CHICAGO TRANSIT AUTHORITY
CHICAGO, ILLINOIS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Years Ended December 31, 2016 and 2015

(With Independent Auditor's Report Thereon)

CHICAGO TRANSIT AUTHORITY
Chicago, Illinois

FINANCIAL STATEMENTS
Years Ended December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

Chicago Transit Board
Chicago Transit Authority
Chicago, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the Chicago Transit Authority (CTA), as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the CTA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the CTA, as of December 31, 2016 and 2015, and the respective changes in its financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Continued)

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the CTA's basic financial statements. The accompanying supplementary schedules of expenses and revenues – budget and actual for the years ended December 31, 2016 and 2015, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules of expenses and revenues – budget and actual for the years ended December 31, 2016 and 2015 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary schedules of expenses and revenues – budget and actual for the years ended December 31, 2016 and 2015 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated April 20, 2017 on our consideration of the CTA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the CTA's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Chicago, Illinois
April 20, 2017

Introduction

The following discussion and analysis of the financial performance and activity of the Chicago Transit Authority (CTA) provide an introduction and understanding of the basic financial statements of the CTA for the fiscal years ended December 31, 2016 and 2015. This discussion was prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

Financial Highlights for 2016

- Net position totaled ($416,775,000) at December 31, 2016.
- Net position decreased $79,512,000 in 2016, which compares to a decrease of $776,000 in 2015.
- Total net capital assets were $4,975,873,000 at December 31, 2016, a decrease of 0.37% over the balance at December 31, 2015 of $4,994,363,000.

Financial Highlights for 2015

- Net position totaled ($337,263,000) at December 31, 2015.
- Net position decreased $776,000 in 2015, which compares to an increase of $52,518,000 in 2014.
- Total net capital assets were $4,994,363,000 at December 31, 2015, an increase of 3.55% over the balance at December 31, 2014 of $4,823,134,000.

The Financial Statements

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

Overview of the Financial Statements for Business-Type Activities

The financial statements consist of the (1) Statements of Net Position, (2) Statements of Revenues, Expenses, and Changes in Net Position, (3) Statements of Cash Flows, and (4) Notes to the Financial Statements. The financial statements are prepared on the accrual basis of accounting, meaning that all expenses are recorded when incurred and all revenues are recognized when earned, in accordance with U.S. generally accepted accounting principles.

Statements of Net Position

The Statements of Net Position reports all financial and capital resources for the CTA (excluding fiduciary activities). The statements are presented in the format where assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, formerly known as equity. Assets and liabilities are presented in order of liquidity and are classified as current (convertible into cash within one year) and noncurrent. The focus of the Statements of Net Position is to show a picture of the liquidity and health of the organization as of the end of the year.

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

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

Statements of Revenues, Expenses, and Changes in Net Position

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

Statements of Cash Flows

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

Notes to Financial Statements

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

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Financial Analysis of the CTA's Business-Type Activities

Statements of Net Position

The following table reflects a condensed summary of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the CTA as of December 31, 2016, 2015, and 2014:

Table 1
Summary of Assets, Deferred Outflows of Resources, Liabilities,
Deferred Inflows of Resources, and Net Position
December 31, 2016, 2015, and 2014
(In thousands of dollars)

	2016	2015	2014
Assets:			
Current assets	$ 795,652	$ 786,311	$ 673,418
Capital Assets, net	4,975,873	4,994,363	4,823,134
Noncurrent assets	355,655	463,726	954,950
Total assets	6,127,180	6,244,400	6,451,502
Total deferred outflows of resources	271,637	168,657	12,015
Total assets and deferred outflows of resouces	$ 6,398,817	$ 6,413,057	$ 6,463,517
Liabilities:			
Current liabilities	$ 699,152	$ 681,843	$ 648,886
Long-term liabilities	6,116,440	6,068,477	4,929,154
Total liabilities	6,815,592	6,750,320	5,578,040
Net position			
Net investment in capital assets	2,707,945	2,726,057	2,727,982
Restricted:			
Payment of leasehold obligations	4,906	7,813	28,358
Debt service	28,232	47,857	78,405
Unrestricted (deficit)	(3,157,858)	(3,118,990)	(1,949,268)
Total net position	(416,775)	(337,263)	885,477
Total liabilities and net position	$ 6,398,817	$ 6,413,057	$ 6,463,517

Year Ended December 31, 2016

Current assets increased by $9,341,000 primarily due to higher cash and investment balances.

Capital assets (net) decreased by 0.37% to $4,975,873,000 due to depreciation. The CTA's capital improvement projects were funded primarily by the Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the Regional Transportation Authority (RTA), and CTA bonds.

Other non-current assets decreased by 23.30% to $355,655,000 due to capital spending of bond proceeds.

Current liabilities increased 2.54% to $699,152,000 primarily due to higher accrued payroll and grant deposits.

(Continued)

Long-term liabilities increased 0.79% to $6,116,440,000. The increase is primarily due to an increase in the net pension liability associated with the employee, supplemental and board pension plans in accordance with GASB 68.

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

The net position balances restricted for other purposes include amounts restricted for two distinct purposes. The first restriction is for the assets restricted for future payments on the lease obligations. The second restriction is for the assets restricted for debt service payments.

The deficit in unrestricted net position, represents assets available for operations, increased 1.25% over the prior year.

Year Ended December 31, 2015

Current assets increased by $112,893,000 primarily due to higher cash and investment balances.

Capital assets (net) increased by 3.55% to $4,994,363,000 due to an increase in vehicle purchases. The CTA's capital improvement projects were funded primarily by the Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the Regional Transportation Authority (RTA), and CTA bonds.

Other non-current assets decreased by 51.44% to $463,726,000 due to both the early termination of several lease/leaseback transactions and capital spending of bond proceeds.

Current liabilities increased 5.08% to $681,843,000 primarily due to higher accounts payable and other accrued expenses.

Long-term liabilities increased 23.11% to $6,068,477,000. The increase is primarily due to the recording of a net pension liability associated with the employee, supplemental and board pension plans in accordance with GASB 68.

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

The net position balances restricted for other purposes include amounts restricted for two distinct purposes. The first restriction is for the assets restricted for future payments on the lease obligations. The second restriction is for the assets restricted for debt service payments.

The deficit in unrestricted net position, represents assets available for operations, increased 60.01% over the prior year.

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Statements of Revenues, Expenses, and Changes in Net Position

The following table reflects a condensed summary of the revenues, expenses, and changes in net position (in thousands) for the years ended December 31, 2016, 2015, and 2014:

Table 2
Condensed Summary of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2016, 2015, and 2014
(In thousands of dollars)

	2016	2015	2014
Operating revenues	$ 625,050	$ 630,812	$ 623,628
Operating expenses:			
Operating expenses	1,397,536	1,365,957	1,331,898
Depreciation	446,039	450,035	419,151
Total operating expenses	1,843,575	1,815,992	1,751,049
Operating loss	(1,218,525)	(1,185,180)	(1,127,421)
Nonoperating revenues:			
Public funding from the RTA	809,748	793,008	739,238
Build America Bond subsidy	10,041	10,019	9,998
Interest revenue from leasing transactions	2,417	14,279	75,589
Other nonoperating revenues	44,497	37,013	50,106
Total nonoperating revenues	866,703	854,319	874,931
Nonoperating expenses	(205,771)	(234,505)	(246,571)
Change in net position before capital contributions	(557,593)	(565,366)	(499,061)
Capital contributions	478,081	564,590	551,579
Change in net position	(79,512)	(776)	52,518
Total net position, beginning of year (as restated)	(337,263)	(336,487)	832,959
Total net position, end of year	$ (416,775)	$ (337,263)	$ 885,477

Year Ended December 31, 2016

Total operating revenues decreased by $5,762,000, or 0.91% primarily due to decreases in both farebox and pass revenue.

Farebox and pass revenue decreased $10,102,000 primarily due to lower ridership. CTA's ridership decreased by 3.54% or 18,261,000 million rides over the prior year. CTA's average fare of $1.16 was $0.02 higher than 2015.

In 2016, CTA provided approximately 69,809,000 free rides, a decrease of 3,336,000 or 4.56% over 2015. The Illinois General Assembly passed legislation to allow senior citizens aged 65 and over who live in the RTA service region to take free fixed route public transit rides on CTA, Metra and Pace beginning March 17, 2008. The Chicago City Council passed an ordinance to provide free CTA rides for active military personnel beginning May 1, 2008 and disabled veterans beginning August 1, 2008. The Illinois General Assembly also enacted legislation to require free rides on fixed-route transit to be made available to any Illinois resident who has been enrolled as a person with a disability in the Illinois Circuit Breaker program. In 2011, the free ride program was modified to subject the participants to a means test. Under this program seniors who do not qualify to ride free pay a reduced fare.

Total operating expenses increased $27,583,000, or 1.52%. The increase is primarily driven by higher labor expense. Labor expense increased $59,009,000 due negotiated wage increases and the related increase in fringe benefit cost.

Year Ended December 31, 2015

Total operating revenues increased by $7,184,000, or 1.15% primarily due to increases in both farebox and advertising revenue.

Farebox and pass revenue increased $3,809,000 despite no change to the fare policy. CTA's ridership increased by 0.34% or 1,748,000 million rides over the prior year. CTA's average fare of $1.14 was $0.01 higher than 2014. In 2015, CTA launched the Ventra mobile application which allows customers greater flexibility and access to load value or check balances on their Ventra accounts.

In 2015, CTA provided approximately 73,145,000 million free rides, a decrease of 5,113,000 million or 6.53% over 2014. The Illinois General Assembly passed legislation to allow senior citizens aged 65 and over who live in the RTA service region to take free fixed route public transit rides on CTA, Metra and Pace beginning March 17, 2008. The Chicago City Council passed an ordinance to provide free CTA rides for active military personnel beginning May 1, 2008 and disabled veterans beginning August 1, 2008. The Illinois General Assembly also enacted legislation to require free rides on fixed-route transit to be made available to any Illinois resident who has been enrolled as a person with a disability in the Illinois Circuit Breaker program. In 2011, the free ride program was modified to subject the participants to a means test. Under this program seniors who do not qualify to ride free pay a reduced fare.

Total operating expenses increased $64,943,000, or 3.71%. The increase is primarily driven by higher depreciation and labor expense. Depreciation expense increased $30,884,000 due to the increase in vehicle, equipment and track structure assets. Labor expense increased $36,365,000 due negotiated wage increases and the related increase in fringe benefit cost.

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

Table 3
Operating Revenues and Expenses
Years ended December 31, 2016, 2015, and 2014
(In thousands of dollars)

	2016	2015	2014
Operating Revenues:			
Farebox revenue	$ 358,328	$ 365,212	$ 364,144
Pass revenue	218,678	221,896	219,155
Total farebox and pass revenue	577,006	587,108	583,299
Advertising and concessions	35,019	31,241	27,561
Other revenue	13,025	12,463	12,768
Total operating revenues	$ 625,050	$ 630,812	$ 623,628
Operating Expenses:			
Labor and fringe benefits	$ 1,093,433	$ 1,034,424	$ 998,059
Materials and supplies	82,921	83,507	80,963
Fuel	32,738	49,830	59,476
Electric power	29,283	28,818	33,568
Purchase of security services	14,095	14,431	13,628
Other	136,114	134,223	121,309
Operating expense before provisions	1,388,584	1,345,233	1,307,003
Provision for injuries and damages	8,952	20,724	24,895
Provision for depreciation	446,039	450,035	419,151
Total operating expenses	$ 1,843,575	$ 1,815,992	$ 1,751,049

Capital Asset and Debt Administration

Capital Assets

The CTA invested $11,848,655,000 (not adjusted for inflation) in capital assets, including buildings, vehicles, elevated railways, signal and communication equipment, as well as other equipment as of December 31, 2016. Net of accumulated depreciation, the CTA's capital assets at December 31, 2016 totaled $4,975,873,000. This amount represents a net decrease (including additions and disposals, net of depreciation) of $18,490,000, or 0.37%, over the December 31, 2015 balance primarily due to an increase in accumulated depreciation and asset retirements.

The CTA invested $11,503,792,000 (not adjusted for inflation) in capital assets, including buildings, vehicles, elevated railways, signal and communication equipment, as well as other equipment as of December 31, 2015. Net of accumulated depreciation, the CTA's capital assets at December 31, 2015 totaled $4,994,363,000. This amount represents a net increase (including additions and disposals, net of depreciation) of $171,229,000, or 3.55%, over the December 31, 2014 balance primarily due to the purchase of new rail vehicles and overhauls on aging bus and rail fleets.

Additional information on the capital assets can be found in note 6 of the audited financial statements.

Debt Administration

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

At December 31, 2016, the CTA had $190,611,000 in capital lease obligations outstanding, a decrease from the prior year due to principal payments on lease transactions. The bonds payable liability excluding premiums decreased $72,460,000 primarily due to debt service payments.

At December 31, 2015, the CTA had $206,713,000 in capital lease obligations outstanding, a decrease from the prior year due to the early termination of three lease transactions. The bonds payable liability excluding premiums decreased $92,440,000 primarily due to debt service payments.

Additional information on the debt activity can be found in notes 7, 8, 9, 10, and 11 of the audited financial statements.

2017 Budget and Economic Factors

On November 18, 2016, the CTA Board adopted the fiscal Year 2017 operating budget of $1.524 billion and capital budget of $1.283 billion. After adoption, the budgets were submitted to and approved by the RTA Board (the regional oversight agency) on December 15, 2016. The budgets call for no fare increase and reflect service level improvements.

The Proposed 2017 Operating Budget is balanced between expenses, system generated revenues, and public funding. The 2017 operating budget freezes base fares for an eighth straight year and continues the expanded service begun in 2015 and 2016. The agency has been able to maintain fares by strategically pursuing management efficiencies and cost savings through reducing ongoing maintenance needs by modernizing the fleet, pre-purchasing diesel fuel and electricity at historically low levels and through responsible spending practices.

The 2017 Operating budget is 2.5% higher than the 2016 forecast, due to increase pension contributions, higher material cost as railcars come off warranty and costs related to additional service levels, and debt service payments due on 2014 capital bonds. Increases were offset by higher advertising, charter and concession revenue, and savings in fuel.

System-generated revenue is projected to be $686.3 million in 2017, representing a 1.45% increase from 2016 forecast. This increase is primarily due to the implementation of a full year State's subsidy for reduced fares. Public funding is projected to be $837.9 million, representing a 3.3% increase over 2016 forecast. Per the Regional Transit Authority (RTA), which sets public funding estimates for the three service boards (CTA, Metra and Pace), sales taxes are expected to grow by 4 percent in 2017. The estimate is in line with Moody's forecasts for sales tax growth in the Chicago area.

The Chicago-area unemployment rate has dropped from as high as 10.4 percent in 2010 to 5.4 percent in 2016. The total number of employed in the Chicago region is 4.6 million in 2016; and reflects a 1.2 percent increase in payroll in the Chicago area from 2015 to 2016 year-to-date. This is the sixth consecutive year of gains in employment and the highest total since 2008, before the recession. The economic recovery is expected to continue to increase public funding from sales tax receipts. Final estimates from 2016 show a public funding total of $787.6 million, an increase of 4.4% over 2015 receipts.

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Overall, CTA's 2017 budget supports initiatives to enhance the customer experience, safety and security and workforce development. Safety and security continues to remain a top priority where the CTA continues to work closely with our partners in the federal government to implement the nation's first Safety Management System Program, designed to enhance the culture of safety among the agency's 11,000 employees.

The budget includes public art, diversity programs, a Vocational Mechanics Program, and the Second Chance Program. The Second Chance Program continues to provide valuable job skills and career opportunities to Chicago residents who meet with challenges re-entering the workforce. CTA will continue to leverage technology for customers, from expansion of transit tracker to new features on the Ventra fare payment app.

CTA in 2017 will continue to pursue long-term priorities, which focus on improving service to customers. The agency will continue to make extensive investments in its bus and rail system – including some of the largest station reconstruction projects in CTA history, such as the Red-Purple Modernization project, a $2.1 billion investment to modernize and add capacity to the CTA's busiest rail corridor.

Major project completed or substantially underway in 2016:

Vehicles – Contracted to purchase 400 New 7000 Series Railcars; placed into service all 425 New Nova buses; and overhauled 80 Series 3200 railcars. Infrastructure – Construction underway to rehabilitate the Illinois Medical District Station on the Blue Line; Construction completed for Loop Link, the dedicated bus lane system which provides service in the Central Business District, and for the Union Station Transit Center an off street CTA Bus facility; Renewal of rail power substations at key locations along the Brown, and Red South Lines; Renewal of Track and Structure – Ravenswood (Brown) Loop Connector from Merchandise Mart to Armitage, Purple Line Express, and Red North Main line; and an Upgrade to CTA's Enterprise Resource Planning Systems.

Among the capital projects to continue or begin in 2017:

Vehicles – Overhaul 96 Series 3200 railcars; Continue project development for the new 7000 Series railcars, Advertise for proposals to purchase up to 30 electric buses; and begin the overhaul of 208 Series Hybrid buses. Infrastructure - Reconstruction of the Wilson transfer station and the Loop Washington-Wabash station is to be complete as of 2017; Expansion of the 95th Street Terminal on the Red Line South; Upgrade and accessibility improvements to Quincy Loop station and Illinois Medical District Blue Line stations; Rehabilitation of Belmont Blue and Garfield Green stations where renewal work will complement the larger redevelopment initiatives currently underway while enhancing the commuter experience; Modernization of the Red and Purple Lines which includes rebuilding four Red Line stations and constructing a rail bypass continues; Project Engineering for the proposed Red Line Extension from 95th Street to 130th Street; The final phases of investment for the Your New Blue program to upgrade the Blue Line O'Hare branch where work includes rail signal and power renewal and the remaining five stations to be renovated; Construct Ravenswood Corridor signal improvements to benefit Brown, Purple Express between Armitage and the Merchandise Mart stations; and, Renewal of track and structure along system right of way.

Many of the capital projects will feature distinctive architecture and public art from notable Chicago and international artists, part of ongoing efforts to make public transportation more attractive and to highlight communities.

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Legislation

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

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

Public Act 95-708 modified this directive slightly and added a number of other requirements. First, a new Retirement Plan Trust was created to manage the Retirement Plan assets. Second, CTA contributions and employee contributions were increased. Third, in addition to the requirement that the Retirement Plan be 90% funded by 2059, there is a new requirement that the Retirement Plan be funded at a minimum of 60% by September 15, 2009. Any deviation from the stated projections could result in a directive from the State of Illinois Auditor General to increase the CTA and employee contributions. Fourth, Public Act 95-708 authorized the CTA to issue $1.349 billion in pension obligation bonds to fund the Retirement Plan. Finally, the legislation provides that CTA will have no future responsibility for retiree healthcare costs after the bond funding.

