Chicago Transit Authority

Financial Statements for the
Years Ended December 31, 2002 and 2001 and
Supplementary Information and
Independent Auditors' Report

CHICAGO TRANSIT AUTHORITY

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT

Chicago Transit Board
Chicago Transit Authority
Chicago, Illinois

We have audited the accompanying statements of net assets of the Chicago Transit Authority (the "CTA"), an Illinois municipal corporation, as of December 31, 2002 and 2001, and the related statements of revenues, expenses and changes in net assets, and cash flows, for the years then ended, which collectively comprise the CTA's basic financial statements. These basic financial statements are the responsibility of the CTA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the CTA, as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued a report dated April 18, 2003 on our consideration of the CTA's internal control structure over financial reporting and tests of the CTA's compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit, performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The required supplementary information; Management's Discussion and Analysis on pages 3 through 12, and the Schedules of Funding Progress and Employer Contributions on pages 39 and 40, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits for the years ended December 31, 2002 and 2001 were made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information listed as Supplementary Schedules in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the CTA. This information is the responsibility of the CTA's management. Such additional information has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to those financial statements taken as a whole.

FPT&W, Ltd.
FPT&W Ltd.

Chicago, Illinois
April 18, 2003

CHICAGO TRANSIT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED DECEMBER 31, 2002 AND 2001

This section of the Chicago Transit Authority's (CTA) annual financial report presents a discussion and analysis of the CTA's financial performance during the fiscal year that ended December 31, 2002, with selective comparison to the financial performance for the fiscal year ended December 31, 2001. Please read it in conjunction with the CTA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The 2002 change in net assets was approximately $111.4 million and was 104% higher than the 2001 change in net assets of approximately $54.7 million.
- Total net assets at December 31, 2002 equaled approximately $2.2 billion compared to approximately $2.1 billion at December 31, 2001.
- Total capital assets were approximately $2.7 billion at December 31, 2002, an increase of 8% over the balance at December 31, 2001 of approximately $2.5 billion.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of this annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements with corresponding note disclosures and other supplementary information.

The financial statements provide both long-term and short-term information about the CTA's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of other supplementary information that further explains and supports the information in the financial statements.

The CTA's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units on an accrual basis. 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, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the CTA are included in the Statements of Net Assets.

The Statements of Net Assets report the CTA's net assets and how they have changed from the previous year. Net assets, the difference between the CTA's assets and liabilities, is one way to measure the CTA's financial health or position.

FINANCIAL ANALYSIS OF THE CTA

Net Assets

Net assets represent the difference between total assets and total liabilities. As shown in Table 1, the CTA's total net assets at December 31, 2002 reached approximately $2.2 billion, a 5.33% increase over December 31, 2001. Total assets increased by 10.05% to $4.8 billion, while total liabilities increased by 14.4% to $2.6 billion.

Table 1
Chicago Transit Authority Net Assets
(in millions of dollars)

	2002	2001	Total Percentage Change 2001-2002
Current Assets	$ 389.8	$ 375.4	3.84%
Restricted Assets	1,690.4	1,424.0	18.71%
Other Assets	30.7	29.0	5.86%
Capital Assets, Net	2,677.9	2,523.2	6.13%
Total Assets	$ 4,788.8	$ 4,351.6	10.05%
Current Liabilities	$ 442.1	$ 437.7	1.01%
Long-term Liabilities	2,145.8	1,824.4	17.62%
Total Liabilities	2,587.9	2,262.1	14.40%
Invested in Capital Assets, Net of Related Leasehold Debt	1,049.0	1,158.9	
Restricted for Payment of Obligation Under Leasehold Agreement	1,644.4	1,379.5	
Restricted by Grantor	119.1	99.4	
Unrestricted	(611.6)	(548.3)	
Total Net Assets	2,200.9	2,089.5	5.33%
Total Liabilities and Net Assets	$ 4,788.8	$ 4,351.6	10.05%

Current assets increased by 3.84% to approximately $389.8 million primarily due to increased amounts due from grants and accounts receivable. The increase is primarily due to the increase in expenses billed in CTA's capital program as a result of increased funding from the State of Illinois FIRST program and the Regional Transportation Authority (RTA) for capital projects funded with Illinois FIRST, Illinois Department of Transportation (IDOT) and RTA funds. CTA incurs the cost and then bills RTA and IDOT for reimbursement. Reimbursement can take from three to six weeks.

Capital assets increased by 6.13% to $2.7 billion due to the CTA's capital improvement projects. The CTA's capital improvement projects were funded primarily by the Federal Transit Administration (FTA), IDOT and the RTA. The CTA was able to significantly expand its capital improvement program through the passage of state legislation referred to as "Illinois FIRST" - a Fund for Infrastructure, Roads, Schools and Transit (a five year public works program). Through the additional funds received from Illinois FIRST, the CTA secured local matching funds necessary to receive additional federal funding. This additional funding is being used for the capital improvement program to help bring the system to a state of good repair.

Net assets invested in capital assets, net of related leasehold debt 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 asset balances restricted for other purposes includes 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 net receivable due from grantor agencies.

Changes in Net Assets

The increase in net assets at December 31, 2002 was approximately $111.4 million and compared favorably to the $54.7 million increase for the period ended December 31, 2001 (See Table 2).

The CTA's total operating revenues, which includes revenues from farebox, advertising and concessions, and other sources increased by 3.07% to approximately $412.4 million in 2002, while total operating expenses increased by 9.98% to approximately $1.3 billion in 2002 (See Tables 2 and 3).

Table 2
Changes in Chicago Transit Authority's Net Assets
(in millions of dollars)

	2002	2001	Total Percentage Change 2001-2002
Operating Revenues	$ 412.4	$ 400.1	3.07%
Operating Expenses			
Operating Expenses	964.5	903.1	6.80%
Depreciation	331.3	275.1	20.43%
Total Operating Expenses	1,295.8	1,178.2	9.98%
Operating Income Loss	(883.4)	(778.1)	13.53%
Nonoperating Revenues/Expenses	994.8	832.8	19.45%
Change in Net Assets	111.4	54.7	103.66%
Total Net Assets, Beginning of Year	2,089.5	2,034.8	2.69%
Total Net Assets, End of Year	$ 2,200.9	$ 2,089.5	5.33%

Operating revenues increased by $12.3 million or 3.07% due to a gain on the sale of assets and proceeds from a legal settlement.

However, the increase in operating revenues is offset by a 9.98% or $117.6 million increase in operating expenses. The expense increases are primarily driven by higher labor, materials, security, paratransit, injury and damage and depreciation expenses.

Labor expense increased due to wage rate increases and higher health insurance and workers compensation expenses. Due to inflation and expanded security guard coverage, security expenses increased by $2.2 million or 9.8% from the prior year. Increased trips and inflation led to an increase in paratransit expense of $4.0 million, or 12.4%. The increase in the provision for injuries and damage reserves was necessary to provide for potential claims under the self-insurance program per the actuarial study. The increase in depreciation expense is a result of the expanded capital investment program.

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

Table 3
Chicago Transit Authority's Operating Expenses
(in millions of dollars)

	2002	2001	Total Percentage Change 2001-2002
Labor and Fringe Benefits	$ 707.6	$ 667.6	5.99%
Materials and Supplies	67.9	64.9	4.62%
Fuel	20.1	23.3	-13.73%
Electric Power	21.1	21.8	-3.21%
Maintenance and Repairs	108.0	100.3	7.68%
Operating Expenses Before Provisions	924.7	877.9	5.33%
Provision for Injuries & Damages	39.8	25.2	57.94%
Provision for Depreciation	331.3	275.1	20.43%
Total Operating Expenses	$ 1,295.8	$ 1,178.2	9.98%

Analysis of Significant Budget Variations

The CTA is required by law to have a balanced budget and meet the recovery ratio set by the RTA. The recovery ratio measures the amount of operating expenses the CTA has to fund from revenues it generates. The recovery ratio that the CTA was required to meet was 52.00% for 2002. The table below highlights that the CTA achieved a balanced budget and exceeded the required recovery ratio by 1.97 percentage points.

