. 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 Series 2002B Bonds. Continued funding of the RTA's capital program at recent levels will require the issuance of Additional Authority Obligations. See "**RTA CAPITAL PROGRAM** – GENERAL DESCRIPTION OF THE RTA CAPITAL PROGRAM."

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 is not less than the Reserve Requirement for such Account, and (iii) 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 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 1993A&B Bonds, the Series 1994C&D Bonds, the Series 1996 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 and the Series 2002B Bonds.

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.

In addition, 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.

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.

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 forty 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.

The Act also authorizes the Authority to enter into rate protection contracts to reduce the risk of loss to the Authority or protect, preserve or enhance the value of its assets. The Authority may also enter into those contracts to provide compensation for losses resulting from changes in interest rates. The Authority entered into an interest rate swap agreement with UBS AG in November, 2001 in which the Authority pays UBS AG a variable rate and UBS AG pays the Authority a fixed rate per annum with respect to a notional amount that is related to certain outstanding Authority Obligations. The initial notional amount was $112,250,000 and declines as the Authority Obligations mature. The Authority's obligations under the agreement are payable from its general fund, but are subordinate to the obligations of the Authority under the General Ordinance. The Authority may enter into other interest rate swap agreements in the future. The Authority's obligations under any rate protection contract do not constitute bonds or notes within the meaning of the Act.

Debt Service Reserve Fund Policy Agreements. In connection with the issuance of the Series 1990A Bonds, the Series 1991A Bonds, the Series 1992A&B Bonds, the Series 1993A&B Bonds, the Series 1993C Bonds, the Series 1994A&B Bonds, the Series 1994C&D Bonds, the Series 1996 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 and the Series 2002B Bonds, the Authority acquired a Reserve Fund Credit Instrument to satisfy the Reserve Requirement for each 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.

AGREEMENTS OF THE STATE

In the Act, the State pledges to and agrees with the Holders of the Authority Obligations (including the Series 2002B Bonds) 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 Series 2002B Bonds), 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 Series 2002B Bonds) 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.

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 and the Series 2002B Bonds for each calendar year is set forth below:

	SERIES 2002B BONDS		OUTSTANDING BONDS	
YEAR	PRINCIPAL	INTEREST	PRINCIPAL AND INTEREST[1]	TOTAL DEBT SERVICE
2002	$ -	$5,195,719	$106,654,278	$111,849,997
2003	8,720,000	10,260,638	115,353,057	134,333,695
2004	8,900,000	9,929,588	115,319,176	134,148,764
2005	9,125,000	9,501,213	115,340,631	133,966,844
2006	9,400,000	9,038,088	115,193,863	133,631,951
2007	9,710,000	8,560,338	115,196,577	133,466,915
2008	10,060,000	8,053,513	115,174,011	133,287,524
2009	10,450,000	7,515,125	115,202,354	133,167,479
2010	10,870,000	6,941,888	115,236,684	133,048,572
2011	11,325,000	6,331,525	115,227,065	132,883,590
2012	11,815,000	5,695,175	115,209,346	132,719,521
2013	12,335,000	5,031,050	115,183,880	132,549,930
2014	12,900,000	4,345,150	115,138,669	132,383,819
2015	13,500,000	3,635,650	115,044,975	132,180,625
2016	14,140,000	2,892,825	114,833,940	131,866,765
2017	14,830,000	2,114,256	114,789,461	131,733,717
2018	15,565,000	1,297,391	114,869,441	131,731,832
2019	16,355,000	439,541	114,831,983	131,626,524
2020	-	-	114,844,298	114,844,298
2021	-	-	106,652,865	106,652,865
2022	-	-	98,804,378	98,804,378
2023	-	-	81,060,536	81,060,536
2024	-	-	73,455,635	73,455,635
2025	-	-	53,054,530	53,054,530
2026	-	-	38,207,350	38,207,350
2027	-	-	38,134,600	38,134,600
2028	-	-	38,070,150	38,070,150
2029	-	-	38,002,075	38,002,075
2030	-	-	37,928,800	37,928,800
2031	-	-	18,348,400	18,348,400
2032	-	-	11,326,100	11,326,100
	$200,000,000	$106,778,669	$2,811,689,108	$3,118,467,777

(1) Prior to issuance of the Series 2002B Bonds.

ESTIMATED DEBT SERVICE COVERAGE

The following table shows projected debt service coverage by projected available Sales Tax Revenues and by projected Available Revenues. Available Revenues consists of the total of Sales Tax Revenues and Public Transportation Fund Revenues. The Authority makes no representation by the inclusion of the following table that the Available Revenues for debt service coverage will be the amounts shown on the following table. Over the term of the Bonds, 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 Bonds could result in a material change in Available Revenues.

The RTA's projections of Sales Tax Revenues and Public Transportation Fund Revenues for calendar year 2002 are based upon the RTA's projection of estimated revenues to be available and not the estimated revenue projections of the Illinois Bureau of the Budget (the "*BoB*") submitted to the RTA by the BoB in October, 2001 and revised in May, 2002. In May, 2002 the BoB revised its estimated revenue projections downwards by 3% (or $26 million) from its October, 2001 projections. See "**THE REGIONAL TRANSPORTATION AUTHORITY**—RTA FINANCES—Sales Tax Revenues," —"Public Transportation Fund Revenues" and —"2002 BUDGET AND 2003-04 FINANCIAL PLAN." The RTA's projections of Sales Tax Revenues and Public Transportation Fund Revenues for years 2003 and 2004 are based on its estimate for year 2002, to which is applied an estimated growth rate of 4.0% utilized by the RTA to forecast Sales Tax Revenues. Should year 2002 Sales Tax Revenues and Public Transportation Fund Revenues be less than projected, such shortfall could affect the projections for years 2003 and 2004. Projections after year 2004 were computed using the compound annual growth rate of Sales Tax Revenues between the years 1980 through 2000 of 4.685% per year. See Appendix A—"RTA HISTORICAL AND PROJECTED SALES TAX REVENUES."

DEBT SERVICE COVERAGE
(Dollars in Thousands)

CALENDAR YEAR	TOTAL DEBT SERVICE	PROJECTED SALES TAX REVENUES	TIMES COVERAGE BY SALES TAX REVENUES	PROJECTED AVAILABLE REVENUES	TIMES COVERAGE BY PROJECTED AVAILABLE REVENUES
2002	$ 111,850	$ 676,344	6.0	$ 845,430	7.6
2003	134,334	703,392	5.2	879,240	6.5
2004	134,149	731,538	5.5	914,423	6.8
2005	133,967	765,811	5.7	957,264	7.1
2006	133,632	801,689	6.0	1,002,111	7.5
2007	133,467	839,248	6.3	1,049,060	7.9
2008	133,288	878,567	6.6	1,098,209	8.2
2009	133,167	919,728	6.9	1,149,660	8.6
2010	133,049	962,817	7.2	1,203,521	9.0
2011	132,884	1,007,925	7.6	1,259,906	9.5
2012	132,720	1,055,146	8.0	1,318,933	9.9
2013	132,550	1,104,580	8.3	1,380,725	10.4
2014	132,384	1,156,330	8.7	1,445,413	10.9
2015	132,181	1,210,504	9.2	1,513,130	11.4
2016	131,867	1,267,216	9.6	1,584,020	12.0
2017	131,734	1,326,585	10.1	1,658,231	12.6
2018	131,732	1,388,736	10.5	1,735,920	13.2
2019	131,627	1,453,798	11.0	1,817,248	13.8
2020	114,844	1,521,908	13.3	1,902,385	16.6
2021	106,653	1,593,209	14.9	1,991,511	18.7
2022	98,804	1,667,851	16.9	2,084,814	21.1
2023	81,061	1,745,990	21.5	2,182,488	26.9
2024	73,456	1,827,790	24.9	2,284,738	31.1
2025	53,055	1,913,422	36.1	2,391,778	45.1
2026	38,207	2,003,066	52.4	2,503,833	65.5
2027	38,135	2,096,910	55.0	2,621,138	68.7
2028	38,070	2,195,150	57.7	2,743,938	72.1
2029	38,002	2,297,993	60.5	2,872,491	75.6
2030	37,929	2,405,654	63.4	3,007,068	79.3
2031	18,348	2,518,359	137.3	3,147,949	171.6
2032	11,326	2,636,344	232.8	3,295,430	291.0

MUNICIPAL BOND INSURANCE POLICY

The following information has been issued by Financial Guaranty for use in this Official Statement. Reference is made to Appendix I for a specimen of Financial Guaranty's Municipal Bond Insurance Policy.

Concurrently with the issuance of the Series 2002B Bonds, Financial Guaranty will issue its Municipal Bond New Issue Insurance Policy for the Series 2002B Bonds (the "*Policy*"). The Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Series 2002B Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the Authority. Financial Guaranty will make such payments to State Street Bank and Trust Company, N.A., or its successor as its agent (the "*Fiscal Agent*"), on the later of the date on which such principal and interest is due or on the business day next following the day on which Financial Guaranty shall have received telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from an owner of Series 2002B Bonds or the Paying Agent of the nonpayment of such amount by the Authority. The Fiscal Agent will disburse such amount due on any Series 2002B Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner's right to receive payment of the principal and interest due for payment and evidence, including any appropriate instruments of assignment, that all of such owner's rights to payment of such principal and interest shall be vested in Financial Guaranty. The term "nonpayment" in respect of a Series 2002B Bond includes any payment of principal or interest made to an owner of a Series 2002B Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

The Policy is non-cancellable and the premium will be fully paid at the time of delivery of the Series 2002B Bonds. The Policy covers failure to pay principal of the Series 2002B Bonds on their respective stated maturity dates and not on any date on which the Series 2002B Bonds may have been otherwise called for redemption, accelerated or advanced in maturity, and covers the failure to pay an installment of interest on the stated date for its payment.

Generally, in connection with its insurance of an issue of municipal securities, Financial Guaranty requires, among other things, (i) that it be granted the power to exercise any rights granted to the holders of such securities upon the occurrence of an event of default, without the consent of such holders, and that such holders may not exercise such rights without Financial Guaranty's consent, in each case so long as Financial Guaranty has not failed to comply with its payment obligations under its insurance policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to Financial Guaranty's consent. The specific rights, if any, granted to Financial Guaranty in connection with its insurance of the Series 2002B Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. Reference should be made as well to such description for a discussion of the circumstances, if any, under which the Authority is required to provide additional or substitute credit enhancement, and related matters.

This Official Statement contains a section regarding the ratings assigned to the Series 2002B Bonds and reference should be made to the information under the caption "RATINGS" for a discussion of such ratings and the basis for their assignment to the Series 2002B Bonds. Reference should be made to the information under the caption "RATINGS" for a discussion of the underlying ratings, if any, assigned to the Series 2002B Bonds.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation (the "*Corporation*"), a Delaware holding company. The Corporation is a subsidiary of General Electric Capital Corporation ("*GE Capital*"). Neither the Corporation nor GE Capital is obligated to pay the debts of or the claims against Financial Guaranty. Financial Guaranty is a monoline financial guaranty insurer domiciled in the State of New York and subject to regulation by the State of New York Insurance Department. As of March 31, 2002, the total capital and surplus of Financial Guaranty was approximately $1.03 billion. Financial Guaranty prepares financial statements on the basis of both statutory accounting principles and generally accepted accounting principles. Copies of such financial statements may be obtained by writing to Financial Guaranty at 125 Park Avenue, New York, New York 10017, Attention: Communications Department (telephone number: 212-312-3000) or to the New York State Insurance Department at 25 Beaver Street, New York, New York 10004-2319, Attention: Financial Condition Property/Casualty Bureau (telephone number: 212-480-5187).

THE REGIONAL TRANSPORTATION AUTHORITY

GOVERNANCE

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 provided for extensive investment in public transportation infrastructure and significant involvement in the provision of public transportation services for the 8.0 million residents of the six-county northeastern Illinois region (the "*Region*"). For example, replacement costs for the assets used in public transportation service approximate $24 billion. Over 2,400 buses are deployed on over 360 routes and more than 2,300 rail cars and locomotives operate on 19 rail lines. In 2001, approximately 571 million riders made use of the System (as hereinafter defined). Public transportation is vital to the economic well-being of the Region.

To finance, oversee and operate public transportation in the Region, the State has created four entities by law: the RTA, the Chicago Transit Authority (the "*CTA*"), the Commuter Rail Division ("*Metra*") and the Suburban Bus Division ("*Pace*"; each a "*Service Board*" and collectively, the "*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, financing and providing public transportation services in the Region. The Act allocates the responsibility for setting fares and providing service among the CTA, Metra and Pace. The RTA provides financial assistance to, and is responsible for fiscal oversight of, the Service Boards. 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 228 Chicago and suburban locations. Pace provides bus service throughout the suburbs and to the City of Chicago. 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 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.

Central to its planning, 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 "**THE REGIONAL TRANSPORTATION AUTHORITY**—2002 BUDGET AND 2003-04 FINANCIAL PLAN". Further, the RTA and its 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. It is the RTA's responsibility to ensure that this ratio is maintained through the review and approval of each Service Board's budget and System Generated Revenue Recovery Ratio. 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 System Generated Revenue Recovery Ratio. See "**THE REGIONAL TRANSPORTATION AUTHORITY**— FINANCIAL CONTROLS OVER SERVICE BOARDS."

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 Program.

ORGANIZATION AND MANAGEMENT

The governing body of the RTA is its Board of Directors consisting of thirteen persons. Four directors are appointed by the Mayor of the City of Chicago with the advice and consent of the City Council. The fifth City of Chicago representative on the Board is the Chairman of the CTA. Four directors are appointed by the commissioners of the Cook County Board elected from districts a majority of the electors of which reside outside the City of Chicago. One director is appointed by the Chairman of the DuPage County Board, with the advice and consent of the DuPage County Board, and two directors are appointed by the joint determination of the Chairmen of the County Boards of Kane, Lake, McHenry and Will Counties. The thirteenth member, who is the Chairman of the Board of the RTA, is appointed by the other twelve directors by a three-fourths vote. The Chairman and each director serves for a five-year term and until his or her successor has been appointed and qualified. The constitutionality of the appointment powers exercised by the suburban Cook County

Commissioners has been challenged in litigation currently pending against the RTA, Metra and Pace. See "**LITIGATION**."

The RTA maintains a staff of approximately 75 transportation professionals.

Thomas J. McCracken, Jr. became Chairman of the Regional Transportation Authority Board of Directors in 1993. Mr. McCracken currently practices law at the Chicago firm of McCracken & Walsh. From 1983 to 1992, Mr. McCracken served in the Illinois General Assembly as State Representative, then as State Senator from November 1992 until his appointment as Chairman at the RTA. Mr. McCracken received a Bachelor of Arts degree in Political Science from Marquette University, and is a graduate of Loyola University School of Law.

Richard J. Bacigalupo has served as Executive Director of the RTA since 1996. From 1988 until his appointment as Executive Director, Mr. Bacigalupo served as General Counsel of the RTA. From 1979 to 1988, Mr. Bacigalupo was employed at the Urban Mass Transportation Administration. Previously, Mr. Bacigalupo was employed at Rhyne and Rhyne in Washington, D.C. He graduated from Marquette University and received a J.D. from The National Law Center at George Washington University. Mr. Bacigalupo is licensed to practice law in the State of Illinois and the District of Columbia.

Joseph G. Costello has served as Chief Financial Officer of the RTA since 1995. Prior to that he was a Financial Controller for a multinational transport and logistics company. Previously, Mr. Costello held various financial management positions with two multinational manufacturing concerns after serving as an auditor with Price Waterhouse. Mr. Costello received a B.S. degree in accounting from the University of Illinois, an M.B.A. from the University of Chicago, and a C.P.A. Certificate from the State of Illinois.

John DeLaurentiis has served as Deputy Executive Director of Planning since 1996. From 1985 to 1996, Mr. DeLaurentiis was employed by the Illinois Department of Transportation serving as a statewide transit grant program Section Chief. Previously, Mr. DeLaurentiis served as a project manager for a Chicago area housing development firm and in various capacities with the City of Chicago's Department of Housing in the Office of Research and Development. Mr. DeLaurentiis received a B.A. degree from the University of Illinois and an MPA from Governor's State University.

Paula Thibeault has served as General Counsel of the RTA since 1996. Previously, she served the RTA in a variety of capacities. Ms. Thibeault has owned and operated her own consulting business in Washington, D.C. She graduated from the University of Dayton and received a J.D. from The National Law Center at George Washington University. Ms. Thibeault is licensed to practice law in the State of Illinois and the District of Columbia.

Allan Sharkey has served as the RTA's 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 for the year 2001 was 571.0 million, which was a 0.5% increase over the year 2000. System ridership for the calendar year 2000 was 567.9 million, which was 1.7% higher than calendar year 1999.

YEARLY RIDERSHIP
UNLINKED PASSENGER TRIPS
(IN MILLIONS)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
CTA										
Bus	373.3	328.1	327.3	307.3	303.3	289.2	291.7	300.2	303.3	303.1
Rail	120.6	118.5	120.9	119.3	124.0	130.0	132.4	141.7	147.2	151.7
Total CTA	493.9	446.6	448.2	426.6	427.3	419.2	424.1	441.9	450.5	454.8
METRA	70.2	69.9	72.0	70.4	70.6	72.3	74.5	76.6	78.8	79.2
PACE	39.3	38.3	38.6	37.2	37.5	37.9	39.3	40.2	38.6	37.0
SYSTEM TOTAL	603.4	554.8	558.8	534.2	535.4	529.4	537.9	558.7	567.9	571.0
PERCENT CHANGE	(5.6%)	(8.1%)	0.7%	(4.4%)	0.2%	(1.1%)	1.6%	3.9%	1.7%	0.5%

RTA FINANCES

Revenues. The RTA has the following principal sources of revenues: (i) Sales Tax Revenues, including Replacement Revenues; (ii) Public Transportation Fund Revenues; (iii) State Assistance; and (iv) Miscellaneous Revenues (including State reimbursements for certain reduced fare programs) all as described below. Sales Tax 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 Series 2002B Bonds; other funds, such as State Assistance, are not available for payments on Authority Obligations, including the Series 2002B Bonds.

Sales Tax Revenues. Proceeds of the RTA Sales Tax are pledged as security for the Series 2002B Bonds and other Authority Obligations 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 Series 2002B Bonds. The RTA Sales Tax currently imposed by the RTA consists of the following: (i) in Cook County, 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"*); (ii) a tax of 0.75% in Cook County, and 0.25% in counties within Northeastern Illinois other than Cook County, of the gross receipts from all other taxable retail sales (a *"General Sales Tax"*); and (iii) a tax of 0.75% on the use in Cook County, and 0.25% on the use in Northeastern Illinois other than in 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"*). The Food and Drug Tax and the General Sales Tax are also imposed 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 RTA Sales Tax, net of applicable retailers' discount, 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 in the RTA tax fund created under the Act (the *"RTA Tax Fund"*). Moneys 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 Series 2002B Bonds or other Authority Obligations, before being paid to the RTA. See "**SECURITY FOR THE SERIES 2002B BONDS**—SECURITY AND SOURCES OF PAYMENT."

Since 1990, in order to compensate local governments, including the RTA, for any revenues lost by 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 to offset RTA revenue loss resulting from that restructuring. Approximately 12% of the Replacement Revenues are subject to annual appropriation by the Illinois General Assembly. The balance of Replacement Revenues is not subject to annual appropriation. Replacement Revenues in the RTA Occupation and Use Tax Replacement Fund are paid monthly by the State Treasurer to or on behalf of the RTA, subject to such annual appropriation. Replacement Revenues in the RTA Tax Fund are not subject to annual appropriation and are paid monthly by the State Treasurer to or on behalf of the RTA.

The Replacement Revenues are pledged as security for the Series 2002B Bonds 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 Series 2002B Bonds.

For a discussion of the RTA's projection of Sales Tax Revenues, see Appendix A—"RTA Historical and Projected Sales Tax Revenues."

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 Counties of DuPage, Kane, Lake, McHenry and Will; (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 Series 2002B Bonds and other Authority Obligations and are paid directly by the State to the Trustee for the payment of debt service on Authority Obligations, including the Series 2002B Bonds. Subject to annual appropriation by the Illinois General Assembly, 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 25% of the net revenues realized from the RTA Sales Tax and 25% of the net Replacement Revenues. See "**THE REGIONAL TRANSPORTATION AUTHORITY**—RTA FINANCES—Sales Tax Revenues."

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 addition, 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 Authority Obligations, including the Series 2002B Bonds. 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 Authority Obligations, including the Series 2002B Bonds. State Assistance is paid directly to the RTA and may be spent at its discretion 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 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 statutory ceiling for State Assistance is an additional $16 million in State fiscal year 2001, $35 million in State fiscal year 2002, $54 million in State fiscal year 2003, $73 million in State fiscal year 2004, $93 million in State fiscal year 2005 and $100 million in each State fiscal year thereafter.

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 2002 and the State has made the necessary appropriations with respect to payment of State Assistance for that fiscal year. 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 the 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 Authority Obligations, including the Series 2002B Bonds.

Expenditures. The RTA has four principal objects of expenditure: (i) operating grants to the Service Boards, (ii) capital grants to the Service Boards, (iii) administrative and regional expenses of the RTA, and (iv) debt service.

Operating Grants to Service Boards. Under the Act and the General Ordinance, the State pays all Sales Tax Revenues directly to the Trustee as security for debt service on Authority Obligations, including the Series 2002B Bonds. 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 SERIES 2002B BONDS**—DEBT SERVICE FUND." Of the Sales Tax Revenues, the RTA withholds 15%, to be deposited into the RTA's general fund and to be used at the RTA's discretion. The RTA is required to pay to the Service Boards the remainder of the Sales Tax Revenues as follows: (i) an amount equal to 85% of the total proceeds collected within the City of Chicago is allocated and paid to the CTA; (ii) an amount equal to 85% of the total proceeds collected in suburban Cook County is allocated and paid 30% to the CTA, 55% to Metra and 15% to Pace; and (iii) an amount equal to 85% of the total proceeds collected in the five counties in Northeastern Illinois other than Cook County is allocated and paid 70% to Metra and 30% to Pace.

Under the Act and the General Ordinance, the State pays all Public Transportation Fund Revenues to the Trustee as security for debt service on Authority Obligations, including the Series 2002B Bonds. 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 SERIES 2002B BONDS**—DEBT SERVICE FUND." The amounts provided to the Service Boards from Public Transportation Fund Revenues, as well as from 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 allocable amounts of such funds 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. See "**THE REGIONAL TRANSPORTATION AUTHORITY**—RTA FINANCES."

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 Series 2002B Bonds.

Capital Grants. By constraining operating costs, the RTA and the Service Boards have been able to provide additional funding for Service Board capital projects. A portion of these funds originates from the amount of sales tax allocated to Metra by statute. The remainder of these funds originates from RTA revenues, which the RTA at its discretion provides to the Service Boards through capital grants. 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. The regional (also referred to as non-administration) expenses relate to functions undertaken by the RTA for the Service Boards, such as the Travel Information Center and the recertification of individuals for Reduced Fare ridership cards, which provide service to the Region, transit technology and coordination initiatives.

Debt Service. The total annual debt service payments on Outstanding Authority Obligations is set forth in the table entitled "**SECURITY FOR THE SERIES 2002B BONDS**—ANNUAL DEBT SERVICE" above.

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. That process is followed by quarterly reviews of budget performance. The Act sets criteria by which proposed budgets and financial plans are to be reviewed and requires that the System Generated Revenue Recovery Ratio equal or exceed 50%.

The Act confers upon the RTA Board powers to prescribe regulations requiring that the Service Boards submit to the RTA such information as the RTA may require. 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 nine of its Directors, determines that the results are substantially in accordance with the adopted budget and certifies such 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 may not release any funds, other than such Service Board's share of Sales Tax Revenues, to the Service Board. See "**THE REGIONAL TRANSPORTATION AUTHORITY**- 2002 BUDGET AND 2003-04 FINANCIAL PLAN."

The RTA Board has statutory authority to establish by rule or regulation financial, budgetary or fiscal requirements for the System. The RTA Board has established certain principles to guide the RTA/Service Board fiscal relationship. The primary principle established by the 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

Table I contains Statements of Revenues and Expenditures for the RTA (including funding for the Service Boards) for the years 1997 to 2001. The financial information is presented on a funding basis and differs in certain respects from the presentation of the financial statements contained in Appendix B—"Comprehensive Annual Financial Report" as explained in the footnotes to the Table. For the financial results of the individual Service Boards, see Appendix C—"Combining

Financial Statements" and Appendix D—"Service Board Historical Financial Results and 2002 Budgets and 2003-04 Financial Plans." Not all of the amounts shown under the heading "REVENUES" in the Table constitute security for the Authority Obligations, including the Series 2002B Bonds. See "**SECURITY FOR THE SERIES 2002B BONDS.**"

As shown in Table I, for the period 1997 through 2001, RTA revenues grew approximately $130 million, an annual compound growth rate of 3.9%. Sales Taxes and Public Transportation Fund Revenues grew at an annual compound growth rate of approximately 4.2% from 1997 through 2001, while federal operating assistance declined to zero over the same period. The increase in sales tax reflected the robust economy of the Region during such period, and related increased consumer spending. The Public Transportation Fund amount equals 25% of the sales tax total and so increases or decreases with the sales tax. Increased State Assistance, which reimburses the RTA for debt service on SCIP Bonds reflects an increasing level of debt service, due to the increasing amounts of the outstanding SCIP Bonds. The decrease in federal operating assistance reflects the federal policy decision to curtail and then discontinue this assistance.

From 1997 through 2001, RTA operating expenditures grew $106 million, an annual compound growth rate of 3.9%. In 2001, revenues grew at the same rate as expenditures, reflecting the need for the System to recover at least 50% of its operating costs through revenues.

Sales tax growth for 2001 was more modest than in past years as a result of a weakened economy. Revenues for 2001 were $910 million (as shown in Table I), which was approximately $5 million more than revenues for 2000. Operating expenditures were $750 million in 2001, an increase of approximately $35 million over operating expenditures for 2000. Operating grants to the Service Boards increased to support the revenue and ridership growth of the System. Regional expenses increased to support initiatives such as the certification of riders under the Americans with Disabilities Act and the operation of the Travel Information Center to provide trip itinerary information.

TABLE I*

RTA STATEMENTS OF REVENUES AND EXPENDITURES (INCLUDING FUNDING FOR THE SERVICE BOARDS) 1997-2001 FINANCIAL INFORMATION

(Dollars in Thousands)

	1997 ACTUAL	1998 ACTUAL	1999 ACTUAL	2000 ACTUAL	2001 ACTUAL
REVENUES					
Sales Tax	$555,496	$576,704	$613,514	$650,284	$653,522
Public Transportation Fund (PTF)	139,093	144,846	153,343	162,247	164,987
Federal Operating Assistance	21,591	6,746	-0-	-0-	-0-
State Assistance	37,953	39,435	39,446	41,839	43,662
State Reduced Fare Reimbursements	19,243	19,837	19,386	38,759	39,531
Investment Income and Other(1)	7,320	7,260	8,436	12,125	9,068
TOTAL REVENUES(2)	$780,696	$794,828	$834,125	$905,254	$910,770
DEBT SERVICE(3)	$ 77,729	$ 73,428	$ 73,819	$87,632	$83,793
OPERATING EXPENDITURES					
Financial Assistance to Service Boards(4)	$612,184	$620,002	$638,328	$ 659,754	$690,989
Administration and Regional Expenses(5)	12,638	15,783	15,788	16,806	19,332
State Reduced Fare Reimbursements to Service Boards	19,243	19,837	19,386	38,759	39,531
TOTAL OPERATING EXPENDITURES(6)	$644,065	$655,622	$673,502	$ 715,319	$749,852
FUNDS BEFORE CAPITAL EXPENDITURES AND OTHER INITIATIVES	$58,902	$65,778	$86,804	$102,303	$77,125
SYSTEM GENERATED REVENUE RECOVERY RATIO(7)	53.2%	58.1%	53.4%	53.8%	53.6%

*Prepared by the RTA from audited financial statements for Fiscal Years 1997 through 2001.

Table I Footnotes for 2001

(Dollars in Thousands)

1. Excludes investment income totaling $19,011 from the following funds: Debt Service $16,138, Capital Projects $2,821 and Joint Self Insurance/Pension $52. Also excluded were leasehold revenue of $4,262, interest revenue from leasing transactions of $120,912, capital grants of $322,884 and other public funding of $156,739. Other combining adjustments were for sales tax interest ($744) and investment income ($29). Total revenue exclusions were $623,035.

2. The following schedule reconciles the RTA's 2001 Table I revenue with the total revenue of $2,214,207 identified on page 28 of the Combining Financial Report attached hereto as Appendix C.

Adjustments from the Combining Financial Report

Revenue Exclusions	
Debt Service Fund	$16,138
Capital Projects Fund	2,821
Joint Self-Insurance/Pension Fund	52
Total Investment Income	19,011
Leasehold Revenue	4,262
Interest Revenue from Leasing Transactions	120,912
Capital Grants	322,884
Other Public Funding	156,739
Other Combining Adjustments	(773)
Total Revenue Exclusions	623,035
Total Service Board Revenues	680,402
Total Combining Adjustments	1,302,709
Total Table I Revenues	910,770
Total Combining Revenue	$2,214,207

3. These figures represent payments from the General Fund to the Debt Service Accounts held by the Trustee and not actual payments to bondholders.

4. Expenditures of the RTA, transferred from the RTA to the Service Boards and used by these entities to fund their operating deficit. Expenditures in 2001 include: financial assistance to the Service Boards of $690,245 (after excluding sales tax for Service Board capital of $34,105) and sales tax interest of $744 that total $690,989. These expenditures are shown on the Combining Financial Report, page 28 of Appendix C.

5. Excludes Regional expenses from the Joint Self Insurance/Pension fund totaling $8,705 and other Regional expenditures of $610. Regional, administration and technology expenses on the Combining Financial Report, page 28 of Appendix C, are $28,647.

6. The following schedule reconciles the RTA's 2001 Table I operating expenditures with the total expenditures of $2,142,026 identified on page 28 of the Combining Financial Report. Amounts transferred from the RTA to the Service Boards are not expenditures of the RTA and the Service Boards as combined entities (and are eliminated in combining) and therefore are not included.

Adjustments from the Combining Financial Report

Elimination of RTA expense transfers (note #4)	$ (690,989)
Elimination of State Reduced Fare Reimbursements	(39,531)
Regional Expenses (note #5)	9,315
Bond Related Expenses	90,960
Interest Expense from Leasing Transactions	117,534
Total Service Board Operating Expense & Depreciation	1,904,885
Total Combining Adjustments	1,392,174
Total Table I Expenses	749,852
Total Combining Expenses	$2,142,026

7. The RTA 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. The Combining Financial Report presents the calculation of this ratio on page 26 of Appendix C.

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%.

In determining the amounts to be available during the period of the annual budget and two-year financial plan, the RTA starts with an estimate of Sales Tax Revenues for the next calendar year provided by BoB in July of each year. In October 2001, the BoB submitted to the RTA a revised estimate of Sales Tax Revenues expected to be available to the RTA for calendar year 2002. In May 2002, the BoB further revised its 2002 Sales Tax Revenue estimate downwards by 3% (or \$26 million) from its October, 2001 projections. This estimate was 0.7% lower than the estimate used by the RTA in the preparation of its 2002 budget. The RTA does not intend at this time to adjust its 2002 budget or its calculation of projected Sales Tax Revenues.

Following receipt of the RTA estimates of funding available, each Service Board develops a proposed annual budget and two-year financial plan. 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. 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 September 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.

On September 14, 2001, the RTA established the 2002 System Generated Revenue Recovery Ratios for each of the Service Boards, as well as the amount of operating grants that each Service Board could expect to receive from the RTA during each of the next three years. Subsequent to establishing these amounts, many economists revised downward their general economic outlook for 2002. The Sales Tax Revenue and Public Transportation Fund Revenue amounts shown in the RTA's budget and financial plan for 2002 through 2004 reflect these lower expectations rather than the BoB estimates that had been provided to the RTA in October, 2001. The RTA, however, maintained its operating funding amounts at the levels established on September 14, 2001 to support existing budget and financial plans of the Service Boards. The RTA will draw from funds otherwise used for "pay-as-you-go" capital investment to maintain this support to the Service Boards.

In the event the actual amount of Sales Tax Revenues and Public Transporation Fund Revenues received for years 2003 and 2004 proves to be less than the amounts assumed by the RTA in the preparation of its current budget and financial plan, the RTA has indicated it will reduce the amount of proposed increases in operating grants to the Service Boards for such years.

Each Service Board presented its 2002 budget and 2003-04 financial plan to the RTA for approval under the Act. On December 28, 2001, the proposed budget submitted by Pace was rejected by the RTA and, as provided in the Act, the RTA adopted a revised budget on behalf of Pace. See "**LITIGATION**". At that same meeting, the RTA approved the annual budget and 2003-04 financial plan of CTA and Metra and adopted the RTA's 2002 budget and 2003-04 financial plan. Table II, which follows, presents the adopted 2002 budget and 2003-04 financial plan of the RTA on the same basis as Table I.

The 2002 budgets of each Service Board are balanced and achieve the statutorily required System Generated Revenue Recovery Ratio of no less than 50%. See Appendix D for individual Service Board historical operating financial results for 1997 through 2001 and the Service Boards' 2002 budgets and 2003-2004 financial plans.

TABLE II
RTA 2002 BUDGET AND 2003-04 FINANCIAL PLAN
(Dollars in Thousands)

	2002 BUDGET	2003 PLAN	2004 PLAN
REVENUES			
Sales Tax	$676,344	$703,392	$731,538
Public Transportation Fund (PTF)	169,086	175,848	182,885
State Assistance	57,499	80,871	98,184
State Reduced Fare Reimbursements[1]	36,000	36,000	36,000
Investment Income and Other	13,741	12,423	12,783
TOTAL REVENUES	$952,670	$1,008,534	$1,061,390
DEBT SERVICE[2]	$121,233	$124,470	$148,598
OPERATING EXPENDITURES			
Financial Assistance to Service Boards[3]	$725,958	$759,901	$785,287
Administration and Regional Expenses[4]	25,027	26,198	27,076
State Reduced Fare Reimbursements to Service Boards[1]	36,000	36,000	36,000
TOTAL OPERATING EXPENDITURES	$786,985	$822,099	$848,363
FUNDS BEFORE CAPITAL EXPENDITURES AND OTHER INITIATIVES	$44,452	$61,965	$64,429
SYSTEM GENERATED REVENUE RECOVERY RATIO	52.8%	52.6%	52.6%

[1]Represents a $4 million reduction in Reduced Fare Reimbursements from the amount of Reduced Fare Reimbursements provided by the State in calendar year 2001. This reduction in the amount of operating assistance provided by the State is due to State budget constraints.

[2]These figures represent payments from the General Fund to the Debt Service Accounts held by the Trustee and not actual payments to bondholders. The increase in debt service shown for Fiscal Years 2003 and 2004 reflects the expected issuance of additional RTA bonds.

[3] Includes financial assistance for Service Boards and sales tax interest.

[4]Includes operating expenditures of the RTA for transit technology, traffic flow, signaling and other coordination initiatives for the System.

RTA CAPITAL PROGRAM

GENERAL DESCRIPTION OF THE RTA CAPITAL PROGRAM

The System provides 571 million trips annually. This 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 \$24 billion. 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, 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 programs, proceeds of RTA bonds, and State of Illinois programs. The level of funding at the federal as well as state levels has risen reflecting the increasing recognition of the importance of public transportation. See "**SECURITY FOR THE SERIES 2002B BONDS**—AUTHORITY OBLIGATIONS."

In recent years the RTA and the Service Boards have also been able to direct funds to capital investment by successfully constraining operating costs and by designating a portion of operating revenues for capital.

FIVE YEAR CAPITAL PROGRAM

The most recent five-year capital program covers years 2002 through 2006. Replacement and rehabilitation of rolling stock represents the largest single category of investment, followed by track and structure repair and System expansion. System expansion includes plans by the CTA and Metra to extend or reconstruct certain existing lines to increase ridership and to modernize and enlarge passenger facilities such as station platforms to assure passenger comfort and safety.

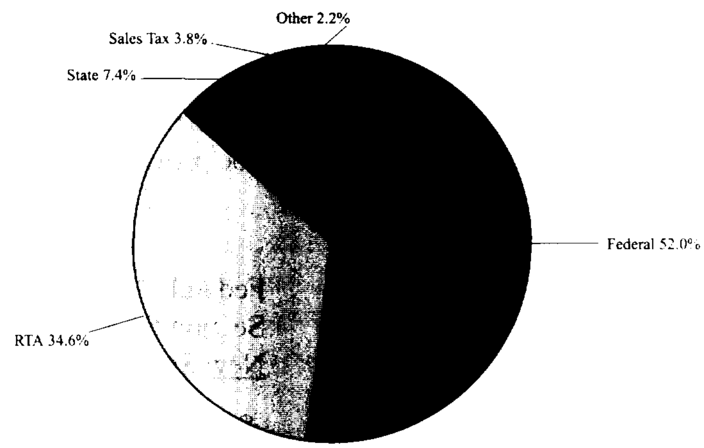
2002-2006 Capital Program (\$000,000)
by Asset Category*

ASSET CATEGORY	CTA	Metra	Pace	TOTAL
Rolling Stock	\$855	\$548	\$160	\$1,564
System Expansions	577	357	0	933
Track & Structure	463	419	0	882
Support Facilities & Equipment	402	140	66	608
Passenger Facilities	152	180	4	337
Electric & Communications	187	138	13	338
All Other	166	20	9	195
Total	\$2,803	\$1,802	\$252	\$4,857

*Columns may not add due to rounding.