Public Act 95-708 also addressed retiree healthcare. In addition to the separation between pension and healthcare that was mandated by Public Act 94-839, Public Act 95-708 provides funding and benefit changes to the retiree healthcare benefits. First, all CTA employees will be required to contribute 3% of their compensation into the new retiree healthcare trust. Second, all employees will be eligible for retiree healthcare, but after January 18, 2008, only those employees who retire at or after the age of 55 with 10 years of continuous service will actually receive the benefit. Third, retiree, dependent and survivor premiums can be raised up to 45% of the premium cost. Finally, the CTA has been given the authorization to issue $640 million in pension obligation bonds to fund the healthcare trust. Subsequent to the 2008 legislation, the Board of Trustees of the Retiree Healthcare Trust amended the eligibility requirements to receive postemployment health benefits. After 2010, employees will be eligible for retiree healthcare at or after the age of 55 with 20 years of continuous service.

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

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Contacting the CTA's Financial Management

This financial report is designed to provide our bondholders, patrons, and other interested parties with a general overview of the CTA's finances and to demonstrate the CTA's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chicago Transit Authority's Chief Financial Officer, 567 W. Lake Street, Chicago, IL 60661.

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Net Position
December 31, 2016 and 2015
(In thousands of dollars)

	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	$ 79,127	$ 85,438
Cash and cash equivalents restricted for damage reserve	103,755	97,010
Investments	119,942	107,192
Total cash, cash equivalents, and investments	302,824	289,640
Grants receivable:		
Due from the RTA	315,372	310,502
Unbilled work in progress	100,886	110,810
Other	2,376	28
Total grants receivable	418,634	421,340
Accounts receivable, net	37,997	36,072
Materials and supplies, net	30,622	34,174
Prepaid expenses and other assets	5,575	5,085
Total current assets	795,652	786,311
Noncurrent assets:		
Other noncurrent assets:		
Restricted assets for repayment of leasing commitments	79,842	84,692
Bond proceeds held by trustee	275,197	378,431
Assets held by trustee for supplemental retirement plans	616	603
Total other noncurrent assets	355,655	463,726
Capital assets:		
Capital assets not being depreciated:		
Land	121,357	120,257
Construction in process	680,258	635,299
Capital assets not being depreciated	801,615	755,556
Capital assets being depreciated	11,047,040	10,748,236
Less accumulated depreciation	(6,872,782)	(6,509,429)
Total capital assets being depreciated, net	4,174,258	4,238,807
Total capital assets, net	4,975,873	4,994,363
Total noncurrent assets	5,331,528	5,458,089
Total assets	6,127,180	6,244,400
Deferred outflows of resources		
Deferred loss on refunding	15,587	18,870
Pension outflows - CTA Retirement Plan	254,131	146,920
Pension outflows - CTA Supplemental Plans	1,919	2,867
Total deferred outflows of resources	271,637	168,657
Total assets and deferred outflows of resources	$ 6,398,817	$ 6,413,057

(Continued)

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Net Position
December 31, 2016 and 2015
(In thousands of dollars)

	2016	2015
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	$ 149,299	$ 183,494
Accrued payroll, vacation pay, and related liabilities	164,669	138,262
Accrued interest payable	21,421	22,407
Advances, deposits, and other	52,484	31,765
Unearned passenger revenue	62,847	59,639
Other unearned revenue	2,841	4,148
Unearned operating assistance	40,250	38,136
Current portion of long-term liabilities	205,341	203,992
Total current liabilities	699,152	681,843
Long-term liabilities:		
Self-insurance claims, less current portion	180,051	190,045
Capital lease obligations, less current portion	180,393	190,867
Bonds payable, less current portion	4,012,477	4,106,567
Certificates of participation payable, less current portion	22,633	29,775
Net pension liability	1,648,772	1,470,041
Net other postemployment benefits obligation	5,052	4,637
Other long-term liabilities	67,062	76,545
Total long-term liabilities	6,116,440	6,068,477
Total liabilities	6,815,592	6,750,320
Net position:		
Net investment in capital assets	2,707,945	2,726,057
Restricted:		
Payment of leasehold obligations	4,906	7,813
Debt service	28,232	47,857
Unrestricted (deficit)	(3,157,858)	(3,118,990)
Total net position	(416,775)	(337,263)
Total liabilities and net position	$ 6,398,817	$ 6,413,057

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Revenues, Expenses, and Changes in Net Position
Years ended December 31, 2016 and 2015
(In thousands of dollars)

	2016	2015
Operating revenues:		
Fare box revenue	$ 358,328	$ 365,212
Pass revenue	218,678	221,896
Total fare box and pass revenue	577,006	587,108
Advertising and concessions	35,019	31,241
Other revenue	13,025	12,463
Total operating revenues	625,050	630,812
Operating expenses:		
Labor and fringe benefits	1,093,433	1,034,424
Materials and supplies	82,921	83,507
Fuel	32,738	49,830
Electric power	29,283	28,818
Purchase of security services	14,095	14,431
Maintenance and repairs, utilities, rent, and other	136,114	134,223
	1,388,584	1,345,233
Provisions for injuries and damages	8,952	20,724
Provision for depreciation	446,039	450,035
Total operating expenses	1,843,575	1,815,992
Operating expenses in excess of operating revenues	(1,218,525)	(1,185,180)
Nonoperating revenues (expenses):		
Public funding from the RTA	809,748	793,008
Build America Bond subsidy	10,041	10,019
Reduced-fare subsidies	14,385	14,606
Operating grant revenue	16,712	13,957
Contributions from local government agencies	5,000	5,000
Investment income	3,785	2,606
Gain on sale of assets	3,771	-
Recognition of leasing transaction proceeds	844	844
Interest expense on bonds and other financing	(196,217)	(202,523)
Interest revenue from leasing transactions	2,417	14,279
Interest expense on leasing transactions	(9,554)	(31,982)
Total nonoperating revenues, net	660,932	619,814
Change in net position before capital contributions	(557,593)	(565,366)
Capital contributions	478,081	564,590
Change in net position	(79,512)	(776)
Total net position – beginning of year	(337,263)	(336,487)
Total net position – end of year	$ (416,775)	$ (337,263)

See accompanying notes to financial statements.

CHICAGO TRANSIT AUTHORITY
Business-Type Activities
Statements of Cash Flows
Years ended December 31, 2016 and 2015
(In thousands of dollars)

	2016	2015
Cash flows from operating activities:		
Cash received from fares	$ 580,214	$ 597,674
Payments to employees	(1,001,439)	(985,903)
Payments to suppliers	(322,091)	(309,790)
Other receipts	65,531	65,993
Net cash flows used in operating activities	(677,785)	(632,026)
Cash flows from noncapital financing activities:		
Public funding from the RTA	806,992	757,795
Build America Bond subsidy	10,041	10,019
Reduced-fare subsidies	14,385	14,606
Operating grant revenue	16,712	13,957
Contributions from local governmental agencies	5,000	5,000
Net cash flows provided by noncapital financing activities	853,130	801,377
Cash flows from capital and related financing activities:		
Interest income from assets restricted for payment of leasehold obligations	2,417	14,279
Interest expense on bonds	(204,022)	(209,531)
Decrease in restricted assets for repayment of leasing commitments	4,850	186,481
Repayment of lease obligations	(25,403)	(218,627)
Proceeds from issuance of bonds	-	1,330
Repayment of bonds payable	(79,409)	(95,442)
Repayment of other long-term liabilities	(9,056)	(8,649)
Payments for acquisition and construction of capital assets	(451,347)	(611,258)
Proceeds from the sale of property and equipment	7,146	-
Capital grants	485,657	563,153
Net cash flows used in capital and related financing activities	(269,167)	(378,264)
Cash flows from investing activities:		
Purchases of unrestricted investments	(119,942)	(107,192)
Proceeds from maturity of unrestricted investments	107,192	86,032
Restricted cash and investment accounts:		
Purchases	(2,139,381)	(1,985,021)
Withdrawals	2,242,602	2,272,436
Investment revenue	3,785	2,606
Net cash flows provided by investing activities	94,256	268,861
Net increase in cash and cash equivalents	434	59,948
Cash and cash equivalents – beginning of year	182,448	122,500
Cash and cash equivalents – end of year	$ 182,882	$ 182,448

(Continued)

CHICAGO TRANSIT AUTHORITY

Business-Type Activities

Statements of Cash Flows

Years ended December 31, 2016 and 2015

(In thousands of dollars)

	2016	2015
Reconciliation of operating expenses in excess of operating revenues to net cash flows used in operating activities:		
Operating expenses in excess of operating revenues	$ (1,218,525)	$ (1,185,180)
Adjustments to reconcile operating expenses in excess of operating revenues to net cash flows used in operating activities:		
Depreciation	446,039	450,035
(Increase) decrease in assets:		
Pension outflows	(106,263)	(67,519)
Accounts receivable	(1,925)	6,762
Materials and supplies	3,552	(199)
Prepaid expenses and other assets	(490)	160
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(13,772)	18,925
Accrued payroll, vacation pay, and related liabilities	26,407	15,879
Self-insurance reserves	(14,574)	3,587
Unearned passenger revenue	3,208	10,566
Other unearned revenue	(1,307)	1,935
Advances, deposits, and other	20,719	13,592
Accrued pension costs and OPEB	179,146	99,431
Net cash flows used in operating activities	$ (677,785)	$ (632,026)
Noncash investing and financing activities:		
Recognition of leasing proceeds	$ 844	$ 844
Accretion of interest on lease/leaseback obligations	5,630	8,653
Retirement of fully depreciated capital assets	86,061	150,054
Purchases of capital assets in accounts payable at year-end	35,412	55,835
RTA assistance not received	315,372	310,502
Capital grant assistance not received		
Unbilled work in progress	100,886	110,810
Debt defeasance	-	197,159

CHICAGO TRANSIT AUTHORITY
Fiduciary Activities
Statements of Fiduciary Net Position
Qualified Supplemental Retirement Plan
December 31, 2016 and 2015
(In thousands of dollars)

	2016	2015
Assets:		
Contributions from employees	$ 39	$ 42
Investments at fair value:		
Short-term investments	719	1,407
Government agencies	-	7,976
U.S. fixed income	7,300	-
Global fixed income	3,693	-
Equity mutual funds	-	7,859
Common stock	22,275	20,591
Real estate	3,817	-
Total investments at fair value	37,804	37,833
Securities lending collateral	-	19,223
Total assets	37,843	57,098
Liabilities:		
Accounts payable and other liabilities	38	-
Securities lending collateral obligation	-	19,223
Total liabilities	38	19,223
Net position restricted for pensions	$ 37,805	$ 37,875

CHICAGO TRANSIT AUTHORITY
Fiduciary Activities
Statements of Changes in Fiduciary Net Position
Qualified Supplemental Retirement Plan
Years ended December 31, 2016 and 2015
(In thousands of dollars)

	2016	2015
Additions:		
Contributions:		
Employee	$ 8	$ 34
Employer	1,380	1,155
Total contributions	1,388	1,189
Investment income:		
Net decrease in fair value of investments	(2,867)	(2,953)
Investment income	5,809	2,063
Total investment income	2,942	(890)
Total additions	4,330	299
Deductions:		
Benefits paid to participants or beneficiaries	4,143	4,233
Refunds of member contributions	17	-
Administrative fees	240	237
Total deductions	4,400	4,470
Net increase (decrease)	(70)	(4,171)
Net position restricted for pensions		
Beginning of year	37,875	42,046
End of year	$ 37,805	$ 37,875

See accompanying notes to financial statements.

NOTE 1 - ORGANIZATION

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

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

Financial Reporting Entity: As defined by U.S. generally accepted accounting principles (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the component unit’s board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or

2) Fiscal dependency on the primary government.

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

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

The CTA participates in the Retiree Health Care Trust (RHCT), which provides and administers health care benefits for CTA retirees and their dependents and survivors. The Retiree Health Care Trust was established by Public Acts 94-839 and 95-708. The RHCT is not a fiduciary fund or a component unit of the CTA. This trust is a legal entity separate and distinct from the CTA. This trust is administered by its own board of trustees comprised of three union representatives, three representatives appointed by the CTA and a professional fiduciary appointed by the RTA. The CTA has no direct authority and assumes no fiduciary responsibility with regards to the RHCT. Accordingly, the accounts of this fund are not included in the accompanying financial statements.

(Continued)

NOTE 1 - ORGANIZATION (Continued)

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

Bond proceeds held by trustee: During various fiscal years, the CTA issued Capital Grant Receipt Revenue Bonds. The proceeds from each sale were placed in trust accounts restricted for financing the costs of capital improvement projects associated with each issuance. For more detailed information see note 9.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capitalized interest cost is amortized on the same basis as the related asset is depreciated. Projects funded with bond proceeds incurred $70,399,000 and $77,357,000 of interest expense for the years ended December 31, 2016 and 2015, respectively. Of those interest costs incurred, $2,473,000 and $3,257,000 were capitalized during the years ended December 31, 2016 and 2015, respectively.

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

	Years
Buildings	40
Elevated structures, tracks, tunnels, and power system	20-40
Transportation vehicles:	
Bus	7-12
Rail	25
Signal and communication	10-20
Other equipment	3-10

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

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

Included with the CTA’s *other equipment* capital assets, the CTA has capitalized an intangible asset, computer software. The CTA follows the same capitalization policy and estimated useful life for its intangible asset as it does for its *other equipment* capital assets. The CTA also amortizes the intangible asset utilizing the straight-line method.

Deferred Outflows of Resources: A deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period.

Self-insurance: The CTA is self-insured for various risks of loss, including public liability and property damage, workers’ compensation, and health benefit claims, as more fully described in note 16. A liability for each self-insured risk is provided based upon the present value of the estimated ultimate cost of settling claims using a case-by-case review and historical experience. A liability for claims incurred but not reported is also provided.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Bond Premiums: Bond premiums are amortized over the life of the bonds using the bonds outstanding method, which is materiality consistent with the effective interest method.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plans (the Plans) and additions to/deductions from the Plans fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. For more detailed information see notes 13 and 14.

Net Position: Net position is displayed in three components as follows:

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

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

Unrestricted – This component of net position that does not meet the definition of "restricted" or "net investment in capital assets."

Retirement Plan: The CTA has a retirement plan for all nontemporary, full-time employees with service greater than one year. Pension expense is recorded on an annual basis based on the results of an actuarial valuation in conformity with GASB 68. For more detailed information see note 13.

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

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

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Implementation of New Accounting Standards:

In February 2015, the GASB issued Statement No. 72 – Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement became effective for the CTA during fiscal year 2016.

In June 2015, GASB issued Statement No. 73, Amendments to Certain Provisions of GASB Statements 67 and 68. It amends certain provisions of Statement No. 67, Financial Reporting for Pension Plans, and Statement 68 for pension plans and pensions that are within their respective scopes. The provisions of this Statement became effective for the CTA during fiscal year 2016.

In June 2015, GASB issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). This Statement supersedes Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The provisions of this Statement became effective for the CTA during fiscal year 2016.

In August 2015, GASB issued Statement No. 77, Tax Abatement Disclosures. This Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The provisions of this Statement became effective for the CTA during fiscal year 2016.

In December 2015 GASB issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan. The provisions of this Statement became effective for the CTA during fiscal year 2016.

In December 2015 GASB issued Statement No. 79 Certain External Investment Pools and Pool Participants. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The provisions of this Statement became effective for the CTA during fiscal year 2016.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Pronouncements:

In June 2015, GASB issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68. This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2016.

In June 2015, GASB issued statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

In June 2015, GASB issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

In January 2016 GASB issued Statement No. 80 Blending Requirements for Certain Component Units. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

In March 2016 GASB issued Statement No. 81 Irrevocable Split-Interest Agreements. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2016 GASB issued Statement No. 82 Pension Issues. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

In November 2016, the GASB issued Statement 83, Certain Asset Retirement Obligations. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (AROs). The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2018.

In January 2017, the GASB issued Statement 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2018.

In March 2017, the GASB issued Statement 85, Omnibus 2017. This Statement addresses a variety of topics including issued related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This Statement further addresses the (1) timing of the measurement of pension or OPEB liabilities, (2) recognizing on-behalf payments for pensions or OPEB in employer financial statements, (3) classifying employer-paid member contributions for OPEB, (4) accounting and financial reporting for OPEB, (5) measuring certain money market investments, (6) blending a component unit in which the primary government is a business-type activity that reports in a single column for financial statement presentation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017.

Management has not yet determined the impact of these statements on the basic financial statements.

(Continued)

NOTE 3 - BUDGET AND BUDGETARY BASIS OF ACCOUNTING

The CTA is required under Section 4.01 of the Regional Transportation Authority Act to submit for approval an annual budget to the RTA by November 15 prior to the commencement of each fiscal year. The budget is prepared on a basis consistent with GAAP, except for the exclusion of certain income and expenses. For 2016 and 2015, these amounts include provision for injuries and damage in excess of (or under) budget, depreciation expense, pension expense in excess of pension contributions, actuarial adjustments, revenue from leasing transactions, interest income and expense from sale/leaseback transactions, and capital contributions.

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

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

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

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

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

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

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

The funding "marks" represent the amount of funds that each Service Board can expect to receive from the RTA and other sources.

(Continued)

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

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

		2016	2015
1983 Legislation	Illinois state sales tax allocation	$ 365,622	$ 360,575
1983 Legislation	RTA discretionary funding and other	218,922	214,471
2008 Legislation	Illinois state sales tax allocation & PTF	145,141	143,239
2008 Legislation	Real estate transfer tax	79,063	74,723
2008 Legislation	Innovation, Coordination and Enhancement funding (ICE)	1,000	-
Final public funding		$ 809,748	$ 793,008

Reduced-fare subsidies from the State of Illinois were $14,385,000 and $14,606,000 during the years ended December 31, 2016 and 2015, respectively, for discounted services provided to the elderly, disabled, or student riders.