TABLE 4
SCHEDULE OF EXPENSES AND REVENUES -
BUDGET AND ACTUAL - BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
OPERATING EXPENSES:				
Labor and fringe benefits	$ 667,596,511	$ 667,596,511	$ 663,577,216	$ 4,019,295
Materials and supplies	66,948,946	66,948,946	67,930,919	(981,973)
Fuel	23,000,000	23,000,000	20,097,898	2,902,102
Electric power	22,700,401	22,700,401	21,061,705	1,638,696
Maintenance and repairs, utilities, rent and other	111,541,867	111,541,867	107,984,768	3,557,099
Provision for injuries and damages	23,000,004	23,000,004	39,000,000	(15,999,996)
Total operating expenses	914,787,729	914,787,729	919,652,506	(4,864,777)
SYSTEM-GENERATED REVENUES:				
Fares and passes	388,889,000	388,889,000	383,859,212	(5,029,788)
Reduced fare subsidies	32,300,000	32,300,000	30,196,767	(2,103,233)
Advertising and concessions	30,280,000	30,280,000	21,340,031	(8,939,969)
Interest income	10,670,000	10,670,000	4,613,311	(6,056,689)
Contributions from local governmental units	5,000,000	5,000,000	5,000,000	-
Other revenue	6,017,000	6,017,000	33,245,493	27,228,493
Total system-generated revenues (A)	473,156,000	473,156,000	478,254,814	5,098,814
Operating expenses in excess of system-generated revenues	441,631,729	441,631,729	441,397,692	234,037
PUBLIC FUNDING FROM THE RTA:				
Operating assistance	441,631,729	441,631,729	441,397,692	234,037
NET REVENUE - Budgetary basis	$ -	$ -	$ -	$ -
CTA RECOVERY RATIO:				
Total operating expenses			$ 919,652,506	
Less mandated security costs			4,529,515	
Less provision for base year security cost			10,200,000	
Plus City of Chicago in-kind services			22,000,000	
Total operating expenses for recovery ratio calculation (B)			$ 926,922,991	
Total system-generated revenues			$ 478,254,814	
Plus City of Chicago in-kind services			22,000,000	
Total system-generated revenues for recovery ratio calculation (A)			$ 500,254,814	
Recovery Ratio (A/B)			53.97%	

Labor expense was $4.0 million less than budget. The variance in labor expense is related to the implementation of cost containments and operational efficiencies. The CTA reached a collective bargaining agreement with the Craft Union Coalition, which represents 11 trade unions. The agreement provides for wage increases and improved pension and health care benefits for employees. For CTA, the agreement offers work rule changes that will allow for more cost-efficient operations. CTA has reached labor contract agreements with all unions except the Amalgamated Transit Union, Local 241, which represents bus operators.

Materials expense exceeded budget by $1.0 million, or 1.5% for maintenance and repair parts for elevators, escalators, and other facility maintenance.

Fuel expense for revenue equipment was $2.9 million less than budget due to lower consumption and a lower average price per gallon. For 2002, the fuel purchase price averaged $0.89 per gallon and was $0.11 less than budget. The 2002 actual consumption was 0.3 million gallons, or 1.3% less than budget.

Electric Power expense for the rail system was $1.6 million less than the budget. This is a result of lower tax expense and lower consumption. The lower consumption is due to facility energy efficiencies and construction on the system.

The Provisions for Injuries and Damages represents the expense for claims and litigation for injuries and damages that occur on CTA property or with CTA vehicles. The 2002 actual exceeded budget by $16.0 million. This increase was due to higher funding of the damage reserve to meet future claims under the self-insurance program.

Other Services includes rents, maintenance and repair, utilities, advertising, commissions, consulting, insurance, overhead allocated to capital jobs, security, paratransit and other general expenses. The current actual was below budget by $3.6 million. The lower expense resulted primarily from lower advertising and consulting expenses. These lower expenses were partially offset by higher paratransit and security expenses.

REVENUES

System-Generated revenues were favorable compared to the budget by $5.1 million. Public funding required from operations was budgeted at $441.6 million and was $0.2 million less than budget, resulting in a small funding surplus.

Revenues from fares were unfavorable compared to the budget by $5.0 million. The lower than expected fare revenue for 2002 was due to lower than expected ridership and a lower average fare than budgeted. However, actual fare revenue was $10.1 million more than the 2001 actual.

The Reduced Fare Revenue is the State of Illinois reimbursement to the CTA for providing discounted fares to the disabled, elderly and student customers. Reduced Fare Reimbursements were below budget by $2.1 million due to the reduction in funding for the FY 2001-2002 State fiscal year budget.

Contributions from Local Governments of $5.0 million were on par with budget. The RTA Act requires the City of Chicago and County of Cook to contribute $3.0 million and $2.0 million annually to the operations of the CTA.

Revenues from Advertising, Charter and Concessions were less than budget by $8.9 million due to reduced revenues from the vehicle and platform advertising contracts.

Investment Income was $6.1 million less than budget. This was due primarily to lower investment rates and lower investable cash balances.

Other revenues, on the budgetary basis, were $27.2 million higher than budget due to sales of surplus property, a legal settlement and innovative leasing transactions.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2002, the CTA had invested approximately $5.2 billion in capital assets, including buildings, vehicles, elevated railways, signal & communication equipment as well as other equipment. Net of accumulated depreciation, the CTA's net capital assets at December 31, 2002 totaled approximately $2.7 billion. (See Table 5) This amount represents a net increase (including additions and disposals, net of depreciation) of approximately $154.7 million or 6.13% over the December 31, 2001 balance of approximately $2.5 billion.

Table 5
Chicago Transit Authority's Capital Assets by Funding Source
(net of depreciation, in millions of dollars)

Funding Source	2002	2001	Total Percentage Change 2001-2002
Federal (FTA)	$ 3,212.0	$ 3,022.1	6.28%
State (principally IDOT)	481.4	484.1	-0.56%
RTA	1,097.5	918.0	19.55%
CTA (generally prior to 1973)	126.6	126.6	0.00%
Other	247.0	262.5	-5.90%
Total Capital Assets	5,164.5	4,813.3	7.30%
Accumulated Depreciation	2,486.6	2,290.1	8.58%
Total Capital Assets, Net	$ 2,677.9	$ 2,523.2	6.13%

The approximate $351.2 million increase in capital assets resulted primarily from rolling stock purchases, overhauls of rail cars and buses, and the infrastructure improvement projects identified in the 2002 portion of the Five Year Capital Plan.

In 2002, 176 new NOVA buses were received and 202 TMC buses were overhauled to improve the reliability of the bus fleet. On the rail side, mid-life overhauls were completed on 128 2600 series rail cars and safety improvements were made on 157 2400 series rail cars. In addition, to improve the reliability of the 2400 series rail cars, 70 cars went through an extensive preventive maintenance program.

Debt Administration

Long-term debt includes mainly capital lease obligations payable and accrued pension costs. At December 31, 2002, the CTA had approximately $1.6 billion in capital lease obligations outstanding, a 19.4% increase from December 31, 2001. The net pension obligation at December 31, 2002 was approximately $442.9 million, a 12.0% increase from December 31, 2001. More detailed information about the CTA's long-term debt is presented in Note 8 and information about the pension obligation is presented in Note 10 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The CTA adopted the 2003 Annual Budget on November 14, 2002. This budget was then submitted to the RTA and approved by the RTA on December 13, 2002. This budget provides for operating expenses of $924.6 million. The operating budget increase of 1.1% over the 2002 Annual Budget is primarily due to labor, health insurance and worker's compensation cost escalations due to inflation and a slight increase in service.

Comparatively, the Consumer Price Index (CPI) growth is estimated at a 2% growth rate for 2003. The primary economic indicator impacting ridership and operating funds is unemployment. The 2002 annual unemployment rate for the City of Chicago ended the year at 7.7% which compared unfavorably to the national average of 6.0%. This slow down was evident in sales tax collections for the region which finished the year at $647.7 million, down from the budget by $44.3 million and $5.8 million lower than 2001.