The chart below illustrates the anticipated funding sources for the RTA 2002-2006 Capital Program.

2002-2006 Capital Program
Funding Sources



PROJECTS EXPECTED TO BE FINANCED WITH SERIES 2002B BOND PROCEEDS

The RTA proposes to use the Series 2002B Bond proceeds to provide interim funding to the CTA for a portion of the costs incurred by it in connection with the reconstruction and expansion of the Douglas Branch of the CTA Blue Line, one of the seven routes that make up the CTA's rapid rail service (the *"CTA Blue Line Project"*). Specifically, the CTA Blue Line Project will include the reconstruction and rehabilitation of five electrical substations, construction of six new elevated stations, replacement of five miles of elevated track, replacement of two at-grade stations and a railroad bridge over a CTA bridge and provision of new signals and communication systems. The CTA estimates that the entire CTA Blue Line Project will cost in excess of $482,000,000. The CTA Blue Line Project has been approved by the RTA as part of the RTA's 2002-2006 Capital Program (the *"Capital Program"*).

Federal law authorizes the Federal Transit Administration ("*FTA*"), in connection with its "New Start" program, to enter into full funding grant agreements (*"FFGA"*) with respect to the System expansion projects proposed by the CTA as part of the RTA's current five year Capital Program.

In January, 2001 the CTA entered into an FFGA with the FTA. The FFGA sets forth the terms and conditions and rights and obligations of the parties related to the implementation, management and operation of the CTA Blue Line Project, the limits of the FTA's New Start financial participation in the CTA Blue Line Project (the "*Maximum Federal Financial Contribution*") and the terms and conditions for the award of the grant for the CTA Blue Line Project. The Maximum Federal Financial Contribution set forth in the FFGA for the CTA Blue Line Project is $320,100,000.

The FFGA contains the FTA's contingent commitment to provide grants under Section 5309 of the New Start program and sets forth an annual schedule of the grant amounts that the FTA expects to provide for the CTA Blue Line Project. The FFGA expressly provides that the award of funds is contingent upon the availability of appropriated funds from future budget authority specified in the law and the CTA's continued performance under the terms and conditions of the FFGA. Currently, the FTA states that the New Start funds will be provided for the CTA Blue Line Project as follows:

Federal Fiscal Year	Federal Section 5309 New Start Funds
Prior to 2002	$21,920,000
2002	$35,000,000
2003	$55,000,000
2004	$85,000,000
2005	$85,000,000
2006	$38,180,000

The FFGA payments are not pledged as security for, nor are they available to pay, the Series 2002B Bonds.

The above payment schedule may result in cash flow shortfalls between the CTA's payment of its construction costs for the CTA Blue Line Project and its receipt of New Start funds. Consequently, the RTA proposes to make the Series 2002B Bond proceeds available to the CTA to address any such cash flow needs.

The RTA proposes to enter into an intergovernmental agreement with the CTA pursuant to which (i) the RTA would provide the proceeds of the Series 2002B Bonds to the CTA to the extent needed to assist the CTA's cash flow needs incurred with the construction costs relating to the CTA Blue Line Project and (ii) upon receipt of the FFGA New Start funds to reimburse the CTA for payment of construction costs on the CTA Blue Line Project, the CTA would use an equivalent amount to pay for costs relating to other non-SCIP Capital Program projects. The CTA has informed the RTA that it is exploring other financing alternatives to manage the cash flow shortfall. To the extent any proceeds of the Series 2002B Bonds expected to be used for the CTA Blue Line Project are not in fact required in order to complete the CTA Blue Line Project, such proceeds will instead be used to pay for costs relating to other non-SCIP projects which are part of the Capital Program upon authorization by the Board.

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. However, 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 Series 2002B Bonds. At the time of delivery of the Series 2002B Bonds, the RTA will furnish a certificate, in form and substance satisfactory to Bond Counsel, to that effect.

Stroger Litigation. In February, 2000, John Stroger, President of the Cook County Board of Commissioners, and Bernard Scavella, a voter residing in Mr. Stroger's Cook County district, filed a complaint in state court against the RTA, Metra and Pace, entitled *Stroger and Scavella v. RTA, Metra and Pace*, Circuit Court of Cook County, Illinois, 00 CH 03291. The complaint asserts that the provisions in the Act governing the appointment of certain members of the Board of Directors of the RTA, Metra and Pace by the suburban Cook County Commissioners, rather than the President of the Cook County Board, violate the Illinois Constitution. Four of the thirteen member RTA Board, three of the seven member Metra Board and six of the twelve member Pace Board are appointed by the suburban Cook County Commissioners under the challenged provisions. Specifically, the plaintiffs allege the appointment procedures violate constitutional provisions with respect to the separation of the executive and legislative powers, effect a change in the form of the government of Cook County without a referendum and deprive plaintiff Scavella of representation in violation of the equal protection clause. Plaintiffs seek a declaration that the appointment powers vested by the Act in the suburban Cook County Commissioners are unconstitutional and seek injunctive relief enjoining further appointments by those Commissioners to the RTA, Metra and Pace Boards.

On July 12, 2000, the Circuit Court ruled against the plaintiffs and granted defendants' motion to dismiss the complaint. The plaintiffs appealed. On August 24, 2001, the Illinois Appellate Court reversed the Circuit Court's decision and remanded the case to the Circuit Court for hearings on the complaint. Defendants filed a petition for leave to appeal the Appellate Court's decision with the Illinois Supreme Court which granted the petition on December 5, 2001. This case has been fully argued before the Illinois Supreme Court and the parties await the Court's decision.

RTA, Metra and Pace intend to continue to vigorously defend against this litigation which challenges appointment procedures which have been present in part in the Act since 1973. However, because of the uncertainties associated with all litigation, no assurances can be given with respect to the outcome of this case.

Pace Litigation. On January 11, 2002, Pace filed a two count complaint for declaratory judgment and damages against the RTA in the Circuit Court of McHenry County, Illinois entitled *Pace v. The Regional Transportation Authority*. In Count I of the complaint, Pace seeks a declaratory judgment that the RTA violated Section 4.11(a) of the Act by disproportionately and prejudicially increasing Pace's farebox recovery ratio for the years 1996 through 2002, and seeks recovery of damages in the amount of $99,755,000. In Count II of the complaint, Pace seeks a declaratory judgment that the RTA violated Section 4.11(b)(2) of the Act by refusing to approve Pace's 2002 budget as submitted by Pace (See "THE REGIONAL TRANSPORTATION AUTHORITY – 2002 BUDGET AND 2003-04 FINANCIAL PLAN") and seeks damages in the amount of $38,800,000.

At a hearing held on May 30, 2002, the court granted the RTA's motion to dismiss both Count I and Count II of the complaint. Pace has filed its notice of appeal in the Illinois Appellate Court appealing the dismissal of the complaint. The RTA intends to continue to defend against this litigation vigorously. It has been advised by its counsel that it has substantial defenses to the claims made in the complaint. However, because of the uncertainties associated with all litigation, no assurances can be given with respect to the outcome of this case or its financial impact on the RTA.

At the time of issuance of the Series 2002B Bonds, Mayer, Brown, Rowe & Maw, counsel to the RTA, will deliver an opinion that there is no litigation pending that seeks to restrain or enjoin the issuance, sale and delivery of the Series 2002B Bonds or that materially affects the validity of the Series 2002B Bonds or the validity of the security for the Series 2002B Bonds.

TAX EXEMPTION

Federal tax law contains a number of requirements and restrictions which apply to the Series 2002B Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters.

The Authority has covenanted to comply with all requirements that must be satisfied in order for the interest on the Series 2002B Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Series 2002B Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2002B Bonds. The Authority has also covenanted that it will not take any action, omit to take any action or permit the taking or omission of any action within its control (including, without limitation, making or permitting any use of the proceeds of the Series 2002B Bonds) if taking, permitting or omitting to take such action would cause any of the Series 2002B Bonds to be an arbitrage bond or a private activity bond within the meaning of the Code or would otherwise cause the interest on the Series 2002B Bonds to be included in the gross income of the recipients thereof for federal income tax purposes and that, to the extent possible under Illinois law, it will comply with whatever federal tax law is adopted in the future which applies to the Series 2002B Bonds and affects the tax-exempt status of the Series 2002B Bonds.

Subject to the Authority's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Series 2002B Bonds is not includible in the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Series 2002B Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the RTA with respect to certain material facts solely within the RTA's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guaranty of a result.

The Internal Revenue Code of 1986, as amended (the *"Code"*), includes provisions for an alternative minimum tax (*"AMT"*) for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income (*"AMTI"*), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (excluding S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, REMICs and FASITs) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax-exempt interest, including interest on the Series 2002B Bonds.

Under the provisions of Section 884 of the Code, a branch profits tax is levied on the "effectively connected earning and profits" of certain foreign corporations, which include tax-exempt interest such as interest on the Series 2002B Bonds.

Ownership of the Series 2002B Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Series 2002B Bonds should consult their tax advisors as to applicability of any such collateral consequences.

If a Series 2002B Bond is purchased at any time for a price that is less than the Series 2002B Bond's stated redemption price at maturity, the purchaser will be treated as having purchased such Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Series 2002B Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Series 2002B

Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Series 2002B Bonds.

There are or may be pending in the Congress of the United States legislative proposals including some that carry retroactive effective dates, that, if enacted, could adversely affect the market value of the Series 2002B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Series 2002B Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "*Service*") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Series 2002B Bonds. If an audit is commenced, under current procedures the Service will treat the Authority as the taxpayer and the Bondholders may have no right to participate in such procedure.

Interest on the Series 2002B Bonds is not exempt from present Illinois income taxes. Ownership of the Series 2002B Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral tax consequences arising with respect to the Series 2002B Bonds. Prospective purchasers of the Series 2002B Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

CONTINUING DISCLOSURE

The Authority will enter into a Continuing Disclosure Undertaking (the "*Undertaking*") for the benefit of the beneficial owners of the Series 2002B Bonds 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 Undertaking is attached as Appendix H.

The Authority is in compliance with each and every undertaking previously entered into by it pursuant to the Rule.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance and sale of the Series 2002B Bonds are subject to the approving legal opinion of Chapman and Cutler, Chicago, Illinois, as Bond Counsel (the "*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 Series 2002B Bonds 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, Chapman and Cutler has, at the request of the Authority, reviewed the statements in this Official Statement appearing under the headings "THE SERIES 2002B BONDS," "SECURITY FOR THE SERIES 2002B BONDS" (other than under the subheadings "ANNUAL DEBT SERVICE" and "ESTIMATED DEBT SERVICE COVERAGE") and "TAX EXEMPTION" and in "APPENDIX E— SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE 2002B SERIES ORDINANCE", and is of the opinion that insofar as they purport to describe or summarize certain provisions of the Series 2002B Bonds (apart from the information relating to DTC and its book-entry only system), the General Ordinance, the 2002B Series Ordinance and Bond Counsel's opinions concerning certain federal tax matters relating to the Series 2002B Bonds, said statements are accurate summaries of such provisions in all material respects.

RATINGS

Fitch, Standard & Poor's and Moody's Investors Service, Inc. have assigned their insured ratings of "AAA," "AAA" and "Aaa," respectively, to the Series 2002B Bonds. The insured ratings are based on the Policy issued by Financial Guaranty. Fitch, Standard & Poor's and Moody's Investors Service have assigned their underlying municipal bond ratings of "AA," "AA" and "Aa2," respectively, to the Series 2002B Bonds.

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 Series 2002B Bonds. 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 Series 2002B Bonds.

FINANCIAL ADVISOR

Public Sector Group, Inc. has served as financial advisor (the *"Financial Advisor"*) to the RTA in connection with the issuance and sale of the Series 2002B Bonds. The Financial Advisor is not obligated to undertake any independent verification of, or assume any responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement.

UNDERWRITING

Salomon Smith Barney, Inc. (the *"Underwriter"*) has agreed to purchase the Series 2002B Bonds from the RTA at an aggregate price of $215,293,151.10(representing the $200,000,000 aggregate principal amount of the Series 2002B Bonds, less Underwriter's discount in the amount of

$648,000.00 plus original issue premium of $15,941,151,10), plus accrued interest on the Series 2002B Bonds. The public offering price may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Series 2002B Bonds 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 Series 2002B Bonds, the security for the Series 2002B Bonds 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, 181 West Madison, Suite 1900, Chicago, Illinois, 60602; 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/ Thomas J. McCracken, Jr.
Chairman

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APPENDIX A
RTA HISTORICAL AND PROJECTED SALES TAX REVENUES

SALES TAX REVENUES

Actual Revenues. As shown in Table A-I, Sales Tax Revenues grew from $276 million to over $653 million between 1981 to 2001. For most of the past two decades, revenues have grown more rapidly in the suburban areas of the Region, attesting to the more rapid population growth and generally higher income levels in these areas. However, the City of Chicago has shown revitalized sales tax growth in the last few years. While Table A-I shows the absolute value of Sales Tax Revenues for the last twenty years, Table A-II shows the percentage change on a year-to-year basis. There was one year between 1981 through 2001 in which Sales Tax Revenues did not show growth. For the last twenty years, Sales Tax Revenues have grown at a compound annual growth rate of almost 4.5%.

Projected Revenues. The RTA forecast for projected Sales Tax Revenues which served as the basis for the 2002 Budget and the 2003-04 Financial Plan adopted on December 28, 2001 is shown in Table A-III.

The methodology used by the RTA for projecting Sales Tax Revenues is explained below. See "METHODOLOGY FOR SALES TAX REVENUES FORECAST." As shown in Table A-III, Sales Tax Revenues were expected to increase steadily from $676 million in 2002 to approximately $732 million in 2004. The year-to-year percentage change in Sales Tax Revenues for years 2002-2004 is shown in Table A-IV. From 2002-2004, Sales Tax Revenues were forecasted to grow at an average annual compound growth rate of 4.0%. See "**THE REGIONAL TRANSPORTATION AUTHORITY**—2002 BUDGET AND 2003-04 FINANCIAL PLAN." However, there may be differences between forecasted and actual Sales Tax Revenues and these differences may be material.

The projection of sales tax for the Region used 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 2002 through 2004. A significant change in any one of these factors may have a material impact on these projections.

METHODOLOGY FOR SALES TAX REVENUES FORECAST

Actual sales tax results indicate that $654 million in Sales Tax Revenue was generated in 2001, which is slightly ahead (0.5%) of Sales Tax Revenues for 2000.

The RTA calculated estimated Sales Tax Revenues and published its proposed 2002 budget in October, 2001. For that calculation, the RTA used the percentage growth figure associated with the estimate that the BoB provided to the RTA in October, 2001. Using the RTA's 2001 estimate of sales tax receipts calculated as of October, 2001, of $648 million, and the BoB's year-to-year percentage growth of 4.4% produced the RTA 2002 budget estimate of $676 million in Sales Tax Revenues.

In May, 2002, the BoB further revised its 2002 Sales Tax Revenue estimate. This estimate was 0.7% lower than the figure used by the RTA for calculating its 2002 budget. The RTA does not intend at this time to adjust its 2002 budget or its calculation of projected Sales Tax Revenues to reflect the revised BoB estimate. Sales Tax Revenues for the first quarter 2002 show a decrease in collections of $3.8 million or 2.6% lower than the corresponding period of 2001.

For the 2003-04 Financial Plan, annual sales tax growth was projected by the RTA to be approximately 4.0%. This assumption was based on projected retail sales growth for the Region. For calendar years 2005 and beyond the RTA based its projection of annual sales tax growth on the historical annual compound sales tax growth rate of almost 4.7%.

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 upon which they are based. The RTA makes no representation that any forecast or projected sales tax growth set forth herein will be realized by the RTA and readers of this Official Statement are cautioned not to place undue reliance on the prospective 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 Series 2002B Bonds could be material and could result in a material change in the Sales Tax Revenues. In conjunction with its debt issuances, the RTA makes projections of sales tax revenue. Management of the RTA has prepared the prospective financial information set forth below to present the projected Sales Tax Revenues for fiscal years 2002-2004 as the basis for the 2002 budget and the 2003-2004 financial plan adopted on December 28, 2001. The accompanying prospective 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 prospective 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 prospective 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 prospective financial information.

TABLE A-I
SALES TAX REVENUES
ACTUAL - 1981 to 2001
(In Thousands of Dollars)

Year	Total	Year	Total
1981	$276,253	1991	$425,173
1982	281,602	1992	445,891
1983	298,158	1993	462,393
1984	328,377	1994	497,698
1985	342,441	1995	513,301
1986	368,579	1996	532,304
1987	386,439	1997	555,496
1988	418,752	1998	576,704
1989	429,988	1999	613,514
1990	441,110	2000	650,284
		2001	653,522

TABLE A-II
SALES TAX GROWTH RATES (%)
ACTUAL - 1981 to 2001

Year	Total	Year	Total
1981	N/A	1991	(4.275)%
1982	1.936%	1992	4.885
1983	5.879	1993	3.701
1984	10.135	1994	7.635
1985	4.283	1995	3.135
1986	7.633	1996	3.702
1987	4.846	1997	4.357
1988	8.362	1998	3.818
1989	2.683	1999	6.383
1990	3.284	2000	5.993
		2001	0.498

TABLE A-III
SALES TAX REVENUES
PROJECTED - 2002-2004
(In Thousands of Dollars)

Year	Total
2002	$676,344
2003	703,392
2004	731,538

TABLE A-IV
SALES TAX GROWTH RATES (%)
PROJECTED - 2002-2005

Year	Total
2002	3.492%
2003	3.999
2004	4.001
2005 and beyond	4.685

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 has increased steadily over the past decade. Between 1990 and 2000, the United States Census Bureau estimates that the Region grew from 7.3 million residents to 8.1 million residents, an increase of 11.2% as shown in Table A-V.

TABLE A-V
POPULATION TREND BY COUNTY
(in thousands)

COUNTY	1990	% OF TOTAL	2000	% OF TOTAL	% CHANGE
Cook	5,104	70.1	5,377	66.5	5.3
DuPage	786	10.8	904	11.2	15.0
Kane	320	4.4	404	5.0	26.2
Lake	520	7.2	644	7.9	23.8
McHenry	185	2.6	260	3.2	40.5
Will	359	4.9	502	6.2	39.8
Total	7,274	100.0%	8,091	100.0%	11.2%

Source: United States Census Bureau

Employment. Employment totals for 1980, 1990, 1995, and 2000 by County are presented in Table A-VI. The 16.1% employment growth in the Region shown between 1990 and 2000 outpaced the 11.2 % population growth recorded by the United States Census Bureau over the past decade. However, the Region's employment situation has worsened during 2001 and early 2002. As of March of 2002 the national unemployment rate was 5.7%. Illinois and the Region reported unemployment rates of 6.1% and 6.6%, respectively.

TABLE A-VI
EMPLOYMENT TRENDS BY COUNTY
(in thousands)

Area	1980	% OF TOTAL	1990	% OF TOTAL	1995	% OF TOTAL	2000	% OF TOTAL
Cook	2,913	78.6	3,135	72.5	3,157	69.0	3,350	66.7
DuPage	289	7.8	509	11.8	621	13.6	709	14.1
Kane	134	3.6	175	4.0	197	4.3	242	4.8
Lake	211	5.7	299	6.9	350	7.6	419	8.3
McHenry	57	1.5	84	1.9	102	2.2	118	2.3
Will	102	2.8	125	2.9	152	3.3	185	3.8
Total	3,706	100.0%	4,327	100.0%	4,579	100.0%	5,023	100.0%

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

Suburban jurisdictions have led the Region in employment growth since 1990. The total employment in the five "collar" counties is approximately 33% of the Region's total. Cook County now makes up about 67% of the total, compared to 1980, when Cook County made up 79% of the Region's work force. Employment levels were at 3.7 million for the Region in 1980, 4.3 million in 1990, and are now at 5.0 million.

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)

Industry	1980	% OF TOTAL	1990	% OF TOTAL	1995	% OF TOTAL	2000	% OF TOTAL
Services	862	23.3	1,273	29.4	1,470	32.1	1,727	34.4
Retail	573	15.5	666	15.4	710	15.5	730	14.6
Manufacturing	812	21.9	667	15.4	654	14.3	632	12.6
Government	477	12.9	501	11.6	517	11.3	543	10.8
Finance, Insurance, & Real Estate	334	9.0	437	10.1	445	9.7	509	10.1
Wholesale	268	7.2	297	6.9	282	6.2	293	5.8
Transportation and Public Utilities	205	5.5	246	5.7	258	5.6	293	5.8
Construction	144	3.9	204	4.7	201	4.4	247	4.9
Other	31	0.8	36	0.8	42	0.9	49	1.0
Total	3,706	100.0%	4,327	100.0%	4,579	100.0%	5,023	100.0%

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

Income. The Region experienced steady growth in wages and salaries throughout the late 1990s. 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	1980	1990	1995	2000
Cook	$11,884	$22,186	$27,480	$33,704
DuPage	13,985	28,067	35,742	46,611
Kane	11,410	21,196	24,524	29,942
Lake	13,432	29,054	36,666	46,640
McHenry	11,558	21,966	25,925	31,571
Will	10,564	18,963	22,896	26,664

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

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Twelve Months Ended December 31, 2001

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Regional Transportation Authority Northeastern Illinois

Comprehensive Annual Financial Report for the Year Ended December 31, 2001 and Independent Auditors' Report

REGIONAL TRANSPORTATION AUTHORITY
NORTHEASTERN ILLINOIS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2001

Prepared by:

Finance Department
Joseph G. Costello, CPA
Chief Financial Officer

and

Ed V. Verzo, CPA, CIA
Controller

REGIONAL TRANSPORTATION AUTHORITY

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REGIONAL TRANSPORTATION AUTHORITY

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Regional Transportation Authority

81 West Madison
Chicago
Illinois
60602
312.917.0700

May 10, 2002

To the Board of Directors of the Regional Transportation Authority:

I have the pleasure to submit to you the comprehensive annual financial report of the Regional Transportation Authority ("RTA") for the year ended December 31, 2001. 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 both the accuracy of the data, and the completeness and fairness 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, the 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 adequate and reliable accounting data is compiled to prepare financial statements in conformity with generally accepted accounting principles. 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 Deloitte & Touche LLP to meet these requirements. The firm followed generally accepted auditing standards 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, 2001 are presented in conformity with accounting principles generally accepted in the United States of America. The independent auditors' report is presented as the first part of the financial section of this report.

A separately issued single audit report contains a schedule of expenditures of federal awards, the independent 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 Regional Transportation Authority management's discussion and analysis can be found immediately following the report of the independent auditors.

OVERVIEW OF THE REGIONAL TRANSPORTATION AUTHORITY

Illinois State law (the RTA Act) created the Regional Transportation Authority 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 RTA 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 amended RTA 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."

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

Mission

The RTA Act sets forth the responsibilities of the RTA. These responsibilities encompass planning, funding, and oversight duties. The RTA 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 RTA 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 RTA 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 RTA 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 RTA Act establishes certain criteria for the budget, including subsequent monitoring for compliance. Further, the five-year capital program must specify capital improvements exceeding $250,000 along with pertinent information. The budget calendar and statutory requirements govern the budget development process leading up to adoption of the budget. Subsequent activities involve oversight and amendment of the budget.

Budget Calendar

By July 1 of each year, the Illinois Bureau of the Budget must submit to the RTA an estimate of sales tax collections for the next year. 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 next two following years, the times when the amounts will be available, and the cost recovery ratio for the next year. The recovery ratio for the region must meet a minimum standard of 50%.

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

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

Statutory Requirements

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

- *Balanced Budget*: A balance between anticipated revenues from all sources including operating subsidies and the costs of providing the services;

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

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

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

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

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

Oversight

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

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

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

- Once a Service Board submits the revised budget plan, the RTA must determine if it meets the six statutory budget criteria necessary to pass an annual budget. If not, the RTA will not release any moneys to the Service Board(s) except the statutory allocation of taxes.

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

Amendment

When prudent, the budget is amended due to shifts in the economic climate, governmental funding programs or new projects. The RTA Board must approve all proposed amendments. If approved, the RTA then monitors actual results compared to the amended budgets.

Reporting Entity

As defined by Governmental Accounting Standards Board 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 Statement No. 14. Accordingly, the comprehensive annual financial report of the Regional Transportation Authority does not include the financial statements of the Service Boards. However, a Combining Annual Financial Report does combine the financial statements of the RTA, the CTA, Metra, and Pace as required by the RTA Act.

RTA System Characteristics

The six-county area served by the RTA system covers 3,700 square miles. Based on the 2000 census, the region has 8 million residents. Regional employment totaled 5 million in 2000. The RTA system carried 571 million riders in 2001. This represents an increase of 0.5% over the prior year total.

Governance

The RTA Act specifies the composition of the RTA Board of Directors. The RTA Board consists of twelve appointed members, and one elected member, from the six-county region. The Mayor of the City of Chicago appoints five directors. This includes the Chairman of the CTA who also serves on the RTA Board. The suburban members of the Cook County Board appoint four directors. The Chairmen of the County Boards of Kane, Lake, McHenry and Will appoint two directors. The Chairman of the DuPage County Board appoints one director. These twelve directors, with a minimum concurrence of nine directors, elect the Chairman of the RTA Board of Directors.

The RTA employs a professional staff of seventy-five. The RTA Act limits the amount of administrative costs that the RTA may incur annually. The limit started at $5 million for 1985, and has increased at a rate of 5% per year. The RTA has always held its administrative expenses under this limit.

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

The RTA Act specifies the composition of the Metra (Commuter Rail Division) and Pace (Suburban Bus Division) Boards. The Commuter Rail Board, consisting of seven members, governs Metra. The suburban members of the Cook County Board appoint three members. The Chairmen of the County Boards of Kane, Lake, McHenry and Will appoint two directors. The Chairman of the DuPage County Board appoints one director. The Mayor of Chicago, with the consent of the Chicago City Council, appoints one member. These six directors, with a minimum concurrence of five directors, elect the Chairman of the Commuter Rail Board.

The Suburban Bus Board, consisting of twelve members, governs Pace. The suburban members of the Cook County Board appoint six members. The Chairmen of the County Boards of DuPage, Kane, Lake, McHenry, and Will each appoint one director. The RTA Act requires that each of these directors must be a current or former "chief executive officer of a municipality" from the area that appoints the member. The Chairmen of the County Boards of DuPage, Kane, Lake, McHenry, and Will, plus the suburban members of the Cook County Board, by simple majority, appoint the Chairman of the Suburban Bus Board.

Financing

The RTA Act specifies the funding responsibilities of the RTA, appointing the RTA as the primary public body in the metropolitan region to secure funds for public transportation. The RTA Act authorizes the RTA to impose any or all of a list of taxes in the six-county region:

- a tax on sales of motor fuel,
- a tax on the use of motor fuel,
- a motor vehicle parking tax,
- a general sales tax ("retailers occupation" and "service occupation" taxes),
- a property use tax ("use" tax), and
- a replacement vehicle tax.

The RTA cannot impose motor fuel and vehicle related taxes at the same time as the sales and use taxes. The RTA also has the power, as established by the RTA Act, to extend the limits of the region by annexation of contiguous counties. This requires approval by the majority of the voters in the county.

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

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

FACTORS AFFECTING FINANCIAL CONDITION

National Economy

Real gross domestic product (GDP), the output of goods and services produced in the United States, had four consecutive years of annual growth over 4% until 2001. The growth rate in 2001 was just 1.2%, with the economy officially entering a recession in March 2001. GDP is estimated to have grown by 5.8% in the first quarter of 2002. Production rose at manufacturers, spending by consumers and the government increased and the pace of inventory reductions slowed. Economic growth in the current quarter may cool as consumer spending slows and businesses remain cautious. Overall growth for 2002 should be 3.8% according to a monthly survey of almost 100 leading domestic and international economists from Blue Chip Economic Indicators.

The U.S. unemployment rate averaged 4.8% in calendar year 2001, the highest in over four years. The U.S. unemployment rate rose in April 2002, to 6.0%, the highest in 7-1/2 years.

U.S. consumer prices (CPI) increased in 2001 at 2.8% as compared to 3.4% in the year 2000. The consensus is that inflation will average 1.5% in 2002. Healthcare inflation and higher fuel prices show two of the largest growth rates within the CPI.

Illinois and Regional Economy

The Illinois economy reflected changes in the national economy as the country entered recession. Gross State Product (GSP) grew 2.4% in fiscal year 2001 (ending June 30, 2001). DRI-WEFA, an economic consulting firm, is projecting GSP growth of 1.3% in fiscal year 2002 (ending June 30, 2002).

DRI-WEFA anticipates encouraging news in Illinois housing starts for the current fiscal year. While this indicator in fiscal year 2001 declined 6.2%, DRI-WEFA projects fiscal year 2002 growth of 5.7%. Illinois single-family home sales for the first eight months of fiscal year 2002 are up 6.6%, compared to the first eight months of fiscal year 2001.

Retail sales in Illinois grew by 5.0% in fiscal year 2001. DRI-WEFA estimates a lower retail sales growth rate of 3.1% in fiscal year 2002. New car/light trucks sales, which comprise a sizable portion of total retail sales, declined 9.6% in fiscal year 2001. DRI-WEFA projects a growth of 6.9% in cars/light truck sales for fiscal year 2002.

Illinois' unemployment rate was 6.1% in March 2002. The Chicago area showed a 6.6% unemployment rate for the same month. A further indicator of economic activity in the region is the office vacancy rate in Chicago. The overall vacancy rate for Class A space downtown increased to 13.6% in the first quarter of this year, up from 7.2% in the year-earlier period.

Cash Management

RTA cash management varies by fund.

General and Agency Funds

The RTA Board has adopted an investment policy that governs the investment of cash for these funds. The RTA policy which complies with Illinois law, addresses safety of principal, liquidity of funds, rate of return, as well as the other areas required by the Illinois law. The policy lists permitted investments and prescribes safekeeping, collateralization, and reporting requirements. RTA staff manages the investment of these funds.

The RTA policy establishes the following objectives:

- *Safety of Principal* - Every investment will be made with safety as the primary and overriding concern. Each investment transaction shall ensure that loss of capital, whether from credit or market risk, is minimized.

- *Liquidity* - Maturity and marketability aspects of investments should be coordinated with the anticipated cash flow needs of the RTA.

- *Rate of Return* - A secondary objective should be to seek the highest return on investments consistent with preservation of principal and prudent investment principles.

- *Public Trust* - The RTA and its officers should avoid any investment transaction or practice which in appearance of fact might impair public confidence in its stewardship of public funds.
- *Investments in Local and Disadvantaged Institutions* - Locally owned and disadvantaged business financial institutions contribute to economic development of the RTA service area. The RTA recognizes its interest in the vitality of the local economy by investing in local, minority, and female owned financial institutions as provided in this policy.

Debt Service Fund

Each bond issue has a separate account, administered by a trustee, to accumulate the amount necessary for the next bondholder payment. The trust agreement establishes the requirements for the administration of the account, and requires that the trustee invest in securities guaranteed by the full faith and credit of the United States of America ("U.S. Treasuries").

Capital Projects Fund

The RTA contracts with an investment institution to manage the proceeds of its bond issues. A separate contract, awarded on a competitive basis, governs each issue. The contract requires full collateralization, limited to U.S. Treasuries, with weekly mark-to-market.

Joint Self-Insurance Fund

An RTA ordinance was passed to govern this fund. RTA staff manages the investment of these funds, in compliance with this ordinance and the RTA investment policy. The joint self-insurance fund maintains a separate account for these funds.

Pension Fund

An RTA ordinance was passed to govern this fund. The ordinance requires that the RTA Board appoint the trustees to oversee the investment of the pension fund. A representative from the RTA, Metra and from Pace, plus four individuals not employed in the RTA system, comprise the trustees. The trustees have adopted an investment policy and have apportioned the pension fund among a number of investment institutions to execute this policy. In addition, the trustees utilize an independent firm to monitor the performance of the investment institutions.

Risk Management

The RTA, CTA, Metra, and Pace established a Loss Financing Plan in 1986. The Plan operates as a self-insurance program to provide a source from which to finance catastrophic losses and other claims, incurred by the RTA and the Service Boards, arising out of personal injuries, property damage, and certain other losses. The participating entities (RTA, CTA, Metra, and Pace) administer the Plan, with a representative from the RTA acting as the Fund Manager and representatives from CTA, Metra, and Pace acting as Fund Advisors.

The Plan required the creation of a Joint Self-Insurance Fund. The Fund has entered into a multi-year, claims-paid insurance agreement to insure against certain losses in excess of $5 million. The Fund pays premiums for this coverage. The participating entities must repay the Fund for submitted claims paid by the fund that are not covered by the insurance agreement.

Pension

The RTA sponsors a multi-employer defined benefit pension plan for substantially all employees of the RTA and its Commuter Rail and Suburban Bus Divisions (Metra and Pace, respectively) who are not otherwise covered by a union pension plan. RTA, Metra and Pace are collectively referred to hereinafter as the Employer. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that each employer must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. For 1999, 2000 and 2001, the employer's annual pension cost of $0 was equal to the required and actual contributions. The required contributions were determined as part of the January 1, 1999, 2000 and 2001 actuarial valuations

The RTA also offers eligible retirees the option to continue participation in its group health insurance plan. Election to participate is voluntary with the RTA incurring no additional obligations except that the RTA will pay each eligible retiree the sum of up to $78 per month toward the cost of his/her health insurance. There are 11 participants eligible to receive benefits at December 31, 2001. The RTA recognized retiree health care benefits as expense as they are paid and are not material in amount at the present time.

Awards and Acknowledgements

The Government Finance Officers Association ("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, 2000. This represents the seventh consecutive year that the RTA has received this prestigious award. A reproduction of the Certificate of Achievement follows this letter of transmittal.

To receive a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. We believe that our current CAFR, for the year ended December 31, 2001, continues to meet the Certificate of Achievement Program requirements. We will submit 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, 2002. This marks the fifth 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.

J G Costello

Joseph G. Costello
Chief Financial Officer

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, 2000

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

President

Executive Director

REGIONAL TRANSPORTATION AUTHORITY
LIST OF PRINCIPAL OFFICIALS
DECEMBER 31, 2001

Board of Directors

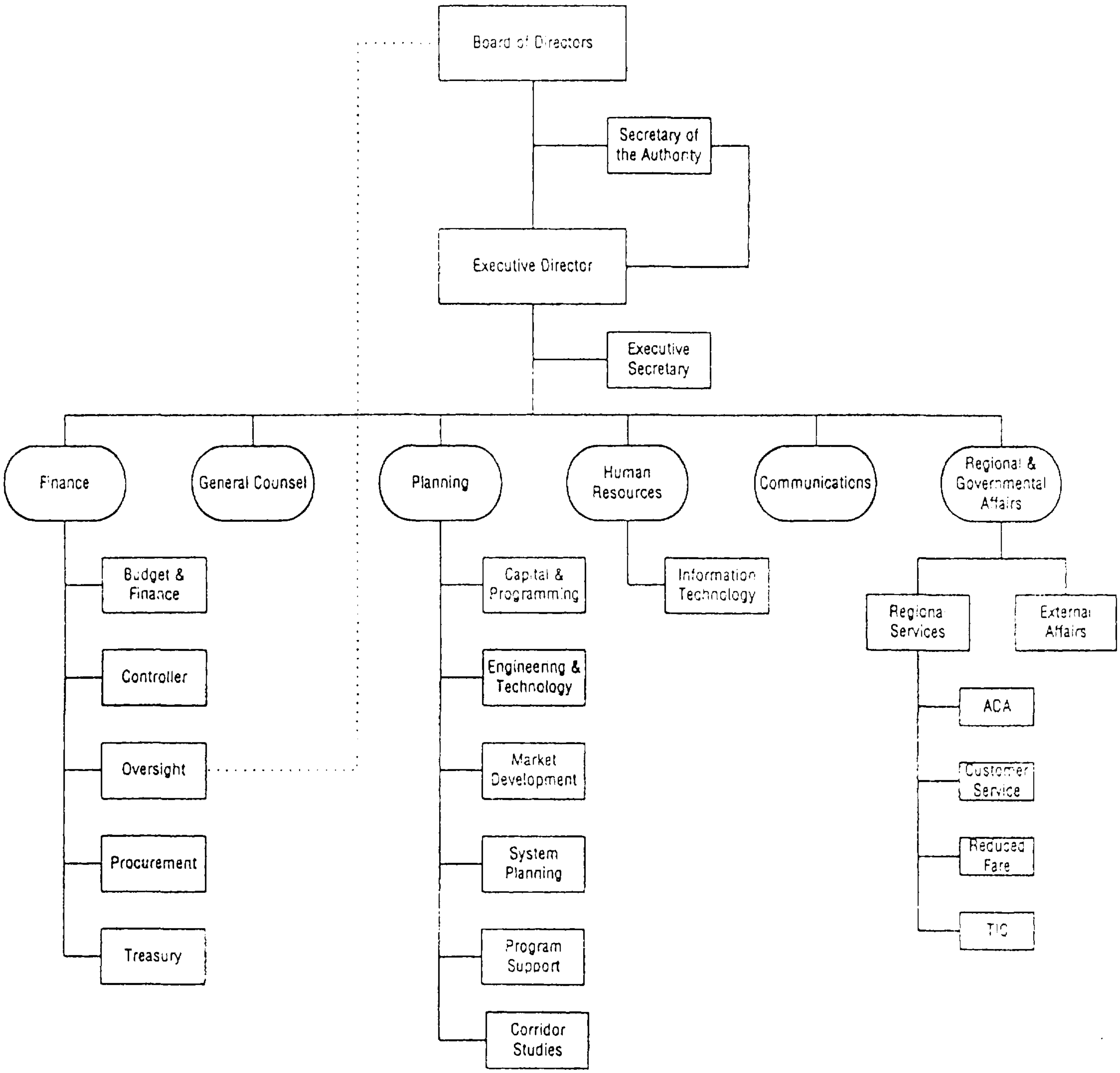
Chairman	Thomas J. McCracken, Jr.
Directors	Patrick J. Durante
	Herbert E. Gardner
	Armando Gomez, Sr.
	Valerie B. Jarrett
	Dwight A. Magalis
	Mary M. McDonald
	Fred T. L. Norris
	Thomas H. Reece
	Michael Rosenberg
	Donald L. Totten
	Douglas M. Troiani
	Reverend Addie L. Wyatt

Administration

Executive Director	Richard J. Bacigalupo
General Counsel	Paula S. Thibeault
Chief Financial Officer	Joseph G. Costello
Deputy Executive Director, Planning	John DeLaurentiis
Legislative Director	George Edwards
Communications Director	David Loveday
Human Resources Director	Brenda Duncan
Secretary to the Authority	Audrey Maclennan

Regional Transportation Authority

Organizational Chart
January 1, 2002



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Deloitte & Touche

INDEPENDENT AUDITORS' REPORT

Board of Directors
Regional Transportation Authority
Chicago, Illinois

We have audited the accompanying basic government-wide financial statements of the Regional Transportation Authority ("RTA") as of December 31, 2001 and for the year then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the RTA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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, such financial statements present fairly, in all material respects, the financial position of the Regional Transportation Authority as of December 31, 2001, and the results of its operations, changes in its net assets and cash flows of its proprietary fund type for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, beginning in fiscal year 2001, the RTA implemented Government Accounting Standards Board Statement No. 34, "*Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments.*"

The Required Supplementary Information and the Management's Discussion and Analysis listed in the foregoing table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of RTA's management. 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 such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The fund level financial statements and the combining and individual fund schedules listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of RTA. Such additional information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The introductory section and the statistical section listed in the foregoing table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the RTA. Such additional information has not been subjected to the auditing procedures applied in the audit of basic financial statements and, accordingly, we express no opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2002, on our consideration of RTA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Deloitte & Touche LLP

May 3, 2002

REGIONAL TRANSPORTATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides a narrative introduction, overview, and analysis of the basic financial statements for the year ended December 31, 2001, for the Regional Transportation Authority ("RTA"). We encourage readers to consider information in the financial statements that follow this document.