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, Cash Equivalents, and Investments of the Business-type Activities

Cash, cash equivalents, and investments are reported in the Statements of Net Position of the business-type activities as follows as of December 31, 2016 and 2015 (in thousands of dollars):

	2016	2015
Current assets:		
Cash and cash equivalents	$ 79,127	$ 85,438
Restricted for injury and damage reserve	103,755	97,010
Investments	119,942	107,192
Noncurrent assets:		
Bond proceeds held by trustee	275,197	378,431
Held by trustee for supplemental retirement plan	616	603
Total	$ 578,637	$ 668,674

(Continued)

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

Cash, cash equivalents, and investments of the business-type activities consist of the following as of December 31, 2016 and 2015 (in thousands of dollars):

	2016	2015
Investments:		
Certificates of deposit	$ 20	$ 20
Money market mutual funds	116,484	52,066
U.S. government agencies	263,815	297,551
U.S. Treasury bills	-	48,365
Municipal bonds	17,583	36,964
Commercial paper	145,851	208,216
Total Investments	543,753	643,182
Deposits with financial institutions	34,884	25,492
Total deposits and investments	$ 578,637	$ 668,674

Investment Policy: CTA investments are made in accordance with the Public Funds Investment Act (30 ILCS 235/1) (the Act) and, as required under the Act, the Chicago Transit Authority Investment Policy (the Investment Policy). The Investment Policy does not apply to the Employees Retirement Plan or the Retiree Healthcare Trust, which are separate legal entities. Additionally, the CTA Investment Policy does not apply to the Supplemental Retirement Plan, which is directed by the Employee Retirement Review Committee. In accordance with the Act and the Investment Policy, CTA invests in the following types of securities:

1. United States Treasury Securities (Bonds, Notes, Certificates of Indebtedness, and Bills). CTA may invest in obligations of the United States government, which are guaranteed by the full faith and credit of the United States of America as to principal and interest.
2. United States Agencies. CTA may invest in bonds, notes, debentures, or other similar obligations of the United States or its agencies. Agencies include: (a) federal land banks, federal intermediate credit banks, banks for cooperative, federal farm credit bank, or other entities authorized to issue debt obligations under the Farm Credit Act of 1971, as amended; (b) federal home loan banks and the federal home loan mortgage corporation; and (c) any other agency created by an act of Congress.
3. Bank Deposits. CTA may invest in interest-bearing savings accounts, interest-bearing certificates of deposit, or interest-bearing time deposits or other investments constituting direct obligations of any bank as defined by the Illinois Banking Act (205 ILCS 5/1 et seq.), provided that any such bank must be insured by the Federal Deposit Insurance Corporation (the FDIC).
4. Commercial Paper. CTA may invest in short-term obligations (commercial paper) of corporations organized in the United States with assets exceeding $500 million, provided that: (a) such obligations are at the time of purchase at the highest classification established by at least two standard rating services and which mature not later than 270 days from the date of purchase; and (b) such purchases do not exceed 10% of the corporation’s outstanding obligations.
5. Mutual Funds. CTA may invest in mutual funds which invest exclusively in United States government obligations and agencies.
6. Discount Obligations. CTA may invest in short-term discount obligations of the Federal National Mortgage Association.
7. Investment Pool. CTA may invest in a Public Treasurers’ Investment Pool created under Section 17 of the State Treasurer Act (15 ILCS 505/17).

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

8. Repurchase Agreements. CTA may invest in repurchase agreements for securities that are authorized investments under the Investment Policy, subject to all of the requirements of the Act, provided that: (a) the securities shall be held by an authorized custodial bank; and (b) each transaction must be entered into under terms of an authorized master repurchase agreement.
9. Investment Certificates. CTA may invest in investment certificates issued by FDIC-insured savings banks or FDIC-insured savings and loan associations.
10. Interest-bearing bonds of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the Authority or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, no lower than 'A' category by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions. The maturity of the bonds authorized by this subsection (10) shall, at the time of purchase, not exceed 10 years; provided that a longer maturity is authorized if the Authority has a put option to tender the bonds within 10 years from the date of purchase. These securities shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within ten years from the date of purchase.

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the CTA's deposits may not be returned. The CTA's investment policy requires that deposits which exceed the amount insured by the FDIC be collateralized, at the rate of 102% of such deposits, by bonds, notes, certificates of indebtedness, treasury bills or other securities which are guaranteed by the full faith and credit of the United States of America as to principal and interest or, at the rate of 110% of such deposit, by: bonds, notes, debentures, or other similar obligations of agencies of the United States of America. As of December 31, 2016 and 2015, the CTA's bank balances were fully insured or collateralized.

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

Instrument type	Term of investment
U.S. treasuries	3 years
Repurchase agreements	330 days
Certificates of deposit	365 days
Commercial paper	270 days
U.S. Government agencies	3 years
Government money market funds	n.a.
Federal National Mortgage Assn.	3 years
Municipal bonds (callable)	10 years
Mutual funds	n.a.
Investment pool	n.a.

(Continued)

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

As of December 31, 2016, the maturities for the CTA's fixed-income investments are as follows (in thousands of dollars):

		Investment maturities (by years)		
	Fair value	Less than 1	1 - 5	5+
Money market mutual funds	$ 116,484	$ 116,484	$ -	$ -
U.S. government agencies	263,815	194,866	68,949	-
Municipal bonds	17,583	10,647	6,936	-
Commercial paper	145,851	145,851	-	-
Total	$ 543,733	$ 467,848	$ 75,885	$ -

As of December 31, 2015, the maturities for the CTA's fixed-income investments are as follows (in thousands of dollars):

		Investment maturities (by years)		
	Fair value	Less than 1	1 - 5	5+
Money market mutual funds	$ 52,066	$ 52,066	$ -	$ -
U.S. government agencies	297,551	225,706	71,845	-
U.S. treasury bills	48,365	48,365	-	-
Municipal bonds	36,964	17,864	19,100	-
Commercial paper	208,216	208,216	-	-
Total	$ 643,162	$ 552,217	$ 90,945	$ -

Credit Risk: Credit risk is the risk that the CTA will not recover its investments due to the failure of the counterparty to fulfill its obligation. As of December 31, 2016, the CTA had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands of dollars):

		Credit ratings				
	Fair value	A1P1 or AAA	A2P2 or AA	A3P3 or A	B	Not rated
Money market mutual funds	$ 116,484	$ 116,484	$ -	$ -	$ -	$ -
U.S. government agencies	263,815	263,815	-	-	-	-
U.S. treasury bills	-	-	-	-	-	-
Municipal bonds	17,583	1,192	7,753	6,972	1,666	-
Commercial paper	145,851	145,851	-	-	-	-
Total	$ 543,733	$ 527,342	$ 7,753	$ 6,972	$ 1,666	$ -

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

As of December 31, 2015, the CTA had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands of dollars):

		Credit ratings				
	Fair value	**A1P1 or AAA**	**A2P2 or AA**	**A3P3 or A**	**B**	**Not rated**
Money market mutual funds	$ 52,066	$ -	$ -	$ -	$ -	$ 52,066
U.S. government agencies	297,551	-	297,551	-	-	-
U.S. treasury bills	48,365	-	48,365	-	-	-
Municipal bonds	36,964	2,662	16,342	12,978	4,982	-
Commercial paper	208,216	208,216	-	-	-	-
Total	$ 643,162	$ 210,878	$ 362,258	$ 12,978	$ 4,982	$ 52,066

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

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

Concentration of Credit Risk: Except for investments in certificates of deposits and commercial paper, the CTA does not restrict the amount which may be invested in authorized investments of a single issuer or financial institution. No more than 30 percent of the maximum portfolio percentage amount allowed for investment in certificates of deposit may be invested in certificates of deposit of a single issuer of such certificates. No more than 25 percent of the maximum portfolio percentage amount allowed for investment in commercial paper may be invested in commercial paper of a single issuer of such commercial paper.

As of December 31, 2016, the CTA had investments in the Federal Home Loan Bank (FHLB) (20.45%), Federal Home Loan Mortgage Corporation (FHLMC) (10.80%), Mountcliff Finance (5.72%), Bank of China (5.54%), Federal National Mortgage Association (FNMA) (9.14%), Goldman Sachs – Financial Square Government Fund (15.81%) and Goldman Sachs – Amalgamated (5.61%) that exceeded 5 percent of the total investment balance. As of December 31, 2015, U.S. Bank (10.68%), FHLB (24.52%), FHLMC (6.94%), Treasury Bills (7.52%), FNMA (7.48%) and Goldman Sachs – Amalgamated (7.00%) that exceeded 5 percent of the total investment balance.

(Continued)

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

Fair Value: CTA categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs and are valued using a matrix pricing model. Level 3 inputs are significant unobservable inputs and are valued using future projected cash flows. CTA has the following fair value measurements as of December 31, 2016 and 2015 (in thousands of dollars).

	Fair Value Measurements as of December 31, 2016			
	Total Amount	Level 1	Level 2	Level 3
Federal Home Loan Bank	$ 111,186	$ -	$ 111,186	$ -
Federal National Mortgage Association	39,709	-	39,709	-
Federal Home Loan Mortgage Corporation	12,967	-	12,967	-
Federal Farm Credit Banks	4,690	-	4,690	-
Federal Agriculture Mortgage Corporation	26,564	-	26,564	-
FHLMC Discount Note	58,719	-	58,719	-
FNMA Discount Note	9,980	-	9,980	-
Municipal bonds	17,583	-	17,583	-
Money market mutual funds	116,484	116,484	-	-
Commercial paper	145,851	-	145,851	-
Total	$ 543,733	$ 116,484	$ 427,249	$ -

	Fair Value Measurements as of December 31, 2015			
	Total Amount	Level 1	Level 2	Level 3
Federal Home Loan Bank	$ 157,690	$ -	$ 157,690	$ -
Federal National Mortgage Association	10,017	-	10,017	-
Federal Home Loan Mortgage Corporation	33,329	-	33,329	-
Federal Farm Credit Banks	12,176	-	12,176	-
Federal Agriculture Mortgage Corporation	14,999	-	14,999	-
FC Discount Note	4,986	-	4,986	-
FFCB Discount Note	14,970	-	14,970	-
FHLMC Discount Note	11,296	-	11,296	-
FNMA Discount Note	38,088	-	38,088	-
U.S. treasury bills	48,365	-	48,365	-
Municipal bonds	36,964	-	36,964	-
Money market mutual funds	52,066	52,066	-	-
Commercial paper	208,216	-	208,216	-
Total	$ 643,162	$ 52,066	$ 591,096	$ -

(Continued)

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

Cash, Cash Equivalents, and Investments of the Fiduciary Activities

Cash, cash equivalents, and investments are reported in the Fiduciary Fund as follows as of December 31, 2016 and 2015 (in thousands of dollars):

	2016	**2015**
Investments, at fair value:		
Short-term investments	$ 719	$ 1,407
U.S. government agency commingled funds	-	7,976
U.S. fixed income	7,300	-
Global fixed income	3,693	-
Equity mutual funds	-	7,859
Common stock	22,275	20,591
Real estate	3,817	-
Total	$ 37,804	$ 37,833

Investment Policy: The Employee Retirement Review Committee has been appointed as the fiduciary having responsibility for administering the Qualified Supplemental Retirement Plan, including the responsibility for allocating the assets of the trust fund among the separate accounts, for monitoring the diversification of the investments of the trust fund, for determining the propriety of investments of the trust fund in foreign securities and of maintaining the custody of foreign investments abroad, for assuring that the plan does not violate any provisions of applicable law limiting the acquisition or holding of certain securities or other property, and for the appointment and removal of an investment fiduciary. The Qualified Supplemental Retirement Plan is a qualified plan that is not subject to the Public Funds Investment Act.

In March 2005 the Employee Retirement Review Committee engaged a registered investment adviser under the Investment Advisers Act of 1940. The Employee Retirement Review Committee engaged a new registered investment adviser in October 2015. The investment adviser is authorized to invest and reinvest the assets of the Qualified Supplemental Retirement Plan and keep the same invested, without distinction between principal and income, in any property, real, personal or mixed or share or part thereof, or part interest thereof, or part interest therein, wherever situated, and whether or not productive of income, including: capital, common and preferred stock, and short-term investments.

(Continued)

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

Interest Rate Risk: Interest rate risk is the risk that the fair value of the Qualified Supplemental Retirement Plan investments will decrease as a result of an increase in interest rates. The Employee Retirement Review Committee mitigates exposure to changes in interest rates by requiring that the assets of the Trust be invested in accordance with the following asset allocation guidelines as of December 31, 2016:

Asset class	Allocation
U.S. large cap equities	14.50%
U.S. mid size cap equities	12.50
U.S. small cap equities	11.00
Developed non-U.S. equities	10.00
Small non-U.S. equities	5.00
Emerging markets equities	7.00
U.S. fixed income	20.00
Global fixed income	10.00
Real estate	10.00
	100.00%

During the 2016 fiscal year, the allocation guidelines were revised. As of December 31, 2015, the assets of the Trust were required to be invested in accordance with the following asset allocation guidelines:

Asset class	Allocation
U.S. large cap equities	39.00%
U.S. mid size cap equities	14.00
U.S. small cap equities	12.00
Non-U.S. equities	10.00
U.S. fixed income	25.00
	100.00%

As of December 31, 2016, the maturities for the Plan's fixed-income investments are as follows (in thousands):

		Investment Maturities (in years)	
	Fair value	Less than 1	1 - 5
Short-term investment funds	$ 719	$ 719	$ -
U.S. fixed income	7,300	7,300	-
Global fixed income	3,693	3,693	-
Total	$ 11,712	$ 11,712	$ -

(Continued)

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

As of December 31, 2015, the maturities for the Plan's fixed-income investments are as follows (in thousands):

	Fair value	Investment Maturities (in years) Less than 1	1 - 5
Short-term investment funds	$ 1,407	$ 1,407	$ -
U.S. government agency commingled funds	7,976	7,976	-
Total	$ 9,383	$ 9,383	$ -

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

As of December 31, 2016, the Plan had the following fixed-income investments which are not rated by either Moody's or Standard and Poor's (in thousands of dollars):

	Fair value	Credit ratings Government Secured	Not Rated
Short-term investment funds	$ 719	$ -	$ 719
U.S. fixed income	7,300	-	7,300
Global fixed income	3,693	-	3,693
Total	$ 11,712	$ -	$ 11,712

As of December 31, 2015, the Plan had the following fixed-income investments which are rated by both Moody's and Standard and Poor's (in thousands of dollars):

	Fair value	Credit ratings Government Secured	Not Rated
Short-term investment funds	$ 1,407	$ -	$ 1,407
U.S. government agency commingled funds	7,976	7,976	-
Total	$ 9,383	$ 7,976	$ 1,407

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

Foreign Currency Risk: Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Plan's foreign currency risk is limited to its investments in an international equity commingled fund with a fair value of $4,222,000 as of December 31, 2015. There was no foreign currency risk as of December 31, 2016.

(Continued)

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

Fair Value: The Qualified Supplemental Plan categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs and are valued using a matrix pricing model. Level 3 inputs are significant unobservable inputs and are valued using future projected cash flows. The Qualified Supplemental Plan has the following fair value measurements as of December 31, 2016 and 2015 (in thousands of dollars).

	Fair Value Measurements as of December 31, 2016			
	Total Amount	Level 1	Level 2	Level 3
Global Fixed Income	$ 3,693	$ 3,693	$ -	$ -
Common Stock	19,389	19,375	14	-
Total investments by fair value level	$ 23,082	$ 23,068	$ 14	$ -
Investments measured at Net Asset Value				
U.S. Fixed Income	7,300			
Common Stock	2,886			
Real Estate	3,817			
Total investments	$ 37,085			

Investment in Certain Entities that Calculate Net Asset Value Per Share

CTA measures certain investments that do not have a readily determinable fair value using NAV as a practical expedient. These investments are generally structured as limited partnerships with an investment manager and are created by raising pools of capital from investors that will be invested according to one or more specific investment strategies. Investors commit capital to the fund, and as the investment manager identifies investment opportunities, the committed capital is called to purchase the investments.

The following table displays information regarding investments that use NAV per share (or equivalent) as their fair value measurement:

	Net Asset Value Practical Expedient			
	Fair Value December 31, 2016	Total Unfunded Commitments	Redemption Frequency if Currently Eligible	Redemption Notice Period
U.S. Fixed Income	$ 7,300	$ -	N/A	N/A
Common Stock	2,886	-	N/A	N/A
Real Estate	3,817	-	N/A	N/A

(Continued)

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

	Fair Value Measurements as of December 31, 2015			
	Total Amount	Level 1	Level 2	Level 3
U.S. Government Agency Commingled Funds	$ 7,976	$ 7,976	$ -	$ -
Equity Mutual Funds	7,859	7,859	-	-
Common Stock	20,591	20,591	-	-
Total	$ 36,426	$ 36,426	$ -	$ -

Securities Lending: The Qualified Supplemental Plan of the CTA participated in a domestic and international securities lending program whereby securities were loaned to investment brokers/dealers (borrower). Securities loaned were collateralized at 102% of the domestic equity and US dollar-denominated securities that can be loaned and not less than 105% of the borrowed securities if they were denominated in different currencies. The CTA loaned U.S. Equity securities at a fair value of approximately $18,684,000 as of December 31, 2015. The collateral received was in the form of cash and valued at approximately $19,223,000 as of December 31, 2015. As of December 31, 2016, the Qualified Supplemental Plan of the CTA no longer participated in the securities lending program.

Restricted Assets for Repayment of Leasing Commitments

The CTA has outstanding lease/leaseback obligations. When the CTA entered into these transactions it received advance payments. The CTA deposited a portion of the advance payment with a trustee, who was to purchase direct obligations of the U.S. government and other securities that would mature on the dates and in the amounts required to pay lease payments and the respective purchase option price. These investments are held by the trustee and are invested in U.S. Treasury strips, U.S. government obligations, or guaranteed investment contracts. Because these investments are insured by a third party and are held in U.S. Treasuries and government investment contracts they are not recorded at fair value but are recorded at amortized cost on the Statements of Net Position.

NOTE 6 - CAPITAL ASSETS

The CTA has capital grant contracts with federal, state, and regional agencies, including the U.S. Department of Transportation, Federal Transit Administration (FTA), the State of Illinois Department of Transportation (IDOT), established under the Transportation Bond Act, and the RTA. Under these contracts, the CTA has acquired rapid-transit cars, buses, and equipment and is constructing, renewing, and improving various portions of track structures and related operating facilities and systems. It is anticipated that the FTA will finance approximately 80% of the total cost of the federal projects, with the balance of the cost being financed principally by IDOT, the RTA, and CTA bonds. Commitments of approximately $342,930,000 and $299,400,000 have been entered into for federal and state (including local) capital grant contracts as of December 31, 2016 and 2015, respectively.