Projected operating revenues for 2003 are expected to decrease from the 2002 Annual Budget by $2.1 million or 4.40%. This decrease over 2002 operating revenues is expected as a result of decreased fare and advertising revenues and lower interest income.

On March 11, 2003, the CTA issued $207.2 million of Capital Grant Revenue Bonds, Series 2003A-B to fund the continuing renovation of the Cermak (Douglas) Branch of the Blue Line. The CTA's Capital Grant Receipts Revenue Bonds received underlying ratings of A3 from Moody's Investors Service (Moody's) and A- from Standard & Poor's (S&P), both of which are the highest ratings for this class of debt issuance. Payment of principal and interest on the bonds is insured by a financial guaranty insurance policy issued by Ambac Assurance Corporation (Ambac). Moody's and S&P have assigned their municipal bond ratings of "Aaa" and "AAA", respectively, to the Bonds based on the insurance policy issued by Ambac. The renovation of the Cermak (Douglas) Branch of the Blue Line began in September 2001 and is expected to be completed in late January 2005. The $482.6 million project will result in the extensive rehabilitation of eight rail stations and five miles of track, as well as the installation of signal and communications equipment, the traction power system, and various infrastructure improvements.

On March 31, 2003, Public Building Commission of Chicago (PBC) issued $119.02 million of Building Revenue Bonds Series 2003 (Chicago Transit Authority). The bonds are secured and payable from annual lease payments to be made by the CTA to the PBC pursuant to a lease agreement entered into between the CTA and the PBC. The PBC Building Revenue Bonds received an A2 rating from Moody's and an A rating from S&P. Payment of principal and interest on the bonds is insured by a financial guaranty insurance policy issued by Ambac. Moody's and S&P have assigned their municipal bond ratings of "Aaa" and "AAA", respectively, to the Bonds based on the insurance policy issued by Ambac. The proceeds of PBC Building Revenue Bonds are being used to fund the acquisition of real property and construction of a new CTA headquarters' facility.

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 Finance Division, P. 0. Box 3555, Chicago, IL 60654-0555.

CHICAGO TRANSIT AUTHORITY
STATEMENTS OF NET ASSETS
DECEMBER 31, 2002 AND 2001

	2002	2001
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 116,095,024	$ 149,560,670
Investments	30,846,896	18,017,132
Total cash, cash equivalents and investments	146,941,920	167,577,802
Grants receivable:		
Due from the RTA	125,210,379	93,942,972
Capital improvement projects from federal and state sources	18,019,568	28,298,750
Other	205,800	200,853
Total grants receivable	143,435,747	122,442,575
Accounts receivable	30,782,498	15,442,104
Materials and supplies	63,650,540	64,983,728
Prepaid expenses and other assets	5,027,361	4,978,070
Total current assets	389,838,066	375,424,279
RESTRICTED ASSETS:		
Assets restricted for repayment of leasing commitments	1,644,413,588	1,379,455,928
Assets restricted for injury and damage reserve	45,998,417	44,582,069
Total restricted assets	1,690,412,005	1,424,037,997
OTHER ASSETS:		
Cash and investments held by trustee for supplemental retirement plan	30,663,876	28,915,940
CAPITAL ASSETS:		
Capital assets, not being depreciated:		
Land	61,920,752	57,394,728
Construction in process	55,862,891	9,546,566
Total capital assets, not being depreciated	117,783,643	66,941,294
Depreciable capital assets:		
Land Improvements	10,230,802	8,034,566
Buildings	1,225,499,733	1,125,521,726
Transportation vehicles	1,372,745,725	1,229,227,222
Leased rail equipment	366,159,422	366,159,422
Elevated structures, tracks, tunnels and power system	1,139,837,883	1,072,390,041
Signals	577,463,003	530,711,702
Other equipment	354,746,006	414,328,403
Less accumulated depreciation	(2,486,583,053)	(2,290,074,204)
Total depreciable capital assets, net	2,560,099,521	2,456,298,878
Total capital assets, net	2,677,883,164	2,523,240,172
TOTAL ASSETS	$ 4,788,797,111	$ 4,351,618,388

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

CHICAGO TRANSIT AUTHORITY
STATEMENTS OF NET ASSETS
DECEMBER 31, 2002 AND 2001

	2002	2001
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 74,557,298	$ 60,367,787
Current portion of self-insurance reserves	85,494,283	87,280,590
Accrued payroll, vacation pay and related liabilities	128,884,668	123,742,445
Advances, deposits and other	667,315	1,682,339
Current portion of supplemental retirement plan	1,700,000	1,700,000
Current portion of capital lease obligation	107,008,229	109,748,494
Deferred passenger revenue	19,415,449	28,749,041
Deferred operating assistance	24,325,104	24,384,086
Total current liabilities	442,052,346	437,654,782
LONG-TERM LIABILITIES:		
Self-insurance reserves, less current portion	85,138,749	71,153,653
Supplemental retirement plan, less current portion	34,005,129	34,153,621
Capital lease obligation, less current portion	1,521,829,063	1,254,537,308
Accrued pension costs	442,884,381	395,310,882
Deferred revenue - leasing transactions	58,546,043	62,808,251
Other long-term liabilities	3,421,504	6,484,627
Total long-term liabilities	2,145,824,869	1,824,448,342
Total liabilities	2,587,877,215	2,262,103,124
NET ASSETS		
Invested in capital assets, net of related leasehold debt	1,049,045,872	1,158,954,370
Restricted for payment of obligations under leasehold obligations	1,644,413,588	1,379,455,928
Restricted by grantors	119,110,643	98,058,489
Unrestricted	(611,650,207)	(546,953,523)
Total net assets	2,200,919,896	2,089,515,264
TOTAL LIABILITIES AND NET ASSETS	$ 4,788,797,111	$ 4,351,618,388

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

CHICAGO TRANSIT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
OPERATING REVENUES:		
Fare box revenue	$ 311,799,815	$ 302,838,880
Pass revenue	72,059,397	70,970,099
Total fare box and pass revenue	383,859,212	373,808,979
Advertising and concessions	21,340,031	20,372,441
Other revenue	7,162,953	5,945,359
Total operating revenues	412,362,196	400,126,779
OPERATING EXPENSES:		
Labor and fringe benefits	707,564,474	667,561,178
Materials and supplies	67,930,919	64,879,178
Fuel	20,097,898	23,325,996
Electric power	21,061,705	21,834,681
Maintenance and repairs, utilities, rent and other	108,014,229	100,284,070
	924,669,225	877,885,103
Provisions for injuries and damages	39,779,764	25,189,410
Provision for depreciation	331,339,967	275,111,378
Total operating expenses	1,295,788,956	1,178,185,891
Operating expenses in excess of operating revenues	(883,426,760)	(778,059,112)
NONOPERATING REVENUE (EXPENSE):		
Public funding from the RTA	441,397,693	419,005,381
Reduced fare subsidies	30,196,767	32,463,040
Contributions from local government agencies	5,000,000	5,000,000
Investment income	6,451,202	12,667,331
Gain (loss) on sale of assets	2,111,284	14,649,422
Recognition of leasing transaction proceeds	26,395,572	4,262,208
Interest revenue from leasing transactions	105,907,682	103,666,704
Interest expense on leasing transactions	(105,500,714)	(100,289,284)
Capital contributions	482,871,906	341,380,574
Total nonoperating revenue (expense)	994,831,392	832,805,376
Change in net assets	111,404,632	54,746,264
TOTAL NET ASSETS - BEGINNING OF YEAR	2,089,515,264	2,034,769,000
TOTAL NET ASSETS - END OF YEAR	$ 2,200,919,896	$ 2,089,515,264