OVERALL ANALYSIS

For the year ended December 31, 2001, the governmental statement of activities shows expenses increasing to $480 million, from $304 million for the same period in 2000, an increase of $176 million. Capital grants experienced significant growth of $138 million, reflecting the implementation of projects funded by bonds issued under the authority provided by Illinois FIRST legislation. Financial assistance to Service Boards also increased by $24 million as a result of increased expenditures from RTA discretionary funds. Such discretionary funds were used to cover for the sales tax revenue shortfall during the year. Revenues grew by $4 million over 2000.

The governmental statement of net assets shows assets at $539 million, a net decrease of $18 million. The capital projects fund contributed largely to this situation as its cash and investments decreased by $52 million, reflecting the increased activity in bond capital expenditures. The general fund and the debt service fund have more cash and investments in 2001 than 2000, to compensate partly for the overall net decrease, with an increase of $23 million.

Liabilities increased primarily due to the issuance of $100 million of new bonds in April 2001 under the authority provided by Illinois FIRST legislation, to fund RTA system capital projects. RTA also issued a refunding bond for $38 million and forwarded the proceeds to the escrow agent to provide resources to pay for the refunded bonds. Non-bond-related current liabilities (intergovernmental payables) increased by $24 million because additional financial assistance was given to Service Boards as a result of the sales tax revenue shortfall.

At the end of 2001, the governmental statement of net assets shows a deficit of $813 million. In contrast, the governmental funds presented a total fund balance of $491 million, a $1.3 billion difference from a fund balance to a net deficit. In no way does this represent deterioration in financial position of the RTA. Rather, it is the result of a change in presentation of RTA financial statements as required by the new GASB No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as it relates primarily to the recording of the RTA general obligation bonds.

The RTA is the same as it was a year before, only better. In fact, it improves its fund balance in the general fund by $8 million, from $146 to $154 million in 2000 and 2001, respectively. This provides resources for the RTA to hold its operations funding levels for 2002 as established in September 2001. In addition, the RTA general fund contributed $3 million to the Joint Self-Insurance Fund, the only other notable activity during the year in the business type activities aside from its regular payment of the annual insurance premium.

USING THIS COMPREHENSIVE ANNUAL FINANCIAL REPORT ("CAFR")

Overview of the Financial Statements - The RTA CAFR consists of five parts - management's discussion and analysis (this section); the basic financial statements, including notes to those fund statements; the required supplementary information; the combining financial schedules; and the statistical section. The basic financial statements contain two parts: 1) government-wide financial statements, and 2) fund financial statements.

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

- ***Statement of Net Assets*** - The statement of net assets presents information on all of the RTA assets and liabilities. The statement subtracts liabilities from assets, to compute - in the case of the RTA - a net deficit. This net deficit for the RTA 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 transportation assets appear in the financial statements of the RTA System service providers - CTA, Metra, and Pace (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 over time as the RTA continues with its bond financing to fund the RTA System capital program.

- ***Statement of Activities*** - The statement of activities shows the change in net assets of the governmental and business-type activities. Governmental activities include operating and capital asset funding (capital grants) to the Service Boards; RTA administrative expenses; the RTA Travel Information Center; certification of riders for Para transit service under the Americans with Disabilities Act (regional expenses); and payment of debt service 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.

  In 1983, the Illinois General Assembly reorganized the structure and funding of the RTA. The amended RTA Act placed operating responsibilities with three entities (Service Boards):

  The Chicago Transit Authority ("CTA") provides bus and rail transportation services within Chicago and to 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 public transportation carriers. The CTA commenced operations in 1947, and completed consolidating public transportation in 1952 upon purchasing the Chicago Motor Coach System.

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

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

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

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

The RTA government-wide financial statements are included in this CAFR.

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 using the accrual basis of accounting.

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

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

  The RTA reports three "major" 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 combining schedules. The debt service fund and capital projects fund are presented as "major" on the condensed basis.

  The RTA adopts an annual appropriated budget for its general fund. The fund financial statements include a budgetary comparison statement to demonstrate compliance with this budget.

  The governmental fund financial statements are also presented in this CAFR.

- ***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 Two of the Loss Financing Plan, the RTA Joint Self-Insurance Fund issues a separate audited financial report.

  These proprietary fund financial statements are also presented in this CAFR.

- ***Fiduciary Funds*** - Fiduciary funds account for resources held for the benefit of parties outside the government. 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 a separate audited report.

  The fiduciary fund financial statements are also presented in this CAFR.

Supplementary Information - In addition to the financial statements and accompanying notes, accounting standards require that this report present certain supplementary information concerning the progress in funding the obligation to provide benefits under the RTA Pension Plan. This required supplementary information is also presented in this CAFR.

The combining schedules referred to earlier in connection with the Individual fund data for each of the RTA governmental funds appear in this CAFR immediately after the required supplementary information.

ANALYSIS OF THE REGIONAL TRANSPORTATION AUTHORITY GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Summary of Net Assets
December 31, 2001 and 2000
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2001	2000	2001	2000	2001	2000
Assets:						
Cash and investments	$ 492,393	$ 521,606	$45,305	$42,522	$ 537,698	$ 564,128
Other assets	45,503	33,690	5,224	8,181	50,727	41,871
Capital assets, net	930	1,470			930	1,470
Total assets	538,826	556,766	50,529	50,703	589,355	607,469
Liabilities:						
Current non bond-related liabilities	45,518	20,971			45,518	20,971
Current bond-related liabilities	41,984	44,000			41,984	44,000
Long-term bond-related liabilities	1,264,218	1,154,341			1,264,218	1,154,341
Total liabilities	1,351,720	1,219,312			1,351,720	1,219,312
Net assets (deficit):						
Invested in capital assets	930	1,470			930	1,470
Restricted for:						
Service Boards capital	337,844	395,617			337,844	395,617
Debt service	44,577	39,109			44,577	39,109
Unrestricted (deficit)	(1,196,245)	(1,098,742)	50,529	50,703	(1,145,716)	(1,048,039)
Total net assets (deficit)	$ (812,894)	$ (662,546)	$50,529	$50,703	$ (762,365)	$ (611,843)

At year-end, cash and investments for governmental activities decreased by $30 million. The general fund and debt service fund have more cash and investments this year. Both have combined $172 million in 2000 and $195 million in 2001, an increase of $23 million. However, capital projects fund's cash and investments decreased by $52 million, from $349 to $297 million in 2000 and 2001, respectively. The decrease reflects the increased activity in bond capital expenditures. The inflow of $100 million of proceeds from bonds issued during the year is offset primarily by a higher cash outflow to pay for reimbursements of capital projects (capital grants) of the Service Boards.

Total liabilities increased by $133 million reflecting a change from $1.219 billion in 2000 to $1.352 billion in 2001. The increase is primarily due to the issuance of $100 million of general obligation bonds in April 2001, offset by retirement of debts during the year. The RTA also issued a refunding bond of $38 million and forwarded the proceeds to the refunded bond escrow agent to provide resources to pay for the refunded bonds. These bond transactions contributed to a $110 million increase. The rest of the increase of $24 million is associated with non-bond related current liabilities comprised primarily of intergovernmental payables.

As noted earlier, the net deficit for the RTA of $813 million represents net assets of $45 and $293 million for the debt service fund and the capital projects fund, respectively; and a net deficit of $1.151 billion for the general fund. This net deficit for the general fund, increased from a $154 million fund balance in the governmental funds' balance sheet to a deficit of $1.151 billion equals to $1.304 billion.

The presentation of financial statements under the GASB No. 34 requires the recognition of $1.3 billion in current and long-term general obligation bonds payable in the statement of net assets. Prior to the implementation of GASB No. 34, these bonds were recorded in the general long-term debt account group and presented in previous RTA CAFR as credits, with an equal amount of other debits (i.e. amount available and amount to be provided for the retirement of long-term debt).

This was a result of the recording of bonds issued by the RTA under its bonding authority. The issuance of these bonds was for the specific purpose of funding capital grants to acquire and construct assets used to provide public transportation.

The size of the net deficit will continue to increase over time as the RTA progresses with its bond financing to fund the RTA system capital program. This deficit will not affect the availability of RTA fund resources for future use. The RTA maintains its operations funding levels for 2002 as established in September 2001.

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

Summary of Activities
December 31, 2001 and 2000
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2001	**2000**	**2001**	**2000**	**2001**	**2000**
Programs:						
Financial assistance to Service Boards	$ 168,857	$ 144,463			$ 168,857	$ 144,463
Capital grants	201,548	64,060			201,548	64,060
Administrative expenses	5,402	5,296	$ 5,012	$ 4,185	10,414	9,481
Regional expenses	13,572	11,391			13,572	11,391
Interest expense	90,960	79,268			90,960	79,268
Total expenses	480,339	304,478	5,012	4,185	485,351	308,663
General revenues:						
Sales taxes	98,028	97,543			98,028	97,543
State funding	208,649	204,086			208,649	204,086
Investment and other	26,314	27,375	1,838	2,383	28,152	29,758
Transfers:						
In	84,099	87,632	3,000	23,000	87,099	110,632
Out	(87,099)	(110,632)			(87,099)	(110,632)
Total revenues and transfers	329,991	306,004	4,838	25,383	334,829	331,387
Change in net assets	(150,348)	1,526	(174)	21,198	(150,522)	22,724
Net assets - beginning of year	(662,546)	(664,072)	50,703	29,505	(611,843)	(634,567)
Net assets - end of year	$(812,894)	$(662,546)	$50,529	$50,703	$(762,365)	$(611,843)

Financial assistance increased from $145 million in 2000 to $169 million in 2001 reflecting support of expanded operations by the Service Boards, as well as budget funding made from the general fund to cover for sales tax agency fund revenue shortfall. The increase of $24 million is 17% over last year.

Capital grants experienced a significant increase of $138 million, from $64 million to $202 million, an increase of 216% over 2000 levels as the RTA employed increased funding available from the proceeds of bonds issued by the RTA. Effective January 1, 2000, as part of the State Illinois FIRST Program, RTA authority to issue bonds for capital projects increased by $1.6 billion. Through the end of 2001, the RTA issued $360 million in bonds under this expanded authority. The larger amount of bond interest reflects this greater level of bonds outstanding.

Revenues grew by $4 million over 2000. Sales tax and State funding combined only increased by $5 million, but investment income decreased by $1 million, a net increase of $4 million during the year. Investment income was lower than in previous year as the Federal Reserve Board lowered the interest rate in 2001.

ANALYSIS OF THE REGIONAL TRANSPORTATION AUTHORITY FUND FINANCIAL STATEMENTS

As noted previously, 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 on balances of spendable resources available at the end of the year.

Balance Sheets
Governmental Funds
December 31, 2001 and 2000
(In Thousands)

	General Fund		Debt Service Fund		Capital Projects Fund		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
Assets:								
Cash and investments	$151,774	$141,306	$43,246	$31,194	$297,373	$349,106	$492,393	$521,606
Intergovernmental receivables	41,463	29,502					41,463	29,502
Other assets	1,570	1,484	1,345	8,784	173	1,737	3,088	12,005
Total assets	$194,807	$172,292	$44,591	$39,978	$297,546	$350,843	$536,944	$563,113
Liabilities:								
Intergovernmental payables	$ 36,610	$ 13,738			$ 4,594	$ 685	$ 41,204	$ 14,423
Other liabilities	4,314	12,884	$ 14	$ 869	316	1,434	4,644	15,187
Total liabilities	40,924	26,622	14	869	4,910	2,119	45,848	29,610
Fund balance:								
Reserved for:								
Service Boards capital	45,208	46,893			292,636	348,724	337,844	395,617
Debt service			44,577	39,109			44,577	39,109
Agency capital and others	30,848	25,133					30,848	25,133
Unreserved, designated	4,200	24,566					4,200	24,566
Unreserved, undesignated	73,627	49,078					73,627	49,078
Total fund balance	153,883	145,670	44,577	39,109	292,636	348,724	491,096	533,503
Total liabilities and fund balance	$194,807	$172,292	$44,591	$39,978	$297,546	$350,843	$536,944	$563,113

Statements of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
December 31, 2001 and 2000
(In Thousands)

	General Fund 2001	General Fund 2000	Debt Service Fund 2001	Debt Service Fund 2000	Capital Projects Fund 2001	Capital Projects Fund 2000	Total 2001	Total 2000
Revenues:								
Sales taxes	$ 98,028	$ 97,543					$ 98,028	$ 97,543
State funding	208,649	204,086					208,649	204,086
Investment and others	8,325	10,828	$ 16,138	$ 13,450	$ 2,821	$ 3,709	27,284	27,987
Total revenues	315,002	312,457	16,138	13,450	2,821	3,709	333,961	329,616
Expenditures:								
Financial assistance to Service Boards	168,857	144,463					168,857	144,463
Capital grants	31,736	35,130			169,812	28,930	201,548	64,060
Administrative expenditures	5,030	4,935					5,030	4,935
Regional expenditures	14,301	11,872					14,301	11,872
Capital outlay	72	667					72	667
Bond-related costs			96,100	82,337			96,100	82,337
Total expenditures	219,996	197,067	96,100	82,337	169,812	28,930	485,908	308,334
Excess (deficiency) of revenues over expenditures	95,006	115,390	(79,962)	(68,887)	(166,991)	(25,221)	(151,947)	21,282
Other financing sources (uses):								
Bond proceeds (gross)			41,067	850	111,209	275,497	152,276	276,347
Payment to bond escrow agent			(39,736)				(39,736)	
Transfers out - JSIF	(3,000)	(23,000)					(3,000)	(23,000)
Transfers out	(83,793)	(87,632)			(306)		(84,099)	(87,632)
Transfers in - General Fund			83,793	87,632			83,793	87,632
Transfers in - Capital Projects Fund			306				306	
Total other financing sources (uses)	(86,793)	(110,632)	85,430	88,482	110,903	275,497	109,540	253,347
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	8,213	4,758	5,468	19,595	(56,088)	250,276	(42,407)	274,629
Fund balances:								
Beginning of year	145,670	140,912	39,109	19,514	348,724	98,448	533,503	258,874
End of year	$153,883	$ 145,670	$ 44,577	$ 39,109	$ 292,636	$348,724	$ 491,096	$533,503

General Fund - The assets in the general fund primarily represent amounts for Service Board operations and capital projects, up $23 million from $172 to $195 million in 2000 and 2001, respectively. The majority of RTA current liabilities of $41 million is comprised of intergovernmental payables, i.e., accrued financial assistance, sales taxes, capital and other grants due to the Service Boards and advances from the State at December 31, 2001, which totaled $37 million. The total fund balance of the general fund equals $154 million at December 31, 2001. This is up by $8 million over the same period in 2000. The amount of $45 million represents funds reserved for Service Board capital projects. The amount reserved for agency capital projects totals $31 million.

These projects focus 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: active transit station signs (variable message signs designed to provide real-time "next train" or "next bus" service information at transit stops), transfer connection protection (a system to minimize connecting time between transit vehicles by ensuring pre-scheduled connections), transit management systems (voice/data communication functions, computer-aided dispatching, and automatic vehicle location technologies to improve the transit operating efficiency, increase service reliability, and ensure schedule adherence), parking management systems (real-time information and guidance regarding the availability of parking spaces at transit and ride-share parking facilities), and transit signal priority (gives/extends a green signal to transit buses under certain circumstances to reduce passenger travel times, improve bus schedule adherence, and reduce bus operating costs).

The amount of $4 million is unreserved and designated for agency capital projects. The remaining unreserved and undesignated fund balances total $74 million.

Debt Service Fund - The RTA establishes a debt service fund to account for operating transfers received, investment income, and principal and interest payments made for each of its outstanding series of bonds. As of December 31, 2001, the RTA has thirteen series of general obligation bonds outstanding. Each respective bond agreement sets forth the debt service funding requirements. The 2001 debt service fund balance of $45 million increased by $6 million from 2000 year-end, reflecting the additional debt service requirements for the newly issued SCIP bonds of $100 million in 2001. The RTA also issued refunding bonds for $38 million during 2001. The refunding saved the RTA $3.4 million of debt service expenditures over the next 23 years.

Capital Projects Fund - The RTA has established a capital project fund to account for bond sale proceeds, earnings on the investment of such proceeds, and the expenditure of such moneys for capital assets of the Service Boards. In addition, the RTA can use of a portion of these funds to pay for debt service on the related bonds. The total capital projects fund balance of $293 million decreased from 2000, reflecting the increased activity in bond capital expenditures.

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

Revenues fell short of budgeted goals due to variances in sales tax. A less robust economic environment resulted in lower than budgeted sales tax receipts, hence, lower PTF receipts. The RTA receives reimbursement of debt service on bonds issued under the Strategic Capital Improvement Plan. Such reimbursement, termed Additional State Assistance and Additional Financial Assistance is included in the State assistance line item in the financial statements. The RTA issued a lesser number of these bonds in 2001, than anticipated, resulting in lower than budgeted debt service (transfers).

Financial assistance expenditures exceeded budget because the general fund made up for the Service Boards budget funding levels resulting from sales tax agency fund revenue shortfall. Non-administration and technology program expenditures did not reach budgeted levels primarily due to delayed timing of some program initiatives.

The fund balance of the general fund included an unreserved, undesignated amount of $74 million. By ordinance, the annual budget adopted by the RTA each year must reflect a year-end unreserved and undesignated fund balance of its general fund equal to or greater than 5% of the RTA total operating expenditures for that year. The 2002 budget met this requirement - which equated to a balance equal to or greater than $48.6 million. In addition, the RTA Board determined that in the current uncertain economic times, a conservative level of expenditures represented the most prudent course of action. The Board authorized funding levels that effectively maintained an amount of unreserved and undesignated fund balance equal to a possible shortfall in RTA sales tax receipts.

CAPITAL ASSETS AND LONG-TERM DEBT ACTIVITY

The RTA issues debt in order to fund capital asset acquisitions of the Service Boards. These capital assets are recorded by the Service Boards thereby creating a net deficit on the RTA's statement of net assets. This deficit is the cumulative result of debt issuances to fund this capital activity, and is not reflective of the RTA's operating results.

Capital Assets - The RTA System provides 571 million 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 valued at more than $26 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 detail 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 the federal as well as the 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.

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

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 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" bonds.

Prior to January 1, 2000, the RTA had authority to issue up to $500 million in SCIP bonds and had authority to have up to $500 million in RTA bonds outstanding. Effective January 1, 2000, the RTA Act was amended to authorize the RTA to issue 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 RTA bonds. As of year-end 2001, the RTA has issued $860 million in SCIP bonds, with a total SCIP bonds outstanding of $823 million. The remaining $453 million bonds outstanding relate to RTA bonds.

The bonds issued by the RTA carry a rating of "AAA" from Standard & Poor's and Fitch's, and "Aaa" from Moody's Investors Service, Inc. Such ratings are based, in part, on the RTA having the principal and interest guaranteed by an insurance policy. These rating agencies have indicated that they would have rated the bonds "AA," "AA," and "Aa2," respectively, without such insurance. These ratings reflect a positive outlook by the rating agencies based on their assessment of the essential nature of the RTA System, its financial position and performance, and public funding support.

CONTACTING THE FINANCIAL MANAGEMENT OF THE REGIONAL TRANSPORTATION AUTHORITY

This CAFR provides a general overview of the finances of the Regional Transportation Authority. Users of this CAFR should address questions concerning the information in this CAFR, or requests for additional financial information, to the Regional Transportation Authority Chief Financial Officer, 181 West Madison Street, Chicago, Illinois 60602.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF NET ASSETS
DECEMBER 31, 2001
(In Thousands)

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and investments (Note 4):			
Externally restricted - investments	$ 43,246		$ 43,246
Restricted - cash and cash equivalents		$ 27,210	27,210
Restricted - investments	342,581	18,095	360,676
Unrestricted - investments	106,566		106,566
Intergovernmental receivables (Note 5)	41,463	794	42,257
Accrued interest on investments	1,868	24	1,892
Other receivables	371		371
Internal balances (Note 6)	1	(1)	
Prepaid expenses	518	4,407	4,925
Unamortized bond issue costs	1,282		1,282
Depreciable capital assets, net of accumulated depreciation (Note 9)	930		930
Total assets	538,826	50,529	589,355
LIABILITIES:			
Vouchers payable	82		82
Current portion of			
General obligation bonds payable (Note 10)	25,560		25,560
Intergovernmental payables (Note 5)	41,204		41,204
Accrued other expenses	3,232		3,232
Accrued interest payable	16,424		16,424
Claims liability (Note 13)	1,000		1,000
Unamortized bond premium	13,838		13,838
General obligation bonds payable (Note 10)	1,250,380		1,250,380
Total liabilities	1,351,720		1,351,720
NET ASSETS (DEFICIT):			
Invested in capital assets (Note 9)	930		930
Restricted for:			
Service Boards capital projects	45,208		45,208
Debt service	44,577		44,577
Bond capital projects	292,636		292,636
Accumulated unrestricted (deficit)	(1,196,245)	50,529	(1,145,716)
TOTAL NET ASSETS (DEFICIT)	$ (812,894)	$ 50,529	$ (762,365)

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2001
(In Thousands)

	Expenses	Program Operating Grants/ Revenues	Net Expense/Revenue and Changes in Net Assets Governmental Activities	Business-type Activities	Total
FUNCTIONS/PROGRAMS:					
Governmental activities:					
Financial assistance to Service Boards	$168,857		$ 168,857		$ 168,857
Capital grants - discretionary	31,736		31,736		31,736
Capital grants - bonds	169,812		169,812		169,812
Administrative expenses	5,402		5,402		5,402
Regional expenses	13,265	$712	12,553		12,553
Technology expenses	1,277	258	1,019		1,019
Interest expense	90,960		90,960		90,960
Total governmental activities	481,309	970	480,339		480,339
Business-type activities - insurance financing	5,041	29		$ 5,012	5,012
TOTAL PRIMARY GOVERNMENT	$486,350	$999			485,351
REVENUES:					
General:					
Sales taxes			98,028		98,028
Interest on sales taxes			131		131
Public Transportation Fund			164,987		164,987
State assistance			43,662		43,662
Investment income			25,283	1,838	27,121
Other revenues			900		900
Transfers in (out) (Note 7)			(3,000)	3,000	
Total revenues and transfers			329,991	4,838	334,829
CHANGE IN NET ASSETS			(150,348)	(174)	(150,522)
NET ASSETS - Beginning of year			(662,546)	50,703	(611,843)
NET ASSETS - End of year			$(812,894)	$50,529	$(762,365)

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2001
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS:				
Cash and investments (Note 4):				
Externally restricted		$ 43,246		$ 43,246
Restricted by Regional Transportation Authority	$ 45,208		$297,373	342,581
Unrestricted	106,566			106,566
Due from other funds (Note 6)	15	316		331
Intergovernmental receivables (Note 5)	41,463			41,463
Accrued interest on investments	666	1,029	173	1,868
Other receivables	371			371
Prepaid items	518			518
TOTAL ASSETS	$194,807	$ 44,591	$297,546	$536,944
LIABILITIES:				
Vouchers payable	$ 82			$ 82
Due to other funds (Note 6)		$ 14	$ 316	330
Intergovernmental payables (Note 5)	36,610		4,594	41,204
Accrued other items	3,232			3,232
Claims liability (Note 13)	1,000			1,000
Total liabilities	40,924	14	4,910	45,848
FUND BALANCE:				
Reserved for:				
Bond capital projects			292,636	292,636
Service Boards capital projects	45,208			45,208
Agency capital projects	30,330			30,330
Prepaid items	518			518
Debt service		44,577		44,577
Unreserved, designated for				
Agency capital projects	4,200			4,200
Unreserved, undesignated	73,627			73,627
Total fund balance	153,883	44,577	292,636	491,096
TOTAL LIABILITIES AND FUND BALANCE	$194,807	$ 44,591	$297,546	$536,944

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS DECEMBER 31, 2001 (In Thousands)

TOTAL FUND BALANCE - GOVERNMENTAL FUNDS	$ 491,096
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. This is the capital assets, net of accumulated depreciation recognized in the statement of net assets.	930
Bond issue costs are paid in the current year and, therefore, are reported in the funds. This asset represents the unamortized portion recognized in the statement of net assets.	1,282
General obligation bonds payable are not due and payable in the current period and, therefore, are not reported in the funds. This liability represents the total current and long-term portion of the general obligation bonds payable recognized on the statement of net assets.	(1,275,940)
Bond premiums are paid in the current year and, therefore, are reported in the funds. This liability represents the unamortized portion recognized in the statement of net assets.	(13,838)
Accrued interest payable on bonds is not due and payable in the current period and, therefore, is not reported in the funds. This liability is accrued in the statement of net assets.	(16,424)
TOTAL NET ASSETS (DEFICIT) - GOVERNMENTAL ACTIVITIES	$ (812,894)

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2001
(In Thousands)

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
REVENUES:				
Sales taxes	$ 98,028			$ 98,028
Interest on sales taxes	131			131
Public Transportation Fund	164,987			164,987
State assistance	43,662			43,662
Investment income	6,324	$ 16,138	$ 2,821	25,283
Other revenues	1,870			1,870
Total revenues	315,002	16,138	2,821	333,961
EXPENDITURES:				
Financial assistance to Service Boards	168,857			168,857
Capital grants - discretionary	31,736			31,736
Capital grants - bonds			169,812	169,812
Administrative	5,030			5,030
Regional	14,301			14,301
Capital outlay	72			72
Debt service:				
Principal		19,805		19,805
Interest		74,969		74,969
Debt issuance costs		1,326		1,326
Total expenditures	219,996	96,100	169,812	485,908
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	95,006	(79,962)	(166,991)	(151,947)
OTHER FINANCING SOURCES (USES):				
Bond proceeds (gross)			111,209	111,209
Refunding bond proceeds (gross)		41,067		41,067
Payment to refunded bond escrow agent		(39,736)		(39,736)
Transfers out (Note 7):				
Debt Service Fund	(83,793)		(306)	(84,099)
Joint Self Insurance Fund	(3,000)			(3,000)
Transfers in (Note 7):				
General Fund		83,793		83,793
Capital Projects Fund		306		306
Total other financing sources (uses)	(86,793)	85,430	110,903	109,540
NET CHANGE IN FUND BALANCES	8,213	5,468	(56,088)	(42,407)
FUND BALANCES:				
Beginning of year	145,670	39,109	348,724	533,503
End of year	$153,883	$ 44,577	$ 292,636	$ 491,096

See notes to financial statements.

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, 2001
(In Thousands)

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	$ (42,407)
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 depreciation ($613) exceeded capital outlays ($72) in the current period.	(541)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds, report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(92,735)
Accrued interest on bonds reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(16,424)
Governmental funds report bond premiums as financing sources. 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.	477
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. However, in the statement of activities, bond issue costs are deferred and amortized over the life of the bond.	1,282
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	$ (150,348)

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

PROPRIETARY FUND
BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND
JOINT SELF-INSURANCE
STATEMENT OF FUND NET ASSETS
DECEMBER 31, 2001
(In Thousands)

ASSETS:	
Current:	
Cash and cash equivalents	$27,210
Investments	18,095
Accrued interest on investments	24
Prepaid insurance	4,407
Interagency receivable	794
Total current assets	50,530
LIABILITIES - Current: Due to general fund	1
NET ASSETS - Unrestricted	$50,529

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

PROPRIETARY FUND
BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND
JOINT SELF-INSURANCE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED DECEMBER 31, 2001
(In Thousands)

OPERATING REVENUES - Interest charged to Service Boards	$ 29
OPERATING EXPENSES:	
Insurance expense	(5,037)
Bank charges	(4)
Total operating expenses	(5,041)
OPERATING LOSS	(5,012)
NONOPERATING REVENUES - Investment income	1,838
LOSS BEFORE TRANSFER IN	(3,174)
TRANSFER IN	3,000
CHANGE IN NET ASSETS	(174)
NET ASSETS:	
Beginning of year	50,703
End of year	$ 50,529

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

PROPRIETARY FUND
BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND
JOINT SELF-INSURANCE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2001
(In Thousands)

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Service Boards	$ 1,000
Payments to insurance vendor	(3,037)
Payments to other vendors	(3)
Net cash flows from operating activities	(2,040)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Sales of investments	213,600
Purchases of investments	(216,451)
Investment income	1,823
Net cash flows from investing activities	(1,028)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES - Transfer from other funds	3,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(68)
CASH AND CASH EQUIVALENTS:	
Beginning of year	27,278
End of year	$ 27,210
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES:	
Operating loss	$ (5,012)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Changes in:	
Prepaid insurance	2,000
Interagency receivable	971
Due to general fund	1
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (2,040)

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2001
(In Thousands)

	Pension Trust Fund	Sales Tax Agency Fund
ASSETS:		
Cash and cash equivalents	$ 1,251	
Investments:		
Fixed income	31,828	
Equity	43,416	
Intergovernmental receivables:		
Sales taxes		$ 150,647
Interest on sales taxes		75
Reduced fare reimbursement		19,763
Advances to Service Boards (Note 7)		46,438
Accrued interest	2	
Accrued dividends	19	
Total assets	76,516	216,923
LIABILITIES:		
Intergovernmental payables:		
Sales taxes due to Service Boards		150,647
Interest on sales taxes due to Service Boards		75
Reduced fare reimbursement		19,763
Advances from State (Note 7)		46,438
Accrued other items	93	
Total liabilities	93	216,923
NET ASSETS:		
Net assets held in trust for pension benefits	$ 76,423	$

See notes to financial statements.

REGIONAL TRANSPORTATION AUTHORITY

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED DECEMBER 31, 2001
(In Thousands)

	Pension Trust Fund
ADDITIONS:	
Investment income:	
Net depreciation in fair value of investments	$ (4,473)
Interest and dividends	2,658
Investment income	(1,815)
Less investment expenses:	
Investment managers	(218)
Custodian	(36)
Investment Advisor	(34)
Investment expenses	(288)
TOTAL NET ADDITIONS	(2,103)
DEDUCTIONS:	
Administrative expenses	279
Benefit payments	3,095
Total deductions	3,374
NET DECREASE IN FIDUCIARY FUNDS NET ASSETS	(5,477)
NET ASSETS HELD IN TRUST FOR PENSION BENEFIT:	
Beginning of year	81,900
End of year	$ 76,423

See notes to financial statements.

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, 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. For purposes of the recovery ratio calculation, the Act requires that the costs used in the calculation include all operating costs consistent with generally accepted accounting principles, with certain exceptions. Capitalized expenditures are recorded as fixed assets, and are excluded from the recovery ratio calculation as required by the Act. The Service Boards achieve their required recovery ratio by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA has the responsibility to monitor the budgets and financial performance of the Service Boards.

As defined by accounting principles generally accepted in the United States of America 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.

Excluded Entities - Several other governmental entities have operations within the RTA's region but are separate legal entities. The entities include the Service Boards. The Boards of Directors of each Service Board are completely independent of the RTA Board. 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 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 and the preparation of operating budgets. They are also responsible for the purchase of services and approval of contracts relating to their operations.

The Service Boards are considered fiscally independent of the RTA. Although the RTA reviews the budgets of the Service Boards, approval of the budgets is mandated by State statute if such budgets meet specified farebox recovery ratios and other requirements as defined by the Act.

The Service Boards have no bonded debt; however, effective January 1, 1995, the CTA entered into a 20-year noncancelable capital lease agreement with the Public Building Commission of Chicago.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

General Fund - The General Fund is the general operating fund of the RTA. It is used to account for all financial transactions that are not specifically required to be accounted for in another fund such as the Agency 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 issue of $100 million of RTA bonds to fund capital projects at the Service Boards. The proceeds from the bonds issued under the General Assembly's authorization were allocated by the RTA as follows: 50% for capital projects of the CTA; 45% for capital projects of Metra; and 5% for capital projects of Pace. Projects included in approved five-year capital programs will be eligible for reimbursements from these proceeds by the RTA without further review or action by the RTA Board of Directors.

In 1999, the Illinois General Assembly passed additional bonding authorization, thereby increasing the RTA bond authority to $800 million outstanding effective January 1, 2000. It also increased SCIP bond issues by $260 million each year for five years from 2000 to 2004 for a total of $1.3 billion additional bond issues.

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

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

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

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

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

Government-wide and Fund Financial Statements - The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the RTA in a manner similar to a private-sector business. The effect of interfund activities has been removed from these statements. Governmental activities which are supported by sales taxes and intergovernmental revenues are reported separately from the insurance activities. The insurance activities include interest charges for loans advanced for claims of the Service Boards and RTA capital contributions to the Joint Self-Insurance Fund. 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). Taxes, Public Transportation Fund ("PTF"), state assistance ("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 as soon as all eligibility requirements imposed by the grantors have been met.

The Joint Self-Insurance Fund distinguishes operating revenues and expenses from nonoperating 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 nonoperating 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 are reported using the economic resources measurement focus. 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 soon enough thereafter to pay liabilities of the current period. Sales taxes are considered measurable and available if collected by the retailer by year-end and therefore are recorded on an accrual basis. Additionally, certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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

Assets, Liabilities and Fund Equity

Cash and Investments - All excess General Fund cash is invested and earnings are credited to the General Fund for use in financing general RTA operations. All investments are reported at fair value which is determined using selected bases. 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 and specific programs and projects.

Capital Assets - The RTA capitalization policy follows the Government Finance Officers Association's ("GFOA") recommended practices for setting capitalization thresholds of no less than $5,000 for any individual capital item. 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.

Description	Useful Life
Furniture and equipment	5 years
Leasehold improvements	5 years or life of lease, whichever is less

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. RTA discretionary capital grants to Service Boards are also restricted by the RTA Board under the five-year capital program. Bond proceeds and RTA contributions set aside for the Joint Self-Insurance Fund are also restricted by the Loss Financing Plan Articles of Agreement.

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

Accrued Other Items - Accrued other items represent short-term payables at year-end. Compensated absences which are reported within this category represent the liability for employees' vested vacation at year-end. 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. The entire liability for compensated absences is recorded in the General Fund, since, with the exception of an immaterial amount, it will be liquidated with expendable available financial resources.

Fund Balances - Portions of the fund balances of the Governmental and Fiduciary Funds are reserved or designated by the RTA for specific purposes as follows:

> Reserved for Service Boards Capital represents the portion of the fund balance to provide the local share of Federal and State funded capital projects and to fund 100% of those projects not funded by another source.

Reserved for Employee Retirement represents the excess of the Pension Trust Fund's assets over its liabilities, held in trust to be used for the payment of employee retirement benefits incurred under the Plan.

Reserved for Debt Service represents the portion of the fund balance of RTA resources legally restricted for the payment of long-term debt principal and interest amounts maturing within the next year.