(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

The CTA also has additional capital grant contracts, which are 100% funded by the RTA, IDOT, FEMA, IEMA, or CTA bonds. Commitments of approximately $422,407,000 and $552,395,000 have been entered into for these state and local capital grants as of December 31, 2016 and 2015, respectively. Changes in capital assets for the year ended December 31, 2016 are as follows (in thousands of dollars):

	Balance at January 1, 2016	Increase	Decrease	Balance at December 31, 2016
Capital assets not being depreciated:				
Land	$ 120,257	$ 3,489	$ (2,389)	$ 121,357
Construction in process	635,299	430,924	(385,965)	680,258
Total capital assets not being depreciated	755,556	434,413	(388,354)	801,615
Capital assets being depreciated:				
Land improvements	36,779	309	-	37,088
Buildings	2,650,424	120,261	(12,268)	2,758,417
Transportation vehicles	3,581,282	169,439	(44,559)	3,706,162
Elevated structure track	2,335,880	50,669	(118)	2,386,431
Signal and communication	1,411,622	19,974	(8,517)	1,423,079
Other equipment	732,249	21,824	(18,210)	735,863
Total capital assets being depreciated	10,748,236	382,476	(83,672)	11,047,040
Less accumulated depreciation for:				
Land improvements	28,068	6,021	(4,053)	30,036
Buildings	1,388,663	88,392	(7,229)	1,469,826
Transportation vehicles	2,069,440	186,191	(44,558)	2,211,073
Elevated structure track	1,482,515	71,476	(118)	1,553,873
Signal and communication	962,330	48,781	(8,518)	1,002,593
Other equipment	578,413	45,178	(18,210)	605,381
Total accumulated depreciation	6,509,429	446,039	(82,686)	6,872,782
Total capital assets being depreciated, net	4,238,807	(63,563)	(986)	4,174,258
Total capital assets, net	$ 4,994,363	$ 370,850	$ (389,340)	$ 4,975,873

(Continued)

NOTE 6 - CAPITAL ASSETS (Continued)

Changes in capital assets for the year ended December 31, 2015 are as follows (in thousands of dollars):

	Balance at January 1, 2015	Increase	Decrease	Balance at December 31, 2015
Capital assets not being depreciated:				
Land	$ 115,982	$ 4,275	$ -	$ 120,257
Construction in process	760,040	621,264	(746,005)	635,299
Total capital assets not being depreciated	876,022	625,539	(746,005)	755,556
Capital assets being depreciated:				
Land improvements	34,264	2,515	-	36,779
Buildings	2,524,837	125,587	-	2,650,424
Transportation vehicles	3,345,154	374,367	(138,239)	3,581,282
Elevated structure track	2,215,927	119,953	-	2,335,880
Signal and communication	1,333,615	78,762	(755)	1,411,622
Other equipment	702,762	40,546	(11,059)	732,249
Total capital assets being depreciated	10,156,559	741,730	(150,053)	10,748,236
Less accumulated depreciation for:				
Land improvements	26,300	1,768	-	28,068
Buildings	1,285,940	102,723	-	1,388,663
Transportation vehicles	2,038,669	169,010	(138,239)	2,069,440
Elevated structure track	1,404,266	78,249	-	1,482,515
Signal and communication	908,269	54,816	(755)	962,330
Other equipment	546,003	43,469	(11,059)	578,413
Total accumulated depreciation	6,209,447	450,035	(150,053)	6,509,429
Total capital assets being depreciated, net	3,947,112	291,695	-	4,238,807
Total capital assets, net	$ 4,823,134	$ 917,234	$ (746,005)	$ 4,994,363

(Continued)

NOTE 7 - LONG-TERM OBLIGATIONS

Changes in long-term obligations for the year ended December 31, 2016 are as follows (in thousands of dollars):

	Balance at January 1, 2016	Additions	Reductions	Balance at December 31, 2016	Amount due beyond one year	Amount due within one year
Self insurance claims (note 16)	$ 283,841	$ 216,721	$ (231,295)	$ 269,267	$ 180,051	$ 89,216
Capital lease obligations:						
Capital lease obligations (note 8)	206,713	5,630	(21,732)	190,611	175,756	14,855
Premium on capital lease obligation	4,199	-	(404)	3,795	3,795	-
Unearned rev. – leasing trans. (note 8)	1,686	-	(844)	842	842	-
Total capital lease obligations	212,598	5,630	(22,980)	195,248	180,393	14,855
Bonds payable:						
Bonds payable (note 9)	4,084,585	-	(72,460)	4,012,125	3,927,480	84,645
Premium on bonds payable	94,442	-	(9,445)	84,997	84,997	-
Total bonds payable	4,179,027	-	(81,905)	4,097,122	4,012,477	84,645
Certificates of participation (note 10)	36,724	-	(6,949)	29,775	22,633	7,142
Net pension liability (note 13 & 14)	1,470,041	178,731	-	1,648,772	1,648,772	-
Net OPEB obligation (note 15)	4,637	415	-	5,052	5,052	-
Other long-term liabilities:						
Fare system purchase agreement (note 11)	85,581	-	(9,056)	76,525	67,042	9,483
Other	20	-	-	20	20	-
Total other long-term liabilities	85,601	-	(9,056)	76,545	67,062	9,483
Total	$ 6,272,469	$ 401,497	$ (352,185)	$ 6,321,781	$ 6,116,440	$ 205,341

Changes in long-term obligations for the year ended December 31, 2015 are as follows (in thousands of dollars):

	Balance at January 1, 2015	Additions	Reductions	Balance at December 31, 2015	Amount due beyond one year	Amount due within one year
Self insurance claims (note 16)	$ 280,254	$ 224,516	$ (220,929)	$ 283,841	$ 190,045	$ 93,796
Capital lease obligations:						
Capital lease obligations (note 8)	386,303	8,653	(188,243)	206,713	184,982	21,731
Premium on capital lease obligation	4,617	-	(418)	4,199	4,199	-
Unearned rev. – leasing trans. (note 8)	9,967	-	(8,281)	1,686	1,686	-
Total capital lease obligations	400,887	8,653	(196,942)	212,598	190,867	21,731
Bonds payable:						
Bonds payable (note 9)	4,177,025	176,920	(269,360)	4,084,585	4,012,125	72,460
Premium on bonds payable	85,369	21,568	(12,495)	94,442	94,442	-
Total bonds payable	4,262,394	198,488	(281,855)	4,179,027	4,106,567	72,460
Certificates of participation (note 10)	43,486	-	(6,762)	36,724	29,775	6,949
Net pension liability (note 13 & 14)	1,371,034	99,007	-	1,470,041	1,470,041	-
Net OPEB obligation (note 15)	4,213	424	-	4,637	4,637	-
Other long-term liabilities:						
Fare system purchase agreement (note 11)	94,230	-	(8,649)	85,581	76,525	9,056
Other	20	-	-	20	20	-
Total other long-term liabilities	94,250	-	(8,649)	85,601	76,545	9,056
Total	$ 6,456,518	$ 531,088	$ (715,137)	$ 6,272,469	$ 6,068,477	$ 203,992

(Continued)

NOTE 8 - CAPITAL LEASE OBLIGATIONS

Capital Lease – 2008 Bus Lease: During 2008, the CTA entered into a lease-purchase agreement to finance the purchase of 150 sixty foot New Flyer articulated hybrid buses and certain related parts and equipment with a book value of $42,130,000 and $51,810,000 at December 31, 2016 and 2015, respectively. The terms of the 2008 agreement allow CTA to lease the buses for 12 years and retain ownership at the conclusion of the lease. Lease payments are due every June 1 and December 1 of each year. During 2013, CTA terminated the 2008 agreement and entered into a 2013 lease-purchase agreement with the same term and reduced rental payments. A deferred loss on refunding of $3,207,000 was recorded at the time of the 2013 transaction. The remaining unamortized loss of $943,000 is recorded as a deferred outflow of resources. The present value of the future payments to be made by the CTA under the lease of approximately $43,865,000 is reflected in the accompanying December 31, 2016 Statements of Net Position as a capital lease obligation.

Capital Lease – Public Building Commission: In 2003, the Public Building Commission of Chicago (PBC) issued revenue bonds for the benefit of the CTA in the amount of $119,020,000. The bonds were issued to pay costs associated with the acquisition of real property and construction of a building, and facilities, including certain furniture, fixtures, and equipment. The real property, building and facilities, and all furniture, fixtures, and equipment are owned by the PBC and leased to the CTA for use as its headquarters. On October 26, 2006, the Public Building Commission of Chicago (PBC) issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91,340,000. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The principal amount of the bonds refunded was $111,120,000.

The proceeds from the sale of the 2006 bonds are being held in escrow under an escrow refunding agreement and have been invested in United States Treasury obligations. The principal amount of such obligations, together with interest earned thereon, will permit the payment of principal and interest on the refunded bonds up to an including their respective call dates. The refunded bonds are treated in the financial statements as defeased obligations. Accordingly, neither the trust account assets nor the refunded bonds appear in the accompanying financial statements. This refunding decreased annual debt service payments over 27 years by approximately $388,000, resulting in an economic gain of approximately $20,404,000. Based upon the requirements of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Accounts*, the CTA recorded a deferred amount (loss) on refunding of $2,395,000. The remaining unamortized portion of $796,000 is recorded as a deferred outflow of resources in the accompanying December 31, 2016 Statements of Net Position.

The bonds are payable from and secured by the lease entered into between the Commission and the CTA and are considered a general obligation of the CTA payable from any lawfully available funds. The bond premium related to this transaction is presented as such on the Statements of Net Position. The present value of the future payments to be made by the CTA under the lease of approximately $69,755,000 is reflected in the accompanying December 31, 2016 Statements of Net Position as a capital lease obligation.

(Continued)

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

Capital Lease – Lease and Leaseback Transactions: During 1998, the CTA entered into lease and leaseback agreements with three third party investors pertaining to certain property, railway tracks and train stations on the Green Line, with a book value of $145,922,000 and $157,183,000 at December 31, 2016 and 2015, respectively. The 1998 Agreement, which provides certain cash and tax benefits to the third parties, also provides for a trust established by the CTA to lease the rail line to an equity investor trust (the 1998 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1998 Lease). In 2008, one of the three investors chose to unwind the transaction and the corresponding agreements were terminated. On March 6, 2015, another investor chose to unwind the transaction and the corresponding agreements were terminated. The present value of the future payments to be made by the CTA under the single remaining lease and leaseback of approximately $76,991,000 is reflected in the accompanying December 31, 2016 Statements of Net Position as a capital lease obligation.

During 1997, the CTA entered into four lease and leaseback agreements (the 1997 Agreements) with a third party pertaining to certain of its facilities having a book value of $26,451,000 and $33,276,000 at December 31, 2016 and 2015, respectively. The 1997 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (the Equity Trust), which would then lease the facilities back to another trust established by the CTA under separate leases (the Leases). The CTA received certain funds as prepayment by the Equity Trust. The funds were deposited in designated investment accounts sufficient to meet the payments required under the Leases and are recorded as assets restricted for repayment of leasing commitments. The Equity Trust has a security interest in the deposits to guarantee the payments due by the CTA and may take possession of the facilities upon a default by the CTA under the Lease. No other lease payments are required until the end of each lease. On April 7, 2015, CTA exercised an option to early terminate the 1997 Agreements and therefore no capital lease obligation is reflected as of December 31, 2016 or 2015.

During 1996, the CTA entered into similar lease and leaseback agreements (the 1996 Agreements) with a third party pertaining to certain of its facilities, with a book value of $33,275,000 and $35,800,000 at December 31, 2016 and 2015, respectively. The 1996 Agreements, which provide certain cash and tax benefits to the third party, also provide for a trust established by the CTA to lease the facilities to an equity investor trust (the 1996 Equity Trust), which would then lease the facilities back to another trust established by the CTA under a separate lease (the 1996 Lease). On April 7, 2015, CTA exercised an option to early terminate the 1997 Agreements and therefore no capital lease obligation is reflected as of December 31, 2016 or 2015.

Change in Capital Lease Obligations: Changes in capital leases for the year ended December 31, 2016 are as follows (in thousands of dollars):

2016	Beginning balance	Additions*	Principal paid	Ending balance	Interest paid	Due in one year
1998 (Green) - Lease / Leaseback	$ 78,629	$ 5,630	$ (7,268)	$ 76,991	$ 5,630	$ -
2006 PBC lease	72,285	-	(2,530)	69,755	3,659	2,660
2008 Bus Lease	55,799	-	(11,934)	43,865	1,152	12,195
Total capital lease obligation	$ 206,713	$ 5,630	$ (21,732)	$ 190,611	$ 10,441	$ 14,855

* Additions include accretion of interest.

(Continued)

NOTE 8 - CAPITAL LEASE OBLIGATIONS (Continued)

Change in Capital Lease Obligations: Changes in capital leases for the year ended December 31, 2015 are as follows (in thousands of dollars):

2015	Beginning balance	Additions*	Principal paid	Ending balance	Interest paid	Due in one year
1998 (Green)	$ 136,629	$ 6,655	$ (64,655)	$ 78,629	$ 6,655	$ 7,268
1997 (Garages)	53,931	1,014	(54,945)	-	1,014	-
1996 (Skokie/Racine)	53,576	984	(54,560)	-	984	-
Total lease/leasebacks	244,136	8,653	(174,160)	78,629	8,653	7,268
2006 PBC lease	74,690	-	(2,405)	72,285	3,783	2,530
2008 Bus Lease	67,477	-	(11,678)	55,799	1,408	11,933
Total capital lease obligation	$ 386,303	$ 8,653	$ (188,243)	$ 206,713	$ 13,844	$ 21,731

* Additions include accretion of interest.

Future Minimum Lease Payments: As of December 31, 2016 future minimum lease payments for capital leases, in the aggregate, are as follows (in thousands of dollars):

2017	$ 14,855
2018	99,717
2019	15,651
2020	9,537
2021	3,225
2022 - 2026	18,850
2027 - 2031	24,505
2032 - 2033	11,750
Total minimum lease payments	198,090
Less interest	7,479
	$ 190,611

(Continued)

NOTE 9 - BONDS PAYABLE

2004 Series Capital Grant Receipts Revenue Bonds (Federal Transit Administration Section 5307 Urbanized Area Formula Funds): On October 20, 2004, the CTA issued Capital Grant Receipts Revenue Bonds, "2004 Project," in the amount of $250,000,000, along with a premium of $26,713,000, in anticipation of the receipt of grants from the federal government. The bonds were issued to provide funds to finance or reimburse the CTA for prior expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the "2004 Project." The Federal Transit Administration's section 5307 program is a formula grant program for metropolitan areas providing capital, operating or planning assistance for mass transportation.

The Series 2004 bonds bore interest ranging from 3.60% to 5.25%. Interest was payable semiannually on June 1 and December 1 and the bonds matured serially through June 1, 2016.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2010 refunded the maturities dated June 1, 2010 through June 1, 2011 of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2011 refunded the maturity dated June 1, 2016 of the 5307 Series 2004B bonds and the maturities dated June 1, 2013 and June 1, 2016 through June 1, 2020 of the 5307 Series 2006A bonds.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2016 5307 bonds refunded the maturity dated June 1, 2016 of the 5307 Series 2004B bonds and the maturities dated June 1, 2018 through June 1, 2021 of the 5307 Series 2006A bonds.

There are no bond debt service requirements as of December 31, 2016.

2006A Series Capital Grant Receipts Revenue Bonds (Federal Transit Administration Section 5307 Urbanized Area Formula Funds): On November 1, 2006, the CTA issued Capital Grant Receipts Revenue Bonds, "2006 Project," in the amount of $275,000,000, along with a premium of $19,652,000, in anticipation of the receipt of grants from the federal government. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the "2006 Project." The Federal Transit Administration's section 5307 program is a formula grant program for metropolitan areas providing capital, operating or planning assistance for mass transportation.

The Series 2006A bonds bear interest ranging from 4.0% to 5.0%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially through June 1, 2021.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2010 refunded the maturities dated June 1, 2010 through June 1, 2011 of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2011 refunded the maturity dated June 1, 2016 of the 5307 Series 2004B bonds and the maturities dated June 1, 2013 and June 1, 2016 through June 1, 2020 of the 5307 Series 2006A bonds.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2015 5307 bonds refunded the maturity dated June 1, 2016 of the 5307 Series 2004B bonds and the maturities dated June 1, 2018 through June 1, 2021 of the 5307 Series 2006A bonds.

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

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

	Principal	Interest	Total
2017	$ 24,720	$ 618	$ 25,338
Total	$ 24,720	$ 618	$ 25,338

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

The Series 2008 (5309) and 2008A (5307) bonds bear interest ranging from 3.5% to 5.25%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially through June 1, 2026.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2010 refunded the maturities dated June 1, 2010 through June 1, 2011 of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

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

	2008 (5309)		2008A (5307)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 8,085	$ 5,134	$ -	$ 5,250	$ 8,085	$ 10,384
2018	8,490	4,720	-	5,250	8,490	9,970
2019	8,910	4,274	-	5,250	8,910	9,524
2020	9,380	3,794	-	5,250	9,380	9,044
2021	9,870	3,288	-	5,250	9,870	8,538
2022	10,390	2,757	18,005	4,777	28,395	7,534
2023	10,935	2,197	18,955	3,807	29,890	6,004
2024	11,510	1,608	19,950	2,786	31,460	4,394
2025	12,115	987	20,995	1,711	33,110	2,698
2026	12,750	335	22,095	580	34,845	915
Total	$ 102,435	$ 29,094	$ 100,000	$ 39,911	$ 202,435	$ 69,005

2008A Series (5309 Fixed Guideway Modernization Program) Capital Grant Receipts Revenue Bonds: On November 20, 2008, the CTA issued Capital Grant Receipts Revenue Bonds, "2008 Project," in the amount of $175,000,000, along with a premium of $3,760,000, in anticipation of the receipt of grants from the federal government. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to a portion of the costs of capital improvements to the Transportation System referred to as the "2008 Project." The section 5309 program is a formula grant program providing capital assistance for the modernization of existing rail systems.

NOTE 9 - BONDS PAYABLE (Continued)

The Series 2008A (5309) bonds bear interest ranging from 5.0% to 6.0%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially through June 1, 2026.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2010 refunded the maturities dated June 1, 2010 through June 1, 2011 of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

The Capital Grant Receipts Revenue Bonds, Refunding Series 2015 5337 bonds refunded the maturities dated June 1, 2016, 2024 thru 2026 of the 5337 Series 2008A bonds.