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

CHICAGO TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from fares	$ 374,525,620	$ 381,955,755
Payments to employees	(647,425,209)	(620,333,967)
Payments to suppliers	(239,798,185)	(244,063,572)
Other receipts	10,291,357	18,093,646
Net cash flows used in operating activities	(502,406,417)	(464,348,138)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES:		
Public funding from the RTA	441,397,693	419,005,381
Reduced fare subsidies	29,944,882	32,261,454
Contributions from local governmental agencies	5,000,000	5,000,000
Net cash flows provided by noncapital financing activities	476,342,575	456,266,835
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Interest income from assets restricted for payment of leasehold obligations	105,907,682	103,666,704
Interest expense on leasehold obligations	(105,500,714)	(100,289,284)
Proceeds restricted for repayment of leasing commitments	(264,957,660)	8,517,552
Payment for capital lease obligations	264,551,490	(11,894,972)
Proceeds from leasing transactions	22,133,364	-
Payments for acquisition and construction of capital assets	(485,982,959)	(352,010,972)
Proceeds from the sale of property and equipment	2,111,284	14,649,422
Capital grants	462,130,619	328,616,509
Net cash flows provided by (used in) capital financing activities	393,106	(8,745,041)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(30,846,896)	(18,017,132)
Proceeds from maturity of investments	18,017,132	10,520,000
Net payments for injury and damage reserve	(1,416,348)	(3,023,481)
Investment revenue	6,451,202	12,667,331
Net cash flows provided by investing activities	(7,794,910)	2,146,718
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(33,465,646)	(14,679,626)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	149,560,670	164,240,296
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 116,095,024	$ 149,560,670

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

CHICAGO TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002	2001
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating expenses in excess of operating revenue	$ (883,426,760)	$ (778,059,112)
Adjustments to reconcile operating expenses in excess of operating revenues to net cash from operating activities:		
Depreciation	331,339,967	275,111,378
(Increase) decrease in assets:		
Accounts receivable	(15,340,394)	(5,461,725)
Materials and supplies	1,333,188	(1,523,064)
Prepaid expenses and other assets	(49,291)	105,498
Supplemental retirement plan assets	(1,747,936)	(488,364)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	14,189,511	(7,327,096)
Accrued payroll, vacation pay and related liabilities	5,142,223	11,887,950
Self-insurance reserves	12,198,789	(7,217,566)
Deferred passenger revenue	(9,333,592)	8,146,776
Advances, deposits and other	(2,366,529)	(2,310,428)
Deferred operating assistance	1,292,523	(69,135)
Accrued pension costs	47,573,499	41,568,533
Other long-term liabilities and supplemental retirement plan	(3,211,615)	1,288,217
Net cash flows used in operating activities	$ (502,406,417)	$ (464,348,138)
Noncash investing and financing activities:		
Recognition of leasing proceeds	4,262,208	4,262,208
Decrease in deferred revenue - leasing transactions	(4,262,208)	(4,262,208)
Retirement of fully depreciated capital assets	133,916,212	31,400,000

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting **-** The operations of the CTA are accounted for as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. 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 Statement of Net Assets. 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 non-operating revenues and expenses.

GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The CTA applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and all of the GASB pronouncements issued subsequently.

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

Change in Accounting Principles **–** In 2001, The CTA adopted the provisions of the GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement 34). Statement 34 establishes financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements and had no impact on net assets. The impact was on the presentation of net assets, the inclusion of management's discussion and analysis, and the preparation of the Statements of Cash Flows using the direct method.

Fare Box and Pass Revenues **-** Fare box revenues are recorded as revenue at the time services are performed. Pass revenues are recorded as revenue at the time of sale.

Investments **-** Investments, including the supplemental retirement plan assets, are stated at fair value in accordance with GASB Statement No. 31.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Restricted Assets **–** The CTA entered into various lease/leaseback agreements in fiscal years 1995 through 2002. 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.

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.

Use of Restricted Assets **–** When applying resources the CTA uses restricted assets for the purpose for which they were restricted.

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

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) have a unit cost of $1,000 and were purchased with grant money. The cost of maintenance and repairs is charged to operations as incurred. The provision for depreciation of transportation property and equipment is calculated under the straight-line method at amounts based on the respective estimated useful lives of major asset classifications, as follows:

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

The estimate for injury and damage claims is adjusted for a current trend rate and discount factor of 5% and 5%, respectively. The estimate for workers' compensation claims is adjusted for a current trend rate and discount factor of 2% and 5%, respectively.

In 1997, the CTA adopted GASB Statement No. 30, "Risk Financing Omnibus," which provides guidance for calculating the liability for self-insurance programs. GASB Statement No. 30 requires the liability for self-insurance programs to be based on the estimated cost of settling the claims. Estimated claims should include specific incremental claim adjustment expenses, which are incurred solely because of the claims. Estimated recoveries on unsettled claims should also be evaluated in terms of their estimated realizable value and deducted from the liability.

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 either do not accumulate or they do not vest.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents **–** For presentation in the statement of cash flows, cash and cash equivalents include deposits and other investments with maturities, when purchased, of three months or less.

3. BUDGET AND BUDGETARY BASIS OF ACCOUNTING

The CTA is required under Section 4.01 of the Regional Transportation Authority Act to submit for approval an annual budget to the RTA by November 15 prior to the commencement of each fiscal year. The budget is prepared on a basis consistent with generally accepted accounting principles, except for the exclusion of certain income and expenses. For 2002 and 2001, these amounts include provision for injuries and damage in excess of budget, depreciation expense, pension expense in excess of pension contributions, 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.

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

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

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

3. BUDGET AND BUDGETARY BASIS OF ACCOUNTING (Continued)

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

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

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

Deposits **-** The carrying amounts of the CTA's cash and deposits (including certificates of deposit) were ($4,521,176) and $852,043 at December 31, 2002 and 2001, respectively. The bank balances of the CTA's cash and deposits (including certificates of deposit) were $12,961,403 and $13,962,098 at December 31, 2002 and 2001, respectively. In 2002, $28,599 of the bank balance was not collateralized. The remaining 2002 and total 2001 bank balances for these cash and deposits were fully insured by the Federal Depository Insurance Corporation or collateralized by securities held in CTA's name by a third party.

Assets Restricted for Injury and Damage Reserve - The CTA maintained designated cash and investment balances of $45,998,417 and $44,582,069 at December 31, 2002 and 2001, respectively, to fund the annual injury and damage obligations. Management indicates that the CTA will continue to monitor compliance with applicable statutes pertaining to public deposits and investments.

Assets Restricted for Repayment of Leasing Commitments **-** As discussed in Note 8, the CTA maintained separate accounts held in trust by fiduciary agents consisting of cash and investments of $1,644,413,588 and $1,379,455,928 as of 2002 and 2001, respectively, to be used for future payments related to certain leasing transactions.

Investments **-** The CTA's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the CTA or its agent in the CTA's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the CTA's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the CTA's name, and uninsured, unregistered investments.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

Cash Equivalents and Investments at December 31, 2002 and 2001 consisted of the following:

	2002		2001	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
U.S. Government issues	$ 97,508,954	$ 97,508,954	$ 108,149,217	$ 108,149,217
Repurchase agreements	44,100,000	44,100,000	37,650,000	37,650,000
Commercial paper	69,211,138	69,211,138	72,549,957	72,549,957
Mutual funds	17,305,297	17,305,297	21,874,594	21,874,594
Total	$ 228,125,389	$ 228,125,389	$ 240,223,768	$ 240,223,768

Collateralization of Cash Equivalents and Investments at December 31, 2002 is as follows:

	Category 1	Category 2	Category 3	Carrying Amount
Repurchase Agreements	$ 44,100,000	$ -	$ -	$ 44,100,000
Commercial Paper	-	69,211,138	-	69,211,138
U.S. Government Securities	-	97,508,954	-	97,508,954
Total Categorized Investments	$ 44,100,000	$ 166,720,092	$ -	210,820,092
Mutual Funds (Not subject to risk categorization)				17,305,297
Total Investments				$ 228,125,389

Collateralization of Cash Equivalents and Investments at December 31, 2001 is as follows:

	Category 1	Category 2	Category 3	Carrying Amount
Repurchase Agreements	$ 37,650,000	$ -	$ -	$ 37,650,000
Commercial Paper	-	72,549,957	-	72,549,957
U.S. Government Securities	-	108,149,217	-	108,149,217
Total Categorized Investments	$ 37,650,000	$ 180,699,174	$ -	218,349,174
Mutual Funds (Not subject to risk categorization)				21,874,594
Total Investments				$ 240,223,768

4. CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The CTA reported all investments at fair value in the balance sheets and market gains in the statements of revenues, expenses and changes in net assets for fiscal years 2002 and 2001.

