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, 2010 and 2009

(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)

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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 year ended December 31, 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 audit. The financial statements of Metra as of and for the year ended December 31, 2009 were audited by other auditors whose report thereon dated June 22, 2010 expressed an unqualified opinion on those statements.

We conducted our audit 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 audit provides 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, 2010 and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 21, 2011 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.

The management's discussion and analysis and schedule of funding progress on pages 3 through 19 and 46, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of revenues and expenses – budget to actual (budgetary basis) on page 47 and the budgetary basis schedule of operations on pages 48 through 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

Chicago, Illinois
June 21, 2011

Management's Discussion and Analysis

The 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) (Metra) offers readers of the basic financial statements an analysis of Metra's financial performance during the years ended December 31, 2010 and 2009. 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 the current and noncurrent assets and liabilities on a full accrual basis. Assets are recognized when acquired, and 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 and expenses and the net impact these activities had on its fiscal well-being, which is identified as "Change in net assets." Recognition of revenues and expenses is often distinct from the related cash transactions, because under the full 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.

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

Financial Summary

2010 Financial Summary

- **Net assets** increased by $57.8 million to $2.7 billion at December 31, 2010. Net assets represent total assets minus total liabilities.
- **Capital assets – net** increased by $51.3 million during 2010 reflecting new acquisitions minus depreciation on existing assets and retirements.
- **Passenger revenues** increased $3.3 million or 1.4% during 2010.
- **Other operating revenues** decreased by $5.5 million or 8.8% to $57.0 million during 2010.
- **Nonoperating revenues** increased by $140.9 million or 31.3% to $590.9 million in 2010.
- **Total operating expenses before depreciation** increased by $38.7 million or 6.7% to $615.8 million during 2010.

Financial Analysis

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

2010 vs 2009 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, 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 37.7% to $158.8 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 5.0% to $170.2 million primarily due to decreases in the accrued claims reserve and amounts payable for leasehold transaction.

Table 1a

Condensed Statement of Net Assets

(Amounts in millions)

	December 31		Change increase (decrease)	
Assets	**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	2,986.2	2,893.9	92.3	3.2%
Liabilities				
Current liabilities	158.8	115.3	43.5	37.7%
Other liabilities	170.2	179.2	(9.0)	-5.0%
Total liabilities	329.0	294.5	34.5	11.7%
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	$ 2,657.3	2,599.4	57.9	2.2%

(Continued)

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.
- **Capital assets – net** increased by $51.4 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 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.)

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)	
		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		296.4	298.6	(2.2)	-0.7%
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		14.1	8.9	5.2	58.4%
Regional services		23.2	19.5	3.7	19.0%
Downtown stations		14.1	13.7	0.4	2.9%
Total expenses before depreciation		615.7	577.0	38.7	6.7%
Operating income (loss) before depreciation		(319.3)	(278.4)	40.9	-14.7%
Depreciation expense		213.8	230.5	(16.7)	-7.2%
Operating income (loss) after depreciation expense		(533.1)	(508.9)	24.2	-4.8%
Nonoperating revenues:					
Financial assistance		590.9	450.0	140.9	31.3%
Total nonoperating revenues		590.9	450.0	140.9	31.3%
Change in net assets	$	57.8	(58.9)	165.1	280.3%

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

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

Passenger revenue increased $3.3 million in 2010 or 1.4%. 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)

Rail line	2010*	2009*	Increase (decrease)	Percent
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	81,369	82,285	(916.0)	-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 $38.7 million or 6.7% from 2009. In general, labor and fringe benefits increased due to contract employees' wage increases combined with an 18% 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.

(Continued)

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 3a

Capital Assets by Funding Source

Current Year to Prior Year Analysis

(Amounts in millions of dollars)

	December 31		Change increase(decrease)	
Funding source	**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 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 sub assemblies.
- 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 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.

2009 vs 2008 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, 2009 declined to $2.6 billion, a 2.2% decrease from December 31, 2008. This is primarily due to a decrease in capital assets – net that was partially offset by a slight decrease in total liabilities. Current assets increased 2.3% to $177.4 million. Current liabilities increased by 5.8% to $115.3 million primarily due to an increase in accounts payable which was partially offset by decreases in the current portion of the claims liability and in accrued wages and benefits payable. Other liabilities decreased by 4.7% to $179.2 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)

		December 31		Change increase (decrease)	
Assets		**2009**	**2008**	**Dollars**	**Percent**
Current assets	$	177.4	173.4	4.0	2.3%
Capital assets – net		2,537.3	2,599.5	(62.2)	-2.4%
Restricted assets		179.2	182.5	(3.3)	-1.8%
Total assets		2,893.9	2,955.4	(61.5)	-2.1%
Liabilities					
Current liabilities		115.3	109.0	6.3	5.8%
Other liabilities		179.2	188.1	(8.9)	-4.7%
Total liabilities		294.5	297.1	(2.6)	-0.9%
Net Assets					
Invested in capital assets		2,537.2	2,599.5	(62.3)	-2.4%
Unrestricted net assets		62.2	58.8	3.4	5.8%
Total net assets	$	2,599.4	2,658.3	(58.9)	-2.2%

Key changes include:

- **Current assets** increased by $4.0 million or 2.3% to $177.4 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.