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

	Principal	Interest	Total
2017	$ 9,440	$ 3,785	$ 13,225
2018	9,935	3,264	13,199
2019	10,480	2,703	13,183
2020	11,055	2,138	13,193
2021	11,610	1,572	13,182
2022	12,190	977	13,167
2023	12,800	336	13,136
Total	$ 77,510	$ 14,775	$ 92,285

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

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

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

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

The Series 2008A and 2008B bonds bear interest ranging from 5.1% to 6.9%. Scheduled interest on the 2008A and 2008B bonds will be funded through June 1, 2009 and June 1, 2010, respectively, with bond proceeds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2013 through June 1, 2040.

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

	Principal	Interest	Total
2017	$ 32,475	$ 124,099	$ 156,574
2018	34,520	122,053	156,573
2019	36,695	119,878	156,573
2020	39,010	117,566	156,576
2021	41,465	115,109	156,574
2022	44,080	112,496	156,576
2023	47,120	109,455	156,575
2024	50,370	106,205	156,575
2025	53,845	102,730	156,575
2026	57,560	99,015	156,575
2027	61,530	95,044	156,574
2028	65,775	90,799	156,574
2029	70,310	86,261	156,571
2030	75,165	81,410	156,575
2031	80,350	76,225	156,575
2032	85,895	70,681	156,576
2033	91,820	64,755	156,575
2034	98,150	58,421	156,571
2035	104,925	51,649	156,574
2036	112,165	44,411	156,576
2037	119,905	36,672	156,577
2038	128,170	28,400	156,570
2039	137,015	19,558	156,573
2040	146,470	10,105	156,575
Total	$ 1,814,785	$ 1,942,997	$ 3,757,782

<u>2010A Sales Tax Receipts Revenue Bonds and Taxable Series 2010B Sales Tax Receipts Revenue Bonds (Build America Bonds)</u>: On March 23, 2010, the CTA issued the Sales Tax Receipts Revenue Bonds, Series 2010A and Taxable Series 2010B Build America Bonds, in the amount of $550,000,000, along with a premium of $5,186,000. The bonds were issued to provide funds to finance or reimburse the CTA for expenditures relating to the purchase of new rail cars, overhaul and rehabilitation of existing rail cars, and the purchase and installation of upgrades for rail system components. The American Recovery and Reinvestment Act of 2009 created the Build America Bond (BAB) Program. This program allows state and local governments to issue taxable bonds for capital projects and to receive a federal subsidy payment from the U.S. Treasury Department for a portion of their borrowing costs.

The Series 2010A and 2010B bonds bear interest ranging from 4.0% to 6.2%. Scheduled interest on the 2010 bonds was funded through December 1, 2010 with proceeds of the 2010 bonds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on June 1, 2015 through June 1, 2040.

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

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

	2010A		2010B		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ 9,925	$ 1,521	$ -	$ 30,798	$ 9,925	$ 32,319
2018	10,415	1,034	-	30,798	10,415	31,832
2019	10,915	536	-	30,798	10,915	31,334
2020	-	-	11,510	30,798	11,510	30,798
2021	-	-	12,095	30,214	12,095	30,214
2022	-	-	12,720	29,583	12,720	29,583
2023	-	-	13,405	28,900	13,405	28,900
2024	-	-	14,135	28,167	14,135	28,167
2025	-	-	14,930	27,372	14,930	27,372
2026	-	-	15,855	26,447	15,855	26,447
2027	-	-	16,835	25,464	16,835	25,464
2028	-	-	17,880	24,420	17,880	24,420
2029	-	-	18,985	23,311	18,985	23,311
2030	-	-	20,155	22,134	20,155	22,134
2031	-	-	21,400	20,885	21,400	20,885
2032	-	-	22,725	19,558	22,725	19,558
2033	-	-	24,135	18,149	24,135	18,149
2034	-	-	31,820	16,653	31,820	16,653
2035	-	-	33,785	14,680	33,785	14,680
2036	-	-	35,875	12,585	35,875	12,585
2037	-	-	38,090	10,361	38,090	10,361
2038	-	-	40,455	7,999	40,455	7,999
2039	-	-	42,955	5,491	42,955	5,491
2040	-	-	45,610	2,828	45,610	2,828
Total	$ 31,255	$ 3,091	$ 505,355	$ 518,393	$ 536,610	$ 521,484

2010 (5307 Urbanized Area Formula Program & 5309 Fixed Guideway Modernization Program) Refunding Series Capital Grant Receipts Revenue Bonds: On May 6, 2010, the CTA issued the tax-exempt Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program and 5309 Fixed Guideway Modernization Program Funds, in the amount of $90,715,000, along with a premium of $1,876,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to provide funds to refund a portion of the outstanding 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds.

The Series 2010 bonds bear interest at 5.00%. Interest is payable semiannually on June 1 and December 1, and the bonds mature serially on June 1, 2027 and June 1, 2028.

NOTE 9 - BONDS PAYABLE (Continued)

Net proceeds of $45,778,000 were deposited into an irrevocable trust with an escrow agent to provide for 2011 debt service payments on the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds. As a result, a portion of the 5307 (Series 2004A, 2004B and 2006A) and 5309 (Series 2008 and 2008A) bonds then outstanding are considered to be defeased and the 2011 liability has been removed from the Statements of Net Position. The CTA refunded the various bonds using the proceeds from the 2010 Series bonds which increased its total debt service payments over the next 19 years by $78,528,000 and resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of $3,099,000. The defeased debt had a zero balance as of December 31, 2016 and 2015.

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

	2010 5307		2010 5309		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ -	$ 3,195	$ -	$ 1,341	$ -	$ 4,536
2018	-	3,195	-	1,341	-	4,536
2019	-	3,195	-	1,341	-	4,536
2020	-	3,195	-	1,341	-	4,536
2021	-	3,195	-	1,341	-	4,536
2022	-	3,195	-	1,341	-	4,536
2023	-	3,195	-	1,341	-	4,536
2024	-	3,195	-	1,341	-	4,536
2025	-	3,195	-	1,341	-	4,536
2026	-	3,195	-	1,341	-	4,536
2027	31,170	2,415	13,085	1,014	44,255	3,429
2028	32,725	818	13,735	343	46,460	1,161
Total	$ 63,895	$ 35,183	$ 26,820	$ 14,767	$ 90,715	$ 49,950

<u>2011 (5307 Urbanized Area Formula Program) Refunding Series Capital Grant Receipts Revenue Bonds</u>: On October 26, 2011, the CTA issued the tax-exempt Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program, in the amount of $56,525,000, along with a premium of $1,806,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to provide funds to refund a portion of the outstanding 5307 (Series 2004B and 2006A) bonds.

The Series 2011 bonds bear interest ranging from 4.5% to 5.25%. Interest is payable semiannually on June 1 and December 1, and the bonds mature serially from June 1, 2022 to June 1, 2029.

Net proceeds of $57,535,000 were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the 5307 (Series 2004B and 2006A) bonds. As a result, a portion of the 5307 (Series 2004B and 2006A) bonds then outstanding are considered to be defeased and the related liability has been removed from the Statements of Net Position. The CTA refunded the various bonds using the proceeds from the 2011 Series bonds which increased its total debt service payments over the next 18 years by $34,252,000 and resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of $9,214,000. The balance of the defeased debt was $32,255,000 and $48,470,000 as of December 31, 2016 and 2015.

NOTE 9 - BONDS PAYABLE (Continued)

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Capital Grant Receipts Revenue Bonds, Refunding Series 2011 of $6,794,000 was deferred and is being amortized over 18 years. The deferred amount ending balance for the years ended December 31, 2016 and 2015 was $4,373,000 and $4,842,000, respectively, and recorded as a deferred outflow of resources in the accompanying Statements of Net Position. Amortization of the deferred amount on the refunding was $469,000 and $468,000 for the year ended December 31, 2016 and 2015, respectively.

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

	Principal	Interest	Total
2017	$ -	$ 2,865	$ 2,865
2018	-	2,865	2,865
2019	-	2,865	2,865
2020	-	2,865	2,865
2021	-	2,865	2,865
2022	6,595	2,700	9,295
2023	6,920	2,353	9,273
2024	7,285	1,980	9,265
2025	7,665	1,594	9,259
2026	8,060	1,187	9,247
2027	-	975	975
2028	-	975	975
2029	20,000	488	20,488
Total	$ 56,525	$ 26,577	$ 83,102

2011 Sales Tax Receipts Revenue Bonds: On October 26, 2011, the CTA issued the Sales Tax Receipts Revenue Bonds, Series 2011, in the amount of $476,905,000, along with a premium of $21,392,000. The bonds were issued to pay for, or reimburse the CTA for prior expenditures relating to (i) the purchase of rail cars to replace existing cars and (ii) the finance of any other capital project designated by the CTA Board as part of the 2011 Project.

The Series 2011 bonds bear interest ranging from 5.0% to 5.25%. Scheduled interest on the 2010 bonds will be funded through December 1, 2015 with proceeds of the 2011 bonds and interest earnings thereon. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially on December 1, 2021 through December 1, 2040.

NOTE 9 - BONDS PAYABLE (Continued)

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

	Principal	Interest	Total
2017	$ -	$ 24,965	$ 24,965
2018	-	24,965	24,965
2019	-	24,965	24,965
2020	-	24,965	24,965
2021	14,090	24,965	39,055
2022	14,800	24,261	39,061
2023	15,540	23,521	39,061
2024	16,360	22,705	39,065
2025	17,220	21,846	39,066
2026	18,120	20,942	39,062
2027	19,075	19,991	39,066
2028	20,080	18,989	39,069
2029	21,135	17,935	39,070
2030	22,250	16,825	39,075
2031	23,425	15,657	39,082
2032	24,655	14,428	39,083
2033	25,950	13,133	39,083
2034	27,315	11,771	39,086
2035	28,755	10,337	39,092
2036	30,265	8,827	39,092
2037	31,860	7,238	39,098
2038	33,540	5,566	39,106
2039	35,305	3,805	39,110
2040	37,165	1,951	39,116
Total	$ 476,905	$ 404,553	$ 881,458

2014 Sales Tax Receipts Revenue Bonds: On July 10, 2014, the CTA issued Sales and Transfer Tax Receipts Revenue Bonds, Series 2014 in the amount of $550,000,000, along with a premium of $45,154,000. The bonds were issued to provide funds to finance, in whole or in part, capital projects contemplated by the Authority's Capital Plan.

The Series 2014 bonds bear interest ranging from 5.0% to 5.25%. Interest is payable semiannually on June 1 and December 1 and the bonds mature serially December 1, 2041 through December 1, 2049.

NOTE 9 - BONDS PAYABLE (Continued)

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

	Principal	Interest	Total
2017	$ -	$ 28,597	$ 28,597
2018	-	28,597	28,597
2019	-	28,597	28,597
2020	-	28,597	28,597
2021	-	28,597	28,597
2022	-	28,597	28,597
2023	-	28,597	28,597
2024	-	28,597	28,597
2025	-	28,597	28,597
2026	-	28,597	28,597
2027	-	28,597	28,597
2028	-	28,597	28,597
2029	-	28,597	28,597
2030	-	28,597	28,597
2031	-	28,597	28,597
2032	-	28,597	28,597
2033	-	28,597	28,597
2034	-	28,597	28,597
2035	-	28,597	28,597
2036	-	28,597	28,597
2037	-	28,597	28,597
2038	-	28,597	28,597
2039	-	28,597	28,597
2040	-	28,597	28,597
2041	50,180	28,597	78,777
2042	52,690	26,088	78,778
2043	55,325	23,453	78,778
2044	58,090	20,687	78,777
2045	60,995	17,783	78,778
2046	64,195	14,580	78,775
2047	67,565	11,210	78,775
2048	71,115	7,663	78,778
2049	74,845	3,929	78,774
Total	$ 555,000	$ 840,318	$ 1,395,318

Capital Grant Receipts Revenue Bonds, Refunding Series 2015: On September 16, 2015, the CTA issued Capital Grant Receipts Revenue Bonds backed by the pledge of Federal Transit Administration Section 5307 Urbanized Area Formula Program Funds and Section 5337 State of Good Repair Formula Program Funds, in the amount of $176,920,000 along with a premium of $21,569,000, in anticipation of the receipt of grants from the federal government pursuant to a full funding grant agreement. The bonds were issued to refund a portion of the outstanding 5307 (Series 2004B and 2006A) and 5337 (Series 2008A) bonds.

The Series 2015 bond bear interest at 5.00%. Interest is payable semiannually on June 1 and December 1, commencing December 1, 2015 and the bonds mature serially June 1, 2018 through June 1, 2026.

(Continued)

NOTE 9 - BONDS PAYABLE (Continued)

The remaining net proceeds of $197,159,000 were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the 5307 (Series 2004B and 2006A) and 5337 (Series 2008A) bonds. As a result, a portion of the 5307 (Series 2004B and 2006A) and 5337 (Series 2008A) bonds then outstanding are considered to be defeased and the related liability has been removed from the Statements of Net Position. The CTA refunded the various bonds using the proceeds from the 2015 Series bonds which reduced its total debt service payments over the next 10 years by $10,043,000 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $9,856,000. The defeased debt had a balance of $180,680,000 as of December 31, 2016 and 2015.

The difference between the reacquisition price and the net carrying amount of the bonds refunded by the Capital Grant Receipts Revenue Bonds, Refunding Series 2015 of $12,281,000 was deferred and is being amortized over the next 10 years. The deferred amount ending balance for the years ended December 31, 2016 and 2015 was $9,475,000 and $11,579,000, respectively. Amortization of the deferred amount on the refunding was $2,104,000 and $702,000 for the year ended December 31, 2016 and 2015, respectively.

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

	2015 (5307)		2015 (5337)		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	$ -	$ 6,564	$ -	$ 2,283	$ -	$ 8,847
2018	27,000	5,889	290	2,275	27,290	8,164
2019	31,275	4,432	305	2,260	31,580	6,692
2020	31,585	2,860	320	2,245	31,905	5,105
2021	41,410	1,035	335	2,228	41,745	3,263
2022	-	-	350	2,211	350	2,211
2023	-	-	370	2,193	370	2,193
2024	-	-	13,855	1,838	13,855	1,838
2025	-	-	14,550	1,128	14,550	1,128
2026	-	-	15,275	382	15,275	382
Total	$ 131,270	$ 20,780	$ 45,650	$ 19,043	$ 176,920	$ 39,823

NOTE 9 - BONDS PAYABLE (Continued)

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

	Principal	Interest	Total
2017	$ 84,645	$ 241,015	$ 325,660
2018	90,650	236,246	326,896
2019	98,580	231,094	329,674
2020	102,860	225,614	328,474
2021	130,875	219,659	350,534
2022 - 2026	669,675	989,734	1,659,409
2027 - 2031	665,065	785,363	1,450,428
2032 - 2036	778,235	573,023	1,351,258
2037 - 2041	886,720	282,959	1,169,679
2042 - 2046	291,295	102,591	393,886
2047 - 2049	213,525	22,802	236,327
Total	$ 4,012,125	$ 3,910,100	$ 7,922,225

NOTE 10 - CERTIFICATES OF PARTICIPATION

In August 2008, Certificates of Participation (COP) totaling $78,430,000 were issued on behalf of the CTA. The COPs were used to finance the purchase of 200 (40 ft.) New Flyer low floor buses and certain related parts and equipment. On August 1, 2008, the CTA entered into an installment purchase agreement. The obligation of the CTA to make installment payments is an unconditional obligation of the CTA and is payable from legally available funds. The installment agreement requires the CTA to make annual COP payments which are remitted to the COP holders. Scheduled maturity dates occur at various times through December 1, 2020. During 2013, CTA terminated the original 2008 agreement and entered into three new agreements with the same terms and reduced interest rates. The total principal and interest remaining to be paid on the COPs as of December 31, 2016, is $31,646,000. Principal and interest paid in 2016 was approximately $7,912,000.

As of December 31, 2016, debt service requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2017	$ 7,142	$ 770	$ 7,912
2018	7,339	572	7,911
2019	7,543	369	7,912
2020	7,751	160	7,911
Total	$ 29,775	$ 1,871	$ 31,646

(Continued)

NOTE 11 – FARE COLLECTION SYSTEM PURCHASE AGREEMENT

CTA entered into a purchase agreement to finance a fare collection system with a value of $102,900,000. Under the purchase agreement, the CTA will make monthly payments of approximately $1,067,600 over the ten year term to finance the design, acquisition and installation of the open standards fare system. The present value of the future payments to be made by the CTA under the purchase agreement of approximately $76,525,000 is reflected in the accompanying December 31, 2016 Statements of Net Position as an other long term liability.

The purchase agreement requirements to maturity are as follows (in thousands of dollars):

	Principal	Interest	Total
2017	$ 9,483	$ 3,328	$ 12,811
2018	9,929	2,882	12,811
2019	10,397	2,414	12,811
2020	10,886	1,925	12,811
2021	11,398	1,413	12,811
2022 - 2023	24,432	1,190	25,622
	$ 76,525	$ 13,152	$ 89,677

NOTE 12 – TIFIA LOANS

2014 TIFIA Loan

On April 24, 2014, CTA entered into a definitive loan agreement with the United States Department of Transportation (USDOT), an agency of the United States of America, acting by and through the Federal Highway Administrator under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program to finance certain projects that are a part of the Authority's 95th Street Terminal Improvement Project.

The principal amount of the TIFIA Loan shall not exceed $79,200,000; provided, the maximum principal amount of the TIFIA loan disbursed by the USDOT, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under TIFIA, cannot exceed thirty-three percent (33%) of reasonably anticipated eligible project costs. Further, total federal funding, inclusive of the TIFIA loans and all federal direct or indirect grants, cannot exceed eighty percent (80%) of reasonably anticipated eligible project costs.

As evidence of CTA's obligation to repay the TIFIA Loan, CTA has issued to the lender a registered fare box receipts revenue bonds in the amount of $79,200,000 million dated April 24, 2014 with a maturity date of December 1, 2050 bearing an interest rate of 3.5%, with a loan amortization schedule.

2015 TIFIA Loan

On February 3, 2015, CTA entered into a definitive loan agreement with the United States Department of Transportation (USDOT), an agency of the United States of America, acting by and through the Federal Highway Administrator under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program to finance certain projects that are a part of the Authority's "Your New Blue" capital improvement program.

