



**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Financial Statements and Supplementary Information

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Table of Contents

	Page(s)
Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3 – 19
Basic Financial Statements:	
Statements of Net Assets	20 – 21
Statements of Revenues, Expenses, and Changes in Net Assets	22
Statements of Cash Flows	23 – 24
Notes to Financial Statements	25 – 43
Required Supplementary Information – Postemployment Health Benefits (Unaudited)	44
Supplementary Information	
Schedule of Revenues and Expenses – 2011 Budget to Actual (Budgetary Basis) (Unaudited)	45
Budgetary Basis Schedule of Operations – 2011 (Unaudited)	46
Notes to Supplementary Information (Unaudited)	47



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Directors
Commuter Rail Division of the
Regional Transportation Authority and the
Northeast Illinois Regional Commuter Railroad Corporation
(Both d/b/a Metra):

We have audited the accompanying basic financial statements of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation, both d/b/a Metra (Metra), as of and for the years ended December 31, 2011 and 2010 as listed in the table of contents. These basic financial statements are the responsibility of management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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 audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 Metra as of December 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 9, 2012 on our consideration of Metra'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that management's discussion and analysis and the schedule of funding progress on pages 3 through 19 and page 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

The supplementary information included in the schedule of revenues and expenses – budget to actual (budgetary basis) on page 45 and the budgetary basis schedule of operations and notes to supplementary information on pages 46 and 47 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Chicago, Illinois
July 9, 2012

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**

(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

Management's Discussion and Analysis

Management's discussion and analysis of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation (A Public Corporation) (Both d/b/a Metra) offers an analysis of Metra's financial performance during the years ended December 31, 2011 and 2010. Management's discussion and analysis is designed to focus on current activities, resulting changes, and currently known facts. Please read it in conjunction with Metra's financial statements, which begin on page 20.

Basic Financial Statements

The **Statement of Net Assets** presents current and noncurrent assets and liabilities on a full accrual basis. Assets are recognized when acquired, liabilities are recognized when goods and services are provided to Metra.

The **Statement of Revenues, Expenses and Changes in Net Assets** presents Metra's revenues, expenses and the net impact these activities had on its fiscal well-being, identified as "Change in net assets." Recognition of revenues and expenses is often distinct from the related cash transactions, because under the accrual method, revenues are recognized when earned, and expenses are recognized when incurred.

The **Statement of Cash Flows** presents information relating to operating activities, noncapital and related financing activities, capital and related financing activities, and investing activities. The net change in cash and cash equivalents provides a view of Metra's ability to meet financial obligations as they mature.

Notes to the financial statements are an integral component of the report, because important background information that may not be reflected on the face of the statements is disclosed. Details on Metra's accounting policies, cash holdings, capital assets, and other important areas may be found in the notes.

Financial Summary

2011 Financial Summary

- **Net assets** rose \$161.3 million to \$2.8 billion at December 31, 2011. Net assets represent total assets minus total liabilities.
- **Capital assets – net** rose \$152.3 million during 2011 reflecting new acquisitions less depreciation incurred in 2011.
- **Passenger revenues** increased \$6.1 million or 2.5% in 2011.
- **Other operating revenues** increased by \$0.8 million (1.4%) to \$57.8 million in 2011.
- **Nonoperating revenues** increased by \$127.0 million (21.5%) to \$717.9 million in 2011.
- **Total operating expenses before depreciation** increased \$28.6 million (4.6%) to \$644.3 million during 2011.

Financial Analysis

Following are condensed comparative financial statements, which highlight key financial data. Certain significant year-to-year variances are discussed following each respective statement.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

2011 vs 2010 Analysis

Statement of Net Assets

Net assets represent the difference between total assets and total liabilities. As shown in Table 1a, Metra's Total net assets at December 31, 2011 increased to \$2.8 billion, a 6.1% increase from December 31, 2010. This is primarily due to increases in net capital assets and current assets along with a decrease in total liabilities. Current assets increased 1.3% to \$224.7 million. Current liabilities decreased by 10.4% to \$139.1 million primarily due to a decrease in accounts payable, deferred revenues and amounts payable for leasehold transactions, and was partially offset by increase in the current portion of the claims liability and accrued wages and benefits payable. Other liabilities decreased by 55.5% to \$118.3 million primarily due to decreases in the amounts payable for leasehold transaction and was partially offset by increase in long-term accrued claims.

Table 1a
Condensed Statement of Net Assets
(Amounts in millions)

Assets	December 31		Change increase (decrease)	
	2011	2010	Dollars	Percent
Current assets	\$ 224.7	221.9	2.8	1.3%
Capital assets – net	2,740.9	2,588.6	152.3	5.9
Restricted assets	110.4	175.7	(65.3)	(37.2)
Total assets	3,076.0	2,986.2	89.8	3.0
Liabilities				
Current liabilities	139.1	155.2	(16.1)	(10.4)
Other liabilities	118.3	173.8	(55.5)	(31.9)
Total liabilities	257.4	329.0	(71.6)	(21.8)
Net Assets				
Invested in capital assets	2,740.9	2,588.6	152.3	5.9
Unrestricted net assets	77.7	68.6	9.1	13.3
Total net assets	\$ 2,818.6	2,657.2	161.4	6.1%

Key changes include:

- **Current assets** increased by \$2.8 million or 1.3% to \$224.7 million primarily due to increases in cash and cash equivalents, and materials and supplies which were partially offset by decreases in prepaid expense and accounts receivable.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**

(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

- **Capital assets – net** increased by \$152.3 million or 5.9% to \$2.74 billion primarily due to the increase in Capital projects in progress because of the progress payments made for the acquisition of 160 new highliner cars for the electric district.
- **Restricted assets** decreased by \$65.3 million. (See note 7 to the financial statements for details on the leasehold transaction.)
- **Current liabilities** decreased by \$16.1 million or 10.4% to \$139.1 million primarily due to decreases in accounts payable, the current portion of the accrued claims liability, deferred revenues and accrued wages and benefits payable, that were partially offset by decreases in financial assistance payable to purchase service agreement carriers.
- **Other liabilities** decreased by \$55.5 million or 31.9% to \$118.3 million primarily due to the decreases in the long-term portion amounts payable for the leasehold transaction. (See note 7 to the financial statements for details on the leasehold transaction.)

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

Statement of Revenues, Expenses and Changes in Net Assets

Table 2a

Condensed Statements of Revenues, Expenses and Changes in Net Assets

(Amounts in millions)

	Year ended December 31		Change increase (decrease)	
	2011	2010	Dollars	Percent
Operating revenues:				
Passenger revenue	\$ 245.5	239.4	6.1	2.5%
Other revenue	57.8	57.0	0.8	1.4
Total operating revenues	<u>303.3</u>	<u>296.4</u>	<u>6.9</u>	<u>2.3</u>
Operating expenses:				
Transportation	206.7	200.9	5.8	2.9
Fuel and motive power	82.2	65.0	17.2	26.5
Maintenance of way	123.9	121.7	2.2	1.8
Maintenance of equipment	137.1	132.8	4.3	3.2
Administration	46.2	43.9	2.3	5.2
Claims, insurance and risk management	14.1	14.3	(0.2)	(1.4)
Regional services	19.9	23.2	(3.3)	(14.2)
Downtown stations	14.3	14.0	0.3	2.1
Total expenses before depreciation	<u>644.4</u>	<u>615.8</u>	<u>28.6</u>	<u>4.6</u>
Operating income (loss) before depreciation	(341.1)	(319.4)	21.7	(6.8)
Depreciation expense	<u>215.5</u>	<u>213.8</u>	<u>1.7</u>	<u>0.8</u>
Operating income (loss) after depreciation expense	<u>(556.6)</u>	<u>(533.2)</u>	<u>23.4</u>	<u>(4.4)</u>
Nonoperating revenues:				
Financial assistance	<u>717.9</u>	<u>590.9</u>	<u>127.0</u>	<u>21.5</u>
Total nonoperating revenues	<u>717.9</u>	<u>590.9</u>	<u>127.0</u>	<u>21.5</u>
Change in net assets	<u>\$ 161.3</u>	<u>57.7</u>	<u>103.6</u>	<u>179.5%</u>

Certain 2010 amounts have been reclassified to conform to the 2011 presentation.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**

(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

Total operating revenues increased by \$6.9 million or 2.3% from 2010. Principal changes are discussed below:

Passenger revenue increased \$6.1 million or 2.5% in 2011. This increase was due to overall ridership increase of 1.6%. Below is a table comparing ridership per line for 2011 and 2010:

Ridership By Line

(In thousands of Riders)

<u>Rail line</u>	<u>2011*</u>	<u>2010*</u>	<u>Increase (decrease)</u>	<u>Percent</u>
Burlington Northern/Santa Fe	16,571	16,286	285	1.7%
Metra Electric	10,029	10,015	14	0.1
Heritage Corridor	706	696	10	1.4
Milwaukee-North	7,014	6,883	131	1.9
Milwaukee-West	7,052	6,716	336	5.0
North Central Service	1,686	1,585	101	6.4
Rock Island	8,599	8,554	45	0.5
SouthWest Service	2,558	2,451	107	4.4
Union Pacific-North	9,442	10,120	(678)	(6.7)
Union Pacific-Northwest	11,052	10,286	766	7.4
Union Pacific-West	7,948	7,777	171	2.2
Total ridership	<u>82,657</u>	<u>81,369</u>	<u>1,288</u>	1.6

* Includes free senior rides; does not include NICTD.

Other revenue increased \$0.8 million or 1.4%. Increases in joint facility income from other railroad were partially offset decreases in capital credits, miscellaneous, investment income, and lease revenues.

Nonoperating revenues increased by \$127.0 million or 21.5% to \$717.9 million in 2011 primarily because Metra's external funding sources for capital grants increased \$101.3 million to \$330.8 million and Metra's statutory share of Regional Transportation Authority (RTA) sales tax proceeds increased 3.3% to \$328.8 million.

Total operating expenses before depreciation increased by \$28.6 million or 4.6% from 2010. In general, labor and fringe benefits increased due to contract employees' wage increases combined with a 7.5% increase in contract employees' health insurance premiums. Diesel fuel expense increased 30.1%, from \$56.8 million to \$73.8 million, due to a 34.8% increase in the average cost per gallon of diesel fuel of \$3.02 in 2011 versus \$2.24 in 2010. Motive power expense increased 2.1%, from \$8.2 million to \$8.4 million in 2011 primarily due to a 2.0% decrease in the price per kilowatt hour which was offset by an increase in usage.

Capital Assets

As of December 31, 2011, Metra had invested approximately \$6.1 billion in capital assets including land, stations, maintenance facilities, rolling stock, track, structures, and signal and communication equipment as well

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

as other support equipment. Net of accumulated depreciation, Metra's net capital assets at December 31, 2011 totaled approximately \$2.7 billion. (See Table 3a below) This amount represents a net increase (including additions and disposals, net of depreciation) of \$152.4 million or 5.9% over the December 31, 2010 balance.