- **Capital assets – net** increased by $62.2 million or 2.4% to $2.5 billion primarily because accumulated depreciation increased $230.5 million while 2009 capital additions net of retirements only increased by $168.3 million (see the capital assets section of the management's discussion and analysis for more information)
- **Restricted assets** decreased by $3.3 million. (See note 7 to the financial statements for details on the leasehold transaction.)
- **Current liabilities** increased by $6.3 million or 5.8% to $115.3 million primarily due increases in accounts payable and financial assistance payable to PSA carriers that were partially offset by decreases in the current portion of the accrued claims liability, accrued wages and benefits payable, and deferred revenues.
- **Other liabilities** decreased by 4.7% to $179.2 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.)

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)	
		2009	**2008***	**Dollars**	**Percent**
Operating revenues:					
Passenger revenue	$	236.1	251.7	(15.6)	-6.2%
Other revenue		62.5	64.2	(1.7)	-2.6%
Total operating revenues		298.6	315.9	(17.3)	-5.5%
Operating expenses:					
Transportation		191.4	195.2	(3.8)	-1.9%
Fuel and motive power		51.2	81.8	(30.6)	-37.4%
Maintenance of way		120.4	118.5	1.9	1.6%
Maintenance of equipment		128.7	122.8	5.9	4.8%
Administration		43.2	36.9	6.3	17.1%
Claims, insurance and risk management		8.9	10.9	(2.0)	-18.3%
Regional services		19.5	14.9	4.6	30.9%
Downtown stations		13.7	13.6	0.1	0.7%
Total expenses before depreciation		577.0	594.6	(17.6)	-3.0%
Operating income (loss) before depreciation		(278.4)	(278.7)	0.3	-0.1%
Depreciation expense		230.5	220.9	9.6	4.3%
Operating income (loss) after depreciation expense		(508.9)	(499.6)	(9.3)	1.9%
Non-operating revenues:					
Financial assistance		450.0	405.1	44.9	11.1%
Total non-operating revenues		450.0	405.1	44.9	11.1%
Change in net assets	$	(58.9)	(94.5)	35.6	-37.7%

* Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

Total operating revenues decreased by $17.3 million or 5.5% from 2008. Principal changes are discussed below:

Passenger revenue decreased $15.6 million in 2009 or 6.2%. This decrease was due an overall ridership decrease of 5.2%. Metra lost an additional $2.3 million in passenger revenue over 2008 due to the senior free ride program being available all of 2009. Below is a table comparing ridership per line for 2010 and 2009:

Ridership By Line

(In thousands of riders)

Rail line		2009*	2008*	Increase (decrease)	Percent
Burlington Northern/Santa Fe	$	16,205	17,043	(838)	-4.9%
Metra Electric		10,406	11,266	(860)	-7.6%
Heritage Corridor		722	746	(24)	-3.2%
Milwaukee-North		7,145	7,774	(629)	-8.1%
Milwaukee-West		6,631	6,902	(271)	-3.9%
North Central Service		1,618	1,610	8	0.5%
Rock Island		8,891	9,642	(751)	-7.8%
SouthWest Service		2,478	2,541	(63)	-2.5%
Union Pacific-North		10,566	10,499	67	0.6%
Union Pacific-Northwest		10,062	10,613	(551)	-5.2%
Union Pacific-West		7,561	8,170	(609)	-7.5%
Total Ridership	$	82,285	86,806	(4,521.0)	-5.2%

*Includes free senior rides; does not include NICTD

Other revenue decreased $1.7 million or 2.6%. Decreases in investment income, capital credits, miscellaneous, and advertising income were partially offset by increases in lease revenues, and joint facility income.

Nonoperating revenues increased by $44.9 million or 11.1% to $450.0 million in 2009 primarily because Metra's external funding sources for capital grants increased $19.0 million to $136.7 million and Metra's statutory share of RTA sales tax proceeds increased 7.7% to $309.3 million.

Total operating expenses before depreciation decreased by $17.7 million or 3.0% from 2008. In general, labor and fringe benefits increased due to wage increases and higher health insurance premiums. Diesel fuel expense decreased $32.3 million or 43.3% most significantly due to a 43.5% increase in the average cost per gallon of diesel fuel of $1.69 in 2009 versus $2.99 in 2008, which was partially offset by a slight increase in usage. Motive power expense increased 21.7% to 8.9 million in 2009 primarily due to a 22.9% increase in the price per kilowatt hour which was partially offset by a slight decrease in usage. Claims expense and insurance decreased $2.0 million or 18.3%. Increases in materials, and utilities expenses were due to the unusual cold and heavy snows we experienced in 2009.

Capital Assets

As of December 31, 2009, Metra had invested approximately $5.4 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 capital assets at December 31, 2009 totaled approximately $2.5 billion. (See Table 3b below) This amount represents a net decrease (including additions and disposals, net of depreciation) of $62.2 million or 2.4% over the December 31, 2008 balance.