(Continued)

NOTE 12 – TIFIA LOANS (Continued)

The principal amount of the TIFIA Loan shall not exceed $120,000,000; provided, the maximum principal amount of the TIFIA loan disbursed by the USDOT, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under TIFIA, cannot exceed thirty-three percent (33%) of reasonably anticipated eligible project costs. Further, total federal funding, inclusive of the TIFIA loans and all federal direct or indirect grants, cannot exceed eighty percent (80%) of reasonably anticipated eligible project costs.

As evidence of CTA's obligation to repay the TIFIA Loan, CTA has issued to the lender two fare box receipts revenue bonds in the amounts of $42,600,000 million with a maturity date of December 1, 2029, bearing an interest rate of 2.02%, and $77,400,000 million with a maturity date of December 1, 2052, bearing an interest rate of 2.31%.

<u>2016 TIFIA Loan</u>

On March 30, 2016, CTA entered into a third definitive loan agreement with the United States Department of Transportation (USDOT), an agency of the United States of America, acting by and through the Federal Highway Administration under the Transportation Infrastructure Finance and Innovation Act (TIFIA) loan program to finance certain projects that are part of the Authority's Rail Car Purchase Program.

The aggregate principal amount of the loan shall not exceed $254,930,000, (excluding any interest that is capitalized in accordance with the terms of the loan); provided, however, in no event shall the maximum principal amount of the TIFIA loan disbursed by the USDOT, together with the amount (excluding any interest that is capitalized) of any other credit assistance provided under TIFIA Act, cannot exceed thirty-three percent (33%) of reasonable anticipated eligible project costs. Further, total federal funding, inclusive of the TIFIA loan and all federal direct or indirect grants, shall not exceed eighty percent (80%) of reasonably eligible project costs.

As evidence of CTA's obligation to repay the TIFIA Loan, CTA has issued to the lender registered receipts revenue bonds in the aggregate principal amount not to exceed $254,930,000, comprising two (2) tranches in the principal amounts of $147,018,000 ("Tranche A-1") and $107,912,000 ("Tranche A-2") and bearing an interest rate of 2.64%, with corresponding loan amortization schedules for each tranche. The final maturity date for the Tranche A-1 is December 1, 2049 and the earlier of (a) the last semi-annual payment date occurring no later than thirty-four (34) years from the substantial completion date and (b) December 1, 2056.

As of December 31, 2016 no drawdowns had occurred on the TIFIA loans. No balance is presented on the Statements of Net Position as of December 31, 2016 or 2015.

NOTE 13 – EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES

GASB Statements No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and No.71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

NOTE 13 – EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

General Information about the Retirement Plan for Chicago Transit Authority Employees

Plan Description. The CTA participates in a single employer defined benefit pension plan covering substantially all full-time permanent union and non-union employees. The Retirement Plan for Chicago Transit Authority Employees (the Employees' Plan) is governed by Illinois state statute (40 ILCS 5/22-101). Substantially all non-temporary, full-time employees who have completed one year of continuous service ("Service") participate in the Employees' Plan. The Employees' Plan issues a separate stand-alone financial report which is available at http://www.ctaretirement.org/index.asp.

Contributions. Prior to 2008, contribution requirements of the Employees' Plan were governed by collective bargaining agreements. After 2008, contribution requirements are governed by Illinois state statute (40 ILCS 5/22-101).

Actual contributions made to the Employees' Plan during the years ended December 31, 2016 and 2015 are as follows (in thousands of dollars):

	Employees' Plan	
	2016	**2015**
Employer contributions	$ 83,855	$ 82,800
Employee contributions	59,253	58,993
Total	$ 143,108	$ 141,793

Benefit terms. Substantially all non-temporary, full-time employees who have completed one year of continuous service ("Service") participate in the Employee Plan. Employees are entitled to annual pension benefits upon normal retirement at age 65, in an amount generally based on a percentage, not to exceed 70%, of their average annual compensation in the highest four of the 10 preceding years. For employees retiring on or after January 1, 2001, the percentage is 2.15% multiplied by the employee's number of continuous years of participating service. The Employee Plan permits early retirement at age 55 with three years of service, generally with reduced benefits. However, in the event of early retirement by an employee who has 25 years or more of continuous service, regardless of their age, benefits will not be reduced. In accordance with Public Act 095-0708, for all employees hired on or after January 18, 2008, eligibility for an unreduced pension benefit has changed to age 64 with 25 years of service and early retirement is age 55 with 10 years of service. Benefits are paid monthly equal to one-twelfth of the annual benefit for the retiree's lifetime. Married employees can elect to receive their pension benefits in the form of a joint and survivor option. In addition to retirement benefits, the Employee Plan also provides disability and death benefits.

NOTE 13 – EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Employees covered by the benefit terms. The following participants were covered by the benefit terms as of January 1, 2015 and January 1, 2014:

	Employees' Plan
Participants as of January 1, 2015	
Retirees and beneficiaries currently receiving benefits	9,890
Terminated employees entitled to but not yet receiving benefits	103
Active plan members	8,251
Total	18,244
Participants as of January 1, 2014	
Retirees and beneficiaries currently receiving benefits	9,693
Terminated employees entitled to but not yet receiving benefits	95
Active plan members	8,186
Total	17,974

Net Pension Liability

The CTA's net pension liability was measured as of December 31, 2015 and 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2015 and 2014.

NOTE 13 – EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Actuarial assumptions and calculations. The total pension liability was determined using the following actuarial assumptions, applied to the periods included in the measurement:

	Employee Plan
2016 Actuarial Valuation	
Acturial valuation date	January 1, 2015
Measurement date	December 31, 2015. Census data was collected as of January 1, 2015. Liabilities measured as of the census date were projected to December 31, 2015, assuming no demographic gains or losses.
Investment return	8.25% per annum, compounded annually, including inflation, net of expenses
Inflation	3.25% per annum
Salary increases	Service graded table starting at 9% with 4% ultimate rate after 5 years of service
Future ad hoc benefit increases	None assumed
Mortality	RP-2000 Blue Collar Table, generational to 2016 based on Scale BB and then fully generational.
Early retirement age	55
Normal retirement age	65
Actuarial cost method	Entry Age Normal - Level Percentage of Pay
Experience study	The actuarial assumptions used were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2013.
2015 Actuarial Valuation	
Acturial valuation date	January 1, 2014
Measurement date	December 31, 2014. Census data was collected as of January 1, 2014. Liabilities measured as of the census date were projected to December 31, 2014, assuming no demographic gains or losses.
Investment return	8.25% per annum, compounded annually, including inflation, net of expenses
Inflation	3.25% per annum
Salary increases	Service graded table starting at 9% with 4% ultimate rate after 5 years of service
Future ad hoc benefit increases	None assumed
Mortality	RP-2000 Blue Collar Table, generational to 2016 based on Scale BB and then fully generational.
Early retirement age	55
Normal retirement age	65
Actuarial cost method	Entry Age Normal - Level Percentage of Pay
Experience study	The actuarial assumptions used were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2013.

NOTE 13 – EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Employees' Plan target asset allocation as of January 1, 2016 and 2015 are summarized in the following tables (note that the rates shown below include the inflation components):

	Employees' Plan		
		2016	2015
	Target Allocation	Estimate of expected long-term rate of return	Estimate of expected long-term rate of return
Fixed income	17%	1.45%	1.23%
Domestic equities	28	9.27	9.27
International equities	21	8.62	8.66
Venture capital and partnerships	10	12.40	12.41
Real estate	12	6.91	6.83
Hedge funds	7	4.68	4.72
Infrastructure	5	6.61	6.61

The long-term expected rate of returns on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of returns by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rate used to measure the total pension liability was 8.25% for both 2016 and 2015. The projection of cash flows used to determine the discount rate assumed that Employees' Plan members and employer contributions will continue to follow the current funding policy. Based on those assumptions, the Employees' Plan fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

NOTE 13 – EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Changes in Net Pension Liability (in thousands of dollars):

	Employees' Plan Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/13	$ 3,220,533	$ 1,892,715	$ 1,327,818
Change for the year:			
Service cost	49,066	-	49,066
Interest	259,593	-	259,593
Benefit payments	(246,038)	(246,038)	-
Contributions - Employer	-	82,268	(82,268)
Contributions - Employee	-	58,566	(58,566)
Net investment income, net of expenses	-	71,524	(71,524)
Administrative expenses	-	(3,123)	3,123
Net changes	62,621	(36,803)	99,424
Balance at 12/31/14	3,283,154	1,855,912	1,427,242
Change for the year:			
Service cost	51,358	-	51,358
Interest	264,579	-	264,579
Difference between expected and actual experience	13,082	-	13,082
Benefit payments	(260,142)	(260,142)	-
Contributions - Employer	-	82,800	(82,800)
Contributions - Employee	-	58,993	(58,993)
Net investment income, net of expenses	-	8,230	(8,230)
Administrative expenses	-	(2,577)	2,577
Net changes	68,877	(112,696)	181,573
Balance at 12/31/15	$ 3,352,031	$ 1,743,216	$ 1,608,815

Plan fiduciary net position as a percentage of the total net pension liability - 2016	52.00%
Plan fiduciary net position as a percentage of the total net pension liability - 2015	56.53%

*Sensitivity of the net pension liability to changes in discount rate***.** The following presents the net pension liability of the Employees' Plan, calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.25%) or 1-percentage-point higher (9.25%) than the current rate (in thousands of dollars):

	Employees' Plan		
	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
Employees' Plan net pension liability - 2016	$ 1,937,759	$ 1,608,815	$ 1,327,140
Employees' Plan net pension liability - 2015	1,752,257	1,427,242	1,149,201

(Continued)

NOTE 13 – EMPLOYEES' RETIREMENT PLAN PENSION DISCLOSURES (Continued)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued CTA Employees' Retirement Plan financial report.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the years ended December 31, 2016 and 2015, CTA recognized pension expense of $158,221,000 and $117,567,000, respectively. At December 31, 2016 and 2015, CTA reported deferred outflows of resources related to pensions from the following sources:

	Employee Plan			
	2016		2015	
	Deferred Outflow of Resources (in thousands)		Deferred Outflow of Resources (in thousands)	
Difference between projected and actual earnings on pension plan	$	160,088	$	64,125
Difference between expected and actual experience		10,188		-
Employer contribution made after measurement date		83,855		82,795
Balance as of 12/31/16	$	254,131	$	146,920

CTA reported $83,855,000 and $82,795,000 as a deferred outflows of resources related to pensions resulting from contributions paid subsequent to the measurement date and will be recognized as a reduction of the net pension liability for the years ended December 31, 2017 and 2016, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows:

	Employees' Plan			
Year Ended December 31:	2016 Amortization per year (in thousands)		2015 Amortization per year (in thousands)	
2016	$	-	$	16,031
2017		46,924		16,031
2018		46,924		16,031
2019		46,924		16,032
2020		29,504		-
Total Amortization	$	170,276	$	64,125

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES

GASB Statements No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and No.71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*

General Information about the Supplemental Plans

Plan Description. The CTA also maintains separate single-employer, defined benefit pension plans for selected individuals. The supplemental retirement plans provide benefits to employees of the CTA in certain employment classifications. The supplemental retirement plans consist of the: (1) closed board member plan (Board) (2) closed (Non-Qualified) supplemental plan for members that retired or terminated employment before March 2005, including early retirement incentive, and (3) closed (Qualified) supplemental plan for active employees and members retiring after March 2005. All plans are closed to new entrants. CTA received qualification under Section 401(a) of the Internal Revenue Code for the supplemental plan and established a qualified trust during 2005 for members retiring after March 2005 (Qualified Supplemental Retirement Plan). The Qualified Supplemental Retirement Plan is reported in a fiduciary fund, whereas the activities for the Non-Qualified and Board plans are included in the financial statements of the CTA's business-type activities. There are no separate stand-alone financial reports issued for any of the Supplemental Plans.

Each of the Supplemental plans are administered by the Employee Retirement Review Committee (EERC) of the CTA, whose members are appointed by the Board of Directors of the CTA, which retains oversight of the plan administration. The plans are each established by CTA ordinances, which grant the EERC operational authority and can be modified by the CTA Board.

Contributions. The Board and Non-Qualified plans are administered on a pay as you go basis. The CTA contributes to the Qualified plan based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability.

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

The CTA's annual pension cost for the current year and related information for fiscal years ended December 31, 2016 and 2015 for each plan are as follows (in thousands of dollars):

	Qualified Supplemental	Non-Qualified Supplemental	Board Plan
Actual 2016 contributions:			
CTA	$1,380	$2,617	$327
Plan members	$8	$0	$8
Actual 2015 contributions:			
CTA	$1,164	$2,683	$328
Plan members	$34	$0	$10

Benefit terms.

Qualified and Non-Qualified Plans: Employees of the CTA in certain employment classifications established by Board ordinance are eligible to participate based on age and service credit, generally as follows: at age 65, at age 55 with three years of pensionable service or with twenty five years of pensionable service. Disability and death benefits are provided to employees.

Benefits are based on the highest average annual compensation ("AAC") over any four calendar years out of the final ten years prior to retirement. For normal retirement and disability retirees, the benefit is the lessor of 1% of AAC per year of service or the excess of 75% of AAC over the benefit payable under the Retirement Plan for CTA Employees. For early retirees, the benefit is the lessor of 1% of AAC per year of service or the excess of 75% of AAC multiplied by the ratio of service completed at early retirement to service projected to age 65 over the benefit payable under the Retirement Plan for CTA Employees, with this benefit commencing at age 65. Benefits can commence prior to age 65 under certain conditions, generally as follows: any time after age 55 with a 5% reduction for each year under age 65 or with twenty five years of service with no reduction. A minimum benefit is payable to an employee under normal, early or disability retirement equal to one-sixth of 1% of AAC multiplied by years of service limited to a maximum of 5% of AAC, with the minimum benefit commencing at early retirement. Termination benefits available to employees who complete ten years of service are as follows: the lessor of 1% of AAC per year of service or the excess of 75% of AAC over the benefit payable under the Retirement Plan for CTA Employees, with the benefit commencing at age 65.

Qualified and Non-Qualified participants who retire on or after February 1, 1984 may receive credit for service with certain other governmental agencies, if satisfying certain conditions and making required application and contributions. In addition to the increased supplemental benefits attributable to such "bridged" service, the Supplemental Plan is responsible for paying any additional benefits that the employees would be eligible for under the Retirement Plan for CTA Employees had they received this additional bridged service under both plans.

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Board Plan: Individuals appointed to the Chicago Transit Board are eligible to participate based on age and service credit, generally as follows: at age 65 with completion of two years of service or at age 50 with completion of five years of service.

Benefits are based, generally, on provisions of the Retirement Plan for CTA Employees and the Supplemental Plan, to provide benefits to members of the Board comparable to what they would receive if employees of the CTA participating in those plans – with certain additional conditions and provisions, including specified minimum benefits, intended to take into account the anticipated periods of service by individuals as members of the Board.

Participants in the Board Plan may receive credit for service with certain other governmental agencies, if satisfying certain conditions and making required application and contributions – generally on terms similar to those applying to Qualified and Non-Qualified Plan participants receiving credit for bridged service.

Employees covered by the benefit terms. The following participants were covered by the benefit terms as of January 1, 2017 and January 1, 2016:

	Qualified	Non-Qualified	Board	Total
Participants as of January 1, 2017				
Retirees and beneficiaries currently receiving benefits	125	354	19	498
Terminated employees entitled to but not yet receiving benefits	11	8	4	23
Active plan members	9	-	2	11
Total	145	362	25	532
Participants as of January 1, 2016				
Retirees and beneficiaries currently receiving benefits	123	358	20	501
Terminated employees entitled to but not yet receiving benefits	12	9	4	25
Active plan members	9	-	2	11
Total	144	367	26	537

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Net Pension Liabilities

Actuarial assumptions and calculations. The total pension liabilities in the December 31, 2016 and 2015 actuarial valuation were determined using the following actuarial assumptions, applied to the periods included in the measurement:

2016 Actuarial Assumptions	
Acturial valuation date	December 31, 2016
Measurement date	December 31, 2016
Investment return	
Qualified	7.00% per year
Non-Qualified and Board	3.78%
Inflation	2.50%
Salary increases	3.50% per year
Future ad hoc benefit increases	0.00% per year
Mortality	RP-2000 Mortality projected to 2016 based on Scale AA
Early retirement age	
Qualified and Non-Qualified	55 with completion of three years of pensionable service. For employees hired before January 1, 2000, with 25 years of service, there is no age requirement.
Normal retirement age	
Qualified and Non-Qualified	65 with completion of three years of service
Board	65 with completion of two years of service or age 50 with completion of five years of service
Actuarial cost method	Entry Age Normal
2015 Actuarial Assumptions	
Acturial valuation date	December 31, 2015
Measurement date	December 31, 2015
Investment return	
Qualified	7.00% per year
Non-Qualified and Board	3.57%
Inflation	2.50%
Salary increases	3.50% per year
Future ad hoc benefit increases	0.00% per year
Mortality	RP-2000 Mortality projected to 2015 based on Scale AA
Early retirement age	
Qualified and Non-Qualified	55 with completion of three years of pensionable service. For employees hired before January 1, 2000, with 25 years of service, there is no age requirement.
Normal retirement age	
Qualified and Non-Qualified	65 with completion of three years of service
Board	65 with completion of two years of service or age 50 with completion of five years of service
Actuarial cost method	Entry Age Normal

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Best estimates of arithmetic real rates of return for each major asset class included in the Supplemental Plans target asset allocation as of December 31, 2016 and 2015 are summarized in the following tables (note that the rates shown below include the inflation components):

	2016 Target Allocation	2016 Estimate of expected long-term rate of return	2015 Target Allocation	2015 Estimate of expected long-term rate of return
U.S. Large Size Company Equities	14.5%	7.1%	39.0%	7.1%
U.S. Mid Size Company Equities	12.5%	7.4%	14.0%	7.2%
U.S. Small Size Company Equities	11.0%	8.1%	12.0%	8.0%
Developed Non-U.S. Size Company Equities	10.0%	7.4%	0.0%	0.0%
Small Non-U.S. Size Company Equities	5.0%	8.1%	0.0%	0.0%
Emerging Markets Company Equities	7.0%	8.2%	0.0%	0.0%
Non-U.S. Equities	0.0%	0.0%	10.0%	8.2%
Total Equities	60.0%		75.0%	
U.S. Fixed Income	20.0%	3.0%	25.0%	2.6%
Global Fixed Income	10.0%	1.7%	0.0%	0.0%
Total Fixed Income	30.0%		25.0%	
Real Estate	10.0%	7.7%	0.0%	0.0%
Total Real Estate	10.0%		0.0%	
Total Assets	100.0%		100.0%	