Table 3a
Capital Assets by Funding Source
Current Year to Prior Year Analysis
(Amounts in millions of dollars)

Funding source	December 31		Change increase(decrease)	
	2011	2010	Dollars	Percent
Federal Transit Administration	\$ 2,937.7	2,797.6	140.1	5.0%
Illinois Department of Transportation	543.5	526.4	17.1	3.2%
Regional Transportation Authority	1,641.2	1,467.6	173.6	11.8%
Northern Indiana Commuter Transportation District	6.4	6.4	—	—
Metra	925.8	888.7	37.1	4.2%
Total capital assets	6,054.6	5,686.7	367.9	6.5%
Accumulated depreciation	(3,313.7)	(3,098.1)	(215.6)	7.0%
Total capital assets, net	\$ 2,740.9	2,588.6	152.3	5.9%

Major capital asset expenditures during 2011 included the following:

- Metra's **Rolling Stock** program seeks to ensure that an adequate number of locomotives and commuter rail cars are available to meet the current and future service needs of the system. This program includes rehabilitation of, and improvements to existing vehicles. Metra made progress payments totaling \$167.4 million in 2011 toward the purchase of 160 new highliner cars for the electric division. The progress payments were \$55.8 million for purchase of new rolling stock in 2010. Metra expended \$62.8 million and \$45.4 million for 2011 and 2010 respectively, to upgrade and maintain its existing fleet through rehabilitations and replacement of major subassemblies.
- The **Track and Structure** program provides for the continued rehabilitation and upgrading of Metra's commuter railroad rights-of-way. In addition to maintaining operational safety, the rehabilitation of track and structures results in reduced train running times, fewer interruptions in service, greater passenger comfort, and efficient use of plant and equipment. Metra has developed a cyclical program of track rehabilitation, which includes all commuter rail lines within the region. Project priorities are decided based on train volumes, speed restrictions, age and condition of the roadbed, and track speeds essential to maintaining on-time performance. Structure projects serve objectives that are similar to those of the track program. Since 1990, when Metra's comprehensive plan for bridge rehabilitation and replacement began, the structure program has focused on the commuter rail bridges identified as high priorities for action. The

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

2011 Capital Program continued the implementation of this plan by providing \$67.9 million in funding for the rehabilitation, replacement and upgrade of bridges, track and structures.

- **Signaling, Electrical and Communications** systems and equipment improvements are designed to maximize commuter operating efficiencies, maintain reliability of rail service and provide a safe system of dispatching and centrally control train movements. Signaling systems and switches control usage of track. Much of this equipment is concentrated at "interlockings," which are control systems where two railroads cross each other or where many trains change tracks. The smooth, dependable operation of these interlockings is critical for maintaining on-time performance. Metra also continues its program to improve communication systems allowing for the provision of timely information to our customers. This includes new passenger information systems at downtown terminals, as well as a satellite-based system that provides time-of-arrival and related information to customers at stations and on trains all over its system. Each rehabilitated passenger station includes the Voice of Metra audio announcement equipment and a Visual Information System with rolling-message signs for contacting passengers with service-related information on a timely basis. Signaling, electrical and communications expenditures in 2011 and 2010 were \$25.9 million and \$25.1 million, respectively
- **Metra's Support Facilities and Equipment** includes maintenance yards, layover and storage facilities, and support vehicles and equipment that are essential to maintaining reliable and efficient commuter services. Support facilities and equipment expenditures in 2011 and 2010 were \$17.1 million and \$47.5 million, respectively.
- **Commuter Stations** are portals to the Metra system and very often to the communities in which they are placed. Stations must be functional and compliant with the American Disabilities Act, as well as inviting. Commuter stations expenditures in 2011 and 2010 were \$20.0 million and \$23.3 million, respectively.
- The **Commuter Parking** program is designed to expand parking capacity to relieve overcrowding at existing facilities and to accommodate future ridership growth. Both station and parking improvements are performed in a manner to ensure conformance with the requirements of the Americans with Disabilities Act. Commuter parking expenditures in 2011 and 2010 were \$3.5 million and \$4.1 million respectively.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**

(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

2010 vs 2009 Analysis

Statement of Net Assets

Net assets represent the difference between total assets and total liabilities. As shown in Table 1b, Metra's Total net assets at December 31, 2010 increased to \$2.7 billion, a 2.2% increase from December 31, 2009. This is primarily due to increases in net capital assets and current assets that were partially offset by an increase in total liabilities. Current assets increased 25.1% to \$221.9 million. Current liabilities increased by 38.0% to \$155.2 million primarily due to an increase in accounts payable, the current portion of the claims liability, deferred revenues, and accrued wages and benefits payable which was partially offset by decreases in the long-term portion of the claims liability and in financial assistance – other carriers. Other liabilities decreased by 4.5% to \$173.8 million primarily due to decreases in the accrued claims reserve and amounts payable for leasehold transaction.

Table 1b
Condensed Statement of Net Assets

(Amounts in millions)

Assets	December 31		Change increase (decrease)	
	2010	2009	Dollars	Percent
Current assets	\$ 221.9	177.4	44.5	25.1%
Capital assets – net	2,588.6	2,537.3	51.3	2.0
Restricted assets	175.7	179.2	(3.5)	(2.0)
Total assets	<u>2,986.2</u>	<u>2,893.9</u>	<u>92.3</u>	<u>3.2</u>
Liabilities				
Current liabilities	155.2	112.5	42.7	38.0
Other liabilities	173.8	182.0	(8.2)	(4.5)
Total liabilities	<u>329.0</u>	<u>294.5</u>	<u>34.5</u>	<u>11.7</u>
Net Assets				
Invested in capital assets	2,588.6	2,537.2	51.4	2.0
Unrestricted net assets	68.7	62.2	6.5	10.5
Total net assets	<u>\$ 2,657.3</u>	<u>2,599.4</u>	<u>57.9</u>	<u>2.2%</u>

Key changes include:

- **Current assets** increased by \$44.5 million or 25.1% to \$221.9 million primarily due to increases in accounts receivable, prepaid expense, and materials and supplies which were partially offset by decreases in cash and cash equivalents.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**

(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

- **Capital assets – net** increased by \$51.3 million or 2.0% to \$2.6 billion primarily due to the increase in Capital projects in progress because of the progress payments made for the acquisition of 160 new highliner cars for the electric district.
- **Restricted assets** decreased by \$3.5 million. (See note 7 to the financial statements for details on the leasehold transaction.)
- **Current liabilities** increased by \$43.5 million or 37.7% to \$158.8 million primarily due to increases in accounts payable, the current portion of the accrued claims liability, deferred revenues and accrued wages and benefits payable, that were partially offset by decreases in financial assistance payable to PSA carriers.
- **Other liabilities** decreased by \$9.0 million or 5.0% to \$170.2 million primarily due to the decreases in the long-term portion of accrued claims and the amounts payable for the leasehold transaction. (See note 7 to the financial statements for details on the leasehold transaction.)

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

Statement of Revenues, Expenses and Changes in Net Assets

Table 2b

Condensed Statements of Revenues, Expenses and Changes in Net Assets

(Amounts in millions)

	Year ended December 31		Change increase (decrease)	
	2010	2009	Dollars	Percent
Operating revenues:				
Passenger revenue	\$ 239.4	236.1	3.3	1.4%
Other revenue	57.0	62.5	(5.5)	(8.8)
Total operating revenues	<u>296.4</u>	<u>298.6</u>	<u>(2.2)</u>	<u>(0.7)</u>
Operating expenses:				
Transportation	200.9	191.4	9.5	5.0
Fuel and motive power	65.0	51.2	13.8	27.0
Maintenance of way	121.7	120.4	1.3	1.1
Maintenance of equipment	132.8	128.7	4.1	3.2
Administration	43.9	43.2	0.7	1.6
Claims, insurance, and risk management	14.3	8.9	5.4	60.7
Regional services	23.2	19.5	3.7	19.0
Downtown stations	14.0	13.7	0.3	2.2
Total expenses before depreciation	<u>615.8</u>	<u>577.0</u>	<u>38.8</u>	<u>6.7</u>
Operating income (loss) before depreciation	(319.4)	(278.4)	41.0	(14.7)
Depreciation expense	<u>213.8</u>	<u>230.5</u>	<u>(16.7)</u>	<u>(7.2)</u>
Operating income (loss) after depreciation expense	<u>(533.2)</u>	<u>(508.9)</u>	<u>24.3</u>	<u>(4.8)</u>
Nonoperating revenues:				
Financial assistance	<u>590.9</u>	<u>450.0</u>	<u>140.9</u>	<u>31.3</u>
Total nonoperating revenues	<u>590.9</u>	<u>450.0</u>	<u>140.9</u>	<u>31.3</u>
Change in net assets	<u>\$ 57.7</u>	<u>(58.9)</u>	<u>165.2</u>	<u>(280.5)%</u>

Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**

(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

Total operating revenues decreased by \$2.2 million or 0.7% from 2009. Principal changes are discussed below:

Passenger revenue increased \$3.3 million or 1.4% in 2010. This increase was due to a fare adjustment for one-way tickets in February 2010 that was partially offset by an overall ridership decrease of 1.1%. Below is a table comparing ridership per line for 2010 and 2009:

Ridership By Line
(In thousands of Riders)

<u>Rail line</u>	<u>2010*</u>	<u>2009*</u>	<u>Increase (decrease)</u>	<u>Percent</u>
Burlington Northern/Santa Fe	16,286	16,205	81	0.5%
Metra Electric	10,015	10,406	(391)	(3.8)
Heritage Corridor	696	722	(26)	(3.6)
Milwaukee-North	6,883	7,145	(262)	(3.7)
Milwaukee-West	6,716	6,631	85	1.3
North Central Service	1,585	1,618	(33)	(2.0)
Rock Island	8,554	8,891	(337)	(3.8)
SouthWest Service	2,451	2,478	(27)	(1.1)
Union Pacific-North	10,120	10,566	(446)	(4.2)
Union Pacific-Northwest	10,286	10,062	224	2.2
Union Pacific-West	7,777	7,561	216	2.9
Total Ridership	<u>81,369</u>	<u>82,285</u>	<u>(916.0)</u>	(1.1)

*Includes free senior rides; does not include NICTD.

Other revenue decreased \$5.5 million or 8.8%. Decreases in capital credits, miscellaneous, investment income, and joint facility income were partially offset by increases in lease revenues.

Nonoperating revenues increased by \$140.9 million or 31.3% to \$590.9 million in 2010 primarily because Metra's external funding sources for capital grants increased \$92.7 million to \$229.5 million and Metra's statutory share of Regional Transportation Authority (RTA) sales tax proceeds increased 3.7% to \$320.9 million.