Reserved for Agency Capital Projects represents the portion of the RTA fund balance for the unspent portion of capital authorized by the RTA's current and prior years' budgets.

Reserved for Bond Capital Projects represents the remaining bond proceeds and investment income committed for capital projects of the Service Boards.

Unreserved, designated for Service Boards Capital Projects represents the portion of the fund balance to provide the local share of Federal and State funded capital projects and to fund 100% of those projects not funded by another source as authorized in the RTA's prior years' budget.

Unreserved, designated for Agency Capital Projects represents the portion of the RTA fund balance for capital authorized by RTA's 2002 budgets.

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.

Intergovernmental grant revenues are recognized when qualifying expenditures have been incurred in accordance with the grant award.

Sales Tax - The RTA Sales Tax consists of (i) in Cook County, (a) a tax of 1% of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a Food and Drug Tax) and (b) a tax of 0.75% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois other than Cook County, a tax of 0.25% of the gross receipts from all taxable retail sales (together with (i) (b), a General Sales Tax); and (iii) a tax of 0.75% on the use in Cook County, and 0.25% on the use in Northeastern Illinois other than Cook County of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a Use Tax).

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

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

Also, proceeds from certain sales taxes imposed by the State are allocated to the RTA as part of the restructuring of the State and local sales taxes in Illinois. Until January 1, 1990, the State General Sales

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

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

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

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

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

Public Transportation Fund - In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund," an amount equal to 25% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes). These amounts may be paid to the RTA only upon State appropriation. The State has approved an appropriation from the PTF through its 2002 fiscal year which will end June 30, 2002.

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

The amounts allocable to each of the Service Boards from funding received by the RTA from the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement - In the State's fiscal year 2002, which ends June 30, 2002, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation ("IDOT") is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities and the elderly. For the State fiscal years ended June 30, 2001 and June 30, 2002, the grants were in the amount of $40 and $36 million, respectively. The revenue is recognized on the modified accrual basis when the amount is requested from IDOT, which is equivalent to the full accrual method.

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"). 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 saving from the issuance of refunding or advance refunding SCIP bonds, less interest earned on the remaining bond proceeds, or (ii) $55 million per year. The RTA received $37 million of ASA in 2001.

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) $16 million and $35 million in the State's fiscal year 2001 and 2002, respectively. The RTA received $7 million of Additional Financial Assistance in 2001.

In accordance with the Act, earnings on certain investments in the Capital Projects Fund are credited to the Debt Service Fund. This is done to compensate for prior State fiscal year earnings reducing the actual ASA and AFA grant amounts.

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

Capital grants consist of the RTA local match of Federal Transit Administration ("FTA")- and IDOT-funded capital projects, 100% RTA-funded projects and capital projects funded by RTA, SCIP bonds and investment income on bonds. Capital payment of approximately $30 million for sales tax funding was due to Metra based on a statutory formula. This formula consists of the budgeted sales tax revenues in excess of budgeted operating deficit that 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 $10,914,373 for the year ended December 31, 2001.

Nonadministration, listed as Regional 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, ADA, reduced fare registration, capital development and other program costs (regional expenses and technology programs) 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 $27,209,798 at December 31, 2001 and are included in cash and cash equivalents under business-type activities on the accompanying Statement of Net Assets. The remaining $18,095,132 included in this line item 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 of America 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 Governmental Accounting Standards Board ("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 20, 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 materials issued on or before November 30, 1989 to its proprietary fund.

In December 1998, GASB issued Statement No. 33, *"Accounting and Financial Reporting for Nonexchange Transactions."* The RTA adopted this statement on January 1, 2001. The Statement establishes accounting and financial reporting standards to guide state and local governments' decisions about when (in which fiscal year) to report the results of nonexchange transactions involving cash and other financial and capital resources. The adoption did not materially affect the RTA's financial position or results of its operations.

In June 1999, GASB issued Statement No. 34, *"Basic Financial Statements and Management's Discussion and Analysis for the State and Local Governments"* ("GASB No. 34"). The RTA early adopted this statement on January 1, 2001. The Statement establishes new financial reporting requirements for state and local governments.

In June 2001, GASB issued Statement No. 38, *"Certain Financial Statement Note Disclosures."* The RTA adopted this statement on January 1, 2001 as the effective date coincides with the effective date of the implementation of GASB No. 34. This Statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Refer to Note 5 for related disclosures.

Interfund Transactions - All outstanding balances between funds are reported as "due to/from other funds" in the Governmental Fund's Balance Sheet. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

3. 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 budget is comprehensive and includes the activity in the General Fund and Sales Tax Agency Fund.

The budgetary basis of the General Fund's budget and actual presentation is included in the required supplementary information. For comparison of the combined budgets as required for board presentation, the combined budgetary basis for both the General Fund and the Sales Tax Agency Fund is presented in the combining fund schedules. Additional budget detail is used by management for monitoring purposes which is provided in the combining and individual fund section of the CAFR as budget and actual schedule of expenditures - general fund.

The annual budget and related appropriations are prepared on the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America except for RTA capital expenditures and capital grants to Service Boards, which are budgeted for on a project basis, which normally exceeds one year, and debt service payments, which are budgeted as transfers from the General Fund. Budgets for RTA capital expenditures and capital grants to Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. In addition, for the Sales Tax Agency Fund, additions and deletions are treated as revenues and expenditures. All appropriations lapse at year-end. There was no budget amendment to the 2001 budget. Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. It is the policy of the RTA to fund the budgets of the Service Boards, up to the amount appropriated in the annual Budget Ordinance. The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

> The first source of funds to be credited against the budgeted funding amount is from Federal Transit Authority operating assistance grants;
>
> The second source of funds to be credited against the budgeted funding amount is from 85% sales tax receipts;
>
> The third source of funds to be credited against the budgeted funding amount is from PTF receipts; and
>
> The fourth source of funds credited against the budgeted funding amount is from RTA 15% sales tax receipts and other discretionary receipts.

The reimbursement of Service Boards' capital expenditures and the payment of PTF funds, 15% funds and other discretionary funds of the RTA shall be made under the terms and conditions of grant agreements governing such expenditures.

4. CASH AND INVESTMENTS

Cash and investments in the Statement of Net Assets comprise the following:

	Deposits	Cash Equivalents	Investments	Total
Externally restricted			$ 43,245,515	$ 43,245,515
Restricted by RTA	$2,236,730	$27,184,798	358,464,112	387,885,640
Unrestricted	2,307,503		104,258,199	106,565,702
Total	$4,544,233	$27,184,798	$505,967,826	$537,696,857

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 has an investment policy which was revised on March 4, 1999. This policy is in accordance with the Illinois statutes and allows the RTA to invest in (1) certain obligations of the U.S. Government and its agencies; (2) interest-bearing certificates of deposit, interest-bearing time deposits or any other investments constituting direct obligations of any bank as defined by the Illinois Banking Act; (3) 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 2 standard rating services; (4) certain money market mutual funds; (5) Illinois Funds; (6) repurchase agreements; and (7) bankers' acceptances.

Deposits - At year-end, the carrying amount of the RTA's deposits was $4,544,233 and the bank balances were $13,210,712. The bank balances were covered by Federal Depository Insurance or collateral held by the RTA's agent in the RTA's name.

Investments - The RTA's investments are categorized to give an indication of the level of risk assumed by the RTA. Categorized investments that are insured or registered are held by the RTA's agent in the RTA's name. At December 31, 2001, the RTA held the following investments, including cash and cash equivalents:

Type of Investment	Fair Value
Investments subject to categorization:	
U.S. Treasury securities	$ 10,264,793
Repurchase agreements	309,402,220
Commercial paper	65,287,061
U.S. Agency Securities	25,050,509
Investments not subject to categorization:	
Money market	82,981,375
Illinois fund investment pool	40,867,834
Interest rate swap	(701,168)
Total investments	$533,152,624

The RTA's investments in repurchase agreements for Capital Projects Fund investments total $297,372,696. The RTA's investments in repurchase agreements in the General Fund total $2,211,758. The remaining $9,817,766 in repurchase agreements is recorded in the Joint Self-Insurance Fund. These repurchase agreements were collateralized with U.S. Treasury Notes. The repurchase agreements are backed by the full faith and credit of the United States Treasury. The RTA's repurchase agreements "mark-to-market" on a daily basis, and require collateral of 102% of the investment value.

The RTA's investments in money market funds are primarily for sales tax proceeds temporarily held at year-end, debt service funds and the Joint Self Insurance Fund. 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 Bills and U.S. Treasury Notes and are collateralized with the same. These funds are not categorized as to credit risk because they are not evidenced by a transferable financial instrument or security.

The Illinois Funds investment pool is managed by the Treasurer of the State of Illinois and is not registered with the SEC.

Following is a summarization of the fair values of the RTA's Pension Plan investments at December 31, 2001. All categorized investments are insured or registered and are held by the Plan's master custodian in the Plan's name. Investments in money market and mutual funds are not categorized because the relationship between the Plan and the investment agent is a direct contractual relationship, and the investments are not supported by a transferable instrument that evidences ownership or creditorship.

	Fair Value
Investments subject to categorization:	
Equity securities	$18,822,015
Investments not subject to categorization:	
Money market	1,250,720
Fixed income mutual funds	31,828,482
Equity mutual funds	24,594,295
Total plan investments	$76,495,512

Interest Rate Swap - The RTA under a board ordinance adopted November 1, 2001 entered into an interest rate swap agreement to modify the interest rate characteristics of its outstanding debts and other liabilities from fixed rate to variable rate. The agreement involves the exchange of variable and fixed-rate interest payments over the life of the agreement without an exchange of the underlying principal amount. The differential to be paid or received is accrued as interest rates change and is recognized as interest expense or interest income. The related amount receivable from the counter party is included in other receivables. One such swap agreement was entered into on November 22, 2001. The interest rate swap has a notional amount of $112,250,000 and matures on June 1, 2020.

As of December 31, 2001, this agreement was in place which has the net effect of changing the interest rate characteristics of a portion of the RTA's debts and other liabilities from fixed rate averaging 4.302% to a variable rate of interest equal to The Bond Market Association index of 1.236% including 319.8 basis points. As a result, for the year ended December 31, 2001, interest income of $158,735 (net of $221,820 expenses directly related to swap transaction) was recognized.

The interest rate swap has an estimated valuation of $(701,168) as of December 31, 2001. The RTA recorded an unrealized loss on investment of $701,168 which is included in investment income.

5. INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

The intergovernmental receivables and payables in the Statement of Net Assets comprise the following:

Receivable	Amount
General Fund:	
Sales taxes	$26,584,754
Interest on sales taxes	13,227
Public Transportation Fund	13,524,539
Illinois Department of Transportation and other grants	1,340,438
General Fund	41,462,958
Proprietary Fund - Pace loan payable	794,142
Total intergovernmental receivables	$42,257,100
Payable	
General Fund:	
Financial assistance	$26,225,676
Capital grants	2,189,101
Advances from State	8,194,921
General Fund	36,609,698
Capital Projects Fund - Capital grants	4,594,250
Total intergovernmental payables	$41,203,948

6. DUE TO/FROM OTHER FUNDS

Various transactions result in "due to/from other funds" balances. In almost all cases, the General Fund advances payments on behalf of other funds.

Due to/from balances between the Debt Service Fund and the Capital Projects Fund represent interest earned in Capital Projects Fund which is transferred to the Debt Service Fund for payment of long-term debt. The General Fund also makes monthly transfers to the Debt Service Fund and occasionally makes transfers to the Joint Self-Insurance Fund. Cash receipts and payments in behalf of the Sales Tax Agency Fund originate in the General Fund.

At December 31, 2001 the amounts due to/from other funds presented in the Governmental Fund's Balance Sheet and Joint Self-Insurance Fund's Statement of Net Assets are as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	Capital Projects Fund	$315,953
General	Debt Service	13,440
General	Joint Self-Insurance	1,172
Total		$330,565

7. INTERFUND TRANSFERS

Various transactions result in "transfer in/out" balances from funds. Transfer in/out balances presented on the Governmental Fund's Statement of Revenues, Expenditures, and Changes in Fund Balances are as follows:

Transfer Out Fund	Transfer In Fund	Amount
General	Debt Service	83,792,659
General	Joint Self-Insurance	3,000,000
Capital Projects	Debt Service	306,283
Total		$87,098,942

8. ADVANCES TO SERVICE BOARDS

The Illinois Department of Revenue ("IDOR") sends a "13th month" sales tax advance to compensate for the delayed processing of sales tax payment to the RTA. Each year, IDOR calculates the amount and the RTA verifies that calculation. The allocations to the Service Boards are set forth below:

CTA	$21,864,048
Metra	18,711,736
Pace	5,862,100
Total Service Board Advances	$46,437,884

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

9. CAPITAL ASSETS

The following is a summary of changes in capital assets during the fiscal year:

	Balance at January 1, 2001	Additions	Retirements	Balance at December 31, 2001
Office furniture and equipment	$ 300,474	$ 14,918	$ (262,783)	$ 52,609
Computer equipment	3,782,673	46,814	(1,256,299)	2,573,188
Leasehold improvements	2,311,257	9,970		2,321,227
Subtotal	6,394,404	71,702	(1,519,082)	4,947,024
Less accumulated depreciation:				
Office furniture and equipment	285,791	9,517	(262,783)	32,525
Computer equipment	2,787,776	367,567	(1,256,299)	1,899,044
Leasehold improvements	1,849,005	236,111		2,085,116
Subtotal	$4,922,572	$613,195	$(1,519,082)	4,016,685
Capital assets, net of accumulated depreciation				$ 930,339

All capital assets are associated with governmental activities.

The depreciation expense is broken out between two functions on the statement of activities. Total depreciation expense included $240,959 of regional expenditures and $372,236 of administration expenditures.

10. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	January 1, 2001	New Issues	Current Retirements	December 31, 2001
1990A	$ 60,795,000			$ 60,795,000
1991A	57,800,000		$ 2,055,000	55,745,000
1992A* and 1992B	75,085,000		4,045,000	71,040,000
1993A* and 1993B	44,830,000		39,990,000	4,840,000
1993C Refunding	22,155,000		190,000	21,965,000
1994A* and 1994B	49,255,000		4,705,000	44,550,000
1994C* and 1994D	85,270,000		2,635,000	82,635,000
1996 Refunding	149,220,000		570,000	148,650,000
1997 Refunding	97,635,000		2,360,000	95,275,000
1999 Refunding	293,735,000		570,000	293,165,000
2000A*	260,000,000			260,000,000
2001A*		$ 100,000,000		100,000,000
2001B Refunding		37,715,000	435,000	37,280,000
Total	$ 1,195,780,000	$ 137,715,000	$ 57,555,000	$ 1,275,940,000

*SCIP Bonds

At December 31, 2001, the total general obligation bonds payable of $1,275,940,000 is classified as current and long-term in the Statement of Net Assets in the amounts of $25,560,000 and $1,250,380,000, respectively.

Advance Refundings - On June 21, 1993, the RTA advance refunded a portion of its 1990A Series general obligation bond issue. The RTA issued $23,265,000 of general obligation refunding bonds (1993C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2001, $20,350,000 of outstanding general obligation bonds (1990A Series) is considered defeased.

On January 19, 1996, the RTA advance refunded a portion of its 1994B and 1994D Series general obligation bond issues. The RTA issued $151,235,000 of general obligation refunding bonds (1996 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2001, $60,300,000 of outstanding general obligation bonds (1994B Series) and $75,605,000 of outstanding general obligation bonds (1994D Series) are considered defeased.

On September 18, 1997, the RTA advance refunded a portion of its 1990A, 1991A, 1992B and 1993B Series general obligation bond issues. The RTA issued $98,385,000 of general obligation refunding bonds (1997 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2001, $4,230,000 of outstanding general obligation bonds (1990A Series), $29,265,000 of outstanding general obligation bonds (1991A Series), $18,170,000 of outstanding general obligation bonds (1992B Series) and $47,465,000 of outstanding general obligation bonds (1993B Series) are considered defeased.

On August 24, 1999, the RTA advance refunded a portion of its 1992A, 1993A, 1994A and 1994C Series general obligation bond issues. The RTA issued $298,725,000 of general obligation refunding bonds (1999 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2001, $113,895,000 of outstanding general obligation bonds (1992A Series), $9,720,000 of outstanding general obligation bonds (1993A), $142,615,000 of outstanding general obligation bonds (1994A) and $21,955,000 of outstanding general obligation bonds (1994C) are considered defeased.

On March 1, 2001, the RTA advance refunded a portion of its 1993A Series general obligation bond issues. The RTA issued $37,715,000 of general obligation refunding bonds (2001B Series). Proceeds from the issuance amounted to $40,437,798 which includes a premium of $2,554,206. The proceeds are to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2001, $37,750,000 of outstanding general obligation bonds (1993A) is considered defeased. This advance refunding was undertaken to reduce total debt service payments over the next 23 years by $3 million and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and the refunding bonds) of $2 million, a 5.6% savings on the previous debt service expense.

Debt Service Requirements - The "debt service requirements" set forth in the following tables represent payments due the trustee, as required by the respective bond agreements. The "principal maturity" columns represent principal payments due bondholders from the trustee. Differences, if any, between debt service amounts presented in the following tables and amounts presented in the 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.

The debt service fund accounts for operating transfers (debt service requirements) received from the general fund, investment income, and principal and interest payments to the bondholders of RTA bonds.

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

The Series 1990A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 6.00% to 7.15% on November 1, 1990 and semiannually thereafter on May 1 and November 1 in each remaining year.

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

	Debt Service Requirements			Principal
Year	**Principal**	**Interest**	**Total**	**Maturity**
2002		$ 4,377,240	$ 4,377,240	
2003		4,377,240	4,377,240	
2004		4,377,240	4,377,240	
2005		4,377,240	4,377,240	
2006		4,377,240	4,377,240	
2007 - 2011	$ 7,895,000	21,611,880	29,506,880	$ 7,895,000
2012 - 2016	25,290,000	15,654,960	40,944,960	25,290,000
2017 - 2020	27,610,000	5,142,600	32,752,600	27,610,000
Total	$60,795,000	$64,295,640	$125,090,640	$60,795,000

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:

	Debt Service Requirements			Principal
Year	**Principal**	**Interest**	**Total**	**Maturity**
2002		$ 3,734,915	$ 3,734,915	
2003		3,734,915	3,734,915	
2004		3,734,914	3,734,914	
2005		3,734,916	3,734,916	
2006		3,734,914	3,734,914	
2007 - 2011		18,674,573	18,674,573	
2012 - 2016	$23,390,000	15,743,660	39,133,660	
2017 - 2020	32,355,000	6,783,750	39,138,750	$55,745,000
Total	$55,745,000	$59,876,557	$115,621,557	$55,745,000

1992 General Obligation Bonds - In June 1992, the RTA issued $188 million in General Obligation Bonds, Series 1992A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued $30 million in General Obligation Bonds, Series 1992B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1992A and 1992B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 9.00% on December 1, 1992 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1992A and 1992B Bonds to maturity are set forth below:

	Debt Service Requirements			Principal
Year	**Principal**	**Interest**	**Total**	**Maturity**
2002	$ 4,455,455	$ 5,159,539	$ 9,614,994	$ 4,290,000
2003	4,731,364	4,894,495	9,625,859	4,550,000
2004	5,080,000	4,608,334	9,688,334	4,835,000
2005	5,531,818	4,208,481	9,740,299	5,220,000
2006	6,053,636	3,712,221	9,765,857	5,710,000
2007 - 2011	42,457,727	9,216,162	51,673,889	46,435,000
Total	$68,310,000	$31,799,232	$100,109,232	$71,040,000

1993 General Obligation Bonds - In June 1993, the RTA issued $55 million in General Obligation Bonds, Series 1993A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued $55 million in General Obligation Bonds, Series 1993B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1993A and 1993B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.21% to 5.85% on December 1, 1993 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1993A and 1993B Bonds to maturity are set forth below:

	Debt Service Requirements			Principal
Year	**Principal**	**Interest**	**Total**	**Maturity**
2002	$2,360,000	$ 189,140	$2,549,140	$2,360,000
2003	2,480,000	64,480	2,544,480	2,480,000
Total	$4,840,000	$253,620	$5,093,620	$4,840,000

1993 General Obligation Refunding Bonds - In June 1993, the RTA issued $23 million in General Obligation Bonds, Series 1993C, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds maturing November 1 in the years 2003-2005 and 2009 in the aggregate amount of $20 million.

The Series 1993C Refunding Bonds mature on June 1 over a sixteen-year period and interest is payable at rates ranging from 2.75% to 5.70% on December 1, 1993 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1993C Refunding Bonds to maturity are set forth below:

	Debt Service Requirements			Principal
Year	**Principal**	**Interest**	**Total**	**Maturity**
2002	$ 1,736,818	$1,200,538	$ 2,937,356	$ 200,000
2003	2,723,182	1,114,870	3,838,052	2,615,000
2004	2,874,091	971,915	3,846,006	2,785,000
2005	3,026,819	818,103	3,844,922	2,925,000
2006	3,199,545	653,118	3,852,663	3,085,000
2007 - 2009	8,277,270	844,272	9,121,542	10,355,000
Total	$21,837,725	$5,602,816	$27,440,541	$21,965,000

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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2002	$ 4,955,000	$ 3,208,713	$ 8,163,713	$ 4,955,000
2003	5,230,000	2,863,250	8,093,250	5,230,000
2004	5,645,000	2,428,250	8,073,250	5,645,000
2005	4,325,000	2,077,025	6,402,025	4,325,000
2006		1,951,599	1,951,599	
2007 - 2011		9,758,001	9,758,001	
2012 - 2016	11,725,000	9,289,000	21,014,000	
2017 - 2021	12,670,000	506,799	13,176,799	
2022 - 2024				24,395,000
Total	$44,550,000	$32,082,637	$76,632,637	$44,550,000

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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2002	$ 2,800,000	$ 6,272,612	$ 9,072,612	$ 2,800,000
2003	3,000,000	6,070,962	9,070,962	3,000,000
2004	3,240,000	5,829,162	9,069,162	3,240,000
2005	3,505,000	5,567,794	9,072,794	3,505,000
2006	3,790,000	5,285,112	9,075,112	3,790,000
2007 - 2011	13,385,000	22,517,431	35,902,431	13,385,000
2012 - 2016	21,460,000	17,698,676	39,158,676	6,145,000
2017 - 2021	31,455,000	4,313,844	35,768,844	35,685,000
2022 - 2025				11,085,000
Total	$82,635,000	$73,555,593	$156,190,593	$82,635,000

1996 General Obligation Refunding Bonds - In January 1996, the RTA issued $151 million in General Obligation Bonds, Series 1996, to provide funds to refund in advance of maturity the RTA's outstanding Series 1994B Bonds, maturing June 1 in the years 2005-2009, 2012, 2015 and 2024, in the aggregate amount of $60 million and Series 1994D Bonds, maturing June 1 in the years 2009-2014 and 2025, in the aggregate amount of $76 million.

The Series 1996 Refunding Bonds mature on June 1 over a twenty-two year period and interest is payable at rates ranging from 5.125% to 5.50% on June 1, 1996 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1996 Refunding Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2002	$ 595,000	$ 8,112,209	$ 8,707,209	$ 595,000
2003	625,000	8,080,947	8,705,947	625,000
2004	660,000	8,048,019	8,708,019	660,000
2005	2,470,000	7,967,813	10,437,813	2,470,000
2006	2,590,000	7,838,150	10,428,150	2,590,000
2007 - 2011	25,440,000	36,207,203	61,647,203	25,440,000
2012 - 2016	27,415,000	27,588,610	55,003,610	27,415,000
2017 - 2021	35,025,000	21,807,960	56,832,960	4,980,000
2022 - 2025	53,830,000	5,750,360	59,580,360	83,875,000
Total	$ 148,650,000	$ 131,401,271	$ 280,051,271	$ 148,650,000

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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2002	$ 4,705,000	$ 5,238,975	$ 9,943,975	$ 4,705,000
2003	2,545,000	5,057,725	7,602,725	2,545,000
2004	3,980,000	4,894,600	8,874,600	3,980,000
2005	4,190,000	4,690,350	8,880,350	4,190,000
2006	4,400,000	4,475,600	8,875,600	4,400,000
2007 - 2011	25,850,000	18,532,789	44,382,789	25,850,000
2012 - 2016	16,445,000	12,689,688	29,134,688	16,445,000
2017 - 2021	23,910,000	6,533,100	30,443,100	18,535,000
2022 - 2025	9,250,000	490,500	9,740,500	14,625,000
Total	$ 95,275,000	$ 62,603,327	$ 157,878,327	$ 95,275,000

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:

	Debt Service Requirements			Principal
Year	**Principal**	**Interest**	**Total**	**Maturity**
2002	$ 595,000	$ 16,699,637	$ 17,294,637	$ 595,000
2003	615,000	16,669,387	17,284,387	615,000
2004	645,000	16,637,887	17,282,887	645,000
2005	670,000	16,605,012	17,275,012	670,000
2006	5,135,000	16,459,887	21,594,887	5,135,000
2007 - 2011	35,320,000	77,552,862	112,872,862	35,320,000
2012 - 2016	71,895,000	62,016,007	133,911,007	71,895,000
2017 - 2021	108,245,000	38,208,132	146,453,132	108,245,000
2022 - 2025	70,045,000	5,932,481	75,977,481	70,045,000
Total	$293,165,000	$266,781,292	$559,946,292	$293,165,000

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

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

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

Year	Debt Service Requirements Principal	Interest	Total	Principal Maturity
2002	$ 3,630,000	$ 16,300,613	$ 19,930,613	$ 3,630,000
2003	3,825,000	16,091,888	19,916,888	3,825,000
2004	4,030,000	15,871,950	19,901,950	4,030,000
2005	4,245,000	15,640,225	19,885,225	4,245,000
2006	4,480,000	15,396,138	19,876,138	4,480,000
2007 - 2011	26,475,000	72,815,964	99,290,964	26,475,000
2012 - 2016	35,155,000	63,867,064	99,022,064	35,155,000
2017 - 2021	47,200,000	51,474,251	98,674,251	47,200,000
2022 - 2026	63,860,000	34,675,576	98,535,576	63,860,000
2027 - 2030	67,100,000	11,236,225	78,336,225	67,100,000
Total	$260,000,000	$313,369,894	$573,369,894	$260,000,000

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

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

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

Year	Debt Service Requirements Principal	Interest	Total	Principal Maturity
2002	$ 1,400,000	$ 5,828,238	$ 7,228,238	$ 1,400,000
2003	1,465,000	5,758,238	7,223,238	1,465,000
2004	1,535,000	5,684,988	7,219,988	1,535,000
2005	1,610,000	5,608,238	7,218,238	1,610,000
2006	1,695,000	5,527,738	7,222,738	1,695,000
2007 - 2011	9,935,000	26,179,290	36,114,290	9,935,000
2012 - 2016	13,010,000	22,945,626	35,955,626	13,010,000
2017 - 2021	17,125,000	18,611,825	35,736,825	17,125,000
2022 - 2026	22,545,000	13,111,200	35,656,200	12,775,000
2027 - 2031	29,680,000	5,538,300	35,218,300	39,450,000
Total	$100,000,000	$114,793,681	$214,793,681	$100,000,000

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

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

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

Year	Debt Service Requirements Principal	Interest	Total	Principal Maturity
2002	$ 30,000	$ 2,004,025	$ 2,034,025	$ 30,000
2003	30,000	2,002,825	2,032,825	30,000
2004	1,340,000	1,968,725	3,308,725	1,340,000
2005	1,410,000	1,899,975	3,309,975	1,410,000
2006	1,485,000	1,827,600	3,312,600	1,485,000
2007 - 2011	3,185,000	8,352,238	11,537,238	3,185,000
2012 - 2016	7,280,000	7,608,976	14,888,976	7,280,000
2017 - 2021	15,175,000	4,198,289	19,373,289	15,175,000
2022 - 2026	7,345,000	409,613	7,754,613	7,345,000
Total	$37,280,000	$30,272,266	$67,552,266	$37,280,000

The bonds issued by the RTA carry a rating of "AAA" from Standard & Poor's and Fitch IBCA, Inc., and "Aaa" from Moody's Investors Service, Inc., based, in part, on the RTA's having the principal and interest guaranteed by an insurance policy. These rating agencies have indicated that they would have rated the bonds "AA," "AA" and "A1," respectively, without such insurance. These ratings reflect a positive outlook by the rating agencies based on their assessment of the essential nature of the RTA system, its financial position and performance, and public funding support.

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

The bonds are secured by an assignment of a lien on the sales taxes imposed by the RTA. All sales tax receipts are to be paid directly to the trustee by officials of the State. If, for any reason, the required monthly debt service payment has not been made by the RTA, the trustee is to deduct it from the 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, $44,577,437 is available to service principal and interest payments of the RTA's long-term debt as of December 31, 2001.

11. PENSION

Plan Description - Effective July 1, 1976, the RTA participates, along with Metra and Pace, in a multi-employer noncontributory defined benefit cost-sharing pension plan and trust, 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 eighty-five 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.

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 rights 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.

Disability Benefits - An employee is eligible for a disability pension if he or she becomes disabled after reaching age 55, has completed ten years of credited service, and is no longer receiving long-term disability benefits under a separate RTA benefit plan.

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
181 West Madison Street, Suite 1900
Chicago, IL 60602

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 20 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. The actuarially determined contribution requirements for the years 1999 through 2001 were zero. No contributions were made for the three-year period. Previous 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 1999, 2000 and 2001, the RTA's annual pension cost of $0 was equal to the required and actual contributions. The required contributions were determined as part of the January 1, 1999, 2000 and 2001 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:

Valuation Date	January 1, 2001	January 1, 2000	January 1, 1999
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Straight-line, open	Level percent of payroll, open	Level percent of payroll, open
Remaining amortization period	20 years	20 years	20 years
Asset valuation method	Fair Value	Fair Value	Fair Value
Historical assumptions:			
Interest return	8.5 %	8.5 %	8.5 %
Salary increases:			
Attributed to inflation	4	4	4
Attributed to seniority/merit	0.5	0.5	0.5
Participants:			
Retirees and beneficiaries currently receiving benefits	179	157	142
Terminated employees entitled to benefits but not yet receiving them	346	323	291
Current employees:			
Vested	669	652	628
Nonvested	237	275	283
Total	1,431	1,407	1,344

Trend Information

For the years 1999 through 2001 the Plan had an annual pension cost and net pension obligation of zero. No contributions were made during the three-year period.

12. OTHER POSTEMPLOYMENT BENEFITS

In accordance with personnel practices, the RTA offers eligible retirees the option to continue participation in its group health insurance plan. Eligibility is in accordance with the qualifying factors of the RTA Pension Plan and Trust as follows: Retired employees who have attained age 55 with 10 years of continuous full-time employment are eligible to continue the Health Plan for themselves and their dependents (providing their dependents were covered immediately prior to their retirement). Retired employees who have attained age 65 or older with 10 years of continuous full-time employment are eligible for the Medicare Supplement Plan.

Retiree dependents are eligible for either the Health Plan or Medicare Supplement Plan depending on their age (providing they were covered as dependents immediately prior to the employee's retirement).

Election to participate is voluntary with the RTA's incurring no additional obligations except that the RTA will pay each eligible retiree the sum of up to $78 per month toward the cost of his/her health insurance. The costs of retiree health care benefits are generally recognized as expense as they are paid and are not material in amount at the present time.

For 2001, the RTA incurred $9,351 in other post employment benefit expenditures. There are 11 participants eligible to receive benefits at December 31, 2001.

13. RISK MANAGEMENT

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

The Workers' Compensation and Employers' Liability Insurance Policy is procured through Metra's insurance policy with Liberty Mutual Insurance Group/Boston. The RTA is insured for $500,000 each accident for bodily injury by accident, $500,000 each employee for bodily injury by disease and $500,000 policy limit. Business automobile insurance is also provided through Metra's policy with the Federal Insurance Company. The RTA's property, valued at $6.4 million, including uncapitalized assets between $300 and $4,999, is insured through Pace's Property Insurance with St. Paul Fire & Marine. The RTA's portion of insurance premiums is paid to Metra and Pace, and is accounted for in the General Fund. The RTA had no settlements in excess of insurance coverage in the past three years. There have been no significant reductions in coverage from coverage in the prior year.

In 2001, the RTA purchased an Employee Dishonesty Bond coverage with Hartford Insurance Company to protect the RTA in the event of employee fraud. It is for $10,000,000 of coverage with a $250,000 deductible.

The RTA provides a Group Insurance Plan to eligible employees with Trustmark Insurance Co. The Insurance Plan includes coverage for comprehensive medical benefits, dental, long-term disability, employee and dependent life insurance. Certain employees elect to have their medical benefits provided by HMO carriers, Humana and HMO Illinois. Monthly premiums are paid directly to the benefit providers, and are also accounted for in the General Fund.

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

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

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

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

Personal injury

Property damage

Advertising injury

Evacuation, evacuation expenses and loss of use

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

CTA	$2,500,000
Metra	2,500,000
Pace	250,000
RTA	100,000

At December 31, 2001, the Joint Self-Insurance Fund had outstanding cash advances due from Pace for liability claims paid in the amount of $765,592 plus accrued interest of $28,550. The advances accrued interest at 3.03% during 2001.

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.

The RTA is a defendant or respondent in various lawsuits and administrative proceedings. Although the ultimate resolution of these lawsuits will not have a material adverse effect, in the opinion of the RTA management, on the RTA's financial position or its results of its operations, prudence dictates that management established a claims liability of $1,000,000. During the year ended December 31, 2001, there were no claims incurred or paid on current and prior year events.

14. RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS ACCOUNTING

The accompanying statement of revenues, expenditures, and changes in fund balance, budget and actual - General Fund, and combining schedule of revenues, expenditures and changes in fund balances - budget and actual - General and Agency Funds presents 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 and other financing sources over expenditures and other financing uses is presented below:

	General Fund
Excess of revenues over expenditures and other financing use - budgetary basis	$ 3,721,113
Adjustments:	
Capital grant expenditures incurred in current year but considered in prior years' budgets	(10,902,532)
Capital grant expenditures expected to be incurred in future years but considered in current year budget	9,217,693
RTA capital expenditures expected to be incurred in future years but considered in current year operating budget	6,176,307
Net change in fund balance	$ 8,212,581

15. COMMITMENTS AND CONTINGENCIES

The RTA has an operating lease agreement for its office facilities. Operating lease expenditures totaled $1,143,301 in 2001 which included $780,802 of operating expenses and $362,499 of rent expenses paid under the terms of the lease agreement. Minimum required annual rental payments by the RTA are as follows:

Year	Amount
2002	$ 494,891
2003	1,157,100
2004	1,191,813
2005	1,227,567
2006	1,264,394
2007 - 2011	6,914,227
2012 - 2016	8,015,484
2017	1,458,515
Total	$21,723,991

16. SUBSEQUENT EVENTS

On April 18, 2002, the RTA issued General Obligation Bonds, Series 2002A, in the amount of $160 million. The proceeds from the bonds will be used to pay costs of construction acquisition, repair and replacement of certain public transportation facilities, and to pay Cost of Issuance of the Series 2002A Bonds.

The RTA is a defendant in a complaint filed by Pace on January 11, 2002 wherein Pace seeks declaratory judgment and damages against the RTA for specific alleged violations of the RTA Act. On May 30, 2002, the Circuit Court of the 19th Judicial District in McHenry County, Illinois dismissed the complaint.

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REQUIRED SUPPLEMENTARY INFORMATION

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REGIONAL TRANSPORTATION AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
YEAR ENDED DECEMBER 31, 2001
(In Thousands)

	Original and Final Budget	Actual	Variance
REVENUES:			
Sales taxes	$ 100,350	$ 98,028	$ (2,322)
Interest on sales taxes	200	131	(69)
Public Transportation Fund	168,000	164,987	(3,013)
State assistance	47,422	43,662	(3,760)
Investment income	5,000	6,324	1,324
Other grants and reimbursements	5,302	1,870	(3,432)
Total revenues	326,274	315,002	(11,272)
EXPENDITURES:			
Financial assistance to Service Boards	155,700	168,857	(13,157)
Capital grants - current year	30,051	30,051	
Administration	4,997	5,030	(33)
Non-Administration:			
Travel Information Center	3,938	4,161	(223)
Other	10,237	8,864	1,373
Capital outlay	6,248	6,248	
Technology programs	3,362	1,277	2,085
Total expenditures	214,533	224,488	(9,955)
EXCESS OF REVENUES OVER EXPENDITURES - BUDGETARY BASIS	111,741	90,514	(21,227)
OTHER FINANCING USES - Transfers out	(105,132)	(86,793)	18,339
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES - BUDGETARY BASIS	$ 6,609	3,721	$ (2,888)
Budgetary basis to GAAP basis adjustments		4,492	
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES - GAAP BASIS		8,213	
FUND BALANCE:			
Beginning of year		145,670	
End of year		$ 153,883	

REGIONAL TRANSPORTATION AUTHORITY
PENSION PLAN

SCHEDULE OF FUNDING PROGRESS
SIX YEARS ENDED DECEMBER 31, 2001

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Assets in Excess of AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 1996	$ 55,296,224	$ 39,789,865	$ 15,506,359	138.97	$ 40,254,018	(1)
January 1, 1997	63,588,437	43,892,601	19,695,836	144.87	42,614,449	(1)
January 1, 1998	76,378,094	48,660,237	27,717,857	156.96	44,390,082	(1)
January 1, 1999	81,946,867	51,622,195	30,324,672	158.74	46,099,909	(1)
January 1, 2000	86,771,358	64,467,694	22,303,664	134.60	48,566,176	(1)
January 1, 2001	81,992,860	71,286,653	10,706,207	115.02	49,548,474	(1)

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

REGIONAL TRANSPORTATION AUTHORITY PENSION PLAN

SCHEDULE OF EMPLOYER CONTRIBUTIONS
SIX YEARS ENDED DECEMBER 31, 2001

	Annual Required Contribution	Percentage Contributed
Year Ended:		
1996	$	(1)
1997		(2)
1998		(2)
1999		(2)
2000		(2)
2001		(2)

(1) Although no contributions were required in 1996, the employer contributed $868,365 to the Plan for the year then ended.