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Discount rate. The discount rates used to measure the total pension liabilities in 2016 were 7.00% for the Qualified and 3.78% for the Non-Qualified and Board. The Non-Qualified and Board discount rate of 3.78% is a change from 3.57% that was used to measure the total pension liabilities as of December 31, 2015. The projection of cash flows used to determine the discount rate assumed that the System's contributions will continue to follow the current funding policy. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

The discount rates used to measure the total pension liabilities in 2015 were 7.00% for the Qualified and 3.57% for the Non-Qualified and Board. The projection of cash flows used to determine the discount rate assumed that the System's contributions will continue to follow the current funding policy. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Qualified			
Balance as of 12/31/14	$ 52,118	$ 42,046	$ 10,072
Change for the year:			
Service cost	52	-	52
Interest	3,488	-	3,488
Differences between expected and actual experience	(2,145)	-	(2,145)
Changes in assumptions	67	-	67
Benefit payments	(4,245)	(4,245)	-
Contributions - Employer	-	1,164	(1,164)
Contributions - Employee	-	34	(34)
Net investment income, net of expenses	-	(878)	878
Administrative expenses	-	(246)	246
Net changes	(2,783)	(4,171)	1,388
Balance as of 12/31/15	$ 49,335	$ 37,875	$ 11,460
Change for the year:			
Service cost	56	-	56
Interest	3,296	-	3,296
Differences between expected and actual experience	(611)	-	(611)
Changes in assumptions	71	-	71
Benefit payments	(4,143)	(4,143)	-
Refunds of member contributions	-	(17)	17
Contributions - Employer	-	1,380	(1,380)
Contributions - Employee	-	8	(8)
Net investment income, net of expenses	-	2,942	(2,942)
Administrative expenses	-	(240)	240
Net changes	(1,331)	(70)	(1,261)
Balance as of 12/31/16	$ 48,004	$ 37,805	$ 10,199

Plan fiduciary net position as a percentage of the total pension liability - 2016	78.75%
Plan fiduciary net position as a percentage of the total pension liability - 2015	76.77%

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Non-Qualified			
Balance as of 12/31/14	$ 28,105	$ -	$ 28,105
Change for the year:			
Service cost	-	-	-
Interest	949	-	949
Differences between expected and actual experience	498	-	498
Changes in assumptions	57	-	57
Benefit payments	(2,683)	(2,683)	-
Contributions - Employer	-	2,683	(2,683)
Contributions - Employee	-	-	-
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	(1,179)	-	(1,179)
Balance as of 12/31/15	$ 26,926	$ -	$ 26,926
Change for the year:			
Service cost	-	-	-
Interest	911	-	911
Differences between expected and actual experience	369	-	369
Changes in assumptions	(315)	-	(315)
Benefit payments	(2,617)	(2,617)	-
Contributions - Employer	-	2,617	(2,617)
Contributions - Employee	-	-	-
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	(1,652)	-	(1,652)
Balance as of 12/31/16	$ 25,274	$ -	$ 25,274

Plan fiduciary net position as a percentage of the total pension liability - 2016	0.00%
Plan fiduciary net position as a percentage of the total pension liability - 2015	0.00%

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Board			
Balance as of 12/31/14	$ 5,128	$ 88	$ 5,040
Change for the year:			
Service cost	46	-	46
Interest	176	-	176
Differences between expected and actual experience	(514)	-	(514)
Changes in assumptions	3	-	3
Benefit payments	(358)	(358)	-
Contributions - Employer	-	328	(328)
Contributions - Employee	-	10	(10)
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	(647)	(20)	(627)
Balance as of 12/31/15	$ 4,481	$ 68	$ 4,413
Change for the year:			
Service cost	33	-	33
Interest	153	-	153
Differences between expected and actual experience	310	-	310
Changes in assumptions	(90)	-	(90)
Benefit payments	(326)	(326)	-
Contributions - Employer	-	327	(327)
Contributions - Employee	-	8	(8)
Net investment income, net of expenses	-	-	-
Administrative expenses	-	-	-
Net changes	80	9	71
Balance as of 12/31/16	$ 4,561	$ 77	$ 4,484

Plan fiduciary net position as a percentage of the total pension liability - 2016	1.69%
Plan fiduciary net position as a percentage of the total pension liability - 2015	1.52%

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Changes in Net Pension Liabilities (in thousands of dollars):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Total			
Balance as of 12/31/14	$ 85,351	$ 42,134	$ 43,217
Change for the year:			
Service cost	98	-	98
Interest	4,613	-	4,613
Differences between expected and actual experience	(2,161)	-	(2,161)
Changes in assumptions	127	-	127
Benefit payments	(7,286)	(7,286)	-
Contributions - Employer	-	4,175	(4,175)
Contributions - Employee	-	44	(44)
Net investment income, net of expenses	-	(878)	878
Administrative expenses	-	(246)	246
Net changes	(4,609)	(4,191)	(418)
Balance as of 12/31/15	$ 80,742	$ 37,943	$ 42,799
Change for the year:			
Service cost	89	-	89
Interest	4,360	-	4,360
Differences between expected and actual experience	68	-	68
Changes in assumptions	(334)	-	(334)
Benefit payments	(7,086)	(7,086)	-
Refunds of member contributions		(17)	17
Contributions - Employer	-	4,324	(4,324)
Contributions - Employee	-	16	(16)
Net investment income, net of expenses	-	2,942	(2,942)
Administrative expenses	-	(240)	240
Net changes	(2,903)	(61)	(2,842)
Balance as of 12/31/16	$ 77,839	$ 37,882	$ 39,957

Plan fiduciary net position as a percentage of the total pension liability - 2016	48.67%
Plan fiduciary net position as a percentage of the total pension liability - 2015	46.99%

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

Sensitivity of the net pension liability to changes in discount rate. The following presents the net pension liability of the Qualified, Non-qualified, and Board plans, calculated using the discount rates disclosed above for each plan, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate (in thousands of dollars):

Plan	1% Decrease	Current Discount Rate	1% Increase
Qualified Discount Rate			
Qualified Plan - 2016 - 7.00%	$ 14,661	$ 10,199	$ 6,381
Qualified Plan - 2015 - 7.00%	15,973	11,460	7,599
Non-Qualified Discount Rate			
Non-Qualified Plan - 2016 - 3.78%	$ 27,247	$ 25,274	$ 23,549
Non-Qualified Plan - 2015 - 3.57%	29,138	26,926	25,001
Board Discount Rate			
Board Plan - 2016 - 3.78%	$ 4,991	$ 4,484	$ 4,062
Board Plan - 2015 - 3.57%	4,948	4,413	3,970

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

For the years ended December 31, 2016 and 2015, CTA recognized pension expense and reported deferred outflows and inflows of resources related to pensions from the following sources (in thousands of dollars):

	December 31, 2016		
	Qualified	Non-Qualified	Board
Pension expense	$ 1,172	$ 965	$ 294
Deferred Outflows of Resources			
Difference between projected and actual earnings on pension plan:	$ 2,229	$ -	$ -
Deferred Inflows of Resources			
Difference between projected and actual earnings on pension plan:	$ (310)	$ -	$ -
Total Deferred Outflows (Inflows)	$ 1,919	$ -	$ -

(Continued)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

	December 31, 2015		
	Qualified	Non-Qualified	Board
Pension expense	$ (420)	$ 1,505	$ (194)
Deferred Outflows of Resources			
Difference between projected and actual earnings on pension plan:	$ 2,971	$ -	$ -
Assumption changes:	-	-	1
Balance as of 12/31/15	$ 2,971	$ -	$ 1
Deferred Inflows of Resources			
Difference between expected and actual non-investment experience	$ -	$ -	$ (105)
Total Deferred Outflows (Inflows)	$ 2,971	$ -	$ (104)

CTA did not report a deferred outflow of resources related to pensions resulting from contributions paid subsequent to the measurement dates for any Supplemental Plan for December 31, 2016 and 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the pension expense as follows for December 31, 2016 and 2015:

	December 31, 2016		
Year Ended December 31:	**Qualified**	**Non-Qualified**	**Board**
2017	$ 665	$ -	$ -
2018	665	-	-
2019	666	-	-
2020	(77)	-	-
Total Amortization	$ 1,919	$ -	$ -

	December 31, 2015		
Year Ended December 31:	**Qualified**	**Non-Qualified**	**Board**
2016	$ 743	$ -	$ (104)
2017	743	-	-
2018	743	-	-
2019	742	-	-
Total Amortization	$ 2,971	$ -	$ (104)

NOTE 14 – SUPPLEMENTAL PLANS PENSION DISCLOSURES (Continued)

GASB Statements No. 67 *Financial Reporting for Pensions Plans—an amendment of GASB Statement No. 25*

Investments. The Board and Non-Qualified plans are administered on a pay as you go basis. The Non-Qualified plan does not have any associated assets. The Board plan has a limited reserve held in cash or cash equivalents, which is not actively managed or associated with an investment policy. The Qualified plan's investment policy is established and may be amended by the CTA's Employment Retirement Review Committee. The primary objective of the policy is to provide a documented structure for the implementation of investment strategies which suggests the highest probability of maximizing the level of investment return within acceptable parameters for the total Fund's volatility and risk.

For the years ended December 31, 2016 and 2015, the annual money-weighted rate of return on Qualified plan assets, net of pension plan investment expense, was 7.4% and -2.7%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of December 31, 2016 and 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

	12/31/2016	12/31/2015
Inflation	2.50% per year	2.50% per year
Salary increases	3.50% per year	3.50% per year
Investment rate of return (Discount rate)		
Qualified Plan	7.00% per year	7.00% per year
Non-Qualified and Board Plan	3.78% per year	3.57% per year

Mortality rates were based on the RP-2000 Mortality projected to 2016 and 2015 based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2016 and 2015 (see the discussion of the pension plan's investment policy). The 3.78% and 3.57% rates used for the Non-qualified and Board plans represents the 20-year municipal bond rate as of December 31, 2016 and 2015, respectively. The 7.00% rate used for the Qualified plan relates to fixed income government securities.

(Continued)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS

Plan Descriptions – Other Postemployment Benefits (OPEB)

Employees' Plan – Retiree Healthcare Benefits: In accordance with Public Act 95-708, all retiree healthcare benefits are to be paid from the Retiree Health Care Trust (RHCT), a single employer defined benefit plan. The RHCT was established in May 2008 and began paying for all retiree healthcare benefits in February 2009. For financial reporting purposes, the postemployment healthcare benefits are considered, in substance, a postemployment healthcare plan administered by the RHCT. Members are eligible for health benefits based on their age and length of service with CTA. The legislation provides that CTA will have no future responsibility for retiree healthcare costs. The RHCT issues a separate stand-alone financial report which is available at http://www.ctaretirement.org/index.asp.

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

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

The Supplemental and Board Plans do not issue separate stand-alone financial reports.

Funding Policy - OPEB

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

(Continued)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation during the year ended December 31, 2016 (dollar amounts in thousands):

	Supplemental & Board Plans
Annual required contribution	$ 1,101
Interest on net OPEB obligation	185
Adjustment to ARC	(421)
Annual OPEB cost	865
Expected empoyer contribution	450
Increase (decrease) in net OPEB obligation	415
Net OPEB obligation – December 31, 2015	4,637
Net OPEB obligation – December 31, 2016	$ 5,052

The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation during the year ended December 31, 2015 (dollar amounts in thousands):

	Supplemental & Board Plans
Annual required contribution	$ 1,138
Interest on net OPEB obligation	169
Adjustment to ARC	(362)
Annual OPEB cost	945
Expected empoyer contribution	521
Increase (decrease) in net OPEB obligation	424
Net OPEB obligation – December 31, 2014	4,213
Net OPEB obligation – December 31, 2015	$ 4,637

(Continued)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years were as follows (dollar amounts in thousands):
Supplemental and Board Plan:

Year ended	Annual OPEB cost (AOC)	Actual contributions	Percentage of AOC contributed	Net OPEB obligation
2016	$ 866	$ 450	52.0%	$ 5,052
2015	945	520	55.0%	4,637
2014	895	803	89.7%	4,213
2013	997	810	81.2%	4,120

Funded Status and Funding Progress - OPEB

Supplemental and Board Plans – Retiree Healthcare Benefits:

As of January 1, 2017, the plan was not funded. The actuarial accrued liability for benefits was $11,511,000 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $11,511,000. The covered payroll (annual payroll of active employees covered by the plan) was $409,000, and the ratio of the UAAL to the covered payroll was 2,816.9%.

As of January 1, 2016, the plan was not funded. The actuarial accrued liability for benefits was $12,140,000, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $12,140,000. The covered payroll (annual payroll of active employees covered by the plan) was $402,000, and the ratio of the UAAL to the covered payroll was 3,017.3%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the actuarial valuation of the Supplemental and Board Plans as of January 1, 2017, and January 1, 2016, the projected unit credit cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and a medical and prescription trend rate of 8.25 percent initial to 5.0 ultimate. The Supplemental Plan UAAL is being amortized as a level dollar over a 13 year closed period. The Board Plan UAAL is amortized as a level dollar open 30 year amortization.

(Continued)

NOTE 15 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

Plan year	Trend rate
2017	8.25%
2018	7.75%
2019	7.25%
2020	6.75%
2021	6.25%
2022	5.75%
2023	5.25%
2024 and after	5.00%

NOTE 16 - RISK MANAGEMENT

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

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

CTA purchases property insurance for damage to CTA property including rolling stock. This insurance program is effective July 29, 2016 to July 29, 2017. Property limit of liability is $130,000,000 per occurrence, and is purchased in two layers. The first/primary layer provides a $25,000,000 limit. The excess layer provides the $105,000,000 limit excess and above the primary. The basic policy deductible is $250,000 per each occurrence, with some exceptions as defined more fully in the policy.

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

The RTA provides excess liability insurance to protect the self-insurance programs for general liability and terrorism currently maintained by the CTA. There are three insurance policies in effect from June 15, 2016 to June 15, 2017. The first policy provides $15,000,000 in excess of the $15,000,000 self-insured retention and $30,000,000 in the aggregate. The second policy provides $20,000,000 in excess of the $30,000,000 and $40,000,000 in the aggregate. The third policy provides $50,000,000 in excess of $50,000,000 and $100,000,000 in the aggregate. In 2016 and 2015, no CTA claim existed that is expected to exceed the $15,000,000 self-insured retention under this insurance policy.

(Continued)

NOTE 16 - RISK MANAGEMENT (Continued)

The CTA participates in a Joint Self-Insurance Fund (the Fund) with the RTA that permits the CTA to receive monies necessary to pay injury and damage claims in excess of $2,500,000 per occurrence up to the total balance in the Fund or a maximum of $47,500,000. The CTA is obligated to reimburse the Fund for the principal amount borrowed plus a floating interest rate. However, reimbursement payments, including interest, cannot exceed $3,500,000 in any one year. No borrowings were made from the Fund in fiscal years 2016 or 2015.

Settlements did not exceed coverage for any of the past four years, and there has been no significant reduction in coverage during that period.

Self-insured liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. The estimate for injury and damage claims is adjusted for a current trend rate and discount factor of 2.0% and 2.0%, respectively. The estimate for workers' compensation claims is adjusted for a current trend rate and discount factor of 4.0% and 3.0%, respectively. Changes in the balance of claims liabilities during the past two years are as follows (in thousands of dollars):

	Injury and damage	Group health and dental	Workers' compensation	Total
Balance at January 1, 2014	$ 81,747	$ 18,300	$ 162,091	$ 262,138
Funded*	3,500	144,337	57,603	205,440
Funding (excess)/deficiency per actuarial requirement	21,395	-	8,695	30,090
Payments*	(13,379)	(144,699)	(59,336)	(217,414)
Balance at December 31, 2014	93,263	17,938	169,053	280,254
Funded*	13,000	142,050	60,498	215,548
Funding (excess)/deficiency per actuarial requirement	7,724	-	1,244	8,968
Payments*	(17,867)	(140,305)	(62,757)	(220,929)
Balance at December 31, 2015	96,120	19,683	168,038	283,841
Funded*	10,500	147,992	58,229	216,721
Funding (excess)/deficiency per actuarial requirement	(1,548)	-	(7,538)	(9,086)
Payments*	(16,230)	(147,713)	(58,266)	(222,209)
Balance at December 31, 2016	$ 88,842	$ 19,962	$ 160,463	$ 269,267

(Continued)

NOTE 16 - RISK MANAGEMENT (Continued)

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

NOTE 17 - COMMITMENTS AND CONTINGENCIES

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

Defeased Debt: On October 26, 2006, the PBC issued Building Refunding Revenue Bonds for the benefit of the CTA in the amount of $91,340,000. The proceeds of the bonds were used to advance refund the Public Building Commission of Chicago, Series 2003 bonds. The outstanding balance of the defeased debt was $57,600,000 as of December 31, 2016.

Lease Transactions:

Green Line

During 1998, the CTA entered into three lease and leaseback transactions, 1998-NL, 1998-PB and 1998-JH with third party investors pertaining to certain property, railway tracks and train stations on the Green Line. The CTA's payments associated with these agreements were guaranteed by American International Group Inc. (AIG) as the "Debt Payment Undertaker." During 2008, AIG's credit rating was downgraded amid the U.S. mortgage meltdown and global economic crisis. This rating downgrade provided the third party investors with the option under their respective agreements to require CTA to replace AIG as the Debt Payment Undertaker. In 2008, one of the three investors chose to unwind the transaction and the corresponding 1998-NL agreement was terminated. Another transaction, 1998-PB, was terminated on March 6, 2015. The remaining investor, on the 1998-JH transaction, entered into a conditional forbearance agreement that allows CTA to continue to use AIG as long as the rating does not fall below BB by Standard & Poor's and Ba2 by Moody's.

NOTE 18 – SUBSEQUENT EVENTS

Second Lien Sales Tax Receipts Revenue Bonds

In January 2017, the CTA issued the Second Lien Sales Tax Receipts Revenue Bonds, Series 2017, in the amount of $296,220,000, along with a premium of $18,108,000. The bonds were issued to (i) finance certain capital projects contemplated by the CTA's capital improvement plan, (ii) capitalize interest on the 2017 Second Lien Bonds and (iii) pay costs in connection with the issuance of the 2017 Second Lien Bonds. The Series 2017 bonds bear interest ranging from 4.0% to 5.0%.