Table 3b

Capital Assets by Funding Source

(Amounts in millions of dollars)

Funding source		December 31 2009	December 31 2008	Change increase(decrease) Dollars	Change increase(decrease) Percent
Federal Transit Administration	$	2,654.3	2,544.3	110.0	4.3%
Illinois Department of Transportation		509.9	508.4	1.5	0.3%
Regional Transportation Authority		1,397.9	1,372.7	25.2	1.8%
Northern Indiana Commuter Transportation District		6.4	6.4	—	—
Metra		853.2	821.5	31.7	3.9%
Total capital assets		5,421.7	5,253.3	168.4	3.2%
Accumulated depreciation		(2,884.4)	(2,653.8)	(230.6)	8.7%
Total capital assets, net	$	2,537.3	2,599.5	(62.2)	-2.4%

- 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. There were no expenditures related to acquisitions of new rolling stock in 2009 or 2008. However, Metra expended $45.4 million and $28.0 million, respectively, to upgrade and maintain its existing fleet through rehabilitations and replacement of major sub assemblies.

- 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 2009 Capital Program continued the implementation of this plan by providing $66.9 million in funding the rehabilitation, replacement and upgrade of Bridges, Track and Structures. The 2008 Capital Program funding was $56.9 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 2009 and 2008 were $34.1 million and $18.6 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 2009 and 2008 were $8.6 million and $6.9 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 ADA compliant as well as inviting. Commuter stations expenditures in 2009 and 2008 were $12.0 million and $36.2 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 2009 and 2008 were $7.9 million and $9.8 million respectively.

General Operational and Economic Trends

Funding

On February 8, 2008 the RTA published the Regional Transportation Strategic Plan Final Report, "Moving Beyond Congestion, 2008 – The Year of Decision." In this report the RTA noted that if significant new sources of operating and capital funding are not provided to the RTA and the Service Boards, the CTA, Metra, and Pace will have insufficient resources to operate and maintain existing as well as planned services and capital assets at appropriate standards and performance levels. In January 2008, the Illinois legislature approved a bill to provide additional operating funding to the RTA and Service Boards.

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.

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

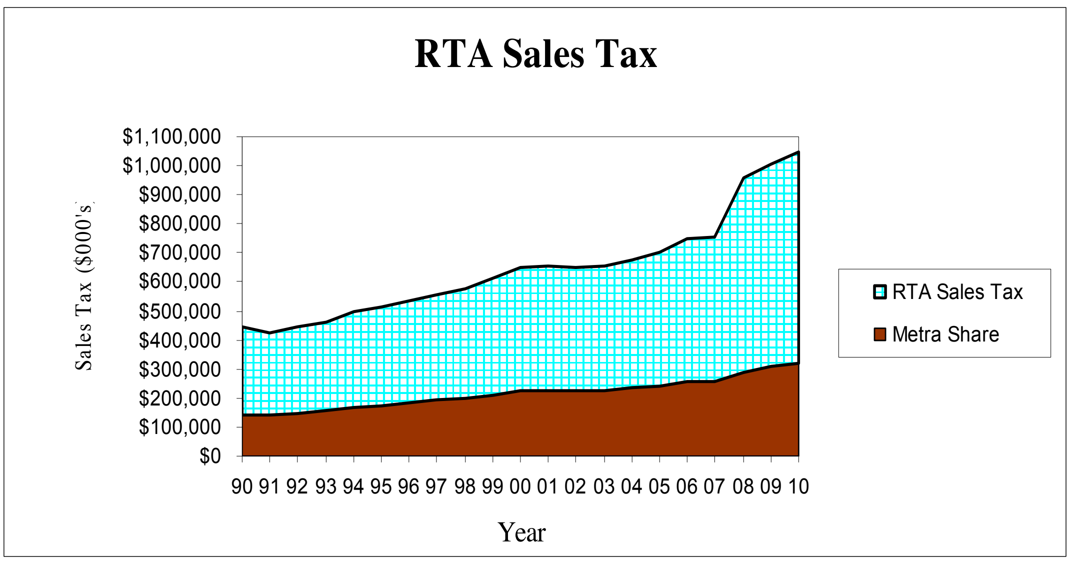
RTA Sales Tax and New Transit Funding – RTA Sales Tax has been the primary sources of revenue for the northeastern Illinois public transit system for nearly three decades. The RTA Sales Tax is authorized by Illinois statute, imposed by the RTA in the six-county area, and collected by the state. The Service 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 2010 as follows:

- $94.8 million to Pace ADA Paratransit Service
- $19 million to the Suburban Community Mobility Fund for Pace Suburban Service