Total operating expenses before depreciation increased by \$38.8 million or 6.7% from 2009. In general, labor and fringe benefits increased due to contract employees' wage increases combined with an 18.0% increase in contract employees' health insurance premiums. Diesel fuel expense increased \$14.5 million or 34.3% due to a 32.5% increase in the average cost per gallon of diesel fuel of \$2.24 in 2010 versus \$1.69 in 2009. Motive power expense decreased 7.5% to \$8.3 million in 2010 primarily due to a 8.9% decrease in the price per kilowatt hour which was partially offset by a slight increase in usage. Claims expense and insurance increased \$5.2 million or 58.4% primarily due to a one-time adjustment to the claims reserve in 2009.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**

(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

Capital Assets

As of December 31, 2010, Metra had invested approximately \$5.7 billion in capital assets including land, stations, maintenance facilities, rolling stock, track, structures, and signal and communication equipment as well as other support equipment. Net of accumulated depreciation, Metra's net capital assets at December 31, 2010 totaled approximately \$2.6 billion. (See Table 3a below) This amount represents a net increase (including additions and disposals, net of depreciation) of \$51.3 million or 2.0% over the December 31, 2009 balance.

Table 3b

**Capital Assets by Funding Source
Current Year to Prior Year Analysis**

(Amounts in millions of dollars)

Funding source	December 31		Change increase(decrease)	
	2010	2009	Dollars	Percent
Federal Transit Administration	\$ 2,797.6	2,654.3	143.3	5.4%
Illinois Department of Transportation	526.4	509.9	16.5	3.2
Regional Transportation Authority	1,467.6	1,397.9	69.7	5.0
Northern Indiana Commuter Transportation District	6.4	6.4	—	—
Metra	888.7	853.2	35.5	4.2
Total capital assets	5,686.7	5,421.7	265.0	4.9
Accumulated depreciation	(3,098.1)	(2,884.4)	(213.7)	7.4
Total capital assets, net	\$ 2,588.6	2,537.3	51.3	2.0

Major capital asset expenditures during 2010 included the following:

- Metra's **Rolling Stock** program seeks to ensure that an adequate number of locomotives and commuter rail cars are available to meet the current and future service needs of the system. This program includes rehabilitation of, and improvements to existing vehicles. Metra made progress payments totaling \$55.8 million in 2010 toward the purchase of 160 new highliner cars for the electric division. There were no expenditures related to acquisitions of new rolling stock in 2009. However, Metra expended \$67.5 million and \$45.4 million, respectively, to upgrade and maintain its existing fleet through rehabilitations and replacement of major subassemblies.
- The **Track and Structure** program provides for the continued rehabilitation and upgrading of Metra's commuter railroad rights-of-way. In addition to maintaining operational safety, the rehabilitation of track and structures results in reduced train running times, fewer interruptions in service, greater passenger comfort, and efficient use of plant and equipment. Metra has developed a cyclical program of track rehabilitation, which includes all commuter rail lines within the region. Project priorities are decided based

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**

(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

on train volumes, speed restrictions, age and condition of the roadbed, and track speeds essential to maintaining on-time performance. Structure projects serve objectives that are similar to those of the track program. Since 1990, when Metra's comprehensive plan for bridge rehabilitation and replacement began, the structure program has focused on the commuter rail bridges identified as high priorities for action. The 2010 Capital Program continued the implementation of this plan by providing \$44.6 million in funding for the rehabilitation, replacement and upgrade of bridges, track and structures. The 2009 Capital Program funding was \$66.9 million.

- **Signaling, Electrical and Communications** systems and equipment improvements are designed to maximize commuter operating efficiencies, maintain reliability of rail service and provide a safe system of dispatching and centrally control train movements. Signaling systems and switches control usage of track. Much of this equipment is concentrated at "interlockings," which are control systems where two railroads cross each other or where many trains change tracks. The smooth, dependable operation of these interlockings is critical for maintaining on-time performance. Metra also continues its program to improve communication systems allowing for the provision of timely information to our customers. This includes new passenger information systems at downtown terminals, as well as a satellite-based system that provides time-of-arrival and related information to customers at stations and on trains all over its system. Each rehabilitated passenger station includes the Voice of Metra audio announcement equipment and a Visual Information System with rolling-message signs for contacting passengers with service-related information on a timely basis. Signaling, electrical and communications expenditures in 2010 and 2009 were \$25.1 million and \$34.1 million, respectively
- **Metra's Support Facilities and Equipment** includes maintenance yards, layover and storage facilities, and support vehicles and equipment that are essential to maintaining reliable and efficient commuter services. Support facilities and equipment expenditures in 2010 and 2009 were \$47.5 million and \$8.6 million, respectively.
- **Commuter Stations** are portals to the Metra system and very often to the communities in which they are placed. Stations must be functional and compliant with the American Disabilities Act, as well as inviting. Commuter stations expenditures in 2010 and 2009 were \$23.3 million and \$12.0 million, respectively.
- The **Commuter Parking** program is designed to expand parking capacity to relieve overcrowding at existing facilities and to accommodate future ridership growth. Both station and parking improvements are performed in a manner to ensure conformance with the requirements of the Americans with Disabilities Act. Commuter parking expenditures in 2010 and 2009 were \$4.1 million and \$7.9 million respectively.

General Operational and Economic Trends

Capital Assets

Metra's capital program has a twofold approach: first, to continue our modernization programs in order to maintain a good state of repair; and second, to provide the major investments to meet long-term capacity needs and system growth. Since its creation in 1984, Metra has committed to a capital program primarily geared toward rebuilding, modernizing, and improving its existing capital assets. The purpose of the capital investment policy is to maintain safe, reliable, and quality services and facilities for its customers and workers, while simultaneously improving the efficiency and cost-effectiveness of its operations.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**

(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

Metra has always given a high priority to preservation and modernization of the existing system. Consequently, every year Metra undertakes a multitude of modernization projects to preserve and improve Metra's capital assets. For our customers, these modernization projects exist to help Metra provide continued on-time and reliable public transportation services in an efficient and cost-effective manner.

Economic Trends

RTA Sales Tax and New Transit Funding – RTA Sales Tax has been the primary sources of revenue for the northeastern Illinois public transit system for nearly three decades. The RTA Sales Tax is authorized by Illinois statute, imposed by the RTA in the six-county area, and collected by the state. The Service Board statutory share is 85% of RTA Sales Tax and is apportioned to the three Service Boards – Metra, CTA and Pace. Metra receives 55% of the Service Board statutory share of sales tax collected in Suburban Cook County, and 70% of the share collected in the collar counties of DuPage, Kane, Lake, McHenry and Will.

In January 2008, Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region, increased the Real Estate Transfer Tax (RETT) in the City of Chicago, and raised a portion of the RTA tax revenues matched by Public Transportation Funds (PTF). These new sources of revenue are collectively identified herein as "New Transit Funding." The RTA sales tax was increased 0.25% in Cook County and 0.50% in the collar counties effective April 1, 2008. Proceeds of the sales tax increase in the collar counties are divided evenly between the RTA and the county where the tax is collected. The increased RETT funds only the CTA. The proceeds of the other increases in both the RTA portion of the sales tax and PTF match were apportioned to all three Service Boards and the RTA in 2011 as follows:

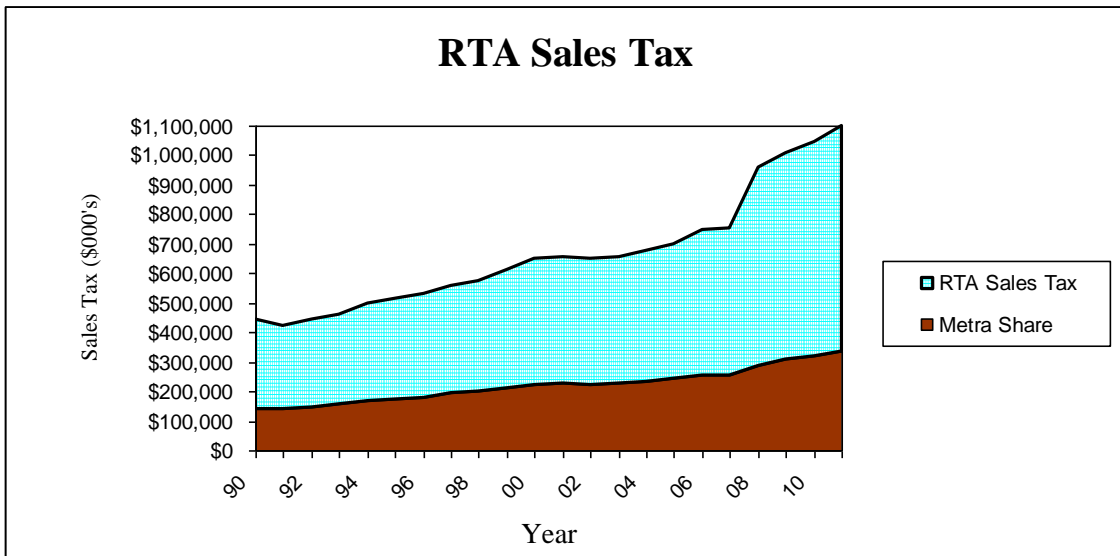
- \$99.3 million to Pace ADA Paratransit Service
- \$19.9 million to the Suburban Community Mobility Fund for Pace Suburban Service
- \$9.9 million to the RTA Innovation, Coordination and Enhancement (ICE) Fund
- All remaining proceeds of the sales tax and PTF match are allocated 48% to the CTA, 39% to Metra and 13% to Pace.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Management’s Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

The graph below shows the annual RTA Sales Tax collected in the six-county area since 1990, together with the New Transit Funding (excluding RETT) collected beginning in 2008. Year 2011 RTA Sales Tax and New Transit Funding totaled \$719.8 million and \$379.8 million, respectively. Metra’s statutory shares (\$239.8 million and \$94.3 million, respectively) together represent 30.4% of total RTA revenue sources.