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

	2002	2001
Cash and cash equivalents	$ 116,095,024	$ 149,560,670
Investments	30,846,896	18,017,132
Cash and investments held by trustee for supplemental retirement plan	30,663,876	28,915,940
Assets restricted for repayment of leasing obligations	1,644,413,588	1,379,455,928
Assets restricted for injury and damage reserve	45,998,417	44,582,069
Total	$ 1,868,017,801	$ 1,620,531,739

	2002	2001
Cash and Deposits		
Cash	$ (10,647,437)	$ (6,925,834)
Certificates of Deposit	6,126,261	7,777,877
Total cash and deposits	(4,521,176)	852,043
Cash Equivalents and Investments		
U.S. Government issues	97,508,954	108,149,217
Repurchase agreements	44,100,000	37,650,000
Commercial paper	69,211,138	72,549,957
Mutual funds	17,305,297	21,874,594
Assets held in trust for lease repayment	1,644,413,588	1,379,455,928
Total cash equivalents and investments	1,872,538,977	1,619,679,696
Total	$ 1,868,017,801	$ 1,620,531,739

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

As discussed in Note 1, the Act established the RTA as a regional oversight board and defined the sources of funding to the RTA. Under the Act, each service board is entitled to a portion of the funds collected by the RTA. The allocation of these funds to each service board is based on various methods as defined in the Act. Sales tax is allocated based upon a statutory formula while discretionary funds are allocated based on RTA's discretion. The components of budgeted operating funding from the RTA were as follows:

	2002	2001
Illinois state sales tax allocation	$ 274,172,000	$ 266,079,000
Public Transportation Fund/RTA discretionary funding	167,460,000	152,926,000
Total	$ 441,632,000	$ 419,005,000

Reduced fare subsidies received from the State of Illinois were $30.2 million and $32.5 million for 2002 and 2001, respectively, for discounted services provided to the elderly, disabled, or student riders.

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

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

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

Changes in the self-insurance accounts were as follows:

	Injury and Damage	Group Health	Workers' Compensation	Total
Balance at December 31, 2000	$ 98,455,747	$ 40,259,810	$ 26,936,252	$ 165,651,809
Cash Funded	44,000,000	74,315,607	25,437,098	143,752,705
Funding in excess of actuarial requirement	(18,810,590)	-	-	(18,810,590)
Payments	(26,177,704)	(84,608,627)	(21,373,350)	(132,159,681)
Balance at December 31, 2001	97,467,453	29,966,790	31,000,000	158,434,243
Cash Funded	39,000,000	76,569,421	31,698,229	147,267,650
Funding deficiency per actuarial requirement	779,764	-	-	779,764
Payments	(35,004,518)	(75,628,833)	(25,215,274)	(135,848,625)
Balance at December 31, 2002	$ 102,242,699	$ 30,907,378	$ 37,482,955	$ 170,633,032

The RTA provides excess liability insurance to protect the self-insurance programs currently maintained by the CTA. In November 2002, CTA's insurance coverage changed to cover injury and damage claims up to $25 million per occurrence and in the aggregate, with a $25 million deductible. Prior to November 2002, the insurance covered the CTA for injury and damage claims up to $45 million per occurrence and in the aggregate, with a $5 million deductible. In 2002 and 2001, no claim existed that would have been submitted under this insurance policy.

The CTA participates in a Joint Self-Insurance Fund (the "Fund") with the RTA that permits the CTA to receive monies necessary to pay injury and damage claims in excess of $2.5 million per occurrence up to a maximum of $47.5 million from the Fund. The CTA is obligated to reimburse the Fund for any damages paid plus a floating interest rate that is calculated at 2.22% and 3.03% per annum for the years ended December 31, 2002 and 2001, respectively. However, reimbursement payments, including interest, cannot exceed $3.5 million in any one year. No borrowings were made from the Fund in fiscal year 2002 or 2001 to pay injury and damage claims.

7. 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 and buses and is constructing, renewing and improving various portions of track structures, and related operating facilities and systems. It is anticipated that the FTA will finance approximately 80% of the total cost of these projects, with the balance of the cost being financed principally by IDOT and the RTA. Commitments of approximately $657.8 million have been entered into for federal and state (including local) capital grant contracts as of December 31, 2002.

The CTA also has additional capital grant contracts, which are 100% funded by the RTA or IDOT. Commitments of approximately $312.4 million have been entered into for these federal and state (including local) capital grants as of December 31, 2002.

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

	2002	2001
Funding source:		
Federal (FTA)	$ 3,211,999,653	$ 3,022,088,854
State (principally IDOT)	481,372,888	484,128,545
RTA	1,097,529,608	918,009,102
CTA (generally prior to 1973)	126,572,636	126,572,636
Other	246,991,432	262,515,239
Total	$ 5,164,466,217	$ 4,813,314,376

7. CAPITAL ASSETS (Continued)

The following schedules summarize the capital assets of the CTA as of December 31, 2002 and 2001.

2002	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, not being depreciated:				
Land	$ 57,394,728	$ 5,140,494	$ (614,470)	$ 61,920,752
Construction in process	9,546,566	736,623,468	(690,307,143)	55,862,891
Total Capital Assets, not being depreciated	66,941,294	741,763,962	(690,921,613)	117,783,643
Capital Assets being depreciated:				
Land Improvements	8,034,566	2,196,236	-	10,230,802
Buildings	1,125,521,726	101,854,113	(1,876,106)	1,225,499,733
Vehicles	1,229,227,222	179,171,031	(35,652,528)	1,372,745,725
El Structure Track	1,072,390,041	67,447,987	(145)	1,139,837,883
Signal & Communication	530,711,702	46,760,766	(9,465)	577,463,003
Leased Rail Equipment	366,159,422	-	-	366,159,422
Other Equipment	414,328,403	37,250,035	(96,832,432)	354,746,006
Total capital assets being depreciated	4,746,373,082	434,680,168	(134,370,676)	5,046,682,574
Less accumulated depreciation for:				
Land Improvements	6,315,917	1,186,975	(217,147)	7,285,745
Buildings	375,121,799	51,516,924	(1,780,316)	424,858,407
Vehicles	769,819,014	149,917,850	(35,446,936)	884,289,928
El Structure Track	465,698,564	60,207,938	(145)	525,906,357
Signal & Communication	326,496,757	28,685,037	(9,465)	355,172,329
Leased Rail Equipment	18,416,164	-	-	18,416,164
Other Equipment	328,205,989	38,910,336	(96,462,203)	270,654,122
Total Accumulated depreciation	2,290,074,204	330,425,060	(133,916,212)	2,486,583,052
Total capital assets being depreciated, net	2,456,298,878	104,255,108	(454,464)	2,560,099,522
Total capital assets, net	$ 2,523,240,172	$ 846,019,070	$ (691,376,077)	$ 2,677,883,165

7. CAPITAL ASSETS (Continued)

2001	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, not being depreciated:				
Land	$ 55,697,059	$ 1,994,542	$ (296,873)	$ 57,394,728
Construction in process	10,254,356	-	(707,790)	9,546,566
Total Capital Assets, not being depreciated	65,951,415	1,994,542	(1,004,663)	66,941,294
Capital Assets being depreciated:				
Land Improvements	8,204,786	-	(170,220)	8,034,566
Buildings	1,032,516,974	93,004,752	-	1,125,521,726
Vehicles	1,075,920,223	184,094,179	(30,787,180)	1,229,227,222
El Structure Track	1,046,744,916	25,645,125	-	1,072,390,041
Signal & Communication	507,118,367	23,667,198	(73,863)	530,711,702
Leased Rail Equipment	366,159,422	-	-	366,159,422
Other Equipment	389,759,986	24,829,451	(261,034)	414,328,403
Total capital assets being depreciated	4,426,424,674	351,240,705	(31,292,297)	4,746,373,082
Less accumulated depreciation for:				
Land Improvements	5,369,276	1,008,250	(61,609)	6,315,917
Buildings	331,034,116	44,087,683	-	375,121,799
Vehicles	687,513,123	113,025,630	(30,719,739)	769,819,014
El Structure Track	415,493,809	50,204,755	-	465,698,564
Signal & Communication	296,370,120	30,159,486	(32,849)	326,496,757
Leased Rail Equipment	15,346,959	3,069,205	-	18,416,164
Other Equipment	294,908,106	33,556,466	(258,583)	328,205,989
Total Accumulated depreciation	2,046,035,509	275,111,475	(31,072,780)	2,290,074,204
Total capital assets being depreciated, net	2,380,389,165	76,129,230	(219,517)	2,456,298,878
Total capital assets, net	$ 2,446,340,580	$ 78,123,772	$ (1,224,180)	$ 2,523,240,172