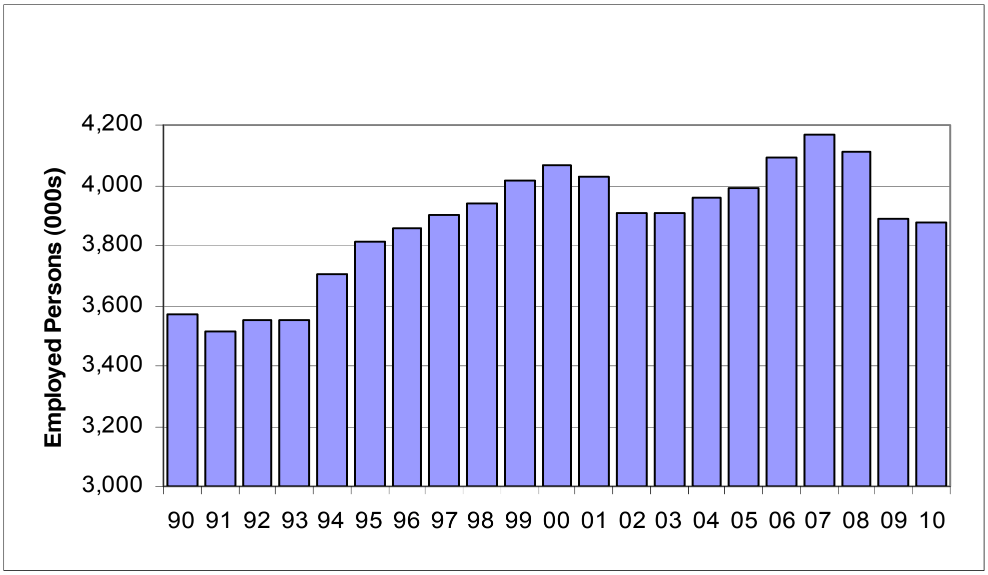
- $9.5 million to the RTA Innovation, Coordination and Enhancement (ICE) Fund
- All remaining proceeds of the sales tax and PTF match are allocated 48% to the CTA, 39% to Metra and 13% to Pace.

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 2010 RTA Sales Tax and New Transit Funding totaled $687.8 million and $359.9 million, respectively. Metra's statutory shares ($231.5 million and $89.4 million, respectively) together represent 30.6%. of total RTA revenue sources.



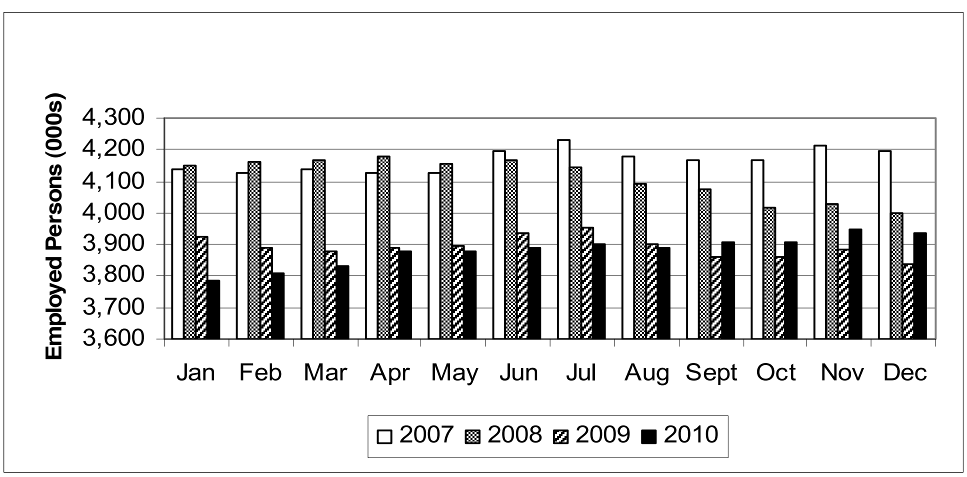
Labor Statistics – Historically, Metra ridership has had a direct relationship to employment levels. Since over 87% of trips taken on Metra are for work, it is no surprise that the health of the regional economy, especially in Downtown Chicago, can influence Metra ridership. In 2010, the regional economy continued to be affected by lower levels of employment. As shown in the figure below, average regional employment for 2010 was 0.3% lower compared to 2009. Similar to 2009, average regional employment in 2010 was again lower than 1997's average.

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

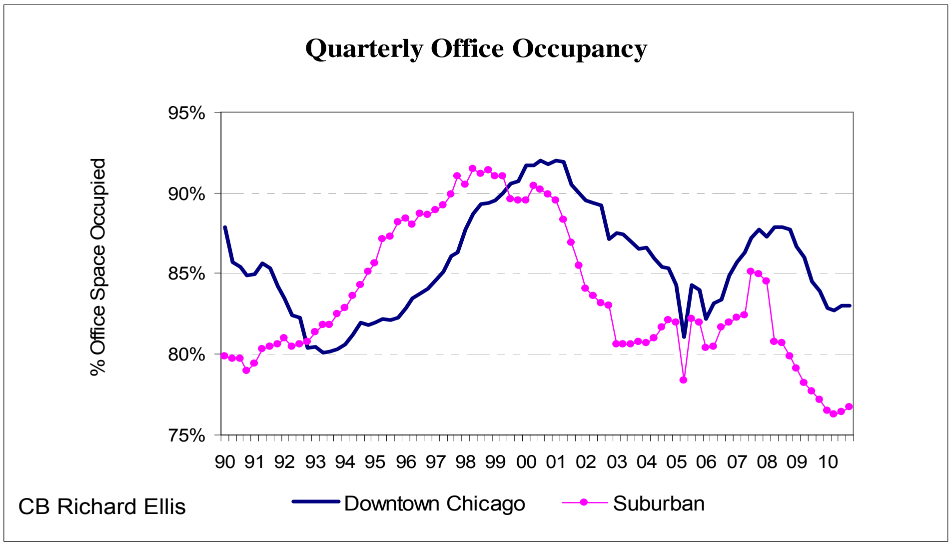


The eight consecutive months of declines experienced between January and August of 2010 have not been experienced in this region since 2003. By September 2010, regional employment began to improve with small increases when compared to the same month in 2009.