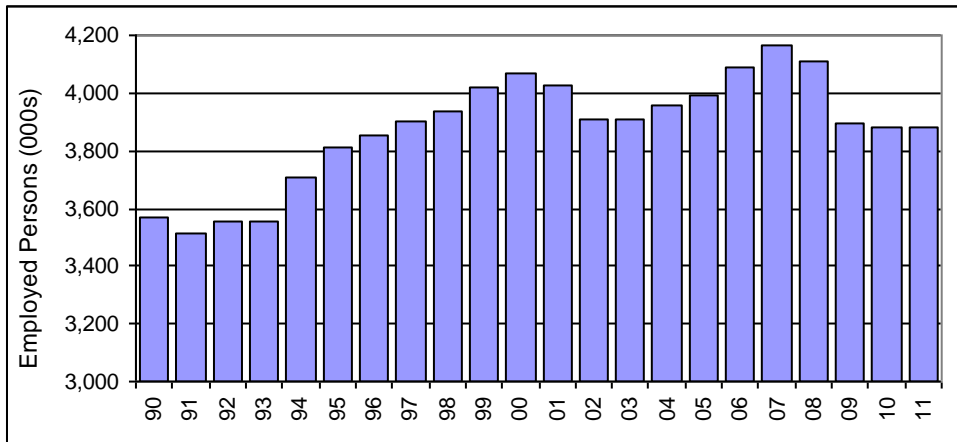
Labor Statistics – Historically, Metra ridership has had a direct relationship to employment levels. Since over 87% of trips taken on Metra are for work, it is no surprise that the health of the regional economy, especially in Downtown Chicago, can influence Metra ridership. Regional employment has generally grown since 1990, except for the economic downturn following the September 11 attacks and current economic downturn. As shown in the figure below, average regional employment for 2011 was 0.1% higher compared to 2010. Although average regional employment in 2011 was relatively stable compared to 2010, regional employment continues not to improve to the levels hoped for and is lower compared to 2009 levels. In addition, 2009 through 2011 regional employment levels at 3.9 million people employed is similar to the levels seen in 1997.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Management's Discussion and Analysis (Unaudited)

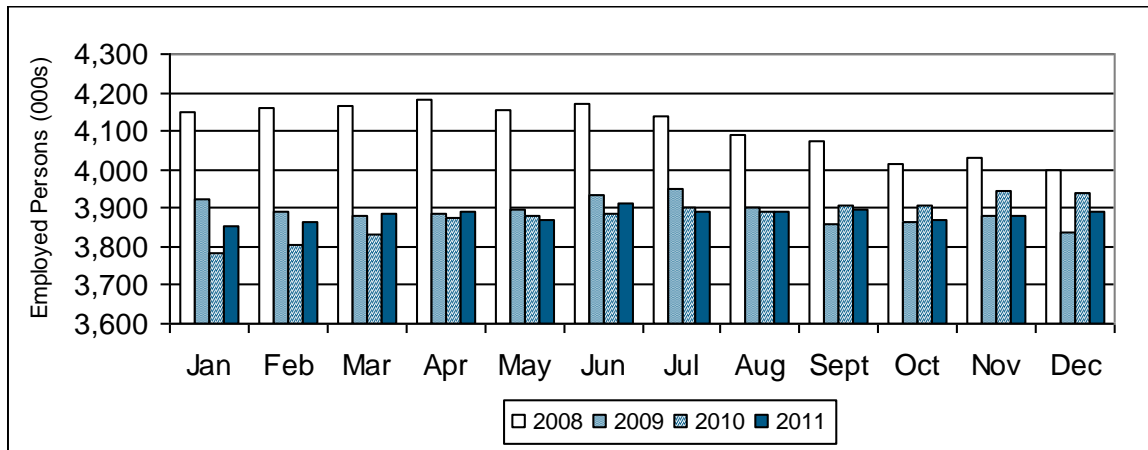
December 31, 2011 and 2010

Average Annual Regional Employment
Source: Illinois Department of Employment Security (IDES)



The figure below shows regional employment by month for 2008 through 2011. After 27 consecutive months of declines, the number of people employed within the Chicago region began to increase in September 2010 until April 2011 (when compared to the same months of the previous year). In May 2011, there was a slight decrease in employment compared to May 2010. In June 2011, there was a slight increase compared to June 2010. Between July 2011 and December 2011, there have been slight decreases in monthly employment compared to the same months of last year. The jobless rate for December 2011 in Illinois was 9.8% compared to the national average of 8.5%. As of December 2011, the number of people employed within Chicago region decreased by 1.2%, compared to the same month of previous year.

2007 – 2011 Monthly Regional Employment
Source: Illinois Department of Employment Security (IDES)

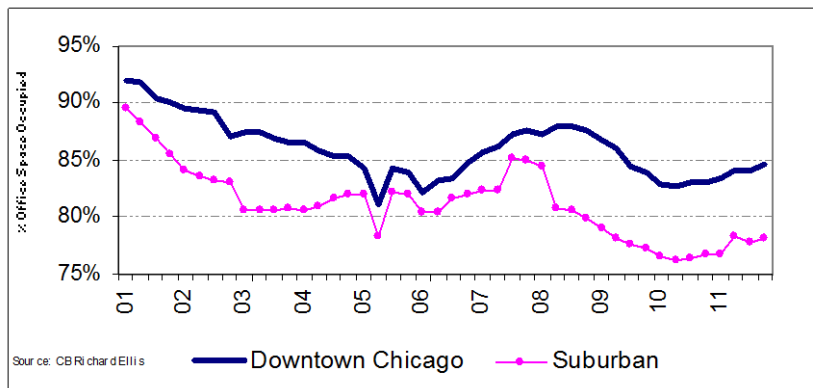


**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Management’s Discussion and Analysis (Unaudited)

December 31, 2011 and 2010

Office Occupancy Rates – Downtown Chicago saw a slight increase in occupancy rates in 2011 compared to 2010. In the Fourth Quarter of 2011, downtown Chicago posted an 84.7% office occupancy rate. There were slight increases in suburban office occupancy rates in the first half of 2011 (78.3%) but slight decreases in the second half of 2011 (78.1%). The figure below shows the trend of slight increases in office occupancy rates for Downtown Chicago and the suburbs.



Metra will continue to monitor these and other economic indicators for potential long-term impact on Metra’s customer base and therefore future operations. Any significant changes will be considered for inclusion into Metra’s operational and capital planning.

Debt Administration

Metra has no bond related debt. The Mass Transit Funding and Reform bill passed by the Illinois legislature in January 2009 authorizes Metra to issue up to \$1 billion in bonds for capital projects.

Contacting Metra’s Financial Management

This financial report is designed to provide our customers, vendors and the general public with a general overview of Metra’s finances and to show Metra’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Controller at 547 W. Jackson, Chicago, IL 60661 or www.metrarail.com.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Statements of Net Assets
December 31, 2011 and 2010

Assets	2011	2010
	<u> </u>	<u> </u>
Current assets:		
Cash, cash equivalents, and investments	\$ 66,955,496	44,437,023
Accounts receivable:		
Grant projects	50,430,726	61,049,423
Financial assistance – RTA	77,858,608	78,409,700
Financial assistance – other carriers	370,165	1,066,104
Other, net	9,231,147	18,598,666
	<u>137,890,646</u>	<u>159,123,893</u>
Total accounts receivable		
Materials and supplies	18,656,232	16,065,312
Prepaid expense	1,243,977	2,320,115
	<u>224,746,351</u>	<u>221,946,343</u>
Total current assets		
Capital assets:		
Land	149,529,619	149,529,619
Rolling stock and equipment	1,796,556,480	1,730,993,329
Roadways and structures	3,793,929,907	3,668,682,801
Furniture, fixtures and office equipment	88,799,210	82,361,389
Less accumulated depreciation	(3,313,668,009)	(3,098,140,094)
Capital projects in progress	225,755,944	55,124,369
	<u>2,740,903,151</u>	<u>2,588,551,413</u>
Total capital assets		
Restricted assets:		
Assets restricted for payment of obligations under leasing transaction	<u>110,391,578</u>	<u>175,715,154</u>
Total noncurrent assets	<u>2,851,294,729</u>	<u>2,764,266,567</u>
Total assets	<u>\$ 3,076,041,080</u>	<u>2,986,212,910</u>

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Statements of Net Assets

December 31, 2011 and 2010

Liabilities and Net Assets	2011	2010
	<u> </u>	<u> </u>
Current liabilities:		
Accounts payable	\$ 77,607,541	83,863,143
Accrued wages and benefits payable	32,125,301	29,553,825
Financial assistance payable – other carriers	2,536,941	5,721,116
Accrued claims – current	9,479,208	9,317,809
Deferred revenues	8,215,958	12,114,545
Amounts payable for leasehold transaction	9,142,472	14,660,341
Total current liabilities	<u>139,107,421</u>	<u>155,230,779</u>
Other liabilities:		
Accrued claim – long term	12,359,385	9,105,049
Accrued post retiree health benefits – long term	4,702,574	3,579,703
Amounts payable for leasehold transaction	101,249,106	161,054,813
Total other liabilities	<u>118,311,065</u>	<u>173,739,565</u>
Total liabilities	<u>\$ 257,418,486</u>	<u>328,970,344</u>
Net assets:		
Invested in capital assets	\$ 2,740,903,151	2,588,551,413
Unrestricted net assets	77,719,443	68,691,153
Total net assets	<u>\$ 2,818,622,594</u>	<u>2,657,242,566</u>

See accompanying notes to financial statements.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Statements of Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenues:		
Passenger revenue	\$ 245,487,123	239,448,944
Other	57,824,370	56,949,673
Total operating revenues	<u>303,311,493</u>	<u>296,398,617</u>
Operating expenses:		
Transportation	206,666,776	200,928,643
Fuel and motive power	82,190,451	64,952,622
Maintenance of way	123,884,187	121,679,583
Maintenance of equipment	137,095,535	132,841,017
Administration	46,163,470	43,871,304
Claims, insurance and risk management	14,070,601	14,275,359
Regional services	19,945,425	23,189,120
Downtown stations	14,332,182	14,053,769
Total operating expenses before depreciation	<u>644,348,627</u>	<u>615,791,417</u>
Depreciation	215,527,915	213,754,810
Total operating expenses	<u>859,876,542</u>	<u>829,546,227</u>
Operating loss	<u>(556,565,049)</u>	<u>(533,147,610)</u>
Nonoperating revenues (expenses):		
Federal	201,434,994	173,157,281
Local	516,510,083	417,773,199
Total financial assistance	<u>717,945,077</u>	<u>590,930,480</u>
Interest income from restricted assets	7,012,783	11,149,009
Interest expense on leasehold transaction obligations	(7,012,783)	(11,149,009)
Total nonoperating revenues (expenses)	<u>717,945,077</u>	<u>590,930,480</u>
Change in net assets	161,380,028	57,782,870
Net assets at beginning of year	<u>2,657,242,566</u>	<u>2,599,459,696</u>
Net assets at end of year	<u>\$ 2,818,622,594</u>	<u>2,657,242,566</u>

See accompanying notes to financial statements.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Statements of Cash Flows

Years ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Cash received from fares	\$ 245,487,123	239,448,944
Cash received from other operating revenue items	59,744,600	51,501,956
Cash received from purchased service carriers	695,939	—
Cash paid to and on behalf of employees for services	(262,055,790)	(262,440,194)
Cash paid to purchased service carriers	(89,326,295)	(78,918,816)
Cash paid for claims	(6,063,473)	(8,385,698)
Cash paid to contractual service providers and suppliers	(290,747,546)	(236,072,051)
Net cash used in operating activities	(342,265,442)	(294,865,859)
Cash flows from noncapital and related financing activities:		
Cash received from RTA sales tax and other local noncapital assistance	329,380,947	318,740,041
Cash received from noncapital state assistance	3,399,996	3,399,996
Cash received from noncapital federal assistance	61,321,926	29,843,127
Net cash provided by noncapital financing activities	394,102,869	351,983,164
Cash flows from capital and related financing activities:		
Cash received from capital grants	330,842,178	229,457,194
Cash paid to acquire and construct capital assets	(360,309,838)	(289,774,811)
Net cash used in capital and related financing activities	(29,467,660)	(60,317,617)
Cash flows from investing activities:		
Cash received from investment income	148,706	198,998
Net cash provided by investing activities	148,706	198,998
Net decrease in cash and cash equivalents	22,518,473	(3,001,314)
Cash and cash equivalents, beginning of year	44,437,023	47,438,337
Cash and cash equivalents, end of year	\$ 66,955,496	44,437,023