8. LEASING TRANSACTIONS

During 2002, the CTA entered into two lease and leaseback agreements with a third party pertaining to certain buses (lot 1 and 2), with a book value of $88.9 million at December 31, 2002. Under the bus lease agreements, which provide certain cash and tax benefits to the third party, the CTA entered into a long term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. Under the sublease, the CTA is required to make the payments of $0.8 million for 2003 and $46.4 million for 2004. No payments are required for 2005 through 2007. The remaining payments from 2008 through 2014 range from $0.3 million to $60.2 million and total $147.5 million. The present value of the future payments to be made by CTA under the lease of approximately $125.9 million is reflected in the accompanying December 31, 2002 statement of net assets as a capital lease obligation.

During 2002, the CTA entered into a lease and leaseback agreement with a third party pertaining to certain qualified technological equipment (“QTE”), with a book value of $58.6 million at December 31, 2002. Under the QTE lease agreement, which provides certain cash and tax benefits to the third party, the CTA entered into a long term lease for applicable assets with a trust, established by the equity investor, in which the trust concurrently leased the respective assets back to the CTA under a sublease. Under the sublease, the CTA is required to make the payments of $5.6 million for 2004 and $6.9 million for the years 2005, 2006 and 2007. No payment is required in 2003. The remaining payments from 2008 through 2020 range from $28.0 million to $159.0 million and total $262.1 million. The present value of the future payments to be made by CTA under the lease of approximately $148.9 million is reflected in the accompanying December 31, 2002 statement of net assets as a capital lease obligation.

During 1998, the CTA entered into a lease and leaseback agreement (the “1998 Agreement”) with a third party pertaining to a rail line (“green line”), with a book value of $339.6 million at December 31, 2002. The 1998 Agreement, which provides certain cash and tax benefits to the third party, also provides for a trust established by the CTA to lease the rail line to an equity investor trust (“the 1998 Equity Trust”), which would then lease the facilities back to another trust established by the CTA under a separate lease (the “1998 Lease”). Under the 1998 Lease, the CTA is required to make the payments of $27.1 million for 2003, $35.2 million for 2004, $23.9 million for 2005, $12.8 million for 2006 and $24.9 million for 2007. The remaining payments from 2008 through 2018 range from $0.3 million to $28.4 million and total $414.5 million. The present value of the future payments to be made by CTA under the lease of approximately $298.4 million is reflected in the accompanying December 31, 2002 statement of net assets 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 $56.2 at December 31, 2002. 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").

8. LEASING TRANSACTIONS (Continued)

During 1997, the CTA received certain funds as prepayment by the Equity Trust. The funds have been deposited in designated investment accounts sufficient to meet the payments required under the Leases, and are recorded as assets restricted for repayment of leasing commitments. The Equity Trust has a security interest in the deposits to guarantee the payments due by the CTA and may take possession of the facilities upon a default by the CTA under the Lease. Under the Leases, the CTA is required to make annual rental payments of $15.4 million in 2003 and $12.1 million in 2004. No other lease payments are required until the end of each lease. The Leases require a payment at the end of the initial terms (in the year 2025) of $614.3 million, which is fully defeased from the Equity Trust and the final head-lease payment. The present value of the future payments to be made by CTA under the leases (net of the payment due from the Equity Trust in 2022 and 2023) of approximately $47.4 million is reflected in the accompanying December 31, 2002 statement of net assets as a capital lease obligation.

In connection with the 1997 Agreements, the CTA also received proceeds of $11.9 million. The FTA has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

During 1996, the CTA entered into similar lease and leaseback agreements (the "1996 Agreements") with a third party pertaining to certain of its facilities, with a book value of $66.2 million at December 31, 2002. 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").

Under the 1996 Lease, the CTA is required to make a rental payment of $7.8 million in the year 2004. No payment is required for 2003. The 1996 Lease also requires a payment at the end of the initial term (in the year 2024) of $653.5 million, which is fully defeased from the Equity Trust and the final head-lease payment. The present value of the future payments to be made by CTA under the leases (net of the payment due from the 1996 Equity Trust in 2024) of approximately $29.6 million is reflected in the accompanying December 31, 2002 statement of net assets as a capital lease obligation.

In connection with the 1996 Agreements, the CTA also received proceeds of $10.9 million and agreed to make approximately $80 million of improvements to one of the facilities. The FTA has approved the CTA's right to the benefit received from these transactions. The CTA has elected to defer recognition of the proceeds over the remaining lease term.

8. LEASING TRANSACTIONS (Continued)

During 1995, the CTA entered into sale/leaseback agreements (the "1995 Agreements") with third parties. The 1995 Agreements provided for the CTA to sell and lease back certain rail equipment totaling $487.1 million at cost for a period of nineteen years beginning on the date of the respective transaction. At December 31, 2002, the total payments due under the 1995 Agreements are recorded as capital lease obligations totaling $978.5 million. The CTA has deposited funds into designated cash and investment accounts sufficient to meet all of its payment obligations throughout the terms of the leases, and recorded such amounts as assets restricted for repayment of leasing commitments.

The following schedules summarize the change in leases outstanding as of December 31, 2002 and 2001.

2002	Beginning Balance	Principal Paid	Ending Balance	Interest Paid	Due in One Year
2002 (Buses)	$ -	$ -	$ 125,908,399	$ 6,041,117	$ 767,480
2002 (QTE)	-	-	148,931,209	-	-
1998 (Green)	300,862,690	(2,485,354)	298,377,336	20,530,694	27,113,280
1997 (Garages)	53,767,230	(6,318,456)	47,448,774	4,043,395	15,429,882
1996 (Skokie/Racine)	39,314,172	(9,688,952)	29,625,220	2,891,821	-
1995 (Pickle)	970,341,710	8,204,644	978,546,354	71,993,687	63,697,587
Total	$ 1,364,285,802	$ (10,288,118)	$ 1,628,837,292	$ 105,500,714	$ 107,008,229

2001	Beginning Balance	Principal Paid	Ending Balance	Interest Paid	Due in One Year
1998 (Green)	$ 303,193,673	$ (2,330,983)	$ 300,862,690	$ 20,685,064	$ 23,016,047
1997 (Garages)	61,912,622	(8,145,392)	53,767,230	4,655,944	10,361,852
1996 (Skokie/Racine)	48,339,476	(9,025,304)	39,314,172	3,556,213	12,581,517
1995 (Pickle)	962,735,003	7,606,707	970,341,710	71,392,063	63,789,078
Total	$ 1,376,180,774	$ (11,894,972)	$ 1,364,285,802	$ 100,289,284	$ 109,748,494

9. LONG TERM LIABILITES

Long term liability activity for the years ended December 31, 2002 and 2001 was as follows:

2002	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Self Insurance Claims (Note 6)	$ 158,434,242	$ 148,047,414	$(135,848,625)	$ 170,633,031	$ 85,494,283
Capital Lease Obligation (Note 8)	1,364,285,802	268,798,491	(4,247,001)	1,628,837,292	107,008,229
Other	6,484,627	-	(3,063,123)	3,421,504	-
Total	$ 1,529,204,671	$ 416,845,905	$(143,158,749)	$ 1,802,891,827	$ 192,502,512