2007 – 2010 Monthly Regional Employment
Source: Illinois Department of Employment Security (IDES)



Office Occupancy Rates – Downtown Chicago saw a decrease in occupancy rates in 2010 compared to 2009. On the other side, suburban office occupancy rates also decreased in 2010. The figure below shows that 2010 occupancy rates in Downtown Chicago fell to 2006 levels, while suburban levels fell to historically low rates.



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/ba/ Metra)

Statements of Net Assets

December 31, 2010 and 2009

Assets		**2010**	**2009**
Current assets:			
Cash, cash equivalents, and investments	$	44,437,023	47,438,337
Accounts receivable:			
Grant projects		61,049,423	25,605,889
Financial assistance – RTA		78,409,700	76,244,378
Financial assistance – other carriers		1,066,104	372,443
Other, net		18,598,666	11,945,273
Total accounts receivable		159,123,893	114,167,983
Materials and supplies		16,065,312	14,638,373
Prepaid expense		2,320,115	1,194,607
Total current assets		221,946,343	177,439,300
Capital assets:			
Land		149,529,619	149,086,109
Rolling stock and equipment		1,730,993,329	1,657,346,510
Roadways and structures		3,668,682,801	3,530,263,047
Furniture, fixtures and office equipment		82,361,389	82,361,389
Less accumulated depreciation		(3,098,140,094)	(2,884,385,284)
Capital projects in progress		55,124,369	2,578,379
Total capital assets		2,588,551,413	2,537,250,150
Restricted assets:			
Assets restricted for payment of obligations under leasing transaction		175,715,154	179,226,486
Total noncurrent assets		2,764,266,567	2,716,476,636
Total assets	$	2,986,212,910	2,893,915,936

(Continued)

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

(A Public Corporation), (both d/ba/ Metra)

Statements of Net Assets

December 31, 2010 and 2009

Liabilities and Net Assets		**2010**	**2009**
Current liabilities:			
Accounts payable	$	83,863,143	53,649,727
Accrued wages and benefits payable		33,133,528	30,045,129
Financial assistance payable – other carriers		5,721,116	6,734,276
Accrued claims – current		9,317,809	2,859,496
Deferred revenues		12,114,545	7,309,875
Amounts payable for leasehold transaction		14,660,341	14,660,341
Total current liabilities		158,810,482	115,258,844
Other liabilities:			
Accrued claim – long term		9,105,049	14,631,251
Amounts payable for leasehold transaction		161,054,813	164,566,145
Total other liabilities		170,159,862	179,197,396
Total liabilities	$	328,970,344	294,456,240
Net assets:			
Invested in capital assets	$	2,588,551,413	2,537,250,150
Unrestricted net assets		68,691,153	62,209,546
Total net assets	$	2,657,242,566	2,599,459,696

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/ba/ Metra)

Statements of Revenues, Expenses and Changes in Net Assets

Years ended December 31, 2010 and 2009

	2010	2009
Operating revenues:		
Passenger revenue	$ 239,448,944	236,067,676
Other	56,949,673	62,518,396
Total operating revenues	296,398,617	298,586,072
Operating expenses:		
Transportation	200,928,643	191,371,912
Fuel and motive power	64,952,622	51,152,618
Maintenance of way	121,679,583	120,382,859
Maintenance of equipment	132,841,017	128,706,413
Administration	43,871,304	43,233,509
Claims, insurance and risk management	14,275,359	8,901,700
Regional services	23,189,120	19,478,318
Downtown stations	14,053,769	13,671,952
Total operating expenses before depreciation	615,791,417	576,899,281
Depreciation	213,754,810	230,547,909
Total operating expenses	829,546,227	807,447,190
Operating loss	(533,147,610)	(508,861,118)
Nonoperating revenues (expenses):		
Federal	173,157,281	117,154,042
Local	417,773,199	332,861,487
Total financial assistance	590,930,480	450,015,529
Interest income from restricted assets	11,149,009	11,354,644
Interest expense on leasehold transaction obligations	(11,149,009)	(11,354,644)
Total nonoperating revenues (expenses)	590,930,480	450,015,529
Change in net assets	57,782,870	(58,845,589)
Net assets at beginning of year	2,599,459,696	2,658,305,285
Net assets at end of year	$ 2,657,242,566	2,599,459,696

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/ba/ Metra)