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**

(A Public Corporation), (Both d/b/a Metra)

Statements of Cash Flows

Years ended December 31, 2011 and 2010

	2011	2010
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (556,565,049)	(533,147,610)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	215,527,915	213,754,810
Provision for claims	9,479,208	9,317,809
Settlement of claims	(6,063,473)	(8,385,698)
State-reduced fare assistance	(3,399,996)	(3,399,996)
Interest received	(148,706)	(198,998)
(Increase) decrease in assets:		
Accounts receivable – other carriers	695,939	(693,661)
Accounts receivable – other, net	9,367,519	(6,653,393)
Materials and supplies	(2,590,920)	(1,426,939)
Prepaid expense	1,076,138	(1,125,508)
Increase (decrease) in liabilities:		
Accounts payable	(6,255,602)	30,213,416
Accrued wages and benefits payable	3,694,347	3,088,399
Financial assistance payable – other carriers	(3,184,175)	(1,013,160)
Deferred revenues	(3,898,587)	4,804,670
Total adjustments	214,299,607	238,281,751
Net cash used in operating activities	\$ (342,265,442)	(294,865,859)
Noncash investing and financing activities:		
Interest income from assets restricted for payment of leasehold transactions obligations	\$ 7,012,783	11,149,009
Interest expense on leasehold transactions obligations	(7,012,783)	(11,149,009)
Net noncash investing and financing activities	\$ —	—

See accompanying notes to financial statements.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

(1) Organization

The Commuter Rail Division (CRD) of the Regional Transportation Authority (RTA) and the Northeast Illinois Regional Railroad Corporation (NIRCRC) were established by Regional Transportation Authority Act (the Act) to operate commuter service in the six-county region of Northeast Illinois. The CRD and NIRCRC are governed by the Commuter Rail Board (CRB) and collectively do business using the trademark name of “Metra.” The CRB is responsible for establishing policy for the day-to-day operations, capital investments, finances, fare levels, and service and facilities planning for Metra.

Metra operates and manages the Rock Island, Milwaukee Road, Metra Electric, Heritage Corridor, North Central Service, and SouthWest Service commuter lines. Metra also provides commuter rail service on other lines through agreements executed with the Union Pacific Railroad (UP), Burlington Northern Santa Fe Railroad (BNSF) and Northern Indiana Commuter Transportation District (NICTD).

The Act provides for funding of public transportation in the six-county region of Northeast Illinois. The Act requires that at least 50% of system-wide operating costs, excluding depreciation and certain other items, are financed through passenger fares and other revenues. The Regional Transportation Authority (RTA) coordinates bus and rail services provided by Metra, Chicago Transit Authority (CTA) and the Suburban Bus Division (Pace). The RTA distributes funding for public transportation in the six-county area and establishes funding marks and recovery ratios for each service board on a budgetary basis.

Reporting Entity – As defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

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

The RTA Board does not control the selection of any members of Metra Board. Members of the Metra Board cannot serve on the RTA Board. The Metra Board exercises control over Metra operations and is accountable for fiscal matters including ownership of assets, relations with federal and state transportation funding agencies that provide financial assistance, and the preparation of operating budgets. The board is also responsible for the purchase of services and approval of contracts relating to its operations.

Based on these factors and applying the aforementioned criteria used to determine financial accountability, management does not consider Metra to be a component unit of the RTA.

As described above, Metra has contracts with certain rail carriers. With the exception of deficit funding and “in-kind assistance” specifically defined in these agreements, Metra is not financially accountable for these carriers, and they are not considered to be a part of the Metra financial reporting entity.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The accompanying financial statements of Metra are maintained in accordance with U.S. generally accepted accounting principles (GAAP) applicable to governmental entities. The accounts of Metra are organized as an enterprise fund type and are used to account for Metra's activities similar to a private business enterprise on the accrual basis of accounting. Therefore, revenues are recognized when earned, and expenses are recorded at the time liabilities are incurred.

Nonexchange transactions, in which Metra 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 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 Metra on a reimbursement basis.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, private-sector standard of accounting and financial reporting issued prior to December 1, 1989 are followed to the extent that those standards do not conflict with or contradict guidance of GASB. Metra also has the option of following subsequent private-sector guidance, subject to this same limitation. Metra has elected not to follow subsequent private-sector guidance as it relates to its operations.

(b) Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the measurement of assets and liabilities and revenues and expenses, and the disclosure of contingent assets and liabilities during the reporting period. Actual results could differ from those estimates.

(c) Cash and Cash Equivalents

For purposes of the statements of cash flows, Metra considers all highly liquid investments with a maturity at the time of purchase of three months or less to be cash equivalents.

(d) Investments

Investments are reported at fair value based on quoted market prices.

The investments which Metra may purchase are limited by Illinois law to the following: (1) securities which are fully guaranteed by the U.S. government as to principal and interest; (2) certain U.S. government agency securities; (3) certificates of deposit or time deposits of banks and savings and loan associations which are insured by a Federal corporation; (4) short-term discount obligations of the Federal National Mortgage Association; (5) certain short-term obligations of corporations (commercial paper) rated in the highest classifications by at least two of the major

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

rating services; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois and Prime Funds, and (8) money market mutual funds and certain other instruments.

(e) *Materials and Supplies*

Materials and supplies are recorded at average cost.

(f) *Capital Assets*

Capital assets are recorded at cost, less accumulated depreciation. The cost of maintenance and repairs is charged to operations as incurred. Metra currently capitalizes assets which have a useful life of more than one year, and (1) a unit or group cost of more than \$5,000 and are not intentionally acquired for resale or (2) were purchased with grant money. Depreciation is calculated by class of assets using the straight-line method over the estimated useful lives of the respective assets, as follows:

	Years
Rolling stock, roadways and structures	10 – 35
Furniture, fixtures and office equipment	2 – 10

(g) *Restricted Assets*

On September 18, 1998, Metra entered into lease/leaseback agreements for railcars which provide certain cash and tax benefits to the third parties through equity investor trusts. Metra 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.

(h) *Compensated Absences*

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. Similarly, sick leave is accrued as the benefits are earned, but only to the extent it is probable that Metra will compensate the employee through cash payments conditioned on the employee's termination or retirement. Compensation for holidays and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts do not accumulate.

Metra accounts for compensated absences under GASB Statement No. 16, *Accounting for Compensated Absences*, whereby the applicable salary-related employer obligations are accrued in addition to the compensated absences liability. The amount is recorded as a portion of accrued wages and benefits payable on the statement of net assets.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

(i) ***Self-insurance***

Metra provides for self-insurance programs for public liability, property damage, and Federal Employers' Liability Act (FELA) claims. In 1993, the RTA, as authorized under the Joint Self-Insurance Fund, obtained liability insurance as part of the self-insurance programs currently maintained by Metra. Claims are recorded in the year of occurrence (see note 6). Metra directly administers the public liability, property damage, and FELA programs.

(j) ***Net Assets***

Equity is displayed in two components as follows:

Invested in Capital Assets, Net of Related Debt – 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.

Unrestricted – This consists of net assets that do not meet the definition of “invested in capital assets, net of related debt.”

(k) ***Passenger Revenue***

Passenger revenues are recorded as revenue at the time the services are performed. Tickets sold prior to the month of validity are recorded as deferred revenues.

(l) ***Classification of Revenues***

Metra has classified its revenues as either operating or nonoperating. Operating revenues include activities which have the characteristics of exchange transactions, including passenger revenue and other miscellaneous operating revenue. Nonoperating revenue includes activities that have the characteristics of nonexchange transactions, such as federal, state, and local grants and contracts. Metra's nonoperating revenue includes federal grant reimbursements, capital grant additives, reimbursement for the use of certain Metra-owned operating property, reduced fare reimbursements, sales tax revenue and other operating assistance distributed through appropriations from the RTA, joint facility revenue, investment income, and miscellaneous nonfare generated income.

Metra's statutory share of RTA sales tax proceeds was \$328,829,855 and \$320,905,363 during the years ended December 31, 2011 and 2010, respectively. Revenues from the State of Illinois Reduced Fare Reimbursement Program was \$3,399,996 and \$3,399,996 during the years ended December 31, 2011 and 2010, respectively.

(m) ***Reclassifications***

Certain items in the December 31, 2010 financial statements have been reclassified to correspond to the December 31, 2011 presentation.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**

(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

(n) *New Accounting Pronouncements*

Metra implemented the provisions of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* during the year ended December 31, 2010. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments. There was no impact on Metra's financial statements as a result of the implementation.

Metra implemented the provisions of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* during the year ended December 31, 2010. There was no impact on Metra's financial statements as a result of the implementation.

(3) Cash, Cash Equivalents, and Investments

(a) *Cash, Cash Equivalents, and Investments*

Cash, cash equivalents, and investments are reported in the statements of net assets as of December 31, 2011 and 2010 as follows:

	2011	2010
Cash:		
Bank deposits and working cash	\$ 23,861	2,077,879
Cash equivalents – certificates of deposit	1,600,000	1,800,000
Investments	65,331,635	40,559,144
Total	\$ 66,955,496	44,437,023

Metra initially deposits cash in accounts maintained in Federal Deposit Insurance Corporation (FDIC) insured banks located in Illinois and earns interest as provided under Federal Reserve Bank regulations. Funds may be invested in registered time deposits and other interest-bearing accounts in FDIC-insured institutions. Funds can also be invested in U.S. government obligations, commercial paper, collateralized repurchase agreements arranged through various banks and brokerage firms, and other investments as permitted by Metra's investment policy.

(b) *Custodial Credit Risk – Deposits*

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, Metra's deposits may not be returned. Metra's investment policy requires deposits in excess of FDIC coverage be collateralized with securities or financial instruments permitted by the Public Funds Investment Act with maturities not exceeding five years. Metra's bank balances were \$9,457,056 and \$4,371,515 at December 31, 2011 and 2010, respectively, and were covered by FDIC insurance or by collateral held by a third party.

(c) *Custodial Credit Risk – Investments*

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, Metra will not be able to recover the value of its investments or collateral securities that are in the

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

possession of a third party. Metra's investment policy requires that safekeeping and collateralization shall be in compliance with the requirements of the Public Funds Investment Act.

(d) Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Metra's investment policy seeks to ascertain safety of principal and to attain a market average or better rate of return, taking into account risk, constraints, cash flow, and legal restrictions on investments. Metra's policy is to routinely monitor the contents of the portfolio, the available markets, and the relative values of competing instruments to assess the effectiveness of the portfolio in meeting the safety, liquidity, rate of return, diversification, and general performance objectives, and to adjust the portfolio accordingly. Metra did not have long-term investments in its portfolio at December 31, 2011 and 2010 and, therefore, had no material exposure to interest rate fluctuations.