(2) No contributions were required or made for the years ended December 31, 1997, 1998, 1999, 2000 and 2001.

COMBINING AND INDIVIDUAL FUND SCHEDULES

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A. GENERAL FUND

The general fund is used to account for resources traditionally associated with the RTA which are not required legally or by sound financial management to be accounted for in another fund.

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 presented in this section. A budget and actual schedule of general fund expenditures is also presented in this section.

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - GENERAL FUND TWELVE MONTHS ENDED DECEMBER 31, 2001

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES:			
Financial assistance to Service Boards	$ 155,700,000	$ 168,856,408	$ (13,156,408)
Capital grants - current year	30,051,000	30,051,000	
Total grant expenditures	185,751,000	198,907,408	(13,156,408)
Administration:			
Salaries and benefits	3,274,826	3,318,843	(44,017)
Business expenses	126,860	81,196	45,664
Supplies, services and other expenses	187,307	288,365	(101,058)
Rentals and utilities	692,500	711,187	(18,687)
Professional services	715,800	630,864	84,936
Total administration	4,997,293	5,030,455	(33,162)
Non-Administration:			
Travel Information Center	3,937,644	4,161,109	(223,465)
Other:			
Public Affairs	1,245,034	1,852,058	(607,024)
Customer Service Center	187,009	202,057	(15,048)
Reduced fare registration	393,612	398,252	(4,640)
Americans with Disabilities Act	2,528,809	2,554,134	(25,325)
Other regional projects	5,882,597	3,857,900	2,024,697
Total other	10,237,061	8,864,401	1,372,660
Total Non-Administration	14,174,705	13,025,510	1,149,195
Capital outlay	6,248,000	6,248,000	
Technology program expenditures	3,362,000	1,276,921	2,085,079
TOTAL EXPENDITURES	$ 214,532,998	$ 224,488,294	$ (9,955,296)

REGIONAL TRANSPORTATION AUTHORITY

COMBINED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL AND SALES TAX AGENCY FUNDS
TWELVE MONTHS ENDED DECEMBER 31, 2001

	General Fund			Sales Tax Agency Fund			Totals	
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual
REVENUES:								
Sales taxes	$ 100,350,000	$ 98,028,281	$ (2,321,719)	$ 568,650,000	$ 555,493,592	$ (13,156,408)	$ 669,000,000	$ 653,521,873
Interest on sales taxes	200,000	131,234	(68,766)	1,400,000	743,656	(656,344)	1,600,000	874,890
Public Transportation Fund	168,000,000	164,987,126	(3,012,874)				168,000,000	164,987,126
State assistance	47,422,000	43,662,416	(3,759,584)				47,422,000	43,662,416
Reduced fare reimbursement				40,000,000	39,530,934	(469,066)	40,000,000	39,530,934
Investment income	5,000,353	6,324,209	1,323,856				5,000,353	6,324,209
Other revenues	5,301,647	1,868,798	(3,432,849)	—	—	—	5,301,647	1,868,798
Total revenues	326,274,000	315,002,064	(11,271,936)	610,050,000	595,768,182	(14,281,818)	936,324,000	910,770,246
EXPENDITURES:								
Financial assistance to Service Boards	155,700,000	168,856,408	(13,156,408)	568,650,000	555,493,592	13,156,408	724,350,000	724,350,000
Capital grants - current year	30,051,000	30,051,000					30,051,000	30,051,000
Reduced fare reimbursement				40,000,000	39,530,934	469,066	40,000,000	39,530,934
Administration	4,997,293	5,030,455	(33,162)				4,997,293	5,030,455
Non-Administration:								
Travel Information Center	3,937,644	4,161,109	(223,465)				3,937,644	4,161,109
Other	10,237,061	8,864,401	1,372,660				10,237,061	8,864,401
Sales tax interest to Service Boards				1,400,000	743,656	656,344	1,400,000	743,656
Capital outlay	6,248,000	6,248,000					6,248,000	6,248,000
Technology program	3,362,000	1,276,921	2,085,079	—	—	—	3,362,000	1,276,921
Total expenditures	214,532,998	224,488,294	(9,955,296)	610,050,000	595,768,182	14,281,818	824,582,998	820,256,476
EXCESS OF REVENUES OVER EXPENDITURES	111,741,002	90,513,770	(21,227,232)				111,741,002	90,513,770
OTHER FINANCING SOURCES (USES):								
Transfers out	(105,132,000)	(86,792,657)	18,339,343	—	—	—	(105,132,000)	(86,792,657)
Total other financing sources (uses)	(105,132,000)	(86,792,657)	18,339,343	—	—	—	(105,132,000)	(86,792,657)
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USE - BUDGETARY BASIS	$ 6,609,002	3,721,113	$ (2,887,889)	$ —		$ —	$ 6,609,002	3,721,113
Budgetary basis to GAAP basis adjustments		4,491,468			—			4,491,468
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USE - GAAP BASIS		8,212,581						8,212,581
FUND BALANCE - December 31, 2000		145,670,237			—			145,670,237
FUND BALANCE - December 31, 2001		$ 153,882,818			$ —			$ 153,882,818

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

B. DEBT SERVICE FUND

Debt Service Fund Accounts:

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

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

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

1993A* and B - to account for operating transfers received, investment income and principal and interest payments made for 1993A & B general obligation bonds.

1993C - to account for operating transfers received, investment income and principal and interest payments made for 1993C refunding general obligation bonds.

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

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

1996 - to account for operating transfers received, investment income and principal and interest payments made for 1996 refunding general obligation bonds.

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

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

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

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

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

*Strategic Capital Improvement Program (SCIP) Bonds

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REGIONAL TRANSPORTATION AUTHORITY

COMBINING BALANCE SHEET - DEBT SERVICE FUND ACCOUNTS
DECEMBER 31, 2001

	1990A	1991A	1992A and B	1993A and B	1993C	1994A and B	1994C and D	1996	1997	1999	2000A	2001	2001B	Total
ASSETS:														
Cash and investments	$1,390,550	$1,028,837	$3,638,834	$1,712,501	$282,955	$7,160,279	$3,219,400	$1,429,691	$3,757,023	$4,869,652	$10,539,800	$3,983,337	$232,657	$43,245,516
Due from other funds							56,218				13,135	246,600		315,953
Accrued interest	1,352	933	4,113	2,086	268	9,131	47,861	1,235	4,223	5,320	583,198	369,537	151	1,029,408
TOTAL ASSETS	$1,391,902	$1,029,770	$3,642,947	$1,714,587	$283,223	$7,169,410	$3,323,479	$1,430,926	$3,761,246	$4,874,972	$11,136,133	$4,599,474	$232,808	$44,590,877
LIABILITIES:														
Due to other funds	$	$	$	$	$	$	$	$	$	$	$ 13,440	$	$	$ 13,440
Total liabilities											13,440			13,440
FUND BALANCES:														
Reserved for debt service	1,391,902	1,029,770	3,642,947	1,714,587	283,223	7,169,410	3,323,479	1,430,926	3,761,246	4,874,972	11,122,693	4,599,474	232,808	44,577,437
Total fund balances	1,391,902	1,029,770	3,642,947	1,714,587	283,223	7,169,410	3,323,479	1,430,926	3,761,246	4,874,972	11,122,693	4,599,474	232,808	44,577,437
TOTAL LIABILITIES AND FUND BALANCES	$1,391,902	$1,029,770	$3,642,947	$1,714,587	$283,223	$7,169,410	$3,323,479	$1,430,926	$3,761,246	$4,874,972	$11,136,133	$4,599,474	$232,808	$44,590,877

REGIONAL TRANSPORTATION AUTHORITY

COMBINING STATEMENT OF REVENUES AND EXPENDITURES - DEBT SERVICE FUND ACCOUNTS
TWELVE MONTHS ENDED DECEMBER 31, 2001

	1990A	1991A	1992A and B	1993A and B	1993C	1994A and B	1994C and D	1996	1997	1999	2000A	2001	2001B	Total
REVENUES:														
Investment income	$ 70,547	$ 95,757	$ 136,396	$ 62,668	$ 15,000	$ 247,493	$ 960,323	$ 87,333	$ 106,304	$ 249,162	$11,015,333	$3,076,459	$ 15,399	$ 16,138,174
Total revenues	70,547	95,757	136,396	62,668	15,000	247,493	960,323	87,333	106,304	249,162	11,015,333	3,076,459	15,399	16,138,174
EXPENDITURES:														
Debt service - principal		2,055,000	4,045,000	2,240,000	190,000	4,705,000	2,635,000	570,000	2,360,000	570,000			435,000	19,805,000
Debt service - interest	4,377,240	3,859,243	5,428,710	305,320	1,211,407	3,472,010	6,437,063	8,142,063	5,405,275	16,728,762	16,798,687	1,295,164	1,508,091	74,969,035
Other debt related cost											5,215	800,427	520,360	1,326,002
Total expenditures	4,377,240	5,914,243	9,473,710	2,545,320	1,401,407	8,177,010	9,072,063	8,712,063	7,765,275	17,298,762	16,803,902	2,095,591	2,463,451	96,100,037
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,306,693)	(5,818,486)	(9,337,314)	(2,482,652)	(1,386,407)	(7,929,517)	(8,111,740)	(8,624,730)	(7,658,971)	(17,049,600)	(5,788,569)	980,868	(2,448,052)	(79,961,863)
OTHER FINANCING SOURCES (USES):														
Refunding bond proceeds (gross)												798,090	40,269,206	41,067,296
Payment to refunded bond escrow agent													(39,736,100)	(39,736,100)
Transfers in - principal		1,494,552	4,200,912	1,747,540	196,366	4,864,086	2,481,995	585,909	3,852,269	585,909	990,000	509,092	454,104	21,962,734
Transfers in - interest	3,939,516	3,448,452	5,405,254	644,672	1,210,460	3,446,608	5,238,057	8,139,144	5,395,540	16,725,910	4,477,836	2,064,824	1,693,650	61,829,923
Transfers in - CPF							59,683					246,600		306,283
Total other financing sources	3,939,516	4,943,004	9,606,166	2,392,212	1,406,826	8,310,694	7,779,735	8,725,053	9,247,809	17,311,819	5,467,836	3,618,606	2,680,860	85,430,136
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(367,177)	(875,482)	268,852	(90,440)	20,419	381,177	(332,005)	100,323	1,588,838	262,219	(320,733)	4,599,474	232,808	5,468,273
FUND BALANCES - December 31, 2000	1,759,079	1,905,252	3,374,095	1,805,027	262,804	6,788,233	3,655,484	1,330,603	2,172,408	4,612,753	11,443,426			39,109,164
FUND BALANCES - December 31, 2001	$ 1,391,902	$ 1,029,770	$ 3,642,947	$ 1,714,587	$ 283,223	$ 7,169,410	$ 3,323,479	$ 1,430,926	$ 3,761,246	$ 4,874,972	$11,122,693	$4,599,474	$ 232,808	$ 44,577,437

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C. CAPITAL PROJECTS FUND

Capital Projects Fund Accounts:

Strategic Capital Improvement Program (SCIP) - to account for 1992 through 1994, 2000 and 2001 bond sales proceeds and related SCIP capital grants made to the Service Boards as expenditures are incurred. Investment income earned on SCIP bonds is recorded in the related Debt Service Fund accounts.

Non-SCIP - to account for 1990 through 1994 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 and related capital grants made to the Service Boards as expenditures are incurred.

REGIONAL TRANSPORTATION AUTHORITY

COMBINING BALANCE SHEET - CAPITAL PROJECTS FUND ACCOUNTS
DECEMBER 31, 2001

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
ASSETS:				
Cash and investments	$ 262,970,748	$ 14,740,630	$ 19,661,318	$ 297,372,696
Accrued interest		145,267	28,148	173,415
TOTAL ASSETS	$ 262,970,748	$ 14,885,897	$ 19,689,466	$ 297,546,111
LIABILITIES:				
Intergovernmental payables	$ 3,598,283	$ 995,967		$ 4,594,250
Due to other funds	315,953			315,953
Total liabilities	3,914,236	995,967		4,910,203
FUND BALANCES:				
Reserved for bond capital projects	259,056,512	13,889,930	$ 19,689,466	292,635,908
TOTAL LIABILITIES AND FUND BALANCES	$ 262,970,748	$ 14,885,897	$ 19,689,466	$ 297,546,111

REGIONAL TRANSPORTATION AUTHORITY

COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
CAPITAL PROJECTS FUND ACCOUNTS
TWELVE MONTHS ENDED DECEMBER 31, 2001

	SCIP Bonds	Non-SCIP Bonds	Investment Income on Bonds	Total
REVENUES:				
Investment income	$	$ 2,014,142	$ 806,382	$ 2,820,524
Total revenues		2,014,142	806,382	2,820,524
EXPENDITURES:				
Capital grants - bonds	141,498,529	10,620,918	17,692,075	169,811,522
Total expenditures	141,498,529	10,620,918	17,692,075	169,811,522
DEFICIENCY OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(141,498,529)	(8,606,776)	(16,885,693)	(166,990,998)
OTHER FINANCING SOURCES (USES):				
Bond proceeds (gross)	111,208,911			111,208,911
Transfer in (out)	(306,283)	(2,014,142)	2,014,142	(306,283)
Total other financing sources (uses)	110,902,628	(2,014,142)	2,014,142	110,902,628
NET CHANGE IN FUND BALANCES	(30,595,901)	(10,620,918)	(14,871,551)	(56,088,370)
FUND BALANCES:				
Beginning of year	289,652,413	24,510,848	34,561,017	348,724,278
End of year	$ 259,056,512	$ 13,889,930	$ 19,689,466	$ 292,635,908

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 and reduced fare reimbursement grants.

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
TWELVE MONTHS ENDED DECEMBER 31, 2001

	Balance January 1, 2001	Additions	Deductions	Balance December 31, 2001
ASSETS:				
Intergovernmental receivables				
Sales taxes	$ 148,627,685	$ 555,493,592	$ 553,474,340	$ 150,646,937
Interest on sales tax	185,670	743,656	854,374	74,952
Reduced fare reimbursement	18,916,574	39,530,934	38,684,315	19,763,193
Advance to Service Boards	44,128,985	2,308,899		46,437,884
TOTAL ASSETS	$ 211,858,914	$ 598,077,081	$ 593,013,029	$ 216,922,966
LIABILITIES:				
Intergovernmental payables				
Sales taxes due to Service Boards	$ 148,627,685	$ 555,493,592	$ 553,474,340	$ 150,646,937
Interest on sales tax due to Service Boards	185,670	743,656	854,374	74,952
Reduced fare reimbursement	18,916,574	39,530,934	38,684,315	19,763,193
Advance from State	44,128,985	2,308,899		46,437,884
TOTAL LIABILITIES	$ 211,858,914	$ 598,077,081	$ 593,013,029	$ 216,922,966

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, 2001

	Office Furniture and Equipment	Computer Equipment	Leasehold Improvements	Total
Administrative	$52,609	$ 907,556	$2,321,227	$3,281,392
Travel Information Center		1,665,632		1,665,632
Total general fixed assets	52,609	2,573,188	2,321,227	4,947,024
Less accumulated depreciation:				
Administrative	32,525		2,085,116	2,117,641
Travel Information Center		1,899,044		1,899,044
Total accumulated depreciation	32,525	1,899,044	2,085,116	4,016,685
Total general fixed assets - net	$20,084	$ 674,144	$ 236,111	$ 930,339

STATISTICAL SECTION
(UNAUDITED)

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

The revenues and expenditures presented on the following tables include the activity in all the RTA's funds (General, Debt Service, Capital Projects, Enterprise, Trust and Agency). Additions to and disbursements from the Sales Tax (Agency) Fund are considered to be revenues and expenditures, respectively, for the purpose of presentation in these tables.

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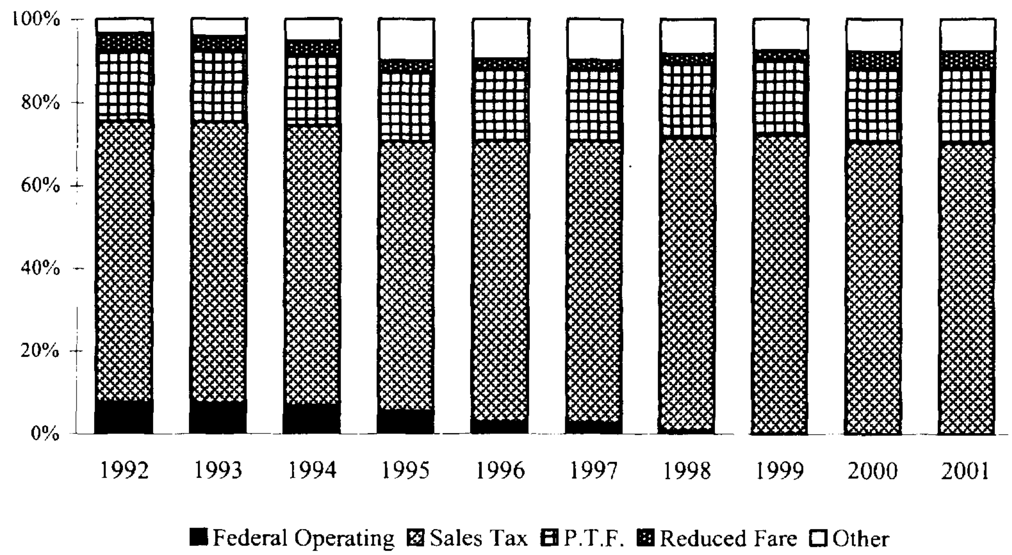
RTA REVENUE BY SOURCE (ALL FUNDS)

1992-2001

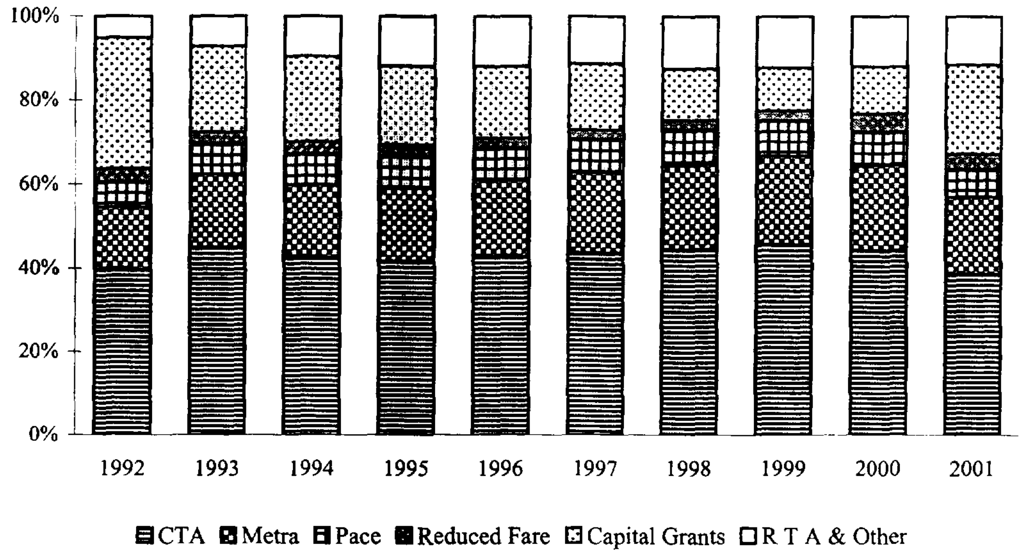


Last Ten Years *(In Thousands)*

	Federal Operating Assistance	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/92	$49,141	$445,891	$109,843	$27,924	$22,587	$655,386
Percentage of Total	7.50%	68.03%	16.76%	4.26%	3.45%	100%
12 Months Ended 12/31/93	49,421	462,393	115,771	23,410	28,332	679,327
Percentage of Total	7.27%	68.07%	17.04%	3.45%	4.17%	100%
12 Months Ended 12/31/94	49,475	497,698	124,002	24,861	38,997	735,033
Percentage of Total	6.73%	67.71%	16.87%	3.38%	5.31%	100%
12 Months Ended 12/31/95	43,128	513,301	129,866	22,520	78,165	786,980
Percentage of Total	5.48%	65.23%	16.50%	2.86%	9.93%	100%
12 Months Ended 12/31/96	21,598	532,304	133,044	20,435	73,978	781,359
Percentage of Total	2.76%	68.13%	17.03%	2.61%	9.47%	100%
12 Months Ended 12/31/97	21,591	555,496	139,093	19,243	79,935	815,358
Percentage of Total	2.65%	68.13%	17.05%	2.36%	9.81%	100%
12 Months Ended 12/31/98	6,746	576,704	144,846	19,837	66,980	815,113
Percentage of Total	0.83%	70.75%	17.77%	2.43%	8.22%	100%
12 Months Ended 12/31/99	0	613,514	153,343	19,386	63,632	849,875
Percentage of Total	0.00%	72.19%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	0	650,284	162,247	38,759	71,947	923,237
Percentage of Total	0.00%	70.44%	17.57%	4.20%	7.79%	100%
12 Months Ended 12/31/01	$0	$653,522	$164,987	$39,531	$71,742	$929,782
Percentage of Total	0.00%	70.29%	17.74%	4.25%	7.72%	100%

DISTRIBUTION OF EXPENDITURES (ALL FUNDS)

1992-2001

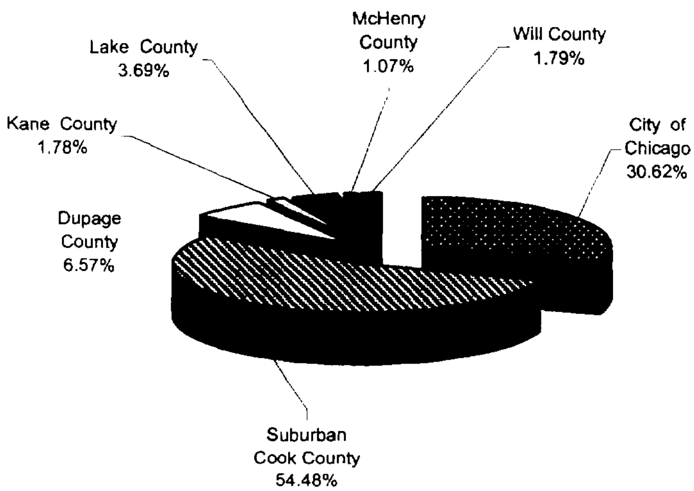


Last Ten Years *(In Thousands)*

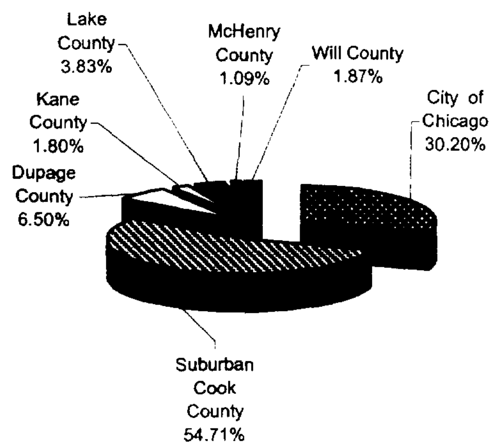
	Financial Assistance				Reduced	Capital	R T A	
	CTA	Metra	Pace	Total	Fare	Grants	and Other	Total
12 Months Ended 12/31/92	$355,149	$132,951	$54,074	$542,174	$27,924	$279,291	$45,827	$895,216
Percentage of Total	39.67%	14.85%	6.04%	60.56%	3.12%	31.20%	5.12%	100%
12 Months Ended 12/31/93	367,599	142,248	58,697	568,544	23,409	167,170	58,482	817,605
Percentage of Total	44.96%	17.40%	7.18%	69.54%	2.86%	20.45%	7.15%	100%
12 Months Ended 12/31/94	365,200	148,638	62,129	575,967	24,861	174,128	82,658	857,614
Percentage of Total	42.58%	17.33%	7.24%	67.15%	2.90%	20.30%	9.65%	100%
12 Months Ended 12/31/95	365,005	154,592	65,198	584,795	22,520	164,266	104,659	876,240
Percentage of Total	41.66%	17.64%	7.44%	66.74%	2.57%	18.75%	11.94%	100%
12 Months Ended 12/31/96	372,479	158,042	66,496	597,017	20,435	149,215	103,587	870,254
Percentage of Total	42.80%	18.16%	7.64%	68.60%	2.35%	17.15%	11.90%	100%
12 Months Ended 12/31/97	377,198	166,083	67,337	610,618	19,243	136,680	97,701	864,242
Percentage of Total	43.64%	19.22%	7.79%	70.65%	2.23%	15.82%	11.30%	100%
12 Months Ended 12/31/98	377,265	172,198	69,100	618,563	19,837	103,859	106,464	848,723
Percentage of Total	44.45%	20.29%	8.14%	72.88%	2.34%	12.24%	12.54%	100%
12 Months Ended 12/31/99	384,810	177,784	70,482	633,076	19,386	86,913	103,443	842,818
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.28%	100%
12 Months Ended 12/31/00	402,126	184,559	71,772	658,457	38,759	102,806	108,546	908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%
12 Months Ended 12/31/01	$419,005	$234,610	$70,735	$724,350	$39,531	$201,548	$124,953	$1,090,382
Percentage of Total	38.43%	21.52%	6.49%	66.44%	3.63%	18.48%	11.45%	100%

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO

2000



2001



RETAILERS' OCCUPATION AND USE TAX (SALES TAX) REVENUES BY COUNTY/CITY OF CHICAGO

Last Ten Years *(In Thousands)*

	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/92	$145,541	$244,671	$26,015	$6,717	$13,289	$3,631	$6,027	$445,891
Percentage of Total	32.64%	54.87%	5.83%	1.51%	2.98%	0.81%	1.35%	100%
12 Months Ended 12/31/93	148,334	253,591	28,060	7,278	14,341	4,026	6,763	462,393
Percentage of Total	32.08%	54.84%	6.07%	1.57%	3.10%	0.87%	1.46%	100%
12 Months Ended 12/31/94	157,802	273,398	30,568	8,006	15,819	4,541	7,564	497,698
Percentage of Total	31.71%	54.93%	6.14%	1.61%	3.18%	0.91%	1.52%	100%
12 Months Ended 12/31/95	160,301	282,898	32,230	8,546	16,770	4,735	7,821	513,301
Percentage of Total	31.23%	55.11%	6.28%	1.66%	3.27%	0.92%	1.52%	100%
12 Months Ended 12/31/96	165,051	292,319	34,370	9,044	17,929	5,096	8,495	532,304
Percentage of Total	31.01%	54.92%	6.46%	1.70%	3.37%	0.96%	1.60%	100%
12 Months Ended 12/31/97	163,366	313,113	36,482	9,301	18,980	5,329	8,925	555,496
Percentage of Total	29.41%	56.37%	6.57%	1.67%	3.42%	0.96%	1.61%	100%
12 Months Ended 12/31/98	176,816	314,886	39,278	10,011	20,413	5,760	9,540	576,704
Percentage of Total	30.66%	54.60%	6.81%	1.74%	3.54%	1.00%	1.65%	100%
12 Months Ended 12/31/99	187,966	333,513	41,764	10,761	22,238	6,528	10,744	613,514
Percentage of Total	30.64%	54.37%	6.81%	1.75%	3.62%	1.06%	1.75%	100%
12 Months Ended 12/31/00	199,056	354,307	42,741	11,589	23,985	6,942	11,664	650,284
Percentage of Total	30.62%	54.48%	6.57%	1.78%	3.69%	1.07%	1.79%	100%
12 Months Ended 12/31/01	$197,370	$357,522	$42,498	$11,796	$25,017	$7,122	$12,197	$653,522
Percentage of Total	30.20%	54.71%	6.50%	1.80%	3.83%	1.09%	1.87%	100%

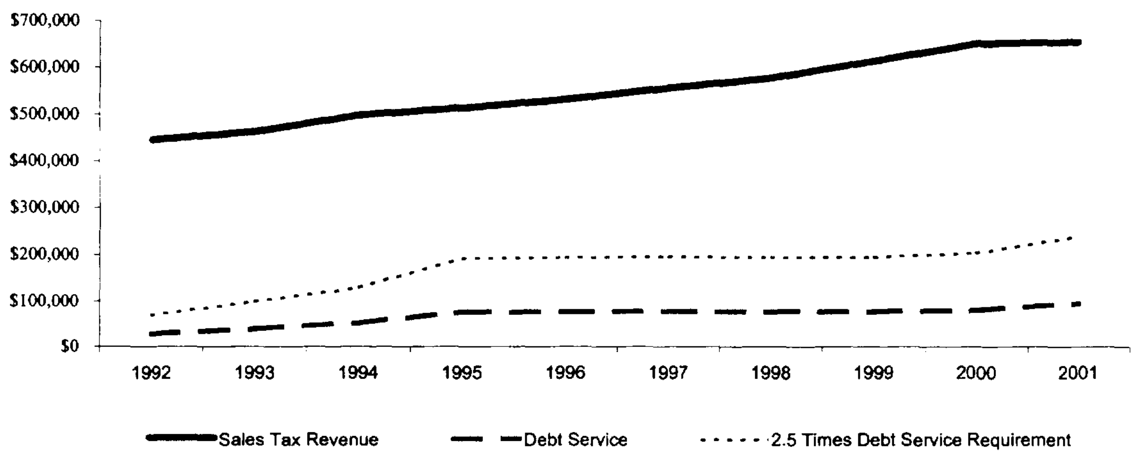
LEGAL DEBT CAPACITY

2001

	Balance Outstanding at December 31, 2001	Maximum Issued	
Legal Debt Margin:			
Debt Limitation per Act for General Obligations			$1,820,000,000
Debt applicable to limitation :			
RTA Bonds:			
1990A General Obligation Bonds	$60,795,000		
1991A General Obligation Bonds	55,745,000		
1992B General Obligation Bonds	9,780,000		
1993B General Obligation Bonds	2,420,000		
1993C General Obligation Refunding Bonds	21,965,000		
1994B General Obligation Bonds	11,695,000		
1994D General Obligation Bonds	46,280,000		
1996 General Obligation Refunding Bonds	148,650,000		
1997 General Obligation Refunding Bonds	95,275,000		
Total RTA Bonds Applicable to Limitation	$452,605,000		(452,605,000)
SCIP Bonds:			
1992A General Obligation Bonds	$61,260,000	$188,000,000	
1993A General Obligation Bonds	2,420,000	55,000,000	
1994A General Obligation Bonds	32,855,000	195,000,000	
1994C General Obligation Bonds	36,355,000	62,000,000	
1999 General Obligation Refunding Bonds	293,165,000	0	
2000 General Obligation Bonds	260,000,000	260,000,000	
2001A General Obligation Bonds	100,000,000	100,000,000	
2001B General Obligation Refunding Bonds	37,280,000	0	
Total SCIP Bonds Applicable to Limitation		$860,000,000	(860,000,000)
Total SCIP Bonds Outstanding	$823,335,000		
Total Bonds Outstanding	$1,275,940,000		
Debt Margin for General Obligations			$507,395,000
Debt Limitation per Act for Working Cash Notes			100,000,000
Total Legal Debt Margin			$607,395,000

COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT

1992 - 2001
(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 employs a more stringent benchmark than the revenue test defined in the ordinance.