Statements of Cash Flows

Years ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Cash received from fares	$ 239,448,944	236,067,676
Cash received from other operating revenue items	51,501,956	57,039,346
Cash paid to and on behalf of employees for services	(262,440,194)	(265,039,843)
Cash paid to purchased service carriers	(78,918,816)	(73,082,971)
Cash paid for claims	(8,385,698)	(10,579,051)
Cash paid to contractual service providers and suppliers	(236,072,051)	(225,146,698)
Net cash used in operating activities	(294,865,859)	(280,741,541)
Cash flows from noncapital and related financing activities:		
Cash received from RTA sales tax and other local noncapital assistance	318,740,041	293,649,693
Cash received from noncapital state assistance	3,399,996	3,400,000
Cash received from noncapital federal assistance	29,843,127	7,112,959
Net cash provided by noncapital financing activities	351,983,164	304,162,652
Cash flows from capital and related financing activities:		
Cash received from capital grants	229,457,194	136,708,269
Cash paid to acquire and construct capital assets	(289,774,811)	(173,386,146)
Net cash used in capital and related financing activities	(60,317,617)	(36,677,877)
Cash flows from investing activities:		
Cash received from investment income	198,998	682,733
Net cash provided by investing activities	198,998	682,733
Net decrease in cash and cash equivalents	(3,001,314)	(12,574,033)
Cash and cash equivalents, beginning of year	47,438,337	60,012,370
Cash and cash equivalents, end of year	$ 44,437,023	47,438,337

(Continued)

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

(A Public Corporation), (both d/ba/ Metra)

Statements of Cash Flows

Years ended December 31, 2010 and 2009

	2010	2009
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (533,147,610)	(508,861,118)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	213,754,810	230,547,909
Provision for claims	9,317,809	2,859,496
Settlement of claims	(8,385,698)	(10,579,051)
State reduced fare assistance	(3,399,996)	(3,400,000)
Interest received	(198,998)	(682,733)
(Increase) decrease in assets:		
Accounts receivable – other carriers	(693,661)	(364,566)
Accounts receivable – other, net	(6,653,393)	(980,860)
Materials and supplies	(1,426,939)	(688,149)
Prepaid expense	(1,125,508)	3,007,088
Increase (decrease) in liabilities:		
Accounts payable	30,213,416	10,331,564
Accrued wages and benefits payable	3,088,399	(1,965,331)
Financial assistance payable – other carriers	(1,013,160)	449,667
Deferred revenues	4,804,670	(415,457)
Total adjustments	238,281,751	228,119,577
Net cash used in operating activities	$ (294,865,859)	(280,741,541)
Noncash investing and financing activities:		
Interest income from assets restricted for payment of leasehold transactions obligations	$ 11,149,009	11,354,644
Interest expense on leasehold transactions obligations	(11,149,009)	(11,354,644)
Net noncash investing and financing activities	$ —	—

See accompanying notes to financial statements.

(1) Organization

The Regional Transportation Authority (RTA) is responsible for the development of policies regarding the allocation of public transportation funding in the Chicago metropolitan area, development of system-wide plans and service standards, and coordination of services among different modes of transportation. In addition, the RTA establishes individual farebox recovery ratios for each of the two service boards (Commuter Rail Board and Suburban Bus Board) and the Chicago Transit Authority (CTA) so that the combined regional ratio is at least 50% as mandated by the Regional Transportation Authority Act (ACT).

The Northeast Illinois Regional Commuter Railroad Corporation (NIRCRC), a separate public corporation, was established by the ACT in 1980 to operate the RTA's commuter rail service. The NIRCRC is responsible for the operations and management of the Rock Island, Milwaukee Road, Metra Electric, Heritage Corridor, North Central Service and the Metra SouthWest Service commuter lines. The NIRCRC receives farebox and certain other revenues directly from these lines.

In 1984, as a result of the restructuring of the RTA, the Commuter Rail Division (CRD) was formed, governed by the Commuter Rail Board (CRB). The CRB has the responsibility for policy making with respect to day-to-day operations, capital investments, finances, fare levels, and service and facilities planning for its operations. The CRB has continued the operations of the separate public corporation, known as the NIRCRC, to operate commuter railroad facilities on behalf of the CRB. In addition, the CRD has responsibility for the administration of all commuter rail activities in the metropolitan Chicago area, including deficit funding, capital grant application, and administration, activities. Financial operating assistance is provided to the CRD statutorily from State of Illinois taxing authorities. Pursuant to a purchase of service agreement (PSA), the CRD distributes the financial operating assistance received from the RTA to the NIRCRC to fund the NIRCRC deficit. Capital additions are generally funded by a combination of federal, state and local grants, and from the CRD's net assets.

The CRD also provides commuter rail service under the PSA's with the Union Pacific Railroad (Union Pacific), Burlington Northern Santa Fe Railway Company (BNSF), and Northern Indiana Commuter Transportation District (NICTD). Under these agreements, the CRD funds the commuter-related operating deficits, as defined, or is entitled to receive the commuter-related operating surpluses, as defined, of these carriers. In addition, the CRD, or NIRCRC on behalf of the CRD, provides the PSA carriers certain direct expenses, such as fuel and insurance coverage, considered to be "in-kind assistance." Capital improvements furnished by the CRD to PSA carriers and funded by grants from federal, state, local governmental agencies, and from CRD net assets are reflected in these financial statements. All other assets of the PSA carriers are vested with the PSA carriers, and accordingly, such assets are not reflected in these financial statements.