The following schedule reports the fair values and maturities (using the segmented time distribution method) for Metra's investments at December 31, 2011 and 2010:

Investments as of December 31, 2011					
Investment maturities					
Investment type	Fair value	Less than one year	One to five years	Six to ten years	Greater than ten years
U.S. Treasury Securities	\$ 10,026,170	10,026,170	—	—	—
U.S. Agencies	10,254,698	10,254,698	—	—	—
State Treasurer Illinois Funds	15,550,159	15,550,159	—	—	—
Money market	10,500,608	10,500,608	—	—	—
Commercial paper	19,000,000	19,000,000	—	—	—
Total	<u>\$ 65,331,635</u>	<u>65,331,635</u>	<u>—</u>	<u>—</u>	<u>—</u>

Investments as of December 31, 2010					
Investment maturities					
Investment type	Fair value	Less than one year	One to five years	Six to ten years	Greater than ten years
U.S. Treasury Securities	\$ 13,999,800	13,999,800	—	—	—
U.S. Agencies	5,062,944	5,062,944	—	—	—
State Treasurer Illinois Funds	9,042,948	9,042,948	—	—	—
Money market	2,453,452	2,453,452	—	—	—
Commercial paper	10,000,000	10,000,000	—	—	—
Total	<u>\$ 40,559,144</u>	<u>40,559,144</u>	<u>—</u>	<u>—</u>	<u>—</u>

(e) Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. Metra's general investment policy is to apply the prudent-person rule,

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**

(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

which states that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of the capital as well as the probable income to be derived. Metra's investment policy limits investments in short-term obligations of corporations organized in the United States with assets exceeding \$500,000,000 if (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase; (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of Metra's funds may be invested in short-term obligations of corporations.

Credit ratings for Metra's investments in debt securities as described by Standard & Poor's and Moody's at December 31, 2011 and 2010, respectively (excluding investments in U.S. Treasuries which are not considered to have credit risk) are as follows:

Disclosure Ratings for Debt Securities Held As of December 31, 2011 (S&P)

(As a percentage of total fair value for debt securities)

<u>Investment type</u>	<u>Fair value</u>	<u>Percent</u>	<u>S&P</u>
U.S. Treasury Securities	\$ 10,026,170	15.3%	n/a
U.S. Agencies	10,254,698	15.7	AAA
The State Treasurer Illinois Funds	15,550,159	23.8	AAAm
Money market	10,500,608	16.1	A1P1
Commercial paper	16,000,000	24.5	A1P1
Commercial paper	3,000,000	4.6	A2P2
Total investments at fair value	\$ <u>65,331,635</u>	<u>100.0%</u>	

Disclosure Ratings for Debt Securities Held As of December 31, 2010 (S&P)

(As a percentage of total fair value for debt securities)

<u>Investment type</u>	<u>Fair value</u>	<u>Percent</u>	<u>S&P</u>
U.S. Treasury Securities	\$ 13,999,800	34.5%	n/a
U.S. Agencies	5,062,944	12.5	AAA
The State Treasurer Illinois Funds	9,042,948	22.3	AAAm
Money market	2,453,452	6.0	A1P1
Commercial paper	10,000,000	24.7	A1P1
Total investments at fair value	\$ <u>40,559,144</u>	<u>100.0%</u>	

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**

(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

(f) Concentration of Credit Risk

Concentration of credit risk occurs when investments in one issuer exceed 5% of the investment portfolio (lack of diversification). Metra does not have a policy regarding concentration of credit risk. None of Metra's investments in any issuer exceeded 5% at December 31, 2011 and 2010.

(4) Capital Assets

In October 2010, Metra entered into a seven-year contract totaling \$576.6 million with a vendor to furnish 160 new electric multi-unit gallery type (Highliner) railcars and associated spare parts. The total project cost is \$585.1 million. Funding for this contract is provided by bonds issued by the State of Illinois and administered by the RTA under a grant contract agreement with Metra. The vendor furnished Metra with an irrevocable letter of credit (LOC) in an amount equal to funds advanced to the vendor to cover start-up costs until the new Highliner railcars are delivered. The available LOC amount was \$223.2 million at December 31, 2011. The agreement has established milestones the vendor must meet as it designs and builds the railcars. Beginning with delivery of the 83rd new Highliner railcar, the amount of the LOC is reduced by a specific value with the delivery of each new Highliner railcar that is conditionally accepted by Metra. The vendor also furnished Metra with a labor and material payment (payment) bond and a performance bond, each in the amount of fifty percent of the total contract price. The payment and performance bonds are continuously in effect until the completion of all of the vendor's obligations.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

The following schedules summarize the capital assets of Metra as of December 31, 2011 and 2010:

<u>2011</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>
Capital assets, not being depreciated:				
Land	\$ 149,529,619	—	—	149,529,619
Capital projects in progress	55,124,369	170,631,575	—	225,755,944
Total capital assets, not being depreciated	<u>204,653,988</u>	<u>170,631,575</u>	<u>—</u>	<u>375,285,563</u>
Capital assets being depreciated:				
Rolling stock and equipment	1,730,993,329	65,563,151	—	1,796,556,480
Roadways and structures	3,668,682,801	125,247,106	—	3,793,929,907
Furniture, fixtures and office equipment	82,361,389	6,437,821	—	88,799,210
Total capital assets being depreciated	<u>5,482,037,519</u>	<u>197,248,078</u>	<u>—</u>	<u>5,679,285,597</u>
Less accumulated depreciation:				
Rolling stock and equipment	(928,373,639)	(67,418,954)	—	(995,792,593)
Roadways and structures	(2,101,535,002)	(143,982,481)	—	(2,245,517,483)
Furniture, fixtures and office equipment	(68,231,453)	(4,126,480)	—	(72,357,933)
Total accumulated depreciation	<u>(3,098,140,094)</u>	<u>(215,527,915)</u>	<u>—</u>	<u>(3,313,668,009)</u>
Total capital assets being depreciated, net	<u>2,383,897,425</u>	<u>(18,279,837)</u>	<u>—</u>	<u>2,365,617,588</u>
Total capital assets, net	<u>\$ 2,588,551,413</u>	<u>152,351,738</u>	<u>—</u>	<u>2,740,903,151</u>

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

2010	Beginning balance	Additions	Reductions	Ending balance
Capital assets, not being depreciated:				
Land	\$ 149,086,109	446,934	(3,424)	149,529,619
Capital projects in progress	2,578,379	52,545,990	—	55,124,369
Total capital assets, not being depreciated	<u>151,664,488</u>	<u>52,992,924</u>	<u>(3,424)</u>	<u>204,653,988</u>
Capital assets being depreciated:				
Rolling stock and equipment	1,657,346,510	73,646,819	—	1,730,993,329
Roadways and structures	3,530,263,047	138,419,754	—	3,668,682,801
Furniture, fixtures and office equipment	82,361,389	—	—	82,361,389
Total capital assets being depreciated	<u>5,269,970,946</u>	<u>212,066,573</u>	<u>—</u>	<u>5,482,037,519</u>
Less accumulated depreciation:				
Rolling stock and equipment	(862,957,631)	(65,416,008)	—	(928,373,639)
Roadways and structures	(1,953,239,018)	(148,295,984)	—	(2,101,535,002)
Furniture, fixtures and office equipment	(68,188,635)	(42,818)	—	(68,231,453)
Total accumulated depreciation	<u>(2,884,385,284)</u>	<u>(213,754,810)</u>	<u>—</u>	<u>(3,098,140,094)</u>
Total capital assets being depreciated, net	<u>2,385,585,662</u>	<u>(1,688,237)</u>	<u>—</u>	<u>2,383,897,425</u>
Total capital assets, net	<u>\$ 2,537,250,150</u>	<u>51,304,687</u>	<u>(3,424)</u>	<u>2,588,551,413</u>

(5) Other Liabilities

Other liabilities for the years ended December 31, 2011 and 2010 were as follows:

2011	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Accrued claims	\$ 18,422,858	9,479,208	(6,063,473)	21,838,593	9,479,208
Amounts payable for leasehold transaction	175,715,154	7,012,783	(72,336,359)	110,391,578	9,142,472
Total	<u>\$ 194,138,012</u>	<u>16,491,991</u>	<u>(78,399,832)</u>	<u>132,230,171</u>	<u>18,621,680</u>

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

<u>2010</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Accrued claims	\$ 17,490,747	9,317,809	(8,385,698)	18,422,858	9,317,809
Amounts payable for leasehold transaction	<u>179,226,486</u>	<u>11,149,009</u>	<u>(14,660,341)</u>	<u>175,715,154</u>	<u>14,660,341</u>
Total	<u>\$ 196,717,233</u>	<u>20,466,818</u>	<u>(23,046,039)</u>	<u>194,138,012</u>	<u>23,978,150</u>

(6) Self-Insurance Programs

Metra 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.

Metra is self-insured for general liability, FELA, and automotive liability claims up to \$7.5 million per claim occurrence. Metra purchases excess insurance for individual claims exceeding \$7.5 million. The RTA also provides excess liability insurance to protect the self-insurance programs currently maintained by Metra.

Following is a summary of the excess insurance policies in place at Metra, which were in effect during the years ended December 31, 2011 and 2010:

<u>Description</u>	<u>Deductible</u>	<u>Policy limits</u>
General liability:		
Commercial policy	\$ —	\$7.5 mil to \$15 mil (aggregate)
Commercial policy through the RTA	—	\$15 mil to \$100 mil (aggregate)
Commercial policies	—	\$100 mil to \$200 mil (aggregate)
Commercial policy – construction blanket coverage	—	\$2 mil (occurrence) \$6 mil (aggregate)
Commercial policy – construction- specific injury types	—	\$5 mil (occurrence) \$10 mil (aggregate)
Commercial policies – crime	50,000	\$5 mil (aggregate)
Property damage – commercial policies	Various	\$0 to \$125 mil (aggregate)
Fiduciary – commercial policy	—	\$10 mil (aggregate)
Directors and officers liability	150,000	\$10 mil (aggregate)

Metra participates in a Joint Self-Insurance Fund (the Fund) with the RTA that permits Metra 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. Metra is obligated to reimburse the Fund for any damages paid plus a floating interest rate that is calculated at 0.51% and 0.91% per month for the years ended December 31, 2011 and 2010, respectively. However, reimbursement payments, including interest, cannot exceed \$3.5 million in any one year. Metra has never borrowed from the Fund to pay injury and damage claims.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

A liability for the self-insurance is provided based upon the estimated ultimate cost of settling claims using a case-by-case review and historical experience. In accordance with the purchase service agreements Metra's self-insurance program covers public liability, property damage, and FELA claims for the participating commuter rail carriers to the extent such claims are incurred as a result of providing commuter rail service and as such, the liability is also included in the accrued claims.