9. LONG TERM LIABILITES (Continued)

2001	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Self Insurance Claims (Note 6)	$ 165,651,809	$ 124,942,114	$(132,159,681)	$ 158,434,242	$ 87,280,590
Capital Lease Obligation (Note 8)	1,376,180,774	-	(11,894,972)	1,364,285,802	109,748,494
Other	3,109,627	3,375,000	-	6,484,627	-
Total	$ 1,544,942,210	$ 128,317,114	$(144,054,653)	$ 1,529,204,671	$ 197,029,084

10. DEFINED BENEFIT PENSION PLANS

Plan Descriptions - The CTA maintains a trusted, single-employer, defined benefit pension plan covering substantially all full-time permanent union and nonunion employees. The Employees' Retirement Plan (the "Employees' Plan") is governed by the terms of the employees' collective bargaining agreement. The CTA also maintains a separate, non-trusted plan for selected individuals. The Supplemental Retirement Plan, which includes the Retirement Plan for Board Members and the Supplemental Retirement Plan for selected Officers, Executives, Supervisory and Professional Employees (the "Supplemental Plan"), provides benefits in addition to the Employees' Plan to management employees in certain employment classifications and Chicago Transit Board members. As of December 31, 2002 and 2001, Supplemental Retirement Plan assets include cash and investments of $30.7 million and $28.9 million, respectively.

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

The covered payroll for the Employees' Plan for the fiscal year ended December 31, 2002 and 2001 was $481.0 million and $453.6 million respectively. The covered payroll for the Supplemental Plan for the fiscal year ended December 31, 2002 and 2001 was $18.9 million and $17.7 million, respectively. The CTA's total covered payroll for the fiscal year ended December 31, 2002 and 2001 was $499.9 million and $471.3 million, respectively.

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

10. DEFINED BENEFIT PENSION PLANS (Continued)

***Funding Policy and Annual Pension Cost* -** Contribution requirements of the Employee plan are governed by collective bargaining agreements. Supplemental plan contributions are actuarially determined but may be amended by the Board of Trustees of the Plan. The CTA's annual pension cost for the current year and related information for each plan is as follows:

	Employees' Plan	Supplemental Plan
Contribution rates:		
CTA	6%	Actuarially determined
Plan members	3%	Actuarially determined
Annual pension cost (APC)	$ 90,868,768	$ 4,428,133
Actual 2002 contributions:		
CTA	$ 28,858,171	$ 4,933,730
Plan members	14,429,085	319,836
Actuarial valuation date	January 1, 2002	January 1, 2003
Actuarial cost method	Entry Age Normal Cost	Projected Unit Credit
Remaining amortization period	40	30
Asset valuation method	5-year smoothed market	Fair market value
Actuarial assumptions:		
Investment rate of return	9.0%	6.0%
Projected salary increases	5.5%	5.5%

There were no significant assumption changes for either plan from the prior year valuation. The following represents the significant components of the APC and changes in Net Pension Obligation (NPO) during the year ended December 31, 2002:

	Employees' Plan	Supplemental Plan
NPO - December 31, 2001	$ 395,310,882	$ 25,914,254
Annual required contribution (ARC)	90,352,000	4,690,317
Interest on NPO	35,577,979	1,515,248
Adjustment to ARC	(35,061,211)	(1,777,432)
Annual pension cost	90,868,768	4,273,605
NPO before contributions		30,187,859
Employer contributions	(43,295,269)	(4,933,730)
NPO - December 31, 2002	$ 442,884,381	$ 25,254,129

A reconciliation of the statement of net assets at December 31, 2002 to amounts presented above:

NPO– December 31, 2002	$ 442,884,381	$ 25,254,129
Additional pension accruals	-	10,451,000
Total	442,884,381	35,705,129
Less current portion	-	1,700,000
Long term portion	$ 442,884,381	$ 34,005,129

10. DEFINED BENEFIT PENSION PLANS (Continued)

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

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Employees' Plan	1/1/02	$1,864,727,000	$ 2,812,194,000	$947,467,000	66.3%	$459,343,000	206.3%
	1/1/01	1,828,095,000	2,358,856,000	530,761,000	77.5%	431,703,000	122.9%
	1/1/00	1,722,215,000	2,156,279,000	434,064,000	79.9%	424,518,000	102.2%
Supplemental Plan	1/1/03	$ 319,836	$ 34,069,831	$ 33,749,995	0.9%	$ 18,884,569	178.7%
	1/1/02	302,889	43,730,319	43,427,430	0.7%	15,401,660	282.0%
	1/1/01	244,342	41,735,184	41,490,842	0.6%	14,639,322	283.4%

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

	Year Ended	Annual Pension Cost (APC)	Actual Contributions	Percentage of APC Contributed	Net Pension Obligation
Employees' Plan	12/31/02	$ 90,868,768	$ 43,295,269	47.6%	$ 442,884,381
	12/31/01	69,834,432	27,218,959	39.0%	395,310,882
	12/31/00	57,050,836	25,884,532	45.3%	353,742,349
Supplemental Plan	12/31/02	$ 4,273,605	$ 4,933,730	115.4%	$ 25,254,129
	12/31/01	3,546,839	3,664,110	103.3%	25,914,254
	12/31/00	3,301,404	3,663,790	111.0%	26,031,525

Early Retirement Program **-** In 1992, the CTA offered an Incentive Retirement Program (the “1992 Program”) to all nonunion employees otherwise eligible to retire under existing CTA retirement plan provisions. The 1992 Program was intended to be a voluntary early retirement incentive plan under the meaning of Section 623(f)(2)(B)(ii) of the Age Discrimination in Employment Act of 1967, as amended. The 1992 Program offered increased benefit payouts and elimination of early retirement penalties and is funded, as incentive payments are required.

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

11. COMMITMENTS AND CONTINGENCIES

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

On May 1, 1998, the CTA defeased the capital lease agreement with the Public Building Commission of Chicago (the "PBC"). The CTA placed approximately $13.6 million into an irrevocable trust with a third party in order to meet all of its payment obligations throughout the term of the lease. The amount of debt considered extinguished as of December 31, 2002 and 2001 was $3.1 million and $3.0 million respectively.

As described in Note 8, the CTA entered into lease financing agreements with a third party in 1996, 1997, 1998, and 2002; and sale/leaseback agreements with third parties during 1995. The CTA also leases office facilities under various lease agreements. In November 2002, CTA notified the lessor of its headquarters' facility of its intent to vacate a substantial portion of the leased space by November 30, 2004. As of December 31, 2002, all leases provide for future minimum rental payments, in the aggregate, as follows:

	Operating Leases	Capital Leases
2003	$ 4,161,057	$ 107,008,229
2004	3,612,677	170,847,755
2005	281,252	94,488,735
2006	281,252	83,460,904
2007	281,252	95,478,032
2008 – 2012	-	580,750,589
2013 – 2017	-	1,692,860,385
2018 – 2022	-	336,485,659
2023 – 2026	-	187,774,758
Total minimum lease payments	$ 8,617,490	3,349,155,046
Less interest		1,720,317,754
Present value of minimum lease payments		$ 1,628,837,292

A reconciliation of the balance sheet to amount presented above:

Capital lease obligation, less current portion	$ 1,521,829,063
Current portion of capital lease obligation	107,008,229
Total	$ 1,628,837,292

12. SUBSEQUENT EVENTS

On March 12, 2003, the CTA issued Capital Grant Receipts Revenue Bonds, Douglas Branch Project in the amount of $207,200,000 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 finance a portion of the costs of the extensive rehabilitation of eight rail stations and five miles of track as well as the installation of signal and communications equipment, the traction power system and various infrastructure improvements that together constitute the Douglas Branch Reconstruction Project.

On March 31, 2003, the CTA issued Public Building Commission of Chicago Building Revenue Bonds in the amount of $119,020,000. The bonds are payable from and secured by lease payments to be made by the CTA to the Commission pursuant to a lease to be entered into between the Commission and the CTA for real property and a facility to be constructed thereon and certain furniture, fixtures, and equipment.