Last Ten Years *(In Thousands)*

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Sales Tax Revenue	$ 445,891	$462,393	$ 497,698	$ 513,301	$ 532,304	$ 555,496	$576,704	$613,514	$ 650,284	$ 653,522
Debt Service Requirement	27,917	39,909	51,978	76,550	77,639	78,359	77,883	77,866	81,676	95,187
2.5 Times Debt Service Requirement	$69,793	$99,773	$129,945	$191,375	$194,098	$195,898	$194,708	$194,665	$204,190	$237,968

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 EXPENDITURES

Last Ten Years *(In Thousands)*

Year	Debt Service Requirements Principal	Interest	Total	Total Expenditures	Ratio of Debt Service to Total Expenditures
1992	5,185	22,732	27,917	895,216	3.12%
1993	6,896	33,013	39,909	817,605	4.88%
1994	7,350	44,628	51,978	857,614	6.06%
1995	10,289	66,261	76,550	876,240	8.74%
1996	13,113	64,526	77,639	870,254	8.92%
1997	13,898	64,461	78,359	864,242	9.07%
1998	16,124	61,759	77,883	848,723	9.18%
1999	16,988	60,878	77,866	842,818	9.24%
2000	22,949	58,727	81,676	908,568	8.99%
2001	19,805	75,382	95,187	1,090,382	8.73%

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
1992	$161.14	$90.77	$57.14	$13.23
1993	175.43	99.75	63.98	11.70
1994	237.20	141.92	77.33	17.95
1995	228.97	127.83	82.80	18.34
1996	233.97	131.92	84.48	17.57
1997	228.42	127.56	80.28	20.58
1998	252.95	142.97	88.17	21.81
1999	299.59	162.67	111.49	25.43
2000	336.65	177.17	132.89	26.59
2001	355.47	184.46	145.75	25.26
Total	$2,509.79	$1,387.02	$924.31	$198.46

SERVICE DIVISION OPERATING CHARACTERISTICS

2001

Chicago Transit Authority

Rapid Transit

- 7 rail routes
- 144 stations served
- 1,190 rapid transit cars
- 12.6 million riders per month

Motor Bus

- 137 bus routes
- 1,927 buses
- 25.2 million riders per month

Paratransit

- 110 thousand riders per month

Metra Commuter Rail Division

- 546 route miles
- 1,189 miles of track
- 241 stations
- 130 locomotives
- 781 passenger cars
- 223 electric cars
- 705 weekday trains operated
- 95.3% on-time performance
- 6.6 million riders per month (excluding 79% South . Shore)

Pace Suburban Bus Division

Fixed Route

- 171 regular routes
- 59 feeder routes
- 6 subscription routes
- 609 vehicles in use during peak periods
- 3.1 million riders per month

Paratransit

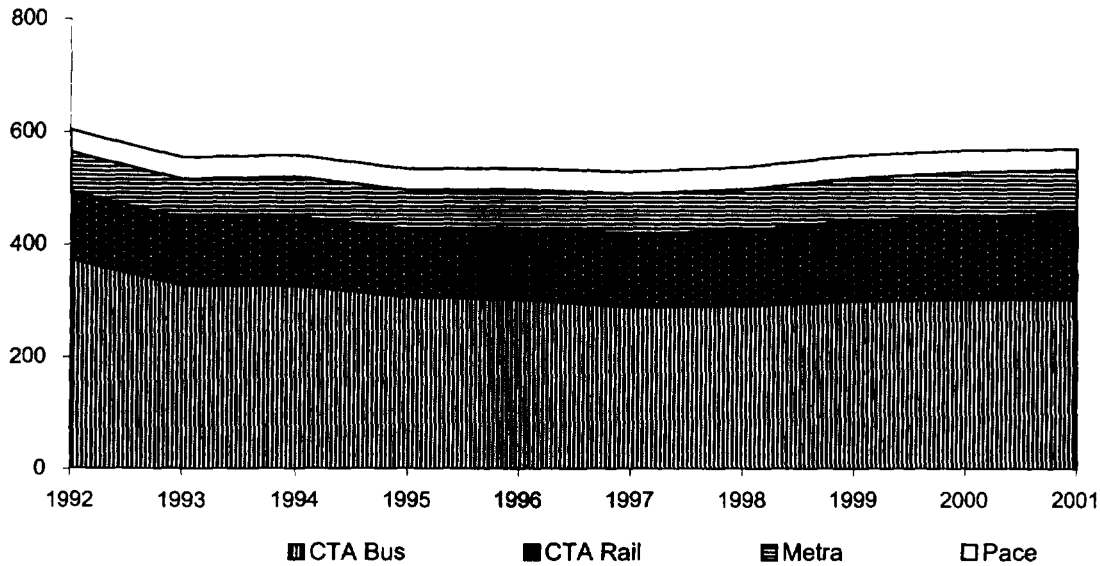
- 52 local services
- 372 Pace owned lift-equipped buses in service
- 210 communities served
- 127 thousand riders per month

Other

- 376 vanpools in operation
- 101 thousand riders per month

1992-2001
(In Millions)

SYSTEM RIDERSHIP



UNLINKED PASSENGER TRIPS

Last Ten Years *(In Millions)*

Service Consumed:	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
CTA - Bus	373.3	328.1	327.3	307.3	303.3	288.8	291.7	300.2	303.3	303.1
CTA - Rail	120.6	118.5	120.9	119.3	124.0	130.0	132.4	141.7	147.2	151.7
Total CTA	493.9	446.6	448.2	426.6	427.3	418.8	424.1	441.9	450.5	454.8
Metra	70.0	69.9	72.0	70.4	70.6	72.3	74.5	76.6	78.8	79.2
Pace	39.3	38.3	38.6	37.2	37.5	37.9	39.3	40.2	38.6	37.0
System Total	603.2	554.8	558.8	534.2	535.4	529.0	537.9	558.7	567.9	571.0
Percent Change	(5.6%)	(8.0%)	0.7%	(4.4%)	0.2%	(1.2%)	1.7%	3.9%	1.6%	0.5%

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Appendix C

Combining Financial Statements

Twelve Months Ended December 31, 2001

Regional Transportation Authority and Service Boards

Combining Financial Statements for the Year Ended December 31, 2001 (Unaudited)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2001

(Unaudited)

Prepared by:

Finance Department
Joseph G. Costello, CPA
Chief Financial Officer

and

Ed V. Verzo, CPA, CIA
Controller

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

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REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING BALANCE SHEETS
DECEMBER 31, 2001
(In Thousands)
(Unaudited)

		Service Boards			Combining Adjustments		
ASSETS	**RTA Government-Wide Funds**	**Chicago Transit Authority**	**Commuter Rail Division**	**Suburban Bus Division**	**Debit**	**Credit**	**Total Combined**
CURRENT ASSETS:							
Cash and investments:							
Restricted - cash and cash equivalents	$ 27,210			$ 7,817			$ 35,027
Unrestricted - cash and cash equivalents		$ 149,561	$ 80,257	3,441			233,259
Restricted - investments	403,922	44,582					448,504
Unrestricted - investments	106,566	18,017	37,562				162,145
Receivables:							
Intergovernmental receivables	42,257					$ 794	41,463
Grant projects		28,499	42,275	1,788		6,884	65,678
RTA financial assistance		93,943	43,221	24,360		26,125	135,399
Other carriers			644	20			664
Other receivables	371	15,442	11,075	4,535			31,423
Interest on investments	1,892						1,892
Materials and supplies		64,984	12,403	3,586			80,973
Prepaid items	4,925	4,978	1,138	564			11,605
Total current assets	587,143	420,006	228,575	46,111		33,803	1,248,032
Fixed assets:							
Plant, property and equipment	4,947	4,813,314	3,149,773	391,191			8,359,225
Capital projects in progress			20,312	2,287			22,599
Less accumulated depreciation	(4,017)	(2,290,074)	(1,430,494)	(232,128)			(3,956,713)
Total fixed assets	930	2,523,240	1,739,591	161,350			4,425,111
Other assets:							
Unamortized bond issue costs	1,282						1,282
Investment relating to employee pension benefits plan		28,916					28,916
Amount due under sale/leaseback		1,379,456	278,433				1,657,889
Total other assets	1,282	1,408,372	278,433				1,688,087
TOTAL ASSETS	$589,355	$ 4,351,618	$ 2,246,599	$ 207,461	$	$33,803	$ 7,361,230

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING BALANCE SHEETS
DECEMBER 31, 2001
(In Thousands)
(Unaudited)

LIABILITIES, PUBLIC INVESTMENT AND FUND EQUITY	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
CURRENT LIABILITIES:							
Vouchers payable	$ 82	$ 60,368	$ 63,140	$ 8,878			$ 132,468
Accrued interest payable	16,424						16,424
Intergovernmental payables	41,204				$ 33,009		8,195
Current portion of general obligation bond payable	25,560						25,560
Other current liabilities:							
Accrued other expenses	3,232	123,742	26,374	4,634			157,982
Deferred operating assistance		23,033					23,033
Deferred revenue		28,749	5,295				34,044
Advances, deposits and other		3,034					3,034
Financial assistance to other carriers			3,789	78			3,867
Supplemental retirement plan		1,700					1,700
Capital lease obligation		109,748					109,748
Claims liability		87,281		5,836			93,117
Current obligation to RTA				794	794		
Total current liabilities	86,502	437,655	98,598	20,220	33,803		609,172
LONG-TERM LIABILITIES:							
General obligation bonds payable	1,250,380						1,250,380
Claims liability	1,000	71,153	49,034	3,509			124,696
Supplemental retirement plan		34,154					34,154
Capital lease obligation		1,254,537					1,254,537
Amounts payable under leasing transactions			278,433				278,433
Deferred revenue - leasing transactions		62,808					62,808
Accrued pension cost		395,311					395,311
Unamortized bond premium	13,838						13,838
Other long-term liabilities		6,485		5,862			12,347
Total long-term liabilities	1,265,218	1,824,448	327,467	9,371			3,426,504
Total liabilities	1,351,720	2,262,103	426,065	29,591	33,803		4,035,676
PUBLIC INVESTMENT AND FUND EQUITY:							
Investment in capital assets	930	1,158,954	1,468,068	161,350			2,789,302
Retained earnings			352,466				352,466
Fund equity restricted for:							
Service Boards capital	45,208						45,208
Debt service	44,577						44,577
Bond capital projects	292,636						292,636
Restricted for payment on obligation and others		1,478,866					1,478,866
Unrestricted fund equity (accumulated deficit)	(1,145,716)	(548,305)		16,520	925,899	$925,899	(1,677,501)
Total public investment and fund equity	(762,365)	2,089,515	1,820,534	177,870	925,899	925,899	3,325,554
TOTAL LIABILITIES, PUBLIC INVESTMENT AND FUND EQUITY	$ 589,355	$4,351,618	$2,246,599	$207,461	$ 959,702	$925,899	$ 7,361,230

(Concluded)

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN PUBLIC INVESTMENT AND FUND EQUITY
YEAR ENDED DECEMBER 31, 2001
(In Thousands)
(Unaudited)

	RTA Government-Wide Funds	Service Boards			Combining Adjustments		Total Combined
		Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Debit	Credit	
REVENUES:							
Service Boards operating revenues		$ 427,443	$ 141,166	$ 51,775			$ 620,384
RTA financial assistance		419,005	230,343	75,002	$724,350		
Other public funding		37,463	118,851	425			156,739
Capital grants		341,381	129,984	53,067	201,549		322,883
Sales taxes	$ 98,028					$555,494	653,522
Interest on sales taxes	131						131
Public Transportation Fund	164,987						164,987
State assistance	43,662						43,662
Investment income	27,121						27,121
Other revenues	900						900
Leasehold revenue		4,262					4,262
Interest revenue from leasing transactions		103,667	17,245				120,912
Capital farebox financing			9,121				9,121
Total revenues	334,829	1,333,221	646,710	180,269	925,899	555,494	2,124,624
EXPENSES:							
Operating expenses		903,075	331,748	127,178			1,362,001
Depreciation expenses		275,111	138,409	29,844			443,364
Financial Assistance to Service Boards	168,857					168,857	
Capital grants - discretionary	31,736					31,736	
Capital grants - bonds	169,812					169,812	
Insurance	5,012						5,012
Administrative expenses	5,402						5,402
Regional expenses	12,553						12,553
Technology program	1,019						1,019
Bond related expenses	90,960						90,960
Interest expense from leasing transactions		100,289	17,245				117,534
Total expenses	485,351	1,278,475	487,402	157,022		370,405	2,037,845
NET REVENUES (EXPENSES)	(150,522)	54,746	159,308	23,247	925,899	925,899	86,779
Investment in capital grant properties			1,837				1,837
PUBLIC INVESTMENT AND FUND EQUITY (DEFICIT):							
Beginning of year	(611,843)	2,034,769	1,659,389	154,623			3,236,938
End of year	$(762,365)	$2,089,515	$1,820,534	$177,870	$925,899	$925,899	$3,325,554

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING STATEMENTS OF CASH FLOWS
DECEMBER 31, 2001
(In Thousands)
(Unaudited)

		Service Boards			
	RTA Joint Self-Insurance Fund	Chicago Transit Authority	Commuter Rail Division	Suburban Bus Division	Total Combined
CASH FLOWS FROM OPERATING ACTIVITIES:					
Fares received from passengers		$ 381,956	$ 192,416	$ 47,388	$ 621,760
Receipts from Service Boards	$ 1,000				1,000
Payment to employees		(646,512)	(195,690)	(71,838)	(914,040)
Payment to vendors	(3,037)	(217,886)	(237,302)	(51,068)	(509,293)
Other receipts		18,094	56,692	4,269	79,055
Other payments	(3)				(3)
Net cash from operating activities	(2,040)	(464,348)	(183,884)	(71,249)	(721,521)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Financial assistance - operating		456,469	226,380	71,600	754,449
Increase in accounts receivable: RTA financial assistance		(12,966)	(1,014)		(13,980)
Decrease in obligation to RTA				(971)	(971)
Sales tax advance				273	273
Capital contribution from General Fund	3,000				3,000
Net cash from noncapital financing activities	3,000	443,503	225,366	70,902	742,771
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Interest income from assets restricted for payment of leasehold obligations		103,667			103,667
Interest expense on leasehold obligations		(100,289)			(100,289)
Increase in assets restricted for payment of leasehold obligations		8,517			8,517
Decrease in capital lease obligations		(11,895)			(11,895)
Financial assistance - grant projects		341,381	252,797	55,566	649,744
Capital farebox financing			9,121		9,121
Decrease in receivable - grant projects			(12,941)		(12,941)
Proceeds from the sale of property and equipment		14,649			14,649
Payments for capital acquisition		(352,011)	(327,001)	(56,229)	(735,241)
Net cash from capital and related financing activities		4,019	(78,024)	(663)	(74,668)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	1,823	12,667		611	15,101
Purchase of long-term marketable securities	(2,851)	(18,017)			(20,868)
Net payments for injury and damage reserve		(3,023)			(3,023)
Sales of long-term marketable securities		10,520	87,879		98,399
Net cash from investing activities	(1,028)	2,147	87,879	611	89,609
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(68)	(14,679)	51,337	(399)	36,191
CASH AND CASH EQUIVALENTS - Beginning of year	27,278	164,240	28,920	11,657	232,095
CASH AND CASH EQUIVALENTS - End of year	$27,210	$ 149,561	$ 80,257	$ 11,258	$ 268,286
RECONCILIATION OF OPERATING ACTIVITIES:					
Net loss	$ (5,012)	$(778,059)	$(328,991)	$(105,844)	$(1,217,906)
Adjustments to reconcile operating loss to net cash from operating activities:					
Depreciation		275,111	138,409	29,844	443,364
Provision for claims			10,198		10,198
Settlement of claims			(12,356)		(12,356)
Changes in assets and liabilities	2,972	38,600	8,856	4,751	55,179
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ (2,040)	$(464,348)	$(183,884)	$ (71,249)	$ (721,521)

1. BASIS OF ACCOUNTING

The accompanying 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.

Intergovernmental receivables, payables, revenues, expenses and expenditures have 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 fund balance.

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.

2. ORGANIZATIONAL STRUCTURE

RTA

The RTA was established in 1974 upon the approval of a referendum in its six-county Northeastern Illinois Region ("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 ratio by establishing fares and related revenue to cover the required proportion of their proposed expenses. The RTA has the responsibility to monitor the budgets and financial performance of the Service Boards.

CTA

The 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 passenger transportation system within the City of Chicago.

Metra

The Northeast Illinois Regional Commuter Railroad Corporation, a public corporation acting under the service name of Metra, was established in 1980 to serve as the RTA's commuter rail division. 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 directly responsible for the operation and management of the Rock Island, Milwaukee Road, Metra Electric, Heritage Corridor, North Central Service and Metra South West Service commuter lines. Metra also has responsibility for the administration of all commuter rail activities in the metropolitan Chicago area, including deficit funding, capital grant application and administration activities.

Metra also provides commuter rail service under purchase of service agreements 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 these 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

Independent operations of Pace commenced July 1, 1984. The Pace Board of Directors is empowered to operate suburban bus service within suburban Cook County and the five collar counties of DuPage, Kane, Lake, McHenry and Will.

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, 2001 year-end.

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 of America.

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, except for the Chairman of the CTA Board of Directors who is also an RTA Board member, from serving on more than one entity's board of directors, including that of the RTA.

- The RTA Board is required by Illinois statutes to approve the budgets of the Service Boards if such budgets meet specified system-generated revenues recovery ratios.

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

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."

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Fund Accounting - The RTA maintains records using a fund accounting model consisting of General Fund, Debt Service Fund, Capital Projects Fund, Proprietary Fund (Enterprise), Agency Fund and Pension Trust Fund. All Governmental Funds and the Agency Fund are accounted for using the modified accrual method of accounting (i.e., revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred). The Proprietary Fund and Pension Trust Fund are accounted for on the accrual method of accounting. For the purpose of these combining financial statements, all RTA funds have been combined.

The Service Boards are accounted for on a Proprietary Fund basis. Accordingly, the accrual method of accounting is utilized by the Service Boards. For purposes of these combining financial statements, the individual Service Board financial statements are combined with those of the RTA.

Cash and Cash Equivalents - All investments of the Combined Entities are recorded at fair value except short-term investments which are reported at cost or amortized cost, which reasonably approximates fair value.

For purposes of the combining statements 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 balance sheet.

Fixed Assets - All fixed assets are recorded at cost. Costs funded by Federal Capital Grants are recorded as capital items and are included in fixed assets. In calculating depreciation, the Combined Entities use the straight-line method. The estimated useful lives vary depending on the type of fixed asset. These useful lives range from one to forty years.

Materials and Supplies - Each Service Board records its inventory at the lower of cost or market. The CTA and Metra use the average-cost method. 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 and other financial sources: (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.

Sales Tax - The RTA Sales Tax consists of (i) in Cook County, (a) a tax of 1% of the gross receipts from sales of drugs, certain medical supplies and food prepared for consumption off the premises (other than for immediate consumption) imposed on all persons selling tangible personal property at retail (a Food and Drug Tax) and (b) a tax of 0.75% of the gross receipts from all other taxable retail sales; (ii) in counties within Northeastern Illinois other than Cook County, a tax of 0.25% of the gross receipts from all taxable retail sales (together with (i) (b), a General Sales Tax); and (iii) a tax of 0.75% on the use in Cook County, and 0.25% on the use in Northeastern Illinois other than Cook County of tangible personal property purchased from a retailer outside Northeastern Illinois and titled or registered with a State agency by a person with a Northeastern Illinois address (a Use Tax).

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

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

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

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

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

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

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

Public Transportation Fund - In accordance with the Act, the State Treasurer is authorized and required to transfer from the State's General Revenue Fund to a special fund in the State Treasury designated the "Public Transportation Fund" an amount equal to 25% of net revenues realized from sales taxes (or, as the case may be, gasoline or parking taxes). These amounts may be paid to the RTA only upon state appropriation. The state has approved an appropriation from the PTF through its 2002 fiscal year which will end June 30, 2002.

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.

The amounts allocable to each of the Service Boards from funding received by the RTA from the State's PTF are allocated at the discretion of the RTA Board in connection with the review and approval of the annual and revised budgets of each Service Board. The allocable amounts of such funds are payable as soon as may be practicable upon their receipt, provided that the RTA has adopted a budget pursuant to Section 4.01 of the Act, and the Service Board that is to receive such funds is in compliance with the budget requirement imposed upon the Service Board pursuant to Section 4.11 of the Act.

Reduced Fare Reimbursement - In the state's fiscal year 2002, which ends June 30, 2002, the Illinois General Assembly appropriated funds for a program under which the Illinois Department of Transportation ("IDOT") is authorized to provide to the RTA a reduced fare reimbursement grant for the purpose of reimbursing the Service Boards for a portion of actual revenue losses attributable to reduced fares for students, people with disabilities and the elderly. For the state fiscal years ended June 30, 2001 and June 30, 2002, the grants were in the amount of $40 and $36 million, respectively. The revenue is recognized on the modified accrual basis when the amount is requested from IDOT.

Additional State Assistance/Additional Financial Assistance - The state has authorized Additional State Assistance ("ASA") which is supplemental financing for the RTA's Strategic Capital Improvement Program ("SCIP"). 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 saving from the issuance of refunding or advance refunding SCIP bond, less interest earned on the remaining bond proceeds, or (ii) $55 million per year. The RTA received $37 million of Additional State Assistance in 2001.

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 Bond 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) $16 million and $35 million in the state's fiscal year 2001 and 2002, respectively. The RTA received $7 million of Additional Financial Assistance for part of the State's fiscal year 2001 and 2002.

In accordance with the RTA Act, earnings on certain investments in the Capital Projects Fund are credited to the Debt Service Fund. This is done to compensate for prior state fiscal year earnings reducing the actual ASA and AFA grant amounts.

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.

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 budget is comprehensive and includes the activity in the General Fund and Sales Tax Agency Fund.

The annual budget and related appropriations are prepared on the modified accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America except for RTA capital expenditures and capital grants to Service Boards, which are budgeted for on a project basis, which normally exceeds one year, and debt service payments, which are budgeted as transfers from the General Fund. Budgets for RTA capital expenditures and capital grants to Service Boards that extend beyond one year are presented in the first year of the grants and represent the total amounts awarded. In addition, for the Sales Tax Agency Fund, additions and deletions are treated as revenues and expenditures. All appropriations lapse at year-end. There was no budget amendment to the 2001 budget. Although appropriations are adopted for individual line items, the legal level of control (i.e., the level at which appropriation transfers or expenditures in excess of appropriated amounts require RTA Board approval) is restricted to total appropriations/expenditures and total administration appropriations/expenditures. Management has the authority to exceed any line item appropriation without Board approval, provided it does not exceed the total appropriations/expenditures and the total administration appropriations/expenditures. It is the policy of the RTA to fund the budgets of the Service Boards, up to the amount appropriated in the annual Budget Ordinance. The Service Boards shall maintain all financial records and shall prepare all financial statements and reports, including quarterly and annual reports required under the Act, in accordance with the following provisions:

The first source of funds to be credited against the budgeted funding amount is from Federal Transit Authority operating assistance grants;

The second source of funds to be credited against the budgeted funding amount is from 85% sales tax receipts;

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

The fourth source of funds credited against the budgeted funding amount is from RTA 15% sales tax receipts and other discretionary receipts.

The reimbursement of Service Boards' capital expenditures and the payment of PTF funds, 15% funds and other discretionary funds of the RTA shall be made under the terms and conditions of grant agreements governing such expenditures.

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.

On September 18, 1998, Metra entered into a transaction to lease 174 railcars to three equity investors ("headlease") and simultaneously subleased the railcars back ("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 constitute 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 undertakers and equity payment undertakers are finance companies. The debt payment undertaken is non-rated, and the equity payment undertaken has AAA and Aaa ratings from Standard & Poor's and Moody's, respectively. Both companies' performance under the agreement is guaranteed by their parent company which carries the same debt ratings. In connection with the transaction, Metra recognized $43.7 million as leasehold revenue in 1998. The net present value of the future payments due under the subleases has been recorded as a liability on the accompanying balance sheet. 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 balance sheet. The following table sets forth the aggregate amounts due under the sublease agreements:

Future minimum payments due:	
2002	$ 3,442,863
2003	17,193,268
2004	17,193,268
Thereafter	548,211,755
Total future minimum payments	586,041,154
Less imputed interest	(307,608,259)
Present value of minimum lease payments	$ 278,432,895

During 1998, the CTA entered into a lease/leaseback agreement ("1998 Agreement") with a third party pertaining to a rail line ("green line"), with a book value of $372.2 million at December 31, 2001. 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 ("1998 Equity Trust"), which would then lease the facilities back to another trust established by the CTA under a separate lease ("1998 Lease"). At December 31, 2001, the total payments due under the agreement are recorded as capital lease obligations of approximately $300.8 million. Under the 1998 Lease, the CTA is required to make the following payments:

1998 Lease

Year	Payment
2002	$23,000,000
2003	27,100,000
2004	35,200,000
2005	23,900,000
2006	12,800,000

During 1997, the CTA entered into four lease/leaseback agreements ("1997 Agreements") with a third party pertaining to certain of its facilities having a book value of $60.4 million at December 31, 2001. 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 ("Equity Trust"), which would then lease the facilities back to another trust established by the CTA under separate leases ("Leases").

During 1997, the CTA received certain funds as prepayments 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 from the CTA and may take possession of the facilities upon a default by the CTA under the Lease. Under the Leases, the CTA is required to make the following annual rental payments:

1997 Lease

Year	Payment
2002	$ 10,400,000
2003	15,400,000
2004	12,100,000

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 $53.8 million is reflected in the accompanying balance sheet as capital lease obligations.

In connection with the 1997 Agreements, the CTA also received proceeds of $11.9 million. The Federal Transit Administration ("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/leaseback agreements ("1996 Agreements") with a third party pertaining to certain of its facilities, with a book value of $68.2 million at December 31, 2001. 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 ("1996 Equity Trust"), which would then lease the facilities back to another trust established by the CTA under a separate lease ("1996 Lease").

Under the 1996 Lease, the CTA is required to make annual rental payments of $12.6 million in 2002 and $7.8 million in 2004. No payment is required for 2003. 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 $39.3 million is reflected in the accompanying balance sheet as capital lease obligations.

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 ("1995 Agreements") with third parties. The 1995 Agreements provided for the CTA to sell and lease back certain rail equipment totaling $487.1 million at cost for a period of 19 years beginning on the date of the respective transaction. At December 31, 2001, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling $970.3 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.

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.

8. CASH AND INVESTMENTS

The applicable statutory provisions governing the investment of public funds are found in 30 ILCS 235/0.01, et seq. The Combined Entities have established their own investment policy which is in line with the State statute, or, in some cases, more restrictive.

The Combined Entities have on hand at December 31, 2001, $879 million of cash and investments. Of that amount, $484 million is restricted for self-insurance and other damage reserve liabilities, debt service, health insurance claims and capital projects.

9. LOANS TO SERVICE BOARD

At December 31, 2001, the following amounts were due from Pace to RTA:

Loan amount due:	
Principal	$ 765,592
Accrued interest	28,550
Total principal and accrued interest	$ 794,142

The advances accumulated interest at a rate of 3.03% in 2001.

10. GENERAL OBLIGATION BONDS PAYABLE

Changes during the year in bonds payable were as follows:

	January 1, 2001	New Issues	Current Retirements	December 31, 2001
1990A	$ 60,795,000			$ 60,795,000
1991A	57,800,000		$ 2,055,000	55,745,000
1992A* and 1992B	75,085,000		4,045,000	71,040,000
1993A* and 1993B	44,830,000		39,990,000	4,840,000
1993C Refunding	22,155,000		190,000	21,965,000
1994A* and 1994B	49,255,000		4,705,000	44,550,000
1994C* and 1994D	85,270,000		2,635,000	82,635,000
1996 Refunding	149,220,000		570,000	148,650,000
1997 Refunding	97,635,000		2,360,000	95,275,000
1999 Refunding	293,735,000		570,000	293,165,000
2000A*	260,000,000			260,000,000
2001A*		$ 100,000,000		100,000,000
2001B Refunding		37,715,000	435,000	37,280,000
Total	$ 1,195,780,000	$ 137,715,000	$ 57,555,000	$ 1,275,940,000

*SCIP Bonds

At December 31, 2001, the total general obligation bonds payable of $1,275,940,000 is classified as current and long-term liabilities on the Balance Sheet in the amounts of $25,560,000 and $1,250,380,000, respectively.

Advance Refundings - On June 21, 1993, the RTA advance refunded a portion of its 1990A Series general obligation bond issue. The RTA issued $23,265,000 of general obligation refunding bonds (1993C Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2001, $20,350,000 of outstanding general obligation bonds (1990A Series) is considered defeased.

On January 19, 1996, the RTA advance refunded a portion of its 1994B and 1994D Series general obligation bond issues. The RTA issued $151,235,000 of general obligation refunding bonds (1996 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2001, $60,300,000 of outstanding general obligation bonds (1994B Series) and $75,605,000 of outstanding general obligation bonds (1994D Series) are considered defeased.

On September 18, 1997, the RTA advance refunded a portion of its 1990A, 1991A, 1992B and 1993B Series general obligation bond issues. The RTA issued $98,385,000 of general obligation refunding bonds (1997 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2001, $4,230,000 of outstanding general obligation bonds (1990A Series), $29,265,000 of outstanding general obligation bonds (1991A Series), $18,170,000 of outstanding general obligation bonds (1992B Series) and $47,465,000 of outstanding general obligation bonds (1993B Series) are considered defeased.

On August 24, 1999, the RTA advance refunded a portion of its 1992A, 1993A, 1994A and 1994C Series general obligation bond issues. The RTA issued $298,725,000 of general obligation refunding bonds (1999 Series) to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2001, $113,895,000 of outstanding general obligation bonds (1992A Series), $9,720,000 of outstanding general obligation bonds (1993A), $142,615,000 of outstanding general obligation bonds (1994A) and $21,955,000 of outstanding general obligation bonds (1994C) are considered defeased.

On March 1, 2001, the RTA advance refunded a portion of its 1993A Series general obligation bond issues. The RTA issued $37,715,000 of general obligation refunding bonds (2001B Series). Proceeds from the issuance amounted to $40,437,798 which includes a premium of $2,554,206. The proceeds are to provide resources to fund an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. At December 31, 2001, $37,750,000 of outstanding general obligation bonds (1993A), are considered defeased. This advance refunding was undertaken to reduce total debt service payments over the next 23 years by $3 million and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and the refunding bonds) of $2 million, a 5.6% savings on the previous debt service expense.

Debt Service Requirements - The "debt service requirements" set forth in the following tables represent payments due the trustee, as required by the respective bond agreements. The "principal maturity" columns represent principal payments due bondholders from the trustee. Differences, if any, between debt service amounts presented in the following tables and amounts presented in the financial statements represent timing difference 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.

The debt service fund accounts for transfers (debt service requirements) received from the general fund, investment income, and principal and interest payments to bondholders of RTA bonds.

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

The Series 1990A Bonds mature on November 1 over a thirty-year period and interest is payable at rates ranging from 6.00% to 7.15% on November 1, 1990 and semiannually thereafter on May 1 and November 1 in each remaining year.

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

	Debt Service Requirements			Principal
Year	**Principal**	**Interest**	**Total**	**Maturity**
2002		$ 4,377,240	$ 4,377,240	
2003		4,377,240	4,377,240	
2004		4,377,240	4,377,240	
2005		4,377,240	4,377,240	
2006		4,377,240	4,377,240	
2007 - 2011	$ 7,895,000	21,611,880	29,506,880	$ 7,895,000
2012 - 2016	25,290,000	15,654,960	40,944,960	25,290,000
2017 - 2020	27,610,000	5,142,600	32,752,600	27,610,000
Total	$60,795,000	$64,295,640	$125,090,640	$60,795,000

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:

	Debt Service Requirements			Principal
Year	**Principal**	**Interest**	**Total**	**Maturity**
2002		$ 3,734,915	$ 3,734,915	
2003		3,734,915	3,734,915	
2004		3,734,914	3,734,914	
2005		3,734,916	3,734,916	
2006		3,734,914	3,734,914	
2007 - 2011		18,674,573	18,674,573	
2012 - 2016	23,390,000	15,743,660	39,133,660	
2017 - 2020	$32,355,000	6,783,750	39,138,750	$55,745,000
Total	$55,745,000	$59,876,557	$115,621,557	$55,745,000

1992 General Obligation Bonds - In June 1992, the RTA issued $188 million in General Obligation Bonds, Series 1992A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued $30 million in General Obligation Bonds, Series 1992B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1992A and 1992B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 5.30% to 9.00% on December 1, 1992 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1992A and 1992B Bonds to maturity are set forth below:

Year	Debt Service Requirements Principal	Interest	Total	Principal Maturity
2002	$ 4,455,455	$ 5,159,539	$ 9,614,994	$ 4,290,000
2003	4,731,364	4,894,495	9,625,859	4,550,000
2004	5,080,000	4,608,334	9,688,334	4,835,000
2005	5,531,818	4,208,481	9,740,299	5,220,000
2006	6,053,636	3,712,221	9,765,857	5,710,000
2007 - 2011	42,457,727	9,216,162	51,673,889	46,435,000
Total	$68,310,000	$31,799,232	$100,109,232	$71,040,000

1993 General Obligation Bonds - In June 1993, the RTA issued $55 million in General Obligation Bonds, Series 1993A, to pay the cost of purchasing and reconstructing railcars for Metra. The RTA also issued $55 million in General Obligation Bonds, Series 1993B, to pay the costs of reconstruction, acquisition, repair and replacement of certain public transportation facilities for the Service Boards.

The Series 1993A and 1993B Bonds mature on June 1 over a thirty-year period and interest is payable at rates ranging from 4.21% to 5.85% on December 1, 1993 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1993A and 1993B Bonds to maturity are set forth below:

Year	Debt Service Requirements Principal	Interest	Total	Principal Maturity
2002	$2,360,000	$189,140	$2,549,140	$2,360,000
2003	2,480,000	64,480	2,544,480	2,480,000
Total	$4,840,000	$253,620	$5,093,620	$4,840,000

1993 General Obligation Refunding Bonds - In June 1993, the RTA issued $23 million in General Obligation Bonds, Series 1993C, to provide funds to refund in advance of maturity the RTA's outstanding Series 1990A Bonds maturing November 1 in the years 2003-2005 and 2009 in the aggregate amount of $20 million.

The Series 1993C Refunding Bonds mature on June 1 over a sixteen-year period and interest is payable at rates ranging from 2.75% to 5.70% on December 1, 1993 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1993C Refunding Bonds to maturity are set forth below:

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2002	$ 1,736,818	$ 1,200,538	$ 2,937,356	$ 200,000
2003	2,723,182	1,114,870	3,838,052	2,615,000
2004	2,874,091	971,915	3,846,006	2,785,000
2005	3,026,819	818,103	3,844,922	2,925,000
2006	3,199,545	653,118	3,852,663	3,085,000
2007 - 2009	8,277,270	844,272	9,121,542	10,355,000
Total	$21,837,725	$5,602,816	$27,440,541	$21,965,000

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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2002	$ 4,955,000	$ 3,208,713	$ 8,163,713	$ 4,955,000
2003	5,230,000	2,863,250	8,093,250	5,230,000
2004	5,645,000	2,428,250	8,073,250	5,645,000
2005	4,325,000	2,077,025	6,402,025	4,325,000
2006		1,951,599	1,951,599	
2007 - 2011		9,758,001	9,758,001	
2012 - 2016	11,725,000	9,289,000	21,014,000	
2017 - 2021	12,670,000	506,799	13,176,799	
2022 - 2024				24,395,000
Total	$44,550,000	$32,082,637	$76,632,637	$44,550,000

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 Americans with Disabilities Act ("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:

	Debt Service Requirements			Principal
Year	Principal	Interest	Total	Maturity
2002	$ 2,800,000	$ 6,272,612	$ 9,072,612	$ 2,800,000
2003	3,000,000	6,070,962	9,070,962	3,000,000
2004	3,240,000	5,829,162	9,069,162	3,240,000
2005	3,505,000	5,567,794	9,072,794	3,505,000
2006	3,790,000	5,285,112	9,075,112	3,790,000
2007 - 2011	13,385,000	22,517,431	35,902,431	13,385,000
2012 - 2016	21,460,000	17,698,676	39,158,676	6,145,000
2017 - 2021	31,455,000	4,313,844	35,768,844	35,685,000
2022 - 2025				11,085,000
Total	$82,635,000	$73,555,593	$156,190,593	$82,635,000

1996 General Obligation Refunding Bonds - In January 1996, the RTA issued $151 million in General Obligation Bonds, Series 1996, to provide funds to refund in advance of maturity the RTA's outstanding Series 1994B Bonds, maturing June 1 in the years 2005-2009, 2012, 2015 and 2024, in the aggregate amount of $60 million and Series 1994D Bonds, maturing June 1 in the years 2009-2014 and 2025, in the aggregate amount of $76 million.

The Series 1996 Refunding Bonds mature on June 1 over a twenty-two year period and interest is payable at rates ranging from 5.125% to 5.50% on June 1, 1996 and semiannually thereafter on June 1 and December 1 in each remaining year.

Debt service requirements on the Series 1996 Refunding Bonds to maturity are set forth below:

	Debt Service Requirements			Principal
Year	Principal	Interest	Total	Maturity
2002	$ 595,000	$ 8,112,209	$ 8,707,209	$ 595,000
2003	625,000	8,080,947	8,705,947	625,000
2004	660,000	8,048,019	8,708,019	660,000
2005	2,470,000	7,967,813	10,437,813	2,470,000
2006	2,590,000	7,838,150	10,428,150	2,590,000
2007 - 2011	25,440,000	36,207,203	61,647,203	25,440,000
2012 - 2016	27,415,000	27,588,610	55,003,610	27,415,000
2017 - 2021	35,025,000	21,807,960	56,832,960	4,980,000
2022 - 2025	53,830,000	5,750,360	59,580,360	83,875,000
Total	$148,650,000	$131,401,271	$280,051,271	$148,650,000

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:

	Debt Service Requirements			Principal
Year	Principal	Interest	Total	Maturity
2002	$ 4,705,000	$ 5,238,975	$ 9,943,975	$ 4,705,000
2003	2,545,000	5,057,725	7,602,725	2,545,000
2004	3,980,000	4,894,600	8,874,600	3,980,000
2005	4,190,000	4,690,350	8,880,350	4,190,000
2006	4,400,000	4,475,600	8,875,600	4,400,000
2007 - 2011	25,850,000	18,532,789	44,382,789	25,850,000
2012 - 2016	16,445,000	12,689,688	29,134,688	16,445,000
2017 - 2021	23,910,000	6,533,100	30,443,100	18,535,000
2022 - 2025	9,250,000	490,500	9,740,500	14,625,000
Total	$95,275,000	$62,603,327	$157,878,327	$95,275,000

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	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2002	$ 595,000	$ 16,699,637	$ 17,294,637	$ 595,000
2003	615,000	16,669,387	17,284,387	615,000
2004	645,000	16,637,887	17,282,887	645,000
2005	670,000	16,605,012	17,275,012	670,000
2006	5,135,000	16,459,887	21,594,887	5,135,000
2007 - 2011	35,320,000	77,552,862	112,872,862	35,320,000
2012 - 2016	71,895,000	62,016,007	133,911,007	71,895,000
2017 - 2021	108,245,000	38,208,132	146,453,132	108,245,000
2022 - 2025	70,045,000	5,932,481	75,977,481	70,045,000
Total	$293,165,000	$266,781,292	$559,946,292	$293,165,000

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

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

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

Year	Debt Service Requirements			Principal
	Principal	Interest	Total	Maturity
2002	$ 3,630,000	$ 16,300,613	$ 19,930,613	$ 3,630,000
2003	3,825,000	16,091,888	19,916,888	3,825,000
2004	4,030,000	15,871,950	19,901,950	4,030,000
2005	4,245,000	15,640,225	19,885,225	4,245,000
2006	4,480,000	15,396,138	19,876,138	4,480,000
2007 - 2011	26,475,000	72,815,964	99,290,964	26,475,000
2012 - 2016	35,155,000	63,867,064	99,022,064	35,155,000
2017 - 2021	47,200,000	51,474,251	98,674,251	47,200,000
2022 - 2026	63,860,000	34,675,576	98,535,576	63,860,000
2027 - 2030	67,100,000	11,236,225	78,336,225	67,100,000
Total	$260,000,000	$313,369,894	$573,369,894	$260,000,000

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

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

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

Year	Debt Service Requirements Principal	Interest	Total	Principal Maturity
2002	$ 1,400,000	$ 5,828,238	$ 7,228,238	$ 1,400,000
2003	1,465,000	5,758,238	7,223,238	1,465,000
2004	1,535,000	5,684,988	7,219,988	1,535,000
2005	1,610,000	5,608,238	7,218,238	1,610,000
2006	1,695,000	5,527,738	7,222,738	1,695,000
2007 - 2011	9,935,000	26,179,290	36,114,290	9,935,000
2012 - 2016	13,010,000	22,945,626	35,955,626	13,010,000
2017 - 2021	17,125,000	18,611,825	35,736,825	17,125,000
2022 - 2026	22,545,000	13,111,200	35,656,200	12,775,000
2027 - 2031	29,680,000	5,538,300	35,218,300	39,450,000
Total	$ 100,000,000	$ 114,793,681	$ 214,793,681	$ 100,000,000

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

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

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

Year	Debt Service Requirements Principal	Interest	Total	Principal Maturity
2002	$ 30,000	$ 2,004,025	$ 2,034,025	$ 30,000
2003	30,000	2,002,825	2,032,825	30,000
2004	1,340,000	1,968,725	3,308,725	1,340,000
2005	1,410,000	1,899,975	3,309,975	1,410,000
2006	1,485,000	1,827,600	3,312,600	1,485,000
2007 - 2011	3,185,000	8,352,238	11,537,238	3,185,000
2012 - 2016	7,280,000	7,608,976	14,888,976	7,280,000
2017 - 2021	15,175,000	4,198,289	19,373,289	15,175,000
2022 - 2026	7,345,000	409,613	7,754,613	7,345,000
Total	$ 37,280,000	$ 30,272,266	$ 67,552,266	$ 37,280,000

The bonds issued by the RTA carry a rating of "AAA" from Standard & Poor's and Fitch IBCA, Inc., and "Aaa" from Moody's Investors Service, Inc., based, in part, on the RTA's having the principal and interest guaranteed by an insurance policy. These rating agencies have indicated that they would have rated the bonds "AA," "AA" and "A1," respectively, without such insurance. These ratings reflect a positive outlook by the rating agencies based on their assessment of the essential nature of the RTA system, its financial position and performance, and public funding support.

All the bonds 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 recorded as current and long term liabilities of the governmental activities in the government-wide statement of net assets, and 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 receipts. If all payments have been made, the funds are made available to the RTA for regular use.