REQUIRED SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
Required Supplementary Information – Other Postemployment Benefits
Schedules of Funding Progress (Unaudited)
Year Ended December 31, 2016
(In thousands of dollars)
as required by GASB 45

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Covered payroll (c)	Percentage of covered payroll ((b-a)/c)
Supplemental & Board Plan - Healthcare:						
1/1/2017	$ -	$ 11,511	$ 11,511	0.0%	$ 409	2,816.9%
1/1/2016	-	12,140	12,140	-	402	3,017.3
1/1/2015	-	12,963	12,963	-	741	1,749.9
1/1/2014	-	11,869	11,869	-	581	2,041.8
1/1/2013	-	13,168	13,168	-	752	1,750.5
1/1/2012	-	13,138	13,138	-	887	1,481.2
1/1/2011	-	18,400	18,400	-	2,219	829.2
1/1/2010	-	18,967	18,967	-	3,580	529.8
1/1/2009	-	16,830	16,830	-	4,420	380.8
1/1/2008	-	6,287	6,287	-	2,771	226.9

CHICAGO TRANSIT AUTHORITY
Other Postemployment Benefits
Required Supplementary Information –
Schedules of Employer Contributions (Unaudited)
Year Ended December 31, 2016
(In thousands of dollars)
as required by GASB 45

Supplemental and Board Plans - Healthcare

Year ended	Annual required contribution	Percentage contributed
12/30/16	$ 1,101	40.9%
12/31/15	1,138	45.7
12/31/14	1,061	75.7
12/31/13	1,141	71.0
12/31/12	1,080	65.2
12/31/11	1,606	44.1
12/31/10	1,785	29.7

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information -
Schedules of Net Pension Liability and Related Ratios (Unaudited)
Year Ended December 31, 2016
(In thousands of dollars)
as required by GASB 68

	2016	2015
Employees' Plan		
Total Pension Liability	$ 3,352,031	$ 3,283,154
Plan Fiduciary Net Position	1,743,216	1,855,912
Plan's Net pension Liability	$ 1,608,815	$ 1,427,242
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	52.00%	56.53%
Covered Employee Payroll	573,548	564,828
Plan's Net pension Liability as a percentage of Covered Employee Payroll	280.50%	252.69%

The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Net Pension Liability and Related Ratios (Unaudited)
Year Ended December 31, 2016
(In thousands of dollars)
as required by GASB 67/68

	2016	2015	2014
Supplemental Qualified Plan			
Total Pension Liability	$ 48,004	$ 49,335	$ 52,118
Plan Fiduciary Net Position	37,805	37,875	42,046
Plan's Net pension Liability	$ 10,199	$ 11,460	$ 10,072
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	78.75%	76.77%	80.67%
Covered Employee Payroll	1,213	1,355	1,443
Plan's Net pension Liability as a percentage of Covered Employee Payroll	841.07%	845.71%	697.92%
Supplemental Non-Qualified Plan			
Total Pension Liability	$ 25,274	$ 26,926	$ 28,105
Plan Fiduciary Net Position	-	-	-
Plan's Net pension Liability	$ 25,274	$ 26,926	$ 28,105
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	0%	0%	0%
Covered Employee Payroll	-	-	-
Plan's Net pension Liability as a percentage of Covered Employee Payroll	N/A	N/A	N/A
Board Member Plan			
Total Pension Liability	$ 4,561	$ 4,481	$ 5,128
Plan Fiduciary Net Position	77	68	88
Plan's Net pension Liability	$ 4,484	$ 4,413	$ 5,040
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	1.69%	1.53%	1.72%
Covered Employee Payroll	75	75	125
Plan's Net pension Liability as a percentage of Covered Employee Payroll	5978.83%	5883.44%	4031.43%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Employees' Retirement Plan (Unaudited)
Year Ended December 31, 2016
(In thousands of dollars)
as required by GASB 68

Employees' Plan	2016	2015
Total Pension Liability		
Total Pension Liability - Beginning	$ 3,283,154	$ 3,220,533
Service Cost	51,358	49,066
Interest	264,579	259,593
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	13,082	-
Changes of Assumptions	-	-
Benefit Payments, Including Refunds of Member Contributions	(260,142)	(246,038)
Net Change in Total Pension Liability	68,877	62,621
Total Pension Liability - Ending	$ 3,352,031	$ 3,283,154
Plan Fiduciary Net Position		
Plan Fiduciary Net Position - Beginning	$ 1,855,912	$ 1,892,715
Contributions - Employer	82,800	82,268
Contributions - Member	58,993	58,566
Net Investment Income	8,230	71,524
Benefit Payments, Including Refunds of Member Contributions	(260,142)	(246,038)
Administrative Expense	(2,577)	(3,123)
Other	-	-
Net Change in Plan Fiduciary Net Position	(112,696)	(36,803)
Plan Fiduciary Net Position - Ending	1,743,216	1,855,912
CTA Net Pension Liability - Ending	$ 1,608,815	$ 1,427,242

The amounts presented for each fiscal year were determined as of the yearend that occurred one year prior.

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Qualified Supplemental Plan (Unaudited)
Year Ended December 31, 2016
(In thousands of dollars)
as required by GASB 67/68

Qualified	2016	2015	2014
Total Pension Liability			
Total Pension Liability - Beginning	$ 49,335	$ 52,118	$ 53,464
Service Cost	56	52	61
Interest	3,296	3,488	3,578
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	(611)	(2,145)	(554)
Changes of Assumptions	71	67	-
Benefit Payments	(4,143)	(4,245)	(4,431)
Net Change in Total Pension Liability	(1,331)	(2,783)	(1,346)
Total Pension Liability - Ending	$ 48,004	$ 49,335	$ 52,118
Plan Fiduciary Net Position			
Plan Fiduciary Net Position - Beginning	$ 37,875	$ 42,046	$ 43,503
Contributions - Employer	1,380	1,164	1,130
Contributions - Member	8	34	82
Net Investment Income	2,942	(878)	2,073
Benefit Payments	(4,143)	(4,245)	(4,431)
Refunds of Member Contributions	(17)	-	-
Administrative Expense	(240)	(237)	(311)
Other	-	(9)	-
Net Change in Plan Fiduciary Net Position	(70)	(4,171)	(1,457)
Plan Fiduciary Net Position - Ending	37,805	37,875	42,046
CTA Net Pension Liability - Ending	$ 10,199	$ 11,460	$ 10,072

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Non-Qualified Supplemental Plan (Unaudited)
Year Ended December 31, 2016
(In thousands of dollars)
as required by GASB 67/68

Non-Qualified	2016	2015	2014
Total Pension Liability			
Total Pension Liability - Beginning	$ 26,926	$ 28,105	$ 27,205
Service Cost	-	-	-
Interest	911	949	1,209
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	369	498	341
Changes of Assumptions	(315)	57	2,373
Benefit Payments	(2,617)	(2,683)	(3,023)
Net Change in Total Pension Liability	(1,652)	(1,179)	900
Total Pension Liability - Ending	$ 25,274	$ 26,926	$ 28,105
Plan Fiduciary Net Position			
Plan Fiduciary Net Position - Beginning	$ -	$ -	$ -
Contributions - Employer	2,617	2,683	3,023
Contributions - Member	-	-	-
Net Investment Income	-	-	-
Benefit Payments	(2,617)	(2,683)	(3,023)
Administrative Expense	-	-	-
Other	-	-	-
Net Change in Plan Fiduciary Net Position	-	-	-
Plan Fiduciary Net Position - Ending	-	-	-
CTA Net Pension Liability - Ending	$ 25,274	$ 26,926	$ 28,105

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Changes in Net Pension Liability - Board Supplemental Plan (Unaudited)
Year Ended December 31, 2016
(In thousands of dollars)
as required by GASB 67/68

Board	2016	2015	2014
Total Pension Liability			
Total Pension Liability - Beginning	$ 4,481	$ 5,128	$ 4,698
Service Cost	33	46	45
Interest	153	176	216
Changes of Benefit Terms	-	-	-
Differences Between Expected and Actual Experience	310	(514)	(64)
Changes of Assumptions	(90)	3	566
Benefit Payments	(326)	(358)	(333)
Net Change in Total Pension Liability	80	(647)	430
Total Pension Liability - Ending	$ 4,561	$ 4,481	$ 5,128
Plan Fiduciary Net Position			
Plan Fiduciary Net Position - Beginning	$ 68	$ 88	$ 75
Contributions - Employer	327	328	334
Contributions - Member	8	10	12
Net Investment Income	-	-	-
Benefit Payments	(326)	(358)	(333)
Administrative Expense	-	-	-
Other	-	-	-
Net Change in Plan Fiduciary Net Position	9	(20)	13
Plan Fiduciary Net Position - Ending	77	68	88
CTA Net Pension Liability - Ending	$ 4,484	$ 4,413	$ 5,040

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

CHICAGO TRANSIT AUTHORITY
Employees' Plan
Required Supplementary Information -
Schedules of Statutorily Determined Contributions (Unaudited)
Year Ended December 31, 2016
(In thousands of dollars)
as required by GASB 68

Employees' Plan	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily determined contribution	$ 195,226	$ 178,861	$ 165,500	$ 157,594	$ 155,600	$ 123,158	$ 108,478	$ 118,717	$ 206,670	$ 198,457
Contributions in relation to the statutorily determined contribution	83,855	82,800	82,268	79,518	62,788	60,318	56,216	41,448	1,165,947	25,038
Contribution deficiency (excess)	$ 111,371	$ 96,061	$ 83,232	$ 78,076	$ 92,812	$ 62,840	$ 52,262	$ 77,269	$ (959,277)	$ 173,419
Covered-employee payroll	Not available	$ 573,548	$ 564,827	$ 550,616	$ 548,515	$ 541,354	$ 528,288	$ 567,173	$ 594,139	$ 571,314
Contributions as a percentage of covered-employee payroll	Not available	31.19%	29.30%	28.62%	28.37%	22.75%	20.53%	20.93%	34.78%	34.74%

Notes to Schedule

Valuation date: January 1, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Method
Amortization method	For pension expense; the difference between expected and actual liability experience and changes of assumptions are amortized over the average of the expected remaining service lives of all members. The difference between projected and actual earnings is amortized over a closed period of five years.
Remaining amortization period	5 Years - Closed
Asset valuation method	Market Value
Inflation	3.25%
Salary increases	Service graded table starting at 9% with 4% ultimate rate after 5 years of service
Investment rate of return	8.25% per annum, compounded annually, including inflation, net of expenses

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Actuarilly Determined Contributions (Unaudited)
Year Ended December 31, 2016
(In thousands of dollars)
as required by GASB 67/68

Qualified Plan

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	$ 1,380	$ 1,164	$ 1,130	$ 1,926	$ 2,267	$ 2,207	$ 2,577	$ 2,410	$ 230	$ 200
Contributions in relation to the actuarially determined contribution	1,380	1,164	1,130	1,927	2,267	2,210	2,600	7,410	8,000	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ (1)	$ -	$ (3)	$ (23)	$ (5,000)	$ (7,770)	$ 200
Covered-employee payroll	$ 1,213	$ 1,355	$ 1,443	$ 1,647	$ 2,282	$ 2,486	$ 4,259	$ 7,265	$ 11,691	$ 13,551
Contributions as a percentage of covered-employee payroll	113.81%	85.90%	78.30%	117.02%	99.33%	88.90%	61.05%	102.00%	68.43%	0.00%

Non-qualified Plan

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	$ 2,571	$ 2,678	$ 4,595	$ 4,295	$ 4,116	$ 4,041	$ 3,771	$ 3,635	$ 3,599	$ 3,450
Contributions in relation to the actuarially determined contribution	2,617	2,683	3,023	3,114	3,299	3,447	3,260	3,381	3,459	3,504
Contribution deficiency (excess)	$ (46)	$ (5)	$ 1,572	$ 1,181	$ 817	$ 594	$ 511	$ 254	$ 140	$ (54)
Covered-employee payroll	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schedules of Actuarilly Determined Contributions (Unaudited)
Year Ended December 31, 2016
(In thousands of dollars)
as required by GASB 67/68

Board Member Plan

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Actuarially determined contribution	$ 323	$ 379	$ 324	$ 331	$ 348	$ 372	$ 361	$ 288	$ 282	$ 287
Contributions in relation to the actuarially determined contribution	327	328	333	338	323	323	323	266	263	284
Contribution deficiency (excess)	$ (4)	$ 51	$ (9)	$ (7)	$ 25	$ 49	$ 38	$ 22	$ 19	$ 3
Covered-employee payroll	$ 75	$ 75	$ 125	$ 139	$ 150	$ 175	$ 200	$ 200	$ 200	$ 200
Contributions as a percentage of covered-employee payroll	436.37%	437.23%	266.66%	242.12%	215.19%	184.45%	161.39%	133.17%	131.73%	142.09%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of December 31, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal Method
Amortization method	Level Dollar
Remaining amortization period	Qualified: 13 Years - Closed Unfunded Plans: pay as you go actuarially determined contributions as of January 1, 2016 Prior remaining amortization period as of December 31, 2015. Non-qualified: 6 Years - Closed Board: 30 Years - Closed
Asset valuation method	Market Value
Inflation	2.5%
Salary increases	3.5% per year
Investment rate of return	Qualified: 7.0% per year Non-qualified: 3.78% per year Board: 3.78% per year
Investment policy	During the 2016 fiscal year, the allocation guidelines were revised in the Investment Policy. See Footnote 14 for more information.

CHICAGO TRANSIT AUTHORITY
Supplemental Plans
Required Supplementary Information -
Schdule of Investment Returns (Unaudited)
Year Ended December 31, 2016

	Year	Qualified Supplemental Plan
Annual Money-Weighted Rate of Return, Net of Investment Expense	2016	7.38%
	2015	-2.69%
	2014	4.20%

This is a 10-year schedule. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

SUPPLEMENTARY SCHEDULES

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues –
Budget and Actual – Budgetary Basis
Year ended December 31, 2016
(In thousands of dollars)

	Original budget	Actual – budgetary basis	Variance favorable (unfavorable)
Operating expenses:			
Labor and fringe benefits	$ 1,025,635	$ 1,027,047	$ (1,412)
Materials and supplies	82,534	82,921	(387)
Fuel	37,259	32,738	4,521
Electric power	31,458	29,283	2,175
Purchase of security services	14,698	14,095	603
Other	274,123	267,558	6,565
Provision for injuries and damages	9,500	10,500	(1,000)
Total operating expenses	1,475,207	1,464,142	11,065
System-generated revenues:			
Fares and passes	590,541	577,007	(13,534)
Reduced-fare subsidies	28,322	14,385	(13,937)
Advertising and concessions	32,021	35,019	2,998
Investment income	883	1,608	725
Contributions from local governmental units	5,000	5,000	-
Other revenue	27,945	43,550	15,605
Total system-generated revenues	684,712	676,569	(8,143)
Operating expenses in excess of system-generated revenues	790,495	787,573	2,922
Public funding from the RTA:			
Operating assistance	790,495	809,748	19,253
	790,495	809,748	19,253
Change in net position – budgetary basis	$ -	22,175	$ 22,175
Reconciliation of budgetary basis to GAAP basis:			
Provision for depreciation		(441,237)	
Pension expense in excess of pension contributions		(44,977)	
Supplemental Retirement		841	
Incentive Retirement		758	
Workers Compensation		7,538	
Revenue from leasing transactions		844	
Provision for injuries and damages		1,548	
Interest expense on bond transactions		(100,124)	
Interest revenue on bond transactions		2,178	
Interest income from sale/leaseback		2,417	
Interest expense from sale/leaseback		(9,554)	
Capital contributions		478,081	
Change in net position – GAAP basis		$ (79,512)	
CTA recovery ratio:			
Total operating expenses		$ 1,464,142	
Less mandated security costs		(14,095)	
Less Pension Obligation Bond debt service		(156,574)	
Plus City of Chicago in-kind services		22,000	
Total operating expenses for recovery ratio calculation (B)		$ 1,315,473	
Total system-generated revenues		$ 676,569	
Plus Senior Free Rides		27,740	
Plus City of Chicago in-kind services		22,000	
Total system-generated revenues for recovery ratio calculation (A)		$ 726,309	
Recovery ratio (A/B)		55.21%	

CHICAGO TRANSIT AUTHORITY
Schedule of Expenses and Revenues –
Budget and Actual – Budgetary Basis
Year ended December 31, 2015
(In thousands of dollars)

	Original budget	Actual – budgetary basis	Variance favorable (unfavorable)
Operating expenses:			
Labor and fringe benefits	$ 1,005,919	$ 1,002,486	$ 3,433
Materials and supplies	73,331	83,507	(10,176)
Fuel	55,396	49,830	5,566
Electric power	29,736	28,818	918
Purchase of security services	14,427	14,431	(4)
Other	261,394	252,054	9,340
Provision for injuries and damages	3,500	13,000	(9,500)
Total operating expenses	1,443,703	1,444,126	(423)
System-generated revenues:			
Fares and passes	589,212	587,108	(2,104)
Reduced-fare subsidies	28,322	14,606	(13,716)
Advertising and concessions	30,017	31,241	1,224
Investment income	682	1,123	441
Contributions from local governmental units	5,000	5,000	-
Other revenue	34,286	36,440	2,154
Total system-generated revenues	687,519	675,518	(12,001)
Operating expenses in excess of system-generated revenues	756,184	768,608	(12,424)
Public funding from the RTA:			
Operating assistance	756,184	793,008	36,824
	756,184	793,008	36,824
Change in net position – budgetary basis	$ -	24,400	$ 24,400
Reconciliation of budgetary basis to GAAP basis:			
Provision for depreciation		(445,179)	
Pension expense in excess of pension contributions		(6,456)	
Supplemental Retirement		3,734	
Incentive Retirement		768	
Workers Compensation		(1,244)	
Revenue from leasing transactions		844	
Provision for injuries and damages		(7,724)	
Interest expense on bond transactions		(118,289)	
Interest revenue on bond transactions		1,483	
Interest income from sale/leaseback		14,279	
Interest expense from sale/leaseback		(31,982)	
Capital contributions		564,590	
Change in net position – GAAP basis		$ (776)	
CTA recovery ratio:			
Total operating expenses		$ 1,444,126	
Less mandated security costs		(14,431)	
Less Pension Obligation Bond debt service		(156,574)	
Plus City of Chicago in-kind services		22,000	
Total operating expenses for recovery ratio calculation (B)		$ 1,295,121	
Total system-generated revenues		$ 675,518	
Plus Senior Free Rides		27,946	
Plus City of Chicago in-kind services		22,000	
Total system-generated revenues for recovery ratio calculation (A)		$ 725,464	
Recovery ratio (A/B)		56.02%	

See accompanying independent auditor's report.