Claims have not exceeded insurance coverage in any of the last three years. Changes in the accrued claims liability is as follows:

Balance, December 31, 2009	\$	17,490,747
2010 Provision		9,317,809
2010 Payments		<u>(8,385,698)</u>
Balance, December 31, 2010		18,422,858
2011 Provision		9,479,208
2011 Payments		<u>(6,063,473)</u>
Balance, December 31, 2011	\$	<u><u>21,838,593</u></u>

(7) Lease Transaction

On September 18, 1998, Metra entered into transactions to lease 174 railcars to three equity investors (the headlease) and simultaneously subleased the railcars back (the sublease). Under these agreements, Metra maintains the right to use the railcars and is also responsible for their continued maintenance and insurance. Metra's sublease arrangements have been recorded as long-term obligations for accounting purposes.

At closing, the railcars had a fair market value of approximately \$296.9 million and a book value of \$262.9 million. As part of the headlease agreements, Metra received prepayments equivalent to the net present value of the headlease obligations totaling approximately \$274 million.

Metra transferred approximately \$177.4 million and \$52.9 million of the prepayment proceeds to third parties in accordance with the terms of debt and equity payment undertaking agreements, respectively. These agreements constituted commitments by the debt and equity payment undertakers to pay Metra's sublease and buy-out options, under the terms of the subleases. The debt payment undertaker and equity payment undertaker are finance companies. In connection with the transaction, Metra recognized \$43.7 million as leasehold revenue in 1998.

One of the lease agreements was terminated in 2008. On August 29, 2011, Metra entered into an agreement with another investor to terminate a second lease. As a result of the termination, payments were made to the equity investor by the equity payment undertaker and debt payment undertaker from the restricted assets that, based upon the executed termination agreement, released Metra from any further liability. Accordingly, Metra removed approximately \$63.4 million of assets restricted for payment of obligations under leasing transactions and approximately \$63.4 million of amounts payable for leasehold transactions

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

from its financial statements. No gain or loss was realized by Metra as a result of the termination agreement. In accordance with the provisions of the termination agreement, Metra was required to pay all legal expenses of all parties involved, which totaled approximately \$164,000 during the year ended December 31, 2011.

In 2008, American International Group, Inc (AIG) incurred a ratings downgrade. AIG acted as the DPU, EPU, and Standby Letter of Credit Provider (SLOCP) for these transactions. Once AIG's ratings fell below levels specified per the terms of the agreements, AIG was required to provide additional collateral to securitize the transactions. Later in 2008, AIG's credit ratings were further downgraded which triggered an event of default.

The remaining investor has advised Metra that they are satisfied with AIG, and has been providing waivers for the additional collateral requirements on a quarterly basis. Metra does not anticipate any material adverse financial impact as a result of the termination of the remaining leases. In the event the investor terminates the transactions, Metra's maximum exposure is approximately \$28.9 million at December 31, 2011.

The net present value of the future payments due under the remaining subleases has been recorded as a liability on the accompanying statements of net assets. Since the debt and equity payment undertaking agreements have been structured to meet all future obligations under the subleases, the related asset balances have been recorded to equal the sublease liabilities on the accompanying statements of net assets. The following table sets forth the aggregate amounts due under the sublease agreements:

Future minimum lease payments due:	
2012	\$ 9,142,472
2013	9,142,472
2014	9,142,472
2015	9,142,472
2016	9,142,472
2017 – 2021	<u>121,065,808</u>
Total future minimum lease payments	166,778,168
Less imputed interest	<u>(56,386,590)</u>
Present value of minimum lease payments	<u><u>\$ 110,391,578</u></u>

(8) Postemployment Healthcare Plan

Plan Description. Metra provides limited health benefits to retired management employees for Medicare supplemental insurance under a single employer plan established by Metra's Board. Metra also provides health benefits to retired contract police officers, under a union contract, between the ages of 60 and 65 that retired with 10 or more years of service.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

Funding Policy. Funding is provided by Metra on a pay-as-you-go basis with no contribution from the retiree. Metra's contributions were \$452,934 for 2011 and 2010.

Annual OPEB Cost and Net OPEB Obligation. Metra's annual other postemployment benefit (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 No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. 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 30 years. The following table shows the components of the Metra's annual OPEB cost for 2011 and 2010, the amount actually contributed to the plan, and changes in the Metra's net OPEB obligation:

	2011	2010
Annual required contribution	\$ 1,516,143	1,680,866
Interest on net OPEB obligation	178,985	115,661
Adjustment to annual required contribution	(119,323)	(77,107)
Annual OPEB cost	1,575,805	1,719,420
Contributions made	(452,934)	(452,934)
Increase in net OPEB obligation	1,122,871	1,266,486
Net OPEB obligation beginning of year	3,579,703	2,313,217
Net OPEB obligation end of year	\$ 4,702,574	3,579,703

Metra's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

	Annual OPEB cost	Percentage of annual OPEB cost contributed	Net OPEB obligation
Year ended:			
December 31, 2009	\$ 928,008	51.0%	\$ 2,313,217
December 31, 2010	1,719,420	26.3	3,579,703
December 31, 2011	1,575,805	28.7	4,702,574

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$22.7 million. The covered payroll

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

(annual payroll of active employees covered by the plan) was \$39.6 million, and the ratio of the unfunded accrued actuarial liability to the covered payroll was 57.6%. 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. 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 December 31, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0% investment rate of return (net of administrative expenses), which is based on the expected long-term investment returns on the employer's own investments and an annual healthcare cost trend rate of 8.0% initially, reduced by decrements to an ultimate rate of 6.0% after 10 years. Both rates included a 3.0% inflation assumption. The AULA is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011 was 30 years.

Union employees are eligible to receive retiree health benefits through a defined contribution plan established under the Railway Labor Act called the Railroad Employees National Early Retirement Major Medical Benefit Plan (the Plan) administered by United Healthcare. Eligible individuals are those who retire at age 60 with 30 or more years of service in the railroad industry. Metra is required to pay a rate premium per participating employee, which is calculated by the Plan on an annual basis. Metra contributed \$3,999,011 and \$3,868,900 for the years ended December 31, 2011 and 2010 respectively.

(9) Deferred Compensation Plans

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

All assets of the deferred compensation plan are held in a separate trust in accordance with Section 1448 of the Small Business Jobs Protection Act of 1996. As a result, such amounts are not subject to the claims of Metra's general creditors, and deferred compensation plan assets are not presented on Metra's balance sheets as of December 31, 2011 and 2010. Employee contributions were \$1,464,765 and \$1,500,102 for the years ending December 31, 2011 and 2010, respectively.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

Metra also offers its employees a defined contribution plan in accordance with Internal Revenue Code Section 401(k). The plan, available to qualified full-time Metra employees, permits the income tax deferral of a portion of compensation until future years. The amount deferred is generally not available to employees, other than through participant loans, until termination, retirement or death. A third-party trustee forwards the participants' contributions to the investment companies selected by the individual participant. Employee contributions were \$5,780,274 and \$7,353,903 for the years ending December 31, 2011 and 2010 respectively. Employer contributions were \$700,775 and \$3,046,993 for the years ending December 31, 2011 and 2010, respectively.

Metra is required to contribute to various defined contribution plans in accordance with union agreements. Employer contributions to these plans were \$1,819,746 and \$1,590,281 for the years ending December 31, 2011 and 2010, respectively.

(10) Purchase of Service Carriers' Expenses

The following details the revenue and expense activity of Metra's PSA carriers, which are included in the financial statements of Metra. The in-kind expenses include expenses Metra has paid on behalf of the participating commuter rail carriers for assistance, such as fuel and insurance coverage.

	Year ended December 31, 2011			
	Union Pacific	BNSF	NICTD	Total
Operating revenues:				
Passenger revenue	\$ 82,759,613	49,527,685	3,909,447	136,196,745
Other revenue	2,268,732	487,704	400,178	3,156,614
Total operating revenues	<u>85,028,345</u>	<u>50,015,389</u>	<u>4,309,625</u>	<u>139,353,359</u>
Operating expenses:				
Carrier expenses:				
Transportation	70,344,763	23,896,431	3,355,193	97,596,387
Maintenance of way	38,443,082	4,490,845	1,293,069	44,226,996
Maintenance of equipment	43,739,426	20,720,508	1,988,723	66,448,657
Administration	14,118,263	5,095,093	1,446,038	20,659,394
Total carrier expenses	<u>166,645,534</u>	<u>54,202,877</u>	<u>8,083,023</u>	<u>228,931,434</u>
Deficit funding	<u>81,617,189</u>	<u>4,187,488</u>	<u>3,773,398</u>	<u>89,578,075</u>

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

	Year ended December 31, 2011			
	Union Pacific	BNSF	NICTD	Total
In-kind expenses:				
Diesel fuel	\$ 30,514,934	13,024,719	—	43,539,653
Motive electricity	—	—	423,717	423,717
Claims, insurance, and risk management	2,098,147	3,061,596	142,232	5,301,975
Regional services	6,289,536	2,033,191	328,333	8,651,060
Downtown stations	1,570,982	5,170,469	—	6,741,451
Total in-kind expenses	<u>40,473,599</u>	<u>23,289,975</u>	<u>894,282</u>	<u>64,657,856</u>
Total operating expenses	<u>207,119,133</u>	<u>77,492,852</u>	<u>8,977,305</u>	<u>293,589,290</u>
Purchase of service carriers' operating loss	<u>\$ (122,090,788)</u>	<u>(27,477,463)</u>	<u>(4,667,680)</u>	<u>(154,235,931)</u>
	Year ended December 31, 2010			
	Union Pacific	BNSF	NICTD	Total
Operating revenues:				
Passenger revenue	\$ 81,033,028	48,653,582	3,805,390	133,492,000
Other revenue	1,805,185	487,704	336,301	2,629,190
Total operating revenues	<u>82,838,213</u>	<u>49,141,286</u>	<u>4,141,691</u>	<u>136,121,190</u>
Operating expenses:				
Carrier expenses:				
Transportation	66,164,490	23,533,974	3,138,825	92,837,289
Maintenance of way	37,013,628	4,907,800	1,320,525	43,241,953
Maintenance of equipment	40,801,954	20,425,691	1,967,211	63,194,856
Administration	14,043,554	5,364,315	1,463,593	20,871,462
Total carrier expenses	<u>158,023,626</u>	<u>54,231,780</u>	<u>7,890,154</u>	<u>220,145,560</u>
Deficit funding	<u>75,185,413</u>	<u>5,090,494</u>	<u>3,748,463</u>	<u>84,024,370</u>

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

	Year ended December 31, 2010			
	Union Pacific	BNSF	NICTD	Total
In-kind expenses:				
Diesel fuel	\$ 23,707,788	9,949,192	—	33,656,980
Motive electricity	—	—	381,408	381,408
Claims, insurance, and risk management	4,033,157	2,450,600	624,195	7,107,952
Regional services	7,189,832	2,491,692	425,953	10,107,477
Downtown stations	1,597,588	5,121,517	—	6,719,105
Total in-kind expenses	<u>36,528,365</u>	<u>20,013,001</u>	<u>1,431,556</u>	<u>57,972,922</u>
Total operating expenses	<u>194,551,991</u>	<u>74,244,781</u>	<u>9,321,710</u>	<u>278,118,482</u>
Purchase of service carriers' operating loss	<u>\$ (111,713,778)</u>	<u>(25,103,495)</u>	<u>(5,180,019)</u>	<u>(141,997,292)</u>

(11) Commitments

Leases – Metra has entered into several noncancelable operating leases, primarily for the use of passenger terminals, which expire on various dates through 2045. Future minimum rental payments under all noncancelable operating leases having initial or remaining terms in excess of one year as of December 31, 2011 were as follows:

2012	\$ 10,816,637
2013	10,476,672
2014	10,478,472
2015	10,480,302
2016	10,482,167
2017 – 2021	29,808,344
2022 – 2026	9,352,433
2027 – 2030	4,748,736
Thereafter	<u>17,807,760</u>
Total	<u>\$ 114,451,523</u>

Total rent expense aggregated \$16,280,544 and \$15,922,593 for the years ended December 31, 2011 and 2010, respectively.