REQUIRED SUPPLEMENTARY INFORMATION

CHICAGO TRANSIT AUTHORITY
SCHEDULE OF FUNDING PROGRESS
DECEMBER 31, 2002

	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Employees' Plan	1/1/02	$1,864,727,000	$2,812,194,000	$947,467,000	66.3%	$459,343,000	206.3%
	1/1/01	1,828,095,000	2,358,856,000	530,761,000	77.5%	431,703,000	122.9%
	1/1/00	1,722,215,000	2,156,279,000	434,064,000	79.9%	424,518,000	102.2%
	1/1/99	1,576,924,000	2,054,953,000	478,029,000	76.7%	407,406,000	117.3%
	1/1/98	1,470,510,000	1,994,422,000	523,912,000	73.7%	457,717,000	114.5%
	1/1/97	1,373,715,000	1,748,190,000	374,475,000	78.6%	443,508,000	84.4%
Supplemental Plan	1/1/03	$ 319,836	$ 34,069,831	$ 33,749,995	0.9%	$ 18,884,569	178.7%
	1/1/02	302,889	43,730,319	43,427,430	0.7%	15,401,660	282.0%
	1/1/01	244,342	41,735,184	41,490,842	0.6%	14,639,322	283.4%
	1/1/00	471,839	32,112,921	31,641,082	1.5%	14,048,754	225.2%
	1/1/99	363,023	28,831,519	28,468,496	1.3%	16,357,599	174.0%
	1/1/98	354,716	28,613,847	28,259,131	1.2%	15,114,237	187.0%

CHICAGO TRANSIT AUTHORITY
SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2002

	Year Ended	Annual Pension Cost (APC)	Employer Contributions	Percentage of APC Contributed	Net Pension Obligation
Employees' Plan	12/31/02	$ 90,868,768	$ 43,295,269	47.6%	$ 442,884,381
	12/31/01	69,834,432	27,218,959	39.0%	395,310,882
	12/31/00	57,050,836	25,884,532	45.3%	353,742,349
	12/31/99	60,164,112	25,588,067	42.5%	322,576,045
	12/31/98	68,277,000	26,095,000	38.2%	288,000,000
	12/31/97	N/A	N/A	N/A	N/A
Supplemental Plan	12/31/02	$ 4,273,605	$ 4,933,730	115.4%	$ 25,254,129
	12/31/01	3,546,839	3,664,110	103.3%	25,914,254
	12/31/00	3,301,404	3,663,790	111.0%	26,031,525
	12/31/99	3,507,394	3,762,434	107.3%	26,393,911
	12/31/98	3,337,317	3,106,640	93.1%	26,648,951
	12/31/97	N/A	N/A	N/A	N/A

N/A – Information not available.

SUPPLEMENTARY SCHEDULES

CHICAGO TRANSIT AUTHORITY
SCHEDULE OF EXPENSES AND REVENUES - BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE YEAR ENDED DECEMBER 31, 2002

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
OPERATING EXPENSES:				
Labor and fringe benefits	$ 667,596,511	$ 667,596,511	$ 663,577,216	$ 4,019,295
Materials and supplies	66,948,946	66,948,946	67,930,919	(981,973)
Fuel	23,000,000	23,000,000	20,097,898	2,902,102
Electric power	22,700,401	22,700,401	21,061,705	1,638,696
Maintenance and repairs, utilities, rent and other	111,541,867	111,541,867	107,984,768	3,557,099
Provision for injuries and damages	23,000,004	23,000,004	39,000,000	(15,999,996)
Total operating expenses	914,787,729	914,787,729	919,652,506	(4,864,777)
SYSTEM-GENERATED REVENUES:				
Fares and passes	388,889,000	388,889,000	383,859,212	(5,029,788)
Reduced fare subsidies	32,300,000	32,300,000	30,196,767	(2,103,233)
Advertising and concessions	30,280,000	30,280,000	21,340,031	(8,939,969)
Interest income	10,670,000	10,670,000	4,613,311	(6,056,689)
Contributions from local governmental units	5,000,000	5,000,000	5,000,000	-
Other revenue	6,017,000	6,017,000	33,245,493	27,228,493
Total system-generated revenues	473,156,000	473,156,000	478,254,814	5,098,814
Operating expenses in excess of system-generated revenues	441,631,729	441,631,729	441,397,692	234,037
PUBLIC FUNDING FROM THE RTA:				
Operating assistance	441,631,729	441,631,729	441,397,692	234,037
CHANGE IN NET ASSETS - Budgetary basis	$ -	$ -	$ -	$ -
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS:				
Provision for depreciation			$ (331,339,967)	
Pension expense in excess of pension contributions			(44,016,718)	
Provision for injury and damage claims			(779,765)	
Revenue from leasing transactions			4,262,208	
Interest income from sale/leaseback			105,907,682	
Interest expense from sale/leaseback			(105,500,714)	
Capital contributions			482,871,906	
Change in Net Assets - GAAP basis			$ 111,404,632	
CTA RECOVERY RATIO:				
Total operating expenses			$ 919,652,506	
Less mandated security costs			4,529,515	
Less provision for base year security cost			10,200,000	
Plus City of Chicago in-kind services			22,000,000	
Total operating expenses for recovery ratio calculation (B)			$ 926,922,991	
Total system-generated revenues			$ 478,254,814	
Plus City of Chicago in-kind services			22,000,000	
Total system-generated revenues for recovery ratio calculation (A)			$ 500,254,814	
Recovery Ratio (A/B)			53.97%	

CHICAGO TRANSIT AUTHORITY
SCHEDULE OF EXPENSES AND REVENUES - BUDGET AND ACTUAL - BUDGETARY BASIS FOR THE YEAR ENDED DECEMBER 31, 2001

	Original Budget	Final Budget	Actual - Budgetary Basis	Variance Favorable (Unfavorable)
OPERATING EXPENSES:				
Labor and fringe benefits	$ 627,446,436	$ 627,446,436	$ 629,588,027	$ (2,141,591)
Materials and supplies	64,801,585	64,801,585	64,879,178	(77,593)
Fuel	21,600,000	21,600,000	23,325,996	(1,725,996)
Electric power	20,491,810	20,491,810	21,834,681	(1,342,871)
Maintenance and repairs, utilities, rent and other	104,811,553	104,811,553	100,284,070	4,527,483
Provision for injuries and damages	30,000,000	30,000,000	44,000,000	(14,000,000)
Total operating expenses	869,151,384	869,151,384	883,911,952	(14,760,568)
SYSTEM-GENERATED REVENUES:				
Fares and passes	371,101,645	371,101,645	373,808,979	2,707,334
Reduced fare subsidies	33,880,000	33,880,000	32,463,040	(1,416,960)
Advertising and concessions	22,055,038	22,055,038	20,372,441	(1,682,597)
Interest income	8,887,320	8,887,320	12,667,331	3,780,011
Contributions from local governmental units	5,000,000	5,000,000	5,000,000	-
Other revenue	9,222,000	9,222,000	20,594,780	11,372,780
Total system-generated revenues (A)	450,146,003	450,146,003	464,906,571	14,760,568
Operating expenses in excess of system-generated revenues	419,005,381	419,005,381	419,005,381	-
PUBLIC FUNDING FROM THE RTA:				
Operating assistance	419,005,381	419,005,381	419,005,381	-
CHANGE IN NET ASSETS - Budgetary basis	$ -	$ -	$ -	$ -
RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS:				
Provision for depreciation			$ (275,111,378)	
Pension expense in excess of pension contributions			(37,973,151)	
Provision for injury and damage claims			18,810,591	
Revenue from leasing transactions			4,262,208	
Interest income from sale/leaseback			103,666,704	
Interest expense from sale/leaseback			(100,289,284)	
Capital contributions			341,380,574	
Change in Net Assets - GAAP basis			$ 54,746,264	
CTA RECOVERY RATIO:				
Total operating expenses			$ 883,911,952	
Less mandated security costs			4,869,456	
Subtotal (B)			$ 879,042,496	
Recovery Ratio (A)/(B)			52.89%	