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

In the Debt Service Fund, $44,577,437 is available to service principal and interest payments of the RTA's long-term debt as of December 31, 2001.

11. CAPITAL CONTRIBUTIONS

At December 31, 2001, the following amounts were contributed to the Service Boards for capital assets:

Contributing Agency	CTA	Metra	Pace	Combined
Federal Transit Administration	$210,676	$118,297	$38,860	$367,833
Illinois Department of Transportation	34,208	36,314	6,793	77,315
Regional Transportation Authority	96,721	98,186	7,414	202,321
Service Boards			1,243	1,243
Total contributions	$341,605	$252,797	$54,310	$648,712

12. PENSION

All eligible employees of the Combined Entities are covered under a pension plan. RTA employees, as well as nonunion employees of Metra and Pace, are covered under the RTA Pension Plan, which is a multi-employer, noncontributory, defined benefit cost sharing plan and trust. The union employees of Metra and Pace are covered under various other plans as are required by their collective bargaining agreements.

The CTA maintains two single-employer defined benefit pension plans, the Employees' Retirement Plan and the Supplemental Retirement Plan, covering substantially all full-time permanent union and nonunion employees and Chicago Transit Board members. The Employees' Retirement Plan is governed by the terms of the employees' collective bargaining agreement. 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, provides benefits, in addition to the Employees' Retirement Plan, to management employees in certain employment classifications and Chicago Transit Board members.

In 1995, the CTA adopted the Governmental Accounting Standards Board's Statement No. 27 (Statement No. 27), *"Accounting for Pensions by State and Local Governmental Employers,"* for the plan. Statement No. 27 requires that the accrued pension liability at the transition (adoption) date be calculated as the cumulative difference, including interest, between an employer's required contributions in accordance with the pension plan's 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.

In 1997, the RTA, Metra and Pace elected to implement the provisions of Statement No. 27 along with Governmental Accounting Standards Board Statement No. 25, *"Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans."* There was no significant impact as a result of implementing these new standards.

13. 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 statement of revenues and expenditures and the combining region-wide statement of revenues and expenditures - budget and actual.

The basic financial statements of 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 statement of revenues and expenses includes the aggregate of all system revenues and costs.

For purposes of the 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 of America, with certain allowable adjustments as enumerated in the Act. Costs funded by Federal capital grants are recorded as capital items and included in fixed 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. This concept is described as the "system-generated revenues recovery ratio."

For 2001, the region-wide system-generated revenues recovery ratio is calculated from the Combining Region-Wide Statement of Revenues and Expenditures - Budget and Actual (Budgetary Basis) schedule as follows (in thousands):

Revenues Recovery Ratio	**Revenues**	**Expenses**
CTA*	$469,169	$ 879,043
Metra**	249,108	425,249
Pace	52,503	127,906
RTA***	9,025	22,322
Total	$779,805	$1,454,520

The region-wide system-generated revenues recovery ratio for 2001 equals 53.62%.

* The recovery ratio for the CTA included leasehold revenues of $4,262 and excluded CTA expenses for security costs of $4,869.

** With respect to Metra, $9,121 of capital farebox financing was included in revenues. Metra's $2,451 cost for lease of transportation facilities and $2,869 for funded depreciation to carriers were deducted from expenses.

*** The RTA added back $701 unrealized loss on swap transaction to its revenues.

These are allowable adjustments for the revenues recovery ratio computation per the Act. These adjustments are reflected in the region-wide information.

14. 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 13, the affiliated carrier revenues and expenses are added in the system generated revenues and expenses.

The following data (in thousands) reconciles the combining government-wide to region-wide statement of revenues and expenses:

	RTA	CTA	Metra	Pace
Government-wide revenues (page 4)	$ 334,829	$ 1,333,221	$ 646,710	$ 180,269
Sales tax fund	595,768			
Pension trust fund	(1,815)			
Program operating grants	999			
Affiliated carrier revenues			98,821	728
Region-wide revenues (page 29)	929,781	1,333,221	745,531	180,997
Government-wide expenses (page 4)	485,351	1,278,475	487,402	157,022
Sales tax fund	595,768			
Pension trust fund	3,662			
Program-related expenses	999			
Affiliated carrier expenses			98,821	728
Region-wide expenses (page 29)	1,085,780	1,278,475	586,223	157,750
Net revenue (expense)	$ (155,999)	$ 54,746	$ 159,308	$ 23,247

15. SUBSEQUENT EVENT

On April 18, 2002, the RTA issued General Obligation Bonds, Series 2002A, in the amount of $160 million. The proceeds from the bonds will be used to pay costs of construction acquisition, repair and replacement of certain public transportation facilities, and to pay Cost of Issuance of the Series 2002A Bonds.

The RTA is a defendant in a complaint filed by Pace on January 11, 2002 wherein the latter seeks declaratory judgment and damages against the RTA for specific alleged violations of the Act. On May 30, 2002, The Circuit Court of the 19th Judicial District in McHenry County, Illinois dismissed the complaint.

* * * * * *

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING REGION-WIDE STATEMENTS OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2001
(In Thousands)

	RTA Combined 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 revenues		$ 427,443	$239,987	$ 52,503	$ 39,531		$ 680,402
RTA financial assistance		419,005	230,343	75,002	724,350		
Other public funding		37,463	118,851	425			156,739
Capital grants		341,381	129,984	53,067	201,548		322,884
Sales taxes	$ 653,522						653,522
Interest on sales taxes	875				744		131
Public Transportation Fund	164,987						164,987
State assistance	43,662						43,662
State reduced fare reimbursement	39,531						39,531
Investment income	25,334				29		25,305
Other revenues	1,870						1,870
Leasehold revenue		4,262					4,262
Interest revenue from leasing transactions		103,667	17,245				120,912
Total revenues	929,781	1,333,221	736,410	180,997	966,202		2,214,207
EXPENSES:							
Operating expenses		903,075	430,569	127,906		$ 29	1,461,521
Depreciation expenses		275,111	138,409	29,844			443,364
Operating grants to Service Boards	724,350					724,350	
Capital grants - discretionary	31,736					31,736	
Capital grants - bonds	169,812					169,812	
State reduced fare reimbursement to Service Boards	39,531					39,531	
Administrative expenses	5,402						5,402
Regional expenses	21,968						21,968
Technology program	1,277						1,277
Interest on sales taxes to Service Boards	744					744	
Bond related expenses	90,960						90,960
Interest expense from leasing transaction		100,289	17,245				117,534
Total expenses	1,085,780	1,278,475	586,223	157,750		966,202	2,142,026
NET REVENUES (EXPENSES) BEFORE TRANSFERS AND CAPITAL FAREBOX FINANCING	(155,999)	54,746	150,187	23,247	966,202	966,202	72,181
TRANSFERS OUT	(87,099)						(87,099)
TRANSFERS IN	84,099						84,099
CAPITAL CONTRIBUTION TO JSIF	3,000						3,000
CAPITAL FAREBOX FINANCING			9,121				9,121
NET REVENUE (EXPENSE)	$ (155,999)	$ 54,746	$159,308	$ 23,247	$966,202	$ 966,202	$ 81,302

REGIONAL TRANSPORTATION AUTHORITY AND SERVICE BOARDS

COMBINING REGION-WIDE STATEMENTS OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (BUDGETARY BASIS)

YEAR ENDED DECEMBER 31, 2001

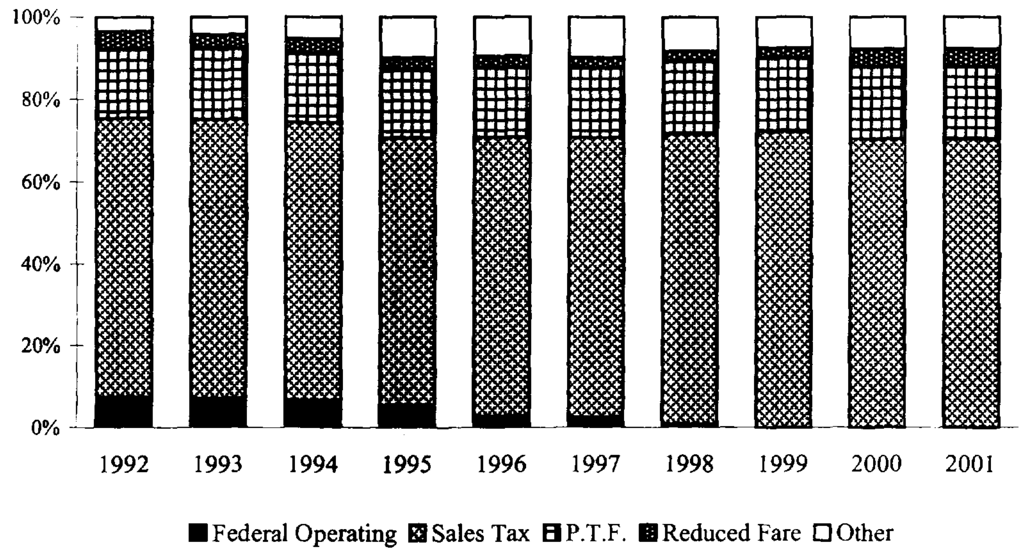
	RTA General and Agency Funds	Service Boards: Chicago Transit Authority	Service Boards: Commuter Rail Division	Service Boards: Suburban Bus Division	Combining Adjustments: Debit	Combining Adjustments: Credit	Total Combined	Total Region-Wide Budget
REVENUES:								
RTA financial assistance		$419,005	$230,343	$ 75,002	$724,350			
Other public funding				425			$ 425	$ 132
Subtotal		419,005	230,343	75,427	724,350		425	132
Sales taxes	$653,522						653,522	669,000
Public Transportation Fund	164,987						164,987	168,000
State assistance	43,662						43,662	47,422
State reduced fare reimbursement	39,531				39,531			
Interest on sales taxes	875				744		131	200
Investment income	6,324						6,324	5,001
Other revenues	1,869						1,869	5,301
Service Boards revenues		464,907	239,987	52,503			757,397	733,520
Add:								
Unrealized loss on swap transaction	701						701	
Leasehold revenue		4,262					4,262	4,262
Capital farebox financing			9,121				9,121	9,154
Subtotal	911,471	469,169	249,108	52,503	40,275		1,641,976	1,641,860
Total revenues	911,471	888,174	479,451	127,930	764,625		1,642,401	1,641,992
EXPENDITURES:								
Financial assistance to Service Boards	724,350		34,105			$724,350	34,105	34,105
Capital grants to Service Boards	30,051						30,051	30,051
State reduced fare reimbursement	39,531					39,531		
Interest on excess taxes to Service Boards	744					744		
Administrative expenses	5,030						5,030	4,997
Regional expenses	13,025						13,025	17,539
Joint Self Insurance Fund contribution	3,000						3,000	3,000
Transfers	83,793						83,793	85,132
Capital outlay	6,248						6,248	6,248
Technology program	1,277						1,277	3,284
Operating expenses		883,912	430,569	127,906			1,442,387	1,423,796
Less:								
Security costs		(4,869)					(4,869)	(5,082)
Lease of transportation facility			(2,451)				(2,451)	(2,442)
Funded depreciation to carriers			(2,869)				(2,869)	(2,812)
Total expenditures	907,049	879,043	459,354	127,906		764,625	1,608,727	1,597,816
EXCESS OF REVENUES OVER EXPENDITURES	$ 4,422	$ 9,131	$ 20,097	$ 24	$764,625	$764,625	$ 33,674	$ 44,176

Note 1 This schedule presents actual results compared to budget. The budgetary basis reflects GAAP reporting excluding depreciation, unfunded pension, provision for injury and damage claims, and certain other items, as directed by the RTA Act.

Note 2 RTA policy directs funds not required for operations to be used for capital programs

RTA REVENUE BY SOURCE (ALL FUNDS)

1992-2001

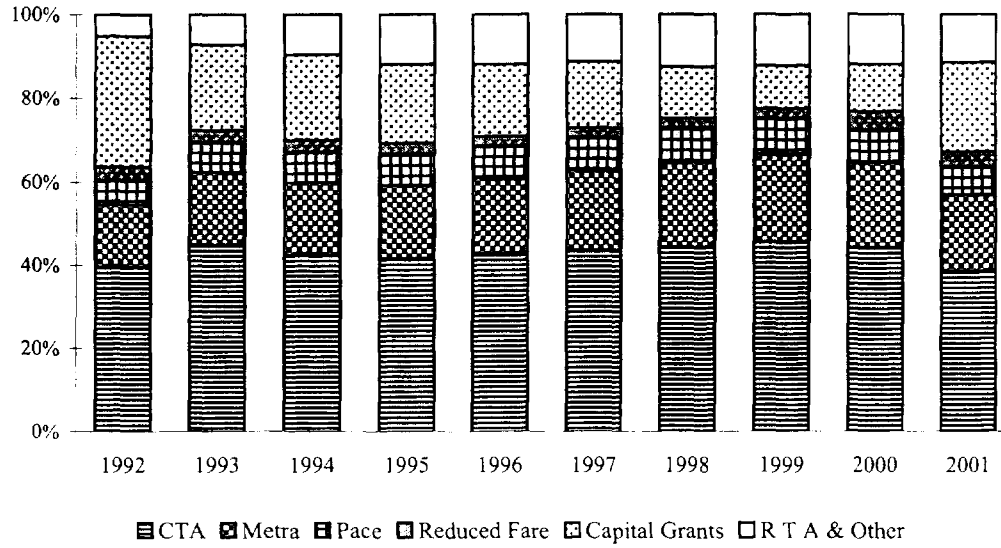


Last Ten Years *(In Thousands)*

	Federal Operating Assistance	Sales Tax	Public Transportation Fund	Reduced Fare	Other	Total
12 Months Ended 12/31/92	$49,141	$445,891	$109,843	$27,924	$22,587	$655,386
Percentage of Total	7.50%	68.03%	16.76%	4.26%	3.45%	100%
12 Months Ended 12/31/93	49,421	462,393	115,771	23,410	28,332	679,327
Percentage of Total	7.27%	68.07%	17.04%	3.45%	4.17%	100%
12 Months Ended 12/31/94	49,475	497,698	124,002	24,861	38,997	735,033
Percentage of Total	6.73%	67.71%	16.87%	3.38%	5.31%	100%
12 Months Ended 12/31/95	43,128	513,301	129,866	22,520	78,165	786,980
Percentage of Total	5.48%	65.23%	16.50%	2.86%	9.93%	100%
12 Months Ended 12/31/96	21,598	532,304	133,044	20,435	73,978	781,359
Percentage of Total	2.76%	68.13%	17.03%	2.61%	9.47%	100%
12 Months Ended 12/31/97	21,591	555,496	139,093	19,243	79,935	815,358
Percentage of Total	2.65%	68.13%	17.05%	2.36%	9.81%	100%
12 Months Ended 12/31/98	6,746	576,704	144,846	19,837	66,980	815,113
Percentage of Total	0.83%	70.75%	17.77%	2.43%	8.22%	100%
12 Months Ended 12/31/99	0	613,514	153,343	19,386	63,632	849,875
Percentage of Total	0.00%	72.19%	18.04%	2.28%	7.49%	100%
12 Months Ended 12/31/00	0	650,284	162,247	38,759	71,947	923,237
Percentage of Total	0.00%	70.44%	17.57%	4.20%	7.79%	100%
12 Months Ended 12/31/01	$0	$653,522	$164,987	$39,531	$71,742	$929,782
Percentage of Total	0.00%	70.29%	17.74%	4.25%	7.72%	100%

DISTRIBUTION OF EXPENDITURES (ALL FUNDS)

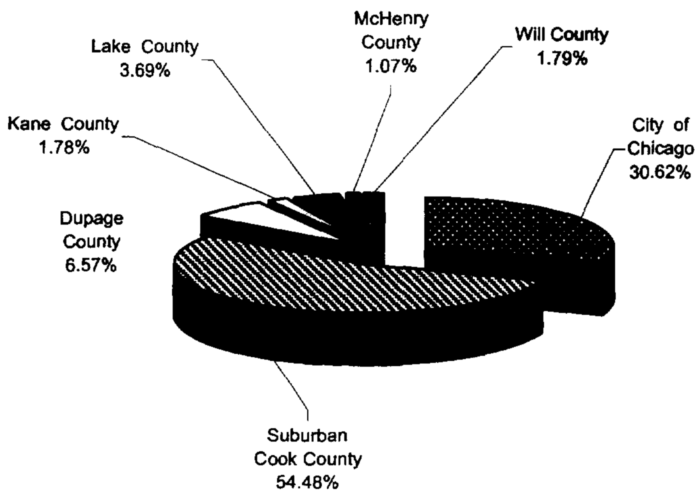
1992-2001

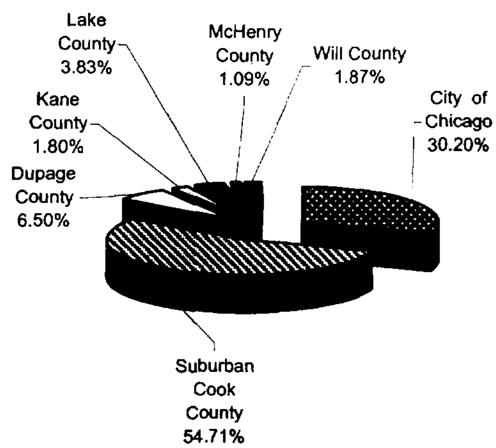


Last Ten Years *(In Thousands)*

	Financial Assistance				Reduced	Capital	R T A	
	CTA	Metra	Pace	Total	Fare	Grants	and Other	Total
12 Months Ended 12/31/92	$355,149	$132,951	$54,074	$542,174	$27,924	$279,291	$45,827	$895,216
Percentage of Total	39.67%	14.85%	6.04%	60.56%	3.12%	31.20%	5.12%	100%
12 Months Ended 12/31/93	367,599	142,248	58,697	568,544	23,409	167,170	58,482	817,605
Percentage of Total	44.96%	17.40%	7.18%	69.54%	2.86%	20.45%	7.15%	100%
12 Months Ended 12/31/94	365,200	148,638	62,129	575,967	24,861	174,128	82,658	857,614
Percentage of Total	42.58%	17.33%	7.24%	67.15%	2.90%	20.30%	9.65%	100%
12 Months Ended 12/31/95	365,005	154,592	65,198	584,795	22,520	164,266	104,659	876,240
Percentage of Total	41.66%	17.64%	7.44%	66.74%	2.57%	18.75%	11.94%	100%
12 Months Ended 12/31/96	372,479	158,042	66,496	597,017	20,435	149,215	103,587	870,254
Percentage of Total	42.80%	18.16%	7.64%	68.60%	2.35%	17.15%	11.90%	100%
12 Months Ended 12/31/97	377,198	166,083	67,337	610,618	19,243	136,680	97,701	864,242
Percentage of Total	43.64%	19.22%	7.79%	70.65%	2.23%	15.82%	11.30%	100%
12 Months Ended 12/31/98	377,265	172,198	69,100	618,563	19,837	103,859	106,464	848,723
Percentage of Total	44.45%	20.29%	8.14%	72.88%	2.34%	12.24%	12.54%	100%
12 Months Ended 12/31/99	384,810	177,784	70,482	633,076	19,386	86,913	103,443	842,818
Percentage of Total	45.66%	21.09%	8.36%	75.11%	2.30%	10.31%	12.28%	100%
12 Months Ended 12/31/00	402,126	184,559	71,772	658,457	38,759	102,806	108,546	908,568
Percentage of Total	44.26%	20.31%	7.90%	72.47%	4.27%	11.32%	11.94%	100%
12 Months Ended 12/31/01	$419,005	$234,610	$70,735	$724,350	$39,531	$201,548	$124,953	$1,090,382
Percentage of Total	38.43%	21.52%	6.49%	66.44%	3.63%	18.48%	11.45%	100%

SALES TAX REVENUE SOURCE BY COUNTY/CITY OF CHICAGO





RETAILERS' OCCUPATION AND USE TAX (SALES TAX) REVENUES BY COUNTY/CITY OF CHICAGO

Last Ten Years *(In Thousands)*

	City of Chicago	Suburban Cook County	DuPage County	Kane County	Lake County	McHenry County	Will County	Total
12 Months Ended 12/31/92	$145,541	$244,671	$26,015	$6,717	$13,289	$3,631	$6,027	$445,891
Percentage of Total	32.64%	54.87%	5.83%	1.51%	2.98%	0.81%	1.35%	100%
12 Months Ended 12/31/93	148,334	253,591	28,060	7,278	14,341	4,026	6,763	462,393
Percentage of Total	32.08%	54.84%	6.07%	1.57%	3.10%	0.87%	1.46%	100%
12 Months Ended 12/31/94	157,802	273,398	30,568	8,006	15,819	4,541	7,564	497,698
Percentage of Total	31.71%	54.93%	6.14%	1.61%	3.18%	0.91%	1.52%	100%
12 Months Ended 12/31/95	160,301	282,898	32,230	8,546	16,770	4,735	7,821	513,301
Percentage of Total	31.23%	55.11%	6.28%	1.66%	3.27%	0.92%	1.52%	100%
12 Months Ended 12/31/96	165,051	292,319	34,370	9,044	17,929	5,096	8,495	532,304
Percentage of Total	31.01%	54.92%	6.46%	1.70%	3.37%	0.96%	1.60%	100%
12 Months Ended 12/31/97	163,366	313,113	36,482	9,301	18,980	5,329	8,925	555,496
Percentage of Total	29.41%	56.37%	6.57%	1.67%	3.42%	0.96%	1.61%	100%
12 Months Ended 12/31/98	176,816	314,886	39,278	10,011	20,413	5,760	9,540	576,704
Percentage of Total	30.66%	54.60%	6.81%	1.74%	3.54%	1.00%	1.65%	100%
12 Months Ended 12/31/99	187,966	333,513	41,764	10,761	22,238	6,528	10,744	613,514
Percentage of Total	30.64%	54.37%	6.81%	1.75%	3.62%	1.06%	1.75%	100%
12 Months Ended 12/31/00	199,056	354,307	42,741	11,589	23,985	6,942	11,664	650,284
Percentage of Total	30.62%	54.48%	6.57%	1.78%	3.69%	1.07%	1.79%	100%
12 Months Ended 12/31/01	$197,370	$357,522	$42,498	$11,796	$25,017	$7,122	$12,197	$653,522
Percentage of Total	30.20%	54.71%	6.50%	1.80%	3.83%	1.09%	1.87%	100%

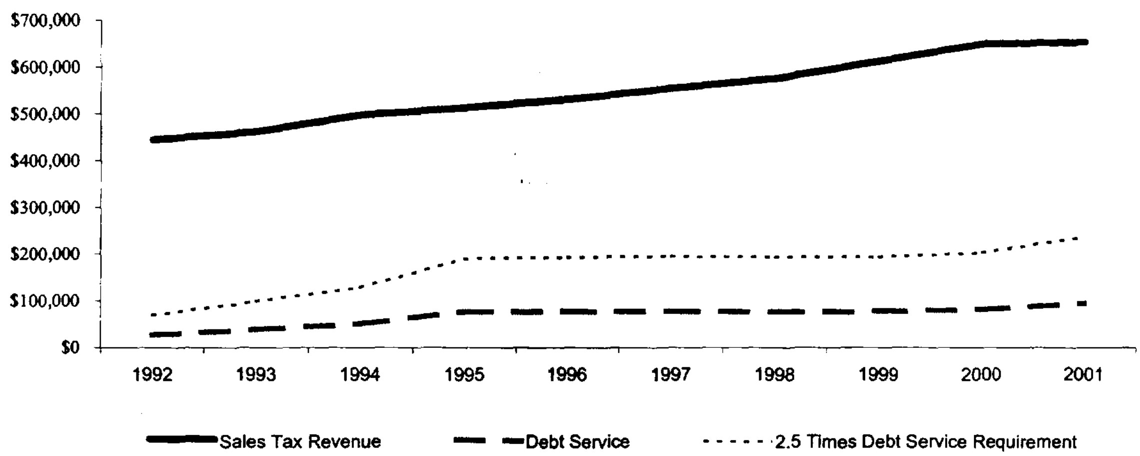
LEGAL DEBT CAPACITY

2001

Legal Debt Margin:		Balance Outstanding at December 31, 2001	Maximum Issued	
Debt Limitation per Act for General Obligations				$1,820,000,000
Debt applicable to limitation :				
RTA Bonds:				
1990A	General Obligation Bonds	$60,795,000		
1991A	General Obligation Bonds	55,745,000		
1992B	General Obligation Bonds	9,780,000		
1993B	General Obligation Bonds	2,420,000		
1993C	General Obligation Refunding Bonds	21,965,000		
1994B	General Obligation Bonds	11,695,000		
1994D	General Obligation Bonds	46,280,000		
1996	General Obligation Refunding Bonds	148,650,000		
1997	General Obligation Refunding Bonds	95,275,000		
Total RTA Bonds Applicable to Limitation		$452,605,000		(452,605,000)
SCIP Bonds:				
1992A	General Obligation Bonds	$61,260,000	$188,000,000	
1993A	General Obligation Bonds	2,420,000	55,000,000	
1994A	General Obligation Bonds	32,855,000	195,000,000	
1994C	General Obligation Bonds	36,355,000	62,000,000	
1999	General Obligation Refunding Bonds	293,165,000	0	
2000	General Obligation Bonds	260,000,000	260,000,000	
2001A	General Obligation Bonds	100,000,000	100,000,000	
2001B	General Obligation Refunding Bonds	37,280,000	0	
Total SCIP Bonds Applicable to Limitation			$860,000,000	(860,000,000)
Total SCIP Bonds Outstanding		$823,335,000		
Total Bonds Outstanding		$1,275,940,000		
Debt Margin for General Obligations				$507,395,000
Debt Limitation per Act for Working Cash Notes				100,000,000
Total Legal Debt Margin				$607,395,000

COMPARISON OF SALES TAX REVENUE TO DEBT SERVICE REQUIREMENT

1992 - 2001
(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 employs a more stringent benchmark than the revenue test defined in the ordinance.

Last Ten Years *(In Thousands)*

Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Sales Tax Revenue	$ 445,891	$462,393	$ 497,698	$ 513,301	$532,304	$ 555,496	$576,704	$613,514	$ 650,284	$ 653,522
Debt Service Requirement	27,917	39,909	51,978	76,550	77,639	78,359	77,883	77,866	81,676	95,187
2.5 Times Debt Service Requirement	$69,793	$99,773	$129,945	$191,375	$194,098	$195,898	$194,708	$194,665	$204,190	$237,968

Differences, if any, between debt service amounts presented above and amounts presented in the accompanying financial statements represent timing differences between payments made to trustees and payments made to bondholders. Also, investment income earned in the debt service accounts may lower actual cash transfers from the General Fund.

RATIO OF ANNUAL DEBT SERVICE REQUIREMENTS FOR GENERAL OBLIGATION BONDS TO TOTAL EXPENDITURES

Last Ten Years *(In Thousands)*

Year	Debt Service Requirements: Principal	Debt Service Requirements: Interest	Debt Service Requirements: Total	Total Expenditures	Ratio of Debt Service to Total Expenditures
1992	5,185	22,732	27,917	895,216	3.12%
1993	6,896	33,013	39,909	817,605	4.88%
1994	7,350	44,628	51,978	857,614	6.06%
1995	10,289	66,261	76,550	876,240	8.74%
1996	13,113	64,526	77,639	870,254	8.92%
1997	13,898	64,461	78,359	864,242	9.07%
1998	16,124	61,759	77,883	848,723	9.18%
1999	16,988	60,878	77,866	842,818	9.24%
2000	22,949	58,727	81,676	908,568	8.99%
2001	19,805	75,382	95,187	1,090,382	8.73%

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
1992	$161.14	$90.77	$57.14	$13.23
1993	175.43	99.75	63.98	11.70
1994	237.20	141.92	77.33	17.95
1995	228.97	127.83	82.80	18.34
1996	233.97	131.92	84.48	17.57
1997	228.42	127.56	80.28	20.58
1998	252.95	142.97	88.17	21.81
1999	299.59	162.67	111.49	25.43
2000	336.65	177.17	132.89	26.59
2001	355.47	184.46	145.75	25.26
Total	$2,509.79	$1,387.02	$924.31	$198.46

SERVICE DIVISION OPERATING CHARACTERISTICS

2001

Chicago Transit Authority

Rapid Transit

- 7 rail routes
- 144 stations served
- 1,190 rapid transit cars
- 12.6 million riders per month

Motor Bus

- 137 bus routes
- 1,927 buses
- 25.2 million riders per month

Paratransit

- 110 thousand riders per month

Metra Commuter Rail Division

- 546 route miles
- 1,189 miles of track
- 241 stations
- 130 locomotives
- 781 passenger cars
- 223 electric cars
- 705 weekday trains operated
- 95.3% on-time performance
- 6.6 million riders per month (excluding 79% South Shore)

Pace Suburban Bus Division

Fixed Route

- 171 regular routes
- 59 feeder routes
- 6 subscription routes
- 609 vehicles in use during peak periods
- 3.1 million riders per month

Paratransit

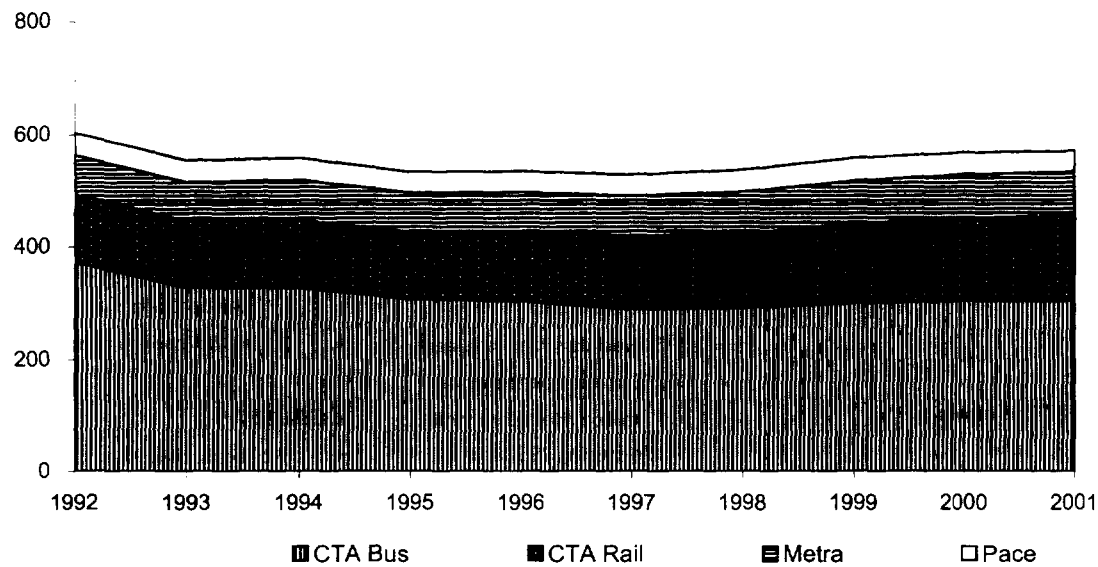
- 52 local services
- 372 Pace owned lift-equipped buses in service
- 210 communities served
- 127 thousand riders per month

Other

- 376 vanpools in operation
- 101 thousand riders per month

SYSTEM RIDERSHIP

1992-2001
(In Millions)



UNLINKED PASSENGER TRIPS

Last Ten Years *(In Millions)*

Service Consumed:	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
CTA - Bus	373.3	328.1	327.3	307.3	303.3	288.8	291.7	300.2	303.3	303.1
CTA - Rail	120.6	118.5	120.9	119.3	124.0	130.0	132.4	141.7	147.2	151.7
Total CTA	493.9	446.6	448.2	426.6	427.3	418.8	424.1	441.9	450.5	454.8
Metra	70.0	69.9	72.0	70.4	70.6	72.3	74.5	76.6	78.8	79.2
Pace	39.3	38.3	38.6	37.2	37.5	37.9	39.3	40.2	38.6	37.0
System Total	603.2	554.8	558.8	534.2	535.4	529.0	537.9	558.7	567.9	571.0
Percent Change	(5.6%)	(8.0%)	0.7%	(4.4%)	0.2%	(1.2%)	1.7%	3.9%	1.6%	0.5%

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 2001.

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
CTA					
Art's Transportation Co.	$ 238	$ 5,446	$ (5,208)	$ 5,208	$ -
Cook-DuPage Transportation Co.	659	15,104	(14,445)	14,445	-
SCR Transportation	382	8,750	(8,368)	8,368	-
Taxi Access Program	258	1,735	(1,477)	1,477	-
Total CTA	$ 1,537	$ 31,035	$ (29,498)	$ 29,498	$ -
Metra					
Union Pacific	$ 60,279	$ 124,796	$ (64,517)	$ 64,517	$ -
Burlington Northern/Santa Fe	35,246	48,162	(12,916)	12,916	-
Northern Indiana Commuter Transportation District (NICTD)	3,296	7,044	(3,748)	3,748	-
Total Metra	$ 98,821	$ 180,002	$ (81,181)	$ 81,181	$ -
Pace					
Summary of Services					
Fixed Route - Public Funded Carriers	$ 1,283	$ 2,575	$ (1,292)	$ 1,292	$ -
Fixed Route - Private Contract Carriers	3,349	8,177	(4,828)	4,828	-
Total Fixed Route Service	4,632	10,752	(6,120)	6,120	-
Private Contract Carriers					
DAR Services	380	4,639	(4,259)	2,938	1,321
DAR and Stable Services	1,117	9,419	(8,302)	8,302	-
Total Private Contract Carriers	1,497	14,058	(12,561)	11,240	1,321
Paratransit - Municipal Carriers	660	5,992	(5,332)	1,336	3,996
Total Pace	$ 6,789	$ 30,802	$ (24,013)	$ 18,696	$ 5,317

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
Pace					
Detail of Services					
Fixed Route - Public Funded Carriers					
City of Highland Park	$ 379	$ 955	$ (576)	$ 576	$ -
Village of Niles	424	1,087	(663)	663	-
Village of Downers Grove	480	533	(53)	53	-
Total	$ 1,283	$ 2,575	$ (1,292)	$ 1,292	$ -
Private Contract Carriers - Fixed Route					
Colonial Coach Lines	$ 209	$ 680	$ (471)	$ 471	-
Keeshin Transportation	1,148	2,543	(1,395)	1,395	-
Laidlaw Transit	1,372	3,202	(1,830)	1,830	-
Mid America Coach Lines	84	375	(291)	291	-
Pauline Transportation	-	-	-	-	-
Robinson Coach Company	-	-	-	-	-
Ryder Student Transporation	263	1,040	(777)	777	-
Vancom - Illinois	-	-	-	-	-
Village of Schaumburg	45	107	(62)	62	-
Subscription Bus Billings	-	0	(0)	0	-
Cook County School Bus	228	230	(2)	2	-
Total	$ 3,349	$ 8,177	$ (4,828)	$ 4,828	$ -
Private Contract Carriers - Dial-a-Ride Services					
Addison	$ 4	$ 49	(45)	$ 11	$ 34
Barrington	2	52	(50)	28	23
Bloomingdale Township	28	338	(310)	219	90
Central Lake	9	134	(125)	86	39
Central Will	60	549	(489)	358	131
Downers Grove	1	164	(163)	97	66
Dupage County Non-ADA	11	91	(80)	79	-
Dupage Township	12	150	(138)	102	36
Elk Grove	26	292	(266)	74	192
Freemont Township	1	7	(6)	-	6
Hampshire Township	2	14	(12)	8	4
Hanover Township	3	18	(15)	1	14
Hometown	2	16	(14)	5	10
Leyden Township	23	256	(233)	58	175
McHenry Township	102	1,225	(1,123)	948	176
Milton Township	10	164	(154)	103	52
Naperville/Lake	23	309	(286)	161	126
Northeast Lake-Warren	14	269	(255)	242	13
Northeast Lake-Zion	3	57	(54)	39	15
Northwest Lake	20	260	(240)	219	21
N. Suburban Cook Non-ADA	4	21	(17)	17	-
Robbins	1	9	(8)	-	9
South Cook	7	39	(32)	32	-

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
Pace					
Detail of Services, continued					
Private Contract Carries - Dial - a- Ride Services, continued					
Southwest Lake-Cuba	-	3	(3)	2	1
Southwest Lake-Wauconda	3	18	(15)	11	3
Southwest Will	1	19	(18)	13	5
Village of Bloomingdale	1	14	(13)	-	13
Wayne Township	7	102	(95)	28	67
Total	$ 380	$ 4,639	$ (4,259)	$ 2,938	$ 1,321
Private Contract Carriers - Dial-a-Ride and Stable Services (ADA Services)					
DuPage County	$ 50	$ 446	$ (396)	$ 396	$ -
Elgin	1	2	(1)	1	-
Kane County	56	621	(565)	565	-
North Suburban	232	2,306	(2,074)	2,074	-
Northeastern/Central Lake	86	813	(727)	727	-
South Cook	462	3,661	(3,199)	3,199	-
Southwest/Central Will	23	321	(298)	298	-
West Cook	207	1,249	(1,042)	1,042	-
Total	$ 1,117	$ 9,419	$ (8,302)	$ 8,302	$ -
Paratransit - Municipal Carriers					
Aurora	$ 26	$ 330	$ (304)	$ 66	$ 238
Batavia	5	47	(42)	13	29
Bellwood	32	320	(288)	55	233
Bensenville	32	297	(265)	55	210
Berwyn/Cicero	17	173	(156)	26	130
Bloom	26	291	(265)	76	189
Crestwood	8	72	(64)	23	41
Dundee	8	82	(74)	20	54
Ela	21	178	(157)	49	108
Elgin	19	81	(62)	48	14
Forest Park	11	120	(109)	28	81
Fox Lake	5	14	(9)	5	4
Frankfort	17	156	(139)	29	110
Harvard	15	100	(85)	30	55
Lemont	4	55	(51)	12	39
Lyons	16	181	(165)	45	120
Norridge	20	82	(62)	28	34
Oak Park	25	250	(225)	59	166

FINANCIAL RESULTS OF PURCHASED SERVICES AGENCIES

(In Thousands)

	Operating Revenues	Operating Expenditures	Operating Deficit	Service Board Funding	Other Public Funding
Pace					
Detail of Services, continued					
Paratransit - Municipal Carriers, continued					
Orland Park	29	267	(238)	55	183
Palatine	10	135	(125)	25	100
Palos Hills	16	76	(60)	22	38
Park Forest	27	202	(175)	68	107
Peotone	21	249	(228)	51	177
Rich Township	66	494	(428)	45	383
Schaumburg	68	762	(694)	147	547
St. Charles	13	127	(114)	21	93
Stickney	19	210	(191)	54	137
Tinley Park	7	65	(58)	18	40
Vernon	5	92	(87)	17	70
Woodstock	62	326	(264)	116	148
Worth Township	10	158	(148)	30	118
Total	$ 660	$ 5,992	$ (5,332)	$ 1,336	$ 3,996

APPENDIX D

SERVICE BOARD HISTORICAL FINANCIAL RESULTS AND 2002 BUDGETS AND 2003-04 FINANCIAL PLANS

The following tables, D-I through D-VI, are referred to earlier in this Official Statement. See "**THE REGIONAL TRANSPORTATION AUTHORITY**—HISTORICAL FINANCIAL RESULTS" and "2002 BUDGET AND 2003-04 FINANCIAL PLAN."