Grants – At December 31, 2011, Metra had \$490.8 million in unexpended obligations related to federal and state (including local) capital grant contracts.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Financial Statements

December 31, 2011 and 2010

(12) Employee Benefits

Metra participates in a cost-sharing multiple employer noncontributory defined benefit plan which is sponsored and controlled by the RTA (the Plan). Employees of Metra who are not members of a collective bargaining unit are eligible for plan participation. The Plan provides retirement, disability and death benefits. Members are eligible for normal retirement at age 65 and for early retirement at age 55 after 10 years of service. Benefits are determined as a percentage of the participant's average annual compensation in the three completed plan years of highest compensation. The benefits are generally payable through an annuity or a single lump-sum distribution. The RTA issues a publicly available report that includes the financial statements and required supplementary information for the Plan. That report is available on the RTA's website. (www.rtachicago.com)

Under the provisions of the Plan, Metra contributes annually, if necessary, an amount based on actuarially determined rates. Metra made annual contributions totaling \$5,802,000 and \$5,652,000 in 2011 and 2010, respectively, for pension expense accrued in 2011 and 2010. No other contributions were made or required by Metra for the years ended December 31, 2011 and 2010.

(13) Contingencies

Litigation – Metra is a defendant in a number of legal actions. These actions have been considered in estimating and funding Metra's retained risk liability program. The total of amounts claimed under these legal actions, including potential settlements, could exceed the amount of the accrued claims. In the opinion of Metra's management, the retained risk funding and Metra's limited excess indemnity insurance coverage from commercial carriers are adequate to cover the ultimate liability of these legal actions, in all material respects.

Grants – Metra receives moneys from federal and state government agencies under various grants. The costs, both direct and indirect, charged to these grants are subject to audits and disallowance by the granting agency. It is the opinion of management of Metra that any disallowances or adjustments would not have a material adverse effect on the financial position of Metra.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Required Supplementary Information – Postemployment Health Benefits (Unaudited)

Years ended December 31, 2011 and 2010

Funding progress

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)	UAAL as a Percentage of covered payroll ((b-a)/c)
December 31, 2011	\$ —	22,791,870	22,791,870	—	\$ 39,579,762	57.6%
December 31, 2010	—	19,121,346	19,121,346	—	41,225,685	46.4
December 31, 2009	—	21,456,391	21,456,391	—	41,876,852	51.2
December 31, 2008	—	11,644,164	11,644,164	—	23,400,000	49.8
December 31, 2007	N/A	N/A	N/A	N/A	N/A	N/A
December 31, 2006	—	10,643,559	10,643,559	—	23,400,000	45.5

Employer contributions

Year ended	Annual required contribution	Percent contributed
December 31, 2011	\$ 1,516,143	50.42%
December 31, 2010	1,680,866	26.95
December 31, 2009	897,026	52.81
December 31, 2008	810,641	23.10
December 31, 2007	N/A	N/A
December 31, 2006	750,593	21.10

N/A – An actuarial valuation was not performed in 2007.

See accompanying independent auditors' report.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Supplementary Information – Schedule of Revenues and Expenses – Budget to Actual (Budgetary Basis) (Unaudited)

Year ended December 31, 2011

	Final budget	Actual	Favorable (unfavorable)
Revenues:			
Passenger revenue:			
Passenger revenue*	\$ 238,900,000	245,487,123	6,587,123
Reduced fare reimbursement	3,400,000	3,399,996	(4)
Total operating passenger revenues	242,300,000	248,887,119	6,587,119
Other revenue	55,000,000	54,424,374	(575,626)
Total revenues	297,300,000	303,311,493	6,011,493
Operating expenses:			
Transportation	208,090,454	206,666,776	1,423,678
Fuel and motive power	67,138,005	82,190,451	(15,052,446)
Maintenance of way	124,291,636	123,884,187	407,449
Maintenance of equipment	136,228,838	137,095,535	(866,697)
Administration	47,642,373	46,163,470	1,478,903
Regional services	21,181,008	19,945,425	1,235,583
Total administration and regional services	604,572,314	615,945,844	(11,373,530)
Claims, insurance, and risk management	15,302,354	14,070,601	(1,231,753)
Downtown stations	14,327,332	14,332,182	4,850
Total operating expenses	634,202,000	644,348,627	(10,146,627)
Loss before depreciation, financial assistance, and leasehold related interest income and expense	\$ (336,902,000)	(341,037,134)	(4,135,134)
Note:			
Amounts excluded from the operating budget-basis expenses			
Security expense	17,027,123	16,449,089	578,034
Funded depreciation included in operating expenses	2,942,002	2,941,278	724
Lease of transportation facilities	16,711,623	16,421,314	290,309
Recovery ratio relief	41,100,000	41,100,000	—
Total deductions	77,780,748	76,911,681	869,067
Amounts added to the operating budget-basis revenues			
Senior fare allowance	\$ 9,000,000	7,099,111	(1,900,889)
FEMA reimbursement	—	932,473	932,473
Total additions	\$ 9,000,000	8,031,584	(968,416)

Farebox recovery ratio 54.9%

* Includes \$10 million farebox revenue dedicated to capital.

See accompanying independent auditors' report and notes to supplementary information.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Supplementary Information – Budgetary Basis Schedule of Operations (Unaudited)
Year ended December 31, 2011

	<u>NIRCRC</u>	<u>Union Pacific</u>	<u>BNSF</u>	<u>NICTD</u>	<u>Total</u>
Operating revenues:					
Passenger revenue*	\$ 109,290,378	82,759,613	49,527,685	3,909,447	245,487,123
Other revenue	52,923,760	1,128,732	2,700	369,182	54,424,374
Reduced fare reimbursement	1,743,996	1,140,000	485,004	30,996	3,399,996
Total operating revenue	<u>163,958,134</u>	<u>85,028,345</u>	<u>50,015,389</u>	<u>4,309,625</u>	<u>303,311,493</u>
Operating expenses:					
Carrier level expenses:					
Transportation	109,070,389	70,344,763	23,896,431	3,355,193	206,666,776
Maintenance of way	79,657,191	38,443,082	4,490,845	1,293,069	123,884,187
Maintenance of equipment	70,646,878	43,739,426	20,720,508	1,988,723	137,095,535
Administration	25,504,076	14,118,263	5,095,093	1,446,038	46,163,470
Total carrier expenses	<u>284,878,534</u>	<u>166,645,534</u>	<u>54,202,877</u>	<u>8,083,023</u>	<u>513,809,968</u>
Centralized expenses:					
Diesel fuel	30,220,318	30,514,934	13,024,719	—	73,759,971
Motive electricity	8,006,763	—	—	423,717	8,430,480
Claims, insurance, and risk management	8,768,626	2,098,147	3,061,596	142,232	14,070,601
Regional services	11,294,365	6,289,536	2,033,191	328,333	19,945,425
Downtown stations	7,590,731	1,570,982	5,170,469	—	14,332,182
Total centralized expenses	<u>65,880,803</u>	<u>40,473,599</u>	<u>23,289,975</u>	<u>894,282</u>	<u>130,538,659</u>
Total operating expenses	<u>350,759,337</u>	<u>207,119,133</u>	<u>77,492,852</u>	<u>8,977,305</u>	<u>644,348,627</u>
Operating loss	<u>\$ (186,801,203)</u>	<u>(122,090,788)</u>	<u>(27,477,463)</u>	<u>(4,667,680)</u>	<u>(341,037,134)</u>

Note:

Amounts excluded from the operating budget-basis expenses					
Security expense					\$ 16,449,089
Funded depreciation included in expenses					2,941,278
Lease of transportation facilities					16,421,314
RTA recovery ratio relief					41,100,000
Total exclusions					<u>\$ 76,911,681</u>
Amounts added to the operating budget-basis revenues					
Senior free ride allowance					\$ 7,099,111
FEMA reimbursement					932,473
Total additions					<u>\$ 8,031,584</u>
Farebox recovery ratio (303,311,493+8,031,584)/(644,348,627-76,911,681)					54.9%

* Includes \$10 million dedicated to capital.

See accompanying independent auditors' report and notes to supplementary information.

**COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL
COMMUTER RAILROAD CORPORATION**
(A Public Corporation), (Both d/b/a Metra)

Notes to Supplementary Information

Year ended December 31, 2011

(1) Budget and Budgetary Basis of Accounting

Metra is required under Section 4.01 of the Regional Transportation Authority (RTA) 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 an accrual basis of accounting consistent with generally accepted accounting principles.

The RTA allocates funding based on the budgets of the service boards rather than the actual operating expenses in excess of operating revenue. All annual operating appropriations lapse at fiscal year-end. Favorable variances from budget remain available to Metra and can be used for capital projects with RTA approval. There were no favorable budget variances available to Metra as of December 31, 2011. The RTA monitors Metra's performance against the budget on a quarterly basis.

(2) Farebox Recovery Ratio

Operating Budget-Basis Farebox Recovery Ratio – The operating budget-basis farebox recovery ratio represents the ratio of total operating revenues to total operating expenses before depreciation. However, funded depreciation (for both direct operations and commuter rail carriers participating through purchase of service agreements), security expenses, the proceeds and related interest income and expense from the lease transactions, and certain other expenses related to the leasing of transportation facilities are excluded from the calculation. In accordance with the RTA Act and its mandate to meet a system-wide farebox recovery ratio of 50% or more, the RTA establishes farebox recovery ratios for each of the Service Boards and the CTA. Metra's budgeted farebox recovery ratio was 55% in 2011. The operating revenues and operating expenses used in the calculation of the farebox recovery ratio include a gross up of revenues and expenses totaling approximately \$17,338,000 in 2011, representing the federal grant reimbursement for capital labor charges incurred by Metra for its capital asset program. Metra's farebox recovery ratio on an operating budget basis was 54.9% in 2011. Metra's share of RTA allocated specific farebox recovery relief for 2011 was \$41,100,000.