Both the NIRCRC and the CRD have the registered service mark known as "Metra," which denotes all commuter rail service under the CRB's responsibility, and are collectively referred to herein as "Metra."

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.

Under the Regional Transportation Authority (RTA) Act, the RTA Board has no control over the selection or the appointment of any of Metra's directors or management. Further, directors of Metra are excluded from serving on the Board of Directors of the RTA.

In addition, Metra maintains separate management, exercises control over all operations (including the passenger fare structure), 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. Metra 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 purchase of service agreements with certain Chicago area commuter rail carriers. However, 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.

(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, includes 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 the Governmental Accounting Standards Board. 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 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.

(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 8). 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 \$320,905,363 and \$309,026,854 during the years ended December 31, 2010 and 2009, respectively. Revenues from the State of Illinois Reduced Fare Reimbursement Program, which began July 1, 1989, was \$3,399,996 and \$3,400,000 during the years ended December 31, 2010 and 2009, respectively.

(m) ***Reclassifications***

Certain items in the December 31, 2009 financial statements have been reclassified to correspond to the December 31, 2010 presentation.

(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 statement of net assets as of December 31, 2010 and 2009 as follows:

		2010	2009
Current assets:			
Cash:			
Bank deposits	$	1,403,215	3,436,662
Working cash		674,663	254,127
Cash equivalents – certificates of deposit		1,800,000	2,225,000
Investments		40,559,144	41,522,548
Total	$	44,437,022	47,438,337

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.

Metra's investments include U.S. treasury securities, U.S. agency securities, commercial paper, Illinois Funds (formerly known as Illinois Public Treasurers' Investment Pool) and money market funds. Fair value for the Illinois Funds is the same as the value of the pool shares. State statutes require this fund to comply with the Illinois Public Funds Investment Act (30 ILCS 235).

(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 the Federal Deposit Insurance Corporation (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 $4,371,515 and $6,440,460 at December 31, 2010 and 2009, 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 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, 2010 and 2009 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, 2010 and 2009 respectively:

	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	$ 40,559,144	40,559,144	—	—	—

	Investments as of December 31, 2009				
		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	$ 1,991,540	1,991,540	—	—	—
U.S. Agencies	9,499,750	9,499,750	—	—	—
State Treasurer Illinois Funds	9,031,258	9,031,258	—	—	—
Money market	8,000,816	8,000,816	—	—	—
Commercial paper	12,999,184	12,999,184	—	—	—
Total	$ 41,522,548	41,522,548	—	—	—

(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, 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, 2010 and 2009 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, 2010 (S&P)
(As a percentage of total fair value for debt securities)

Investment type	Fair value	Percent	S&P
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	$ 40,559,144	100.0%	

Disclosure Ratings for Debt Securities Held As of December 31, 2009 (S&P)
(As a percentage of total fair value for debt securities)

Investment type	Fair value	Percent	S&P
U.S. Treasury Securities	$ 1,991,540	4.8%	n/a
U.S. Agencies	9,499,750	22.9	AAA
The State Treasurer Illinois Funds	9,031,258	21.8	AAAm
Money market	8,000,816	19.3	AAA
Commercial paper	12,999,184	31.2	A1P1
Total investments at fair value	$ 41,522,548	100.0%	

(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's investment policy limits the type of investments as follows: U.S. government agencies – 25% of all funds; Commercial Paper – 33 1/3% of all funds with no more than 10% of all funds in any one issuer; Certificates of Deposit – no more than 20% of all funds with any one institution; Money Market Mutual Funds – 20% of all funds; FNMA – 25% of all funds; The Illinois Fund – 25% of all funds; Repurchase Agreements – 50% of all funds with no more than 25% of all funds at any one institution. Metra's investments were not subject to concentration of credit risk at December 31, 2010 and 2009.

(4) Capital Assets

In October 2010, Metra entered into a seven-year contract totaling $585 million with a vendor to furnish 160 new electric multi-unit gallery type (Highliner) railcars and associated spare parts. 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 first new Highliner railcar is delivered. The agreement has established milestones the vendor must meet as it designs and builds the railcars. After delivery of each 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.

The following schedules summarize the capital assets of Metra as of December 31, 2010 and 2009 respectively:

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	151,664,488	52,992,924	(3,424)	204,653,988
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	5,269,970,946	212,066,573	—	5,482,037,519

2010	Beginning balance	Additions	Reductions	Ending balance
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	(2,884,385,284)	(213,754,810)	—	(3,098,140,094)
Total capital assets being depreciated, net	2,385,585,662	(1,688,237)	—	2,383,897,425
Total capital assets, net	$ 2,537,250,150	51,304,687	(3,424)	2,588,551,413