TABLE D-I
CTA
1997-2001 FINANCIAL RESULTS
(Dollars in Thousands)

	1997 ACTUAL	1998 ACTUAL	1999 ACTUAL	2000 ACTUAL	2001 ACTUAL
REVENUES:					
Passenger Revenue	$360,253	$363,528	$365,952	$368,884	$373,809
Reduced Fare Reimbursement	17,042	17,400	16,840	32,111	32,463
Other Revenue	30,140	57,469	37,757	52,492	58,635
TOTAL REVENUES	$407,435	$438,397	$420,549	$453,487	$464,907
EXPENSES:					
Labor	$573,663	$569,009	$583,052	$ 616,306	$629,588
Material	50,873	73,342	73,424	68,813	64,879
Fuel	15,104	11,095	12,481	23,305	23,326
Power	23,587	20,807	16,570	21,022	21,835
Insurance & Claims	32,100	42,000	31,000	30,000	44,000
Other	85,635	91,732	88,428	91,901	100,284
TOTAL OPERATING EXPENSES	$780,962	$807,985	$804,955	$851,347	$883,912
OPERATING DEFICIT	$373,527	$369,588	$384,406	$397,860	$419,005

Source: Prepared by the RTA from audited financial statements for Fiscal Years 1997 through 2001.

TABLE D-II
CTA 2002 BUDGET AND 2003-2004 FINANCIAL PLAN
(Dollars in Thousands)

	2002 BUDGET	2003 PLAN	2004 PLAN
REVENUES:			
Passenger Revenue	$388,889	$391,185	$395,000
Reduced Fare Reimbursement	32,300	32,300	32,300
Other Revenue	51,967	62,480	85,280
TOTAL REVENUES	$473,156	$485,965	$512,580
EXPENSES:			
Labor	$667,596	$687,000	$724,000
Material	66,949	69,656	71,397
Fuel	23,000	23,000	23,000
Power	22,700	23,500	23,500
Insurance & Claims	23,000	23,000	30,000
Other	111,543	113,297	116,943
TOTAL EXPENSES	$914,788	$939,453	$988,840
OPERATING DEFICIT	$441,632	$453,488	$476,260
Recovery Ratio % [1]	52.0%	52.0%	52.1%

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[1] The recovery ratios for 2002, 2003, and 2004 represent those 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 RTA Act. By policy, the revenue figure for the CTA excludes the gain from leasing transactions restricted by ordinance for capital. Expenses exclude certain items as provided by the RTA Act.

TABLE D-III
METRA
1997-2001 FINANCIAL RESULTS
(Dollars in Thousands)

	1997 ACTUAL	1998 ACTUAL	1999 ACTUAL	2000 ACTUAL	2001 ACTUAL
REVENUES:					
Passenger Revenue	$166,782	$172,232	$177,320	$182,821	$183,294
Reduced Fare Reimbursement	1,128	1,366	1,534	2,775	2,929
Other Revenue	43,736	42,360	45,237	51,457	53,764
TOTAL REVENUES	$211,646	$215,958	$224,091	$237,053	$239,987
EXPENSES:					
Operations	$127,999	$130,459	$142,550	$147,865	$160,192
Fuel/Power	20,364	16,909	19,391	27,671	27,398
Maintenance	149,399	155,457	166,810	169,552	179,768
Administration	57,107	32,995	33,816	37,896	34,268
Insurance & Claims/Other	38,842	42,812	34,765	33,388	28,943
TOTAL EXPENSES	$393,711	$378,632	$397,332	$416,372	$430,569
OPERATING DEFICIT	$182,065	$162,674	$173,241	$179,319	$190,582

[1]Figures for fiscal years 1999 - 2001 have been restated to reflect Metra's utilization of a new reporting structure.

Source: Prepared by the RTA from audited financial statements for Fiscal Years 1997 through 2001.

Table D-IV

METRA 2002 BUDGET AND 2003-2004 FINANCIAL PLAN

(Dollars in Thousands)

	2002 BUDGET	2003 PLAN	2004 PLAN
REVENUES:			
Passenger Revenue	$192,633	$201,668	$205,701
Reduced Fare Reimbursement	2,920	2,920	2,920
Other Revenue	50,194	50,747	56,641
TOTAL REVENUES	$245,747	$255,335	$265,262
EXPENSES:			
Operations	$162,315	$169,448	$177,058
Fuel/Power	28,688	29,469	30,272
Maintenance	187,852	196,224	203,846
Administration	36,089	37,603	39,194
Insurance & Claims/Other	34,677	35,957	37,290
TOTAL EXPENSES	$449,621	$468,701	$487,660
OPERATING DEFICIT	$203,874	$213,366	$222,398
Recovery Ratio % [1]	55.3%	55.1%	55.0%

[1] The recovery ratios for 2002, 2003, and 2004 represent those 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 RTA Act. By policy, the revenue figure for Metra excludes the 5% Capital Farebox Financing Program restricted by ordinance for capital. Expenses exclude certain items as provided by the RTA Act.

Table D-V

PACE
1997-2001 FINANCIAL RESULTS
(Dollars in Thousands)

	1997 ACTUAL	1998 ACTUAL	1999 ACTUAL	2000 ACTUAL	2001 ACTUAL
REVENUES:					
Passenger Revenue	$35,177	$36,762	$36,421	$37,416	$43,232
Reduced Fare Reimbursement	1,866	1,952	1,646	3,709	3,657
Other Revenue	3,746	3,793	4,069	7,617	4,885
TOTAL REVENUES	$40,789	$42,507	$42,136	$48,742	$51,774
EXPENSES:					
Operations	$66,034	$68,083	$70,750	$74,688	$79,003
Fuel	3,219	2,439	3,097	4,939	5,209
Maintenance	16,814	16,706	17,276	18,637	18,226
Administration	18,049	18,546	18,681	19,254	18,877
Insurance/Other	4,565	4,934	3,765	4,217	5,862
TOTAL EXPENSES	$108,681	$110,708	$113,569	$121,735	$127,177
OPERATING DEFICIT	$67,892	$68,201	$71,433	$72,993	$75,403

Source: Prepared by the RTA from audited financial statements for Fiscal Years 1997 through 2001.

PACE 2002 BUDGET AND 2003-2004 FINANCIAL PLAN
(Dollars in Thousands)

	2002 BUDGET	2003 PLAN	2004 PLAN
REVENUES:			
Passenger Revenue	$41,327	$42,135	$43,184
Reduced Fare Reimbursement	3,840	3,840	3,840
Other Revenue	7,663	9,265	9,883
TOTAL REVENUES	$52,830	$55,240	$56,907
EXPENSES:			
Labor/Fringes	$75,720	$78,444	$81,070
Parts/Supplies	3,029	3,735	3,839
Other	7,790	8,791	9,010
Private Contract	7,920	8,118	8,321
Dial A Ride	11,156	11,435	11,721
ADA Paratransit	10,153	10,407	10,667
Vanpool	2,361	2,644	2,979
CMAQ, JARC, Shuttle	1,719	1,721	1,768
Insurance	5,452	5,589	5,728
Fuel	4,032	4,484	4,372
Service Standard Savings	0	(1,664)	(2,005)
ADvAntage Program	970	2,600	2,950
Utilities	1,762	1,797	1,833
TOTAL EXPENSES	$132,064	$138,101	$142,253
OPERATING DEFICIT	$79,234	$82,861	$85,346
Recovery Ratio % (1)	40.0%	40.0%	40.0%

* The budget and financial plan set forth above is the revised budget and financial plan adopted by the RTA. See "**THE REGIONAL TRANSPORTATION AUTHORITY** – 2002 BUDGET AND 2003-04 FINANCIAL PLAN" and "**LITIGATION**."

(1) The recovery ratios for 2002, 2003, and 2004 represent those 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 RTA Act.

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APPENDIX E

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL ORDINANCE AND THE 2002B SERIES ORDINANCE

The following is a summary of certain provisions of the General Ordinance and the 2002B Series Ordinance. This summary is not a full statement of the terms of the General Ordinance or the 2002B Series Ordinance and accordingly is qualified by reference to the General Ordinance and the 2002B Series Ordinance and is subject to the full text of the General Ordinance and the 2002B 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 2002B Series Ordinance.

GENERAL DEFINITIONS

The following are definitions of certain terms used in the General Ordinance and the 2002B Series Ordinance.

"Accountant" shall mean an independent certified public accountant or a firm of independent certified public accountants selected or approved by the Authority.

"Act" shall mean the Regional Transportation Authority Act, as supplemented and amended (70 ILCS 3615/1.01 *et seq.*).

"Additional Authority Obligations" shall mean any Authority Obligations issued after the time of issuing the initial Series of Authority Obligations.

"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" shall mean, 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*" shall mean the Bonds and Notes.

"*Authorized Officer,*" in respect of any act or duty, shall mean 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.

"*Bond*" or "*Bonds*" shall mean 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*" shall mean 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*" shall mean 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 Section 2.05 of 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.

"*Capital Assets Fund*" shall mean the Capital Assets Fund established in the General Ordinance. See "**THE SERIES 2002B BONDS**–CAPITAL ASSETS FUND" in this Official Statement.

"*Chairman*" shall mean the Chairman of the Board of Directors of the Authority.

"*Compound Accreted Value*" shall mean, 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*" shall mean 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.

"Credit Support Instrument" shall mean 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" shall mean the Debt Service Fund established in the General Ordinance. See "**SECURITY FOR THE SERIES 2002B BONDS**–DEBT SERVICE FUND" in this Official Statement.

"Debt Service Reserve Fund" shall mean the Debt Service Reserve Fund established in the General Ordinance. See "**SECURITY FOR THE SERIES 2002B BONDS**–DEBT SERVICE RESERVE FUND" in this Official Statement

"Events of Default" shall mean the occurrence of an event specified in Sections 1101 and 1102 of the General Ordinance 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" shall mean, except for the first Fiscal Year, 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.

"*Government Obligations*" shall mean 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.

"*Guaranty Agreement*" shall mean the Debt Service Reserve Fund Policy Agreement between the Authority and Financial Guaranty with respect to the Reserve Policy issued by Financial Guaranty, as supplemented and amended.

"Holder" when used with respect to any Authority Obligations shall mean the registered owner of Authority Obligations. "Bondholder" shall mean a holder of a Bond; "Noteholder" shall mean a holder of a Note.

"Investment Obligations" shall mean 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 of Illinois 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 of Illinois;

(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);

(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*" shall mean 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.

"*Municipal Bond Insurance Policy*" or "*Policy*" shall mean the municipal bond insurance policy issued by Financial Guaranty that guarantees payment of principal of and interest on the Series 2002B Bonds.

"*Notes*" shall mean 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*" shall mean 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*" shall mean, when used with reference to Authority Obligations, all such obligations which have been issued, including the Series 1990A Bonds, Series 1991A Bonds, Series 1992A&B Bonds, Series 1993A&B Bonds, Series 1993C Bonds, Series 1994A&B Bonds, Series 1994C&D Bonds, Series 1996 Bonds, Series 1997 Bonds, Series 1999 Bonds, Series 2000A Bonds, Series 2001A Bonds, Series 2001B Bonds, Series 2002A Bonds and Series 2002B Bonds, 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.

"*Policy Costs*" shall have the meaning ascribed to such term in the Guaranty Agreement.

"*Public Transportation Fund Revenues*" shall have the meaning set forth under "**SECURITY FOR THE SERIES 2002B BONDS** — SECURITY AND SOURCES OF PAYMENT" in this Official Statement.

"Purchase Price" shall mean 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" shall mean 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 hereof, 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" shall mean 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"* shall mean the account or accounts of that name with respect to the various Series of Authority Obligations established pursuant to the General Ordinance.

"Redemption Price" shall mean, 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" shall mean 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*" shall mean, 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.

"*Reserve Requirement*" with respect to each Account in the Debt Service Reserve Fund shall mean as of any date of calculation the lesser of (i) 10% of the original principal amount of the Series of Bonds (less any original issue discount) secured by such Account; and (ii) the maximum amount of the Annual Debt Service Requirements for the Outstanding Bonds secured by such Account for that or any future twelve-month period ending April 30.

"*Revenues*" shall have the meaning set forth under "**SECURITY FOR THE SERIES 2002B BONDS**—SECURITY AND SOURCES OF PAYMENT" in this Official Statement.

"*S&P*" shall mean Standard & Poor's, 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 SERIES 2002B BONDS**—SECURITY AND SOURCES OF PAYMENT" in this Official Statement.

"*Secured Government Payments*" shall mean payments made to the Authority, or to a trustee for holders of bonds or notes of the Authority, from the State of Illinois or from the Federal government (or any agency of the State of Illinois or the Federal government), pursuant to a contract between the Authority or a Service Board and the State of Illinois or the Federal government (or any agency of the State of Illinois 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 of Illinois or the Federal government (or any agency of the State of Illinois 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 State Assistance.

"*Separate Ordinance Obligations*" shall mean 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 1990A Bonds," "Series 1991A Bonds," "Series 1992A Bonds," "Series 1992B Bonds" (the Series 1992A Bonds and the Series 1992B Bonds being collectively referred to as the *"Series 1992A&B Bonds"*), *"Series 1993A Bonds," "Series 1993B Bonds"* (the Series 1993A Bonds and the Series 1993B Bonds being collectively referred to as the *"Series 1993A&B Bonds"*), *"Series 1993C Bonds," "Series 1994A Bonds," "Series 1994B Bonds"* (the Series 1994A Bonds and the Series 1994B Bonds being collectively referred to as the *"Series 1994A&B Bonds"*), *"Series 1994C Bonds," "Series 1994D Bonds"* (the Series 1994C Bonds and the Series 1994D Bonds being collectively referred to as the *"Series 1994C&D Bonds"*), *"Series 1996 Bonds," "Series 1997 Bonds," "Series 1999 Bonds," "Series 2000A Bonds," "Series 2001A Bonds," "Series 2001B Bonds," "Series 2002A Bonds"* and *"Series 2002B Bonds"* shall mean, as applicable, the General Obligation Bonds and General Obligation Refunding Bonds bearing such respective series designations heretofore issued and outstanding under the General Ordinance, all issued under Section 4.04 of the Act.

"Series Ordinance" shall mean 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" shall mean the Chicago Transit Authority, the Commuter Rail Division of the Authority or the Suburban Bus Division of the Authority.

"Sinking Fund Installments" shall mean, 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.

"Subordinate Obligation" shall mean any obligation of the Authority for borrowed money, other than Authority Obligations, including without limitation, installment purchase contracts, equipment trust certificates or reimbursement agreements, which obligations are by their terms payable from Trusteed Money, or other receipts, revenues and funds which are pledged to the Trustee for Authority Obligations under the General Ordinance, and which are available to the Authority only after all required deposits and credits have been made to the various Accounts in the Debt Service Fund for Authority Obligations.

"Supplemental Ordinance" shall mean 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.

"Surety Bond" or *"Reserve Policy"* shall mean the Municipal Bond Debt Service Reserve Fund Policy issued by Financial Guaranty guaranteeing certain payments into the Series 2002B Debt Service Reserve Account with respect to the Series 2002B Bonds as provided therein and subject to the limitations as set forth therein.

"*Trusteed Money*" shall mean 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*" shall mean 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 shall be for the benefit, protection and security of the Holders of any and all of the Authority Obligations. Each Series Ordinance shall 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 shall be held by either the Trustee or the Authority as shall be directed by the Series Ordinance and shall be disbursed as provided in the applicable Series Ordinance. All interest and other investment income earned on the Capital Assets Fund shall 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 shall be held by the Trustee or the Authority as shall be directed in the Series Ordinance and shall be disbursed as provided in the applicable Series Ordinance. All interest and other investment income earned on the Working Cash Fund shall 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, shall 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 shall be general obligations of the Authority to which shall be pledged the full faith and credit of the Authority. All Authority Obligations shall be 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 shall be 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 shall not be payable from State 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 shall rank equally as to security, regardless of the time or times of their issue, and shall be 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 shall be 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 shall 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 of Illinois to be paid directly to the Trustee instead of the Authority. After such notice, the assignment shall be valid and binding from the date of the General Ordinance without any physical delivery or further act, and shall 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 shall be discharged in accordance with the General Ordinance with respect to all of the Authority Obligations, the Trustee shall promptly deliver to the State Treasurer, the Comptroller and the State Department of Revenue written notice of that fact and subsequently all Trusteed Money shall again be paid to the Authority the same as before the assignment.

While any of the Authority Obligations are Outstanding, the Authority shall 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).

As security for the Authority's repayment obligations with respect to the Reserve Fund Policy, the Surety is granted a security interest (subordinate only to that of the Holders of the Authority Obligations) in all Trusteed Money and all other receipts, revenues and funds which are pledged to the Trustee for Authority Obligations under the General Ordinance. Such obligation of the Authority constitutes a Subordinate Obligation under 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 shall 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 shall be valid and binding from the time that Authority Obligation is issued, without any physical delivery or further act, and shall 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 shall 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.

This 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 shall be invested and used, all as provided by the General Ordinance. This trust shall be irrevocable so long as any of the Authority Obligations are outstanding. All receipts of Trusteed Money shall 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 shall 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 shall, 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 shall 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 shall 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 shall 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 shall 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 shall 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 shall 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 shall not be less than the following amounts:

(a) The amount in respect of interest shall 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 shall 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, shall 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 shall be the amounts specified in the Series Ordinance for that Series, which shall be sufficient so that the full amount of that principal shall 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 shall 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 2002B Series Ordinance establishes a monthly deposit requirement for the Series 2002B Bonds in the Series 2002B Bonds Account of the Debt Service Fund. For each month prior to December 1, 2002, the monthly deposit requirement for interest is the product of the interest coming due on December 1, 2002 (minus the amount of accrued interest deposited in the Series 2002B Bonds Account in the Debt Service Fund upon the issuance and delivery of the Series 2002B Bonds), and a fraction, the numerator of which is one and the denominator of which is the number of full calendar months less one from the date of delivery of the Series 2002B Bonds to the December 1, 2002 interest payment date, until the full amount of the interest payment is on hand. Thereafter, the monthly deposit requirement for interest is equal to one-fifth of the interest coming due on the next interest payment date until the amount of that interest payment requirement is on hand. For each month prior to the first principal payment date on the Series 2002B Bonds, the Authority shall deposit into the Series 2002B Bonds Account of the Debt Service Fund an amount equal to the amount of principal coming due on the first principal payment date for the Series 2002B Bonds 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 2002B Bonds and the first principal payment date for the Series 2002B Bonds, minus one, until the full amount of the principal payment for the Series 2002B Bonds is on hand. For each month beginning twelve months preceding any principal payment (other than the first principal payment) or mandatory redemption date on the Series 2002B Bonds, the Authority shall deposit into the Series 2002B Bonds Account of the Debt Service Fund an amount equal to one-eleventh of the principal coming due on the next principal payment or mandatory redemption date until the full amount of the principal payment or mandatory redemption amount is on hand.

There shall 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 shall 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 shall 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 shall 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 shall 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, shall equal the Reserve Requirement for such Account, and then shall credit to the Rebate

Accounts proportionately until there are no deficiencies in any such Accounts, and then shall 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 shall 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 shall 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 shall 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 shall so notify the Authority and, whether or not it receives that notice, the Authority shall 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 shall 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 shall 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 shall 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 shall 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 shall 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 shall determine is needed for making rebates, shall no longer be required to be deposited into that Rebate Account and shall be used first to make up any deficiencies in the Debt Service Fund and the Debt Service Reserve Fund and then shall 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, shall 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 shall 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 shall secure and shall be used only for the Bonds with respect to which the Account is established. Transfers or deposits to be made to the various Accounts shall 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 shall 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 shall 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 shall 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 shall, 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 shall be reduced by the amount provided in the next sentence. The amount of the reduction shall 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 shall equal the amount of that original Coverage, then the reduction shall 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 shall be only by that amount as the Trustee shall not have the right and duty so to draw.

If and to the extent that cash, in addition to the Reserve Policy, is deposited in the Series 2002B Debt Service Reserve Account, all such cash shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing under the Reserve Policy, and repayment of any Policy Costs shall be made prior to replenishment of any such cash amounts. If, in addition to the Reserve Policy, any other reserve fund substitute instrument ("*Additional Reserve Policy*") is provided with respect to the Series 2002B Debt Service Reserve Account, drawings under the Reserve Policy and any such Additional Reserve Policy, and repayment of Policy Costs and reimbursement of amounts due under the Additional Reserve Policy, shall be made on a *pro rata* basis (calculated by reference to the maximum amounts available thereunder) after applying all available cash in the Series 2002B Debt Service Reserve Account and prior to replenishment of any such cash draws, respectively. 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 shall 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 shall 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 shall 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 shall 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 shall 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 shall 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 shall 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 shall 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 shall 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 shall be invested by the Trustee upon direction of an Authorized Officer, in Investment Obligations the maximum maturity of which shall 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 shall from time to time be invested in Investment Obligations the average maturity of which shall not be more than two (2) years from the date of any investment. A Reserve Fund Credit Instrument shall 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 shall be deposited in and credited to the Fund and the Account in which it was earned and shall 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 shall 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 shall be valued at par or, if purchased at less than par, at their cost to the Authority.

NO INCONSISTENT SECURITY INTERESTS

The Authority covenants that it will not secure any obligation other than Authority Obligations with a pledge of, nor shall it create or suffer to exist a lien on or security interest in, nor shall 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 shall 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 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 Series 1991A Bonds, the Series 1993A&B Bonds, the Series 1994C&D Bonds, the Series 1996 Bonds, the Series 1997 Bonds, the Series 1999 Bonds, the Series 2000A Bonds, the Series 2001B Bonds, the Series 2001A Bonds, the Series 2002A Bonds and the Series 2002B Bonds.

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 Authority has financial statements available, shall be calculated consistent with generally accepted accounting principles and shall 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 shall 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 shall 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 shall 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 shall 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 shall 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 shall 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 shall 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 shall request a copy.

DEFAULT PROVISIONS; REMEDIES OF HOLDERS

Proceedings Brought by Trustee. The General Ordinance provides that if default shall be 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 proceedings 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 shall 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 shall 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 shall 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 shall 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 shall 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, shall be under no obligation to, institute and maintain such suits and proceedings as it may be advised shall 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 shall 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 shall be its Compound Accreted Value.

In determining whether a payment default with respect to the Series 2002B Bonds has occurred, no effect shall be given to payments made under the Municipal Bond Insurance Policy.

Any waiver of an Event of Default with respect to the Series 2002B Bonds under the General Ordinance or the 2002B Series Ordinance shall be subject to the prior written consent of Financial Guaranty while the Municipal Bond Insurance Policy is in effect.

If the Authority fails to repay any Policy Costs in accordance with the requirements of the Guaranty Agreement, Financial Guaranty is entitled to exercise any and all remedies available at law under the General Ordinance or under the 2002B Series Ordinance other than (i) acceleration of the maturity of any Authority Obligations or (ii) remedies which would adversely affect the holders of any Authority Obligations.

If Financial Guaranty makes payment of principal of or interest on the Series 2002B Bonds, it shall be deemed to be the sole holder of the Series 2002B Bonds with respect to which such payment is made for the purpose of the provisions governing Events of Default and remedies contained in the General Ordinance or the 2002B Series Ordinance.

Financial Guaranty shall, to the extent it makes payment of principal of or interest on the Series 2002B Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy and, to evidence such subrogation, (1) in the case of subrogation as to claims for past due interest, the Trustee shall note Financial Guaranty's rights as subrogee on the registration books maintained by the Trustee upon receipt from Financial Guaranty of proof of the payment of interest thereon to the Holders of such Series 2002B Bonds and (2) in the case of subrogation as to claims for past due principal, the Trustee shall note Financial Guaranty's rights as subrogee on the registrations books for the Series 2002B Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Holders of such Series 2002B Bonds. Notwithstanding anything in the 2002B Series Ordinance to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to Financial Guaranty to the extent that Financial Guaranty is a subrogee with respect thereto.

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 limitation on issuance of Authority Obligations and incurring of obligations by the Authority, to surrender rights of 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, to take further action necessary or desireable for the collection and application of moneys sufficient to pay the Authority Obligations 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 of, 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 shall be its Compound Accreted Value.

Any amendment or supplement to the General Ordinance or the 2002B Series Ordinance requiring the consent of the holders of the Series 2002B Bonds shall be subject to the prior written consent of Financial Guaranty, which consent shall not be unreasonably withheld, while the Policy or Reserve Policy is in effect.

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 shall take effect, once in a daily newspaper of general circulation in the City of Chicago. Such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, in which event such resignation shall take effect immediately on the appointment of the successor.

The Trustee shall 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 shall have failed to pay (and shall 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 shall 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 shall 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 of Illinois 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 Fifty Million Dollars ($50,000,000), unless Financial Guaranty shall otherwise approve, 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 shall 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 shall, as provided under the General Ordinance, duly perform its covenants and agreements pertaining to such policies or Instruments so that they shall remain in full force and effect during their term or as provided in a Series Ordinance. The Authority shall 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 shall, 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 shall 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.

In the event that principal or interest due on the Outstanding Obligations shall be paid by any Qualified Provider pursuant to any Credit Support Instrument securing the Outstanding Obligations, the Outstanding Obligations shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Revenues and all covenants, agreements and other obligations of the Authority to the Holders of the Outstanding Obligations shall continue to exist and shall run to the benefit of the Qualified Provider, and the Qualified Provider shall be subrogated to the rights of such Holders.

APPENDIX F

CERTAIN PROVISIONS RELATING TO GLOBAL BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry only system has been obtained from DTC and the RTA takes no responsibility for the accuracy or completeness thereof.

The Depository Trust Company ("DTC"), New York, New York will act as securities depository for the Series 2002B Bonds. The Series 2002B Bonds 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 Series 2002B Bond certificate will be issued for each maturity of the Series 2002B Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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 Series 2002B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2002B Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2002B Bond ("*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 Series 2002B Bonds 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 Series 2002B Bonds, except in the event that use of the book-entry system for the Series 2002B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2002B Bonds 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 Series 2002B Bonds 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 Series 2002B Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2002B Bonds 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.

Redemption notices, if any, shall be sent to DTC. If less than all of the Series 2002B Bonds 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 Series 2002B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the RTA 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 Series 2002B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2002B Bonds 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 detail information from the RTA or the Trustee on 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 nor its nominee, the Trustee, or the RTA, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the RTA 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 depository with respect to the Series 2002B Bonds at any time by giving reasonable notice to the RTA or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2002B Bond certificates are required to be printed and delivered.

The RTA may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series 2002B Bond certificates will be printed and delivered.

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APPENDIX G
FORM OF OPINION OF BOND COUNSEL

We hereby certify that we have examined a certified copy of the proceedings of the Board of Directors (the *"Board"*) of the Regional Transportation Authority, Cook, DuPage, Kane, Lake, McHenry and Will Counties, Illinois (the *"Authority"*), in connection with the issuance by the Authority of its fully registered General Obligation Bonds, Series 2002B (the *"Bonds"*), in the aggregate principal amount of $200,000,000, dated June 1, 2002, in denominations of $5,000 each and any integral multiple thereof, and due on June 1 of the years, in the amounts and bearing interest at the rates per annum as follows:

YEAR OF MATURITY	PRINCIPAL AMOUNT	RATE OF INTEREST
2003	$ 8,720,000	3.000%
2004	8,900,000	4.500%
2005	9,125,000	5.000%
2006	9,400,000	5.000%
2007	9,710,000	5.000%
2008	10,060,000	5.250%
2009	10,450,000	5.250%
2010	10,870,000	5.500%
2011	11,325,000	5.500%
2012	11,815,000	5.500%
2013	12,335,000	5.500%
2014	12,900,000	5.375%
2015	13,500,000	5.375%
2016	14,140,000	5.375%
2017	14,830,000	5.375%
2018	15,565,000	5.375%
2019	16,355,000	5.375%

The Bonds are issued pursuant to a Bond and Note General Ordinance, adopted by the Board on August 8, 1985, as supplemented and amended (the *"General Ordinance"*), and a Series Ordinance providing specifically for the issuance of the Bonds, adopted by the Board on November 1, 2001 (the *"2002B Series Ordinance"*). The Bonds are subject to optional redemption prior to maturity as provided in the 2002B Series Ordinance.

From such examination, we are of the opinion that such proceedings show lawful authority for said issue under the laws of the State of Illinois now in force.

We further certify that we have examined the form of bond prescribed for said issue and find the same in due form of law, and in our opinion said issue, to the amount named, is valid and legally binding upon the Authority and said issue is payable from all Revenues (as defined in the General Ordinance) and from all funds received or held by the Authority, including, without limitation, amounts in the appropriate accounts of the Debt Service Fund and the Debt Service Reserve Fund (each as defined in the General Ordinance), which may by law be utilized for such payment, all except that the rights of the owners of the Bonds and the enforceability of the Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion.

It is our opinion that, subject to the Authority's compliance with certain covenants, under present law, interest on the Bonds is not includible in gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such Authority covenants could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of any information furnished to any person in connection with any offer or sale of the Bonds.

In rendering this opinion, we have relied upon certifications of the Authority with respect to certain material facts solely within the Authority's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

APPENDIX H
FORM OF
CONTINUING DISCLOSURE UNDERTAKING
FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION(b)(5) OF RULE15C2-12

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 $200,000,000 General Obligation Bonds, Series 2002B (the *" Bonds"*) by the Issuer. The Bonds 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 November 1, 2001 (the *"2002B Series Ordinance"*). In consideration of the issuance of the Bonds by the Issuer and the purchase of such Bonds 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 Bonds 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 Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

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 providing of disclosure concerning Annual Financial Information and the providing 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.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Material Event means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II* that is material, as materiality is interpreted under the Exchange Act.

Material Events Disclosure means the providing of a notice of a Material Event as set forth in Section 5.

MSRB means the Municipal Securities Rulemaking Board.

NRMSIRs means, as of any date, all Nationally Recognized Municipal Securities Information Repositories then recognized by the Commission for purposes of the Rule. As of the date of this Agreement, the NRMSIRs are:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: (609) 279-3225
Fax: (609) 279-5962
E-Mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
E-Mail: nrmsir@dpcdata.com

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: (212) 771-6999
Fax: (212) 771-7390 (Secondary Market Information)
Fax: (212) 771-7391 (Primary Market Information)
E-Mail: NRMSIR@FTID.com

Standard & Poor's J. J. Kenny Repository
55 Water Street, 45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
E-Mail: nrmsir_repository@sandp.com

The names and addresses of all current NRMSIRs should be verified each time information is delivered to the NRMSIRs pursuant to this Agreement.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

Rule means Rule15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

SID means the public or private repository designated by the State as the state repository and recognized as such by the Commission for purposes of the Rule. As of the date of this Agreement there is no SID.

Undertaking means the obligations of the Issuer pursuant to Sections 4 and 5.

3. CUSIP NUMBERS/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds are as set forth in *Exhibit III* hereto. The Final Official Statement relating to the Bonds is dated June 20, 2002 (the *"Final Official Statement"*).

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. The Issuer hereby covenants that it will provide its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to each NRMSIR and to the SID, if any. The Issuer is required to deliver such information in such manner and by such time so that such entities receive the information by the dates specified in *Exhibit I*.

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 provide a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment is made to this Agreement, the Annual Financial Information for the year in which such amendment is made (or in any notice or supplement provided to each NRMSIR and the SID, if any) shall contain a narrative description of the reasons for such amendment and its impact on the type of information being provided.

5. MATERIAL EVENTS DISCLOSURE. The Issuer hereby covenants that it will provide in a timely manner Material Events Disclosure to each NRMSIR or the MSRB and to the SID, if any. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the General Ordinance or the 2002B Series Ordinance.

6. DUTY TO UPDATE NRMSIRs/SID. The Issuer shall determine, in the manner it deems appropriate, the names and addresses of the then existing NRMSIRs and SID each time it is required to file information with such entities.

7. CONSEQUENCES OF FAILURE OF THE ISSUER TO PROVIDE INFORMATION. The Issuer shall give notice in a timely manner to each NRMSIR or to the MSRB and to the SID, if any, of any failure to provide disclosure of Annual Financial Information and Audited Financial Statements when the same are 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 an Event of Default under the General Ordinance or a default under the 2002B Series 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.

8. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the Issuer by ordinance authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or type of business conducted;

(b) 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

(c) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the Issuer (such as the Trustee or nationally recognized bond counsel), or by an approving vote of Bondholders pursuant to the terms of the General Ordinance at the time of the amendment.

9. 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 Bonds under the General Ordinance or the 2002B Series Ordinance. The Issuer shall give notice to each NRMSIR or to the MSRB and to the SID, if any, in a timely manner if this Section is applicable.

10. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the Issuer from providing any other information, using the means of providing such information set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or Audited Financial Statements or notice of occurrence of a Material 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 Material 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 Material 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 and the beneficial owners of the Bonds, 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 Material 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 General Ordinance or the 2002B 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 of Illinois.

REGIONAL TRANSPORTATION AUTHORITY, COOK, DUPAGE, KANE, LAKE, MCHENRY AND WILL COUNTIES, ILLINOIS

By: ______________________
Its: ______________________
Address: 181 West Madison Street
Suite 1900
Chicago, Illinois 60602

Date: July 10, 2002

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

I. Annual Financial Information means the historical information included in Tables A-I and A-II in Appendix A, the information included in Appendix B, Appendix C and Appendix D and information of the type set forth in the Official Statement under the following headings:

Yearly Ridership Unlinked Passenger Trips
RTA Statements of Revenues and Expenditures
(Including Funding for the Service Boards) 1997-2001 Financial Information
RTA 2002 Budget and 2003-04 Financial Plan
Annual Debt Service
Estimated Debt Service Coverage

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 each NRMSIR and to the SID, if any, 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 each NRMSIR, the SID or 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 provided to each NRMSIR and to the SID, if any, 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 provide to each NRMSIR and to the SID, if any, 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.

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 BONDS FOR WHICH MATERIAL EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults
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 or events affecting the tax-exempt status of the security
7. Modifications to the rights of security holders
8. Bond calls
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities
11. Rating changes

EXHIBIT III
CUSIP NUMBERS

Series 2002B Bonds

Year of Maturity	CUSIP Number
2003	759911UM0
2004	759911UN8
2005	759911UP3
2006	759911UQ1
2007	759911UR9
2008	759911US7
2009	759911UT5
2010	759911UU2
2011	759911UV0
2012	759911UW8
2013	759911UX6
2014	759911UY4
2015	759911UZ1
2016	759911VA5
2017	759911VB3
2018	759911VC1
2019	759911VD9

APPENDIX I

SPECIMAN MUNICIPAL BOND INSURANCE POLICY

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Financial Guaranty Insurance Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC.

Municipal Bond
New Issue Insurance Policy

Issuer:	**Policy Number:**
	Control Number: 0010001
Bonds:	**Premium:**

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to State Street Bank and Trust Company, N.A., or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC.

Municipal Bond
New Issue Insurance Policy

for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

SPECIMEN

Deborah M. Reif

President

Effective Date: **Authorized Representative**

State Street Bank and Trust Company, N.A., acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

Authorized Officer

Financial Guaranty Insurance
Company
125 Park Avenue
New York, NY 10017
(212) 312-3000
(800) 352-0001

A GE Capital Company

FGIC.

Endorsement
To Financial Guaranty Insurance Company Insurance Policy

Policy Number: **Control Number:** 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

Deborah M. Reif

President

Effective Date: **Authorized Representative**

Acknowledged as of the Effective Date written above:

Authorized Officer
State Street Bank and Trust Company, N.A., as Fiscal Agent

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