2009	Beginning balance	Additions	Reductions	Ending balance
Capital assets, not being depreciated:				
Land	$ 147,952,698	1,279,492	(146,081)	149,086,109
Capital projects in progress	9,081,151	—	(6,502,772)	2,578,379
Total capital assets, not being depreciated	157,033,849	1,279,492	(6,648,853)	151,664,488
Capital assets being depreciated:				
Rolling stock and equipment	1,611,989,274	45,357,236	—	1,657,346,510
Roadways and structures	3,402,123,381	128,139,666	—	3,530,263,047
Furniture, fixtures and office equipment	82,188,567	172,822	—	82,361,389
Total capital assets being depreciated	5,096,301,222	173,669,724	—	5,269,970,946
Less accumulated depreciation:				
Rolling stock and equipment	(799,206,953)	(63,750,678)	—	(862,957,631)
Roadways and structures	(1,786,505,926)	(166,733,092)	—	(1,953,239,018)
Furniture, fixtures and office equipment	(68,124,496)	(64,139)	—	(68,188,635)
Total accumulated depreciation	(2,653,837,375)	(230,547,909)	—	(2,884,385,284)
Total capital assets being depreciated, net	2,442,463,847	(56,878,185)	—	2,385,585,662
Total capital assets, net	$ 2,599,497,696	(55,598,693)	(6,648,853)	2,537,250,150

(5) Other Liabilities

Other liabilities for the years ended December 31, 2010 and 2009 respectively was as follows:

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

2009	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Accrued claims	$ 25,210,302	2,859,496	(10,579,051)	17,490,747	2,859,496
Amounts payable for leasehold transaction	182,532,183	11,354,664	(14,660,361)	179,226,486	14,660,341
Total	$ 207,742,485	14,214,160	(25,239,412)	196,717,233	17,519,837

(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, 2010 and 2009:

Description	Deductible	Policy limits
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)
Property damage – commercial policies	—	$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 .91% and 1.83% per annum for the years ended December 31, 2010 and 2009, respectively. However, reimbursement payments, including interest, cannot exceed $3.5 million in any one year. No borrowings were made from the Fund in calendar year 2010 or 2009 to pay injury and damage claims.

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 PSA's, 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, 2008	$	25,210,302
2009 Provision		2,859,496
2009 Payments		(10,579,051)
Balance, December 31, 2009		17,490,747
2010 Provision		9,317,809
2010 Payments		(8,385,698)
Balance, December 31, 2010	$	18,422,858

(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.

In 2008, American International Group, Inc (AIG) incurred a ratings downgrade. AIG acted as the Debt Payment Undertaker (DPU), Equity Payment Undertaker (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. No notices of default were or have been received; however, the investors can demand to have AIG replaced or that some other suitable arrangement be made.

On December 18, 2008, one of the investors terminated their transaction. A second investor has advised Metra that they are satisfied with AIG in its capacities. The remaining investor has sent notices demanding that AIG be replaced. Subsequently, the investor has been allowing Metra to pursue potential options that could be mutually acceptable to both the investor and Metra. Metra does not anticipate a material adverse financial impact as a result. In the event the investors terminate the transactions, Metra's maximum exposure is approximately $44 million at December 31, 2010.

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

Future minimum lease payments due:	
2011	$ 14,660,341
2012	14,660,341
2013	14,660,341
2014	14,660,341
2015	14,660,341
2016 – 2020	160,087,302
2021	52,871,018
Total future minimum lease payments	286,260,025
Less imputed interest	(110,544,871)
Present value of minimum lease payments	$ 175,715,154

(8) Postemployment Healthcare Plan

Plan Description. Metra provides limited health benefits to retired management employees for Medicare supplemental insurance. Metra also provides health benefits to retired contract police officers between the ages of 60 and 65 that retired with 10 or more years of service.

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 2010.

Annual OPEB Cost and Net OPEB Obligation. Metra's annual other post-employment 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 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Metra's annual OPEB cost for 2010 and 2009, the amount actually contributed to the plan, and changes in the Metra's net OPEB obligation:

Annual OPEB Cost and Net OPEB Obligation

		2010	2009
Annual required contribution	$	1,680,866	897,026
Interest on net OPEB obligation		115,661	92,947
Adjustment to annual required contribution		(77,107)	(61,965)
Annual OPEB cost		1,719,420	928,008
Contributions made		(452,934)	(473,729)
Increase in net OPEB obligation		1,266,486	454,279
Net OPEB obligation beginning of year		2,313,217	1,858,938
Net OPEB obligation end of year	$	3,579,703	2,313,217

Metra's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years were as follows:

Three Year Trend Information

		Annual OPEB cost	Percentage of annual OPEB cost contributed		Net OPEB obligation
Year ended:					
December 31, 2008	$	829,590	23.1%	$	1,858,938
December 31, 2009		928,008	51.0		2,313,217
December 31, 2010		1,719,420	26.3		3,579,703

Funded Status and Funding Progress. As of December 31, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $19.1 million. The covered payroll (annual payroll of active employees covered by the plan) was $41.2 million, and the ratio of the UAAL to the covered payroll was 46.4%. 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, 2010, 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% initially, reduced by decrements to an ultimate rate of 6% after ten years. Both rates included a 3.0% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, was thirty 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 $3,868,900 and $2,964,900 for the years ending December 31, 2010 and 2009, respectively.

(9) Deferred Compensation Plan

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, 2010 and 2009. Employee contributions were $1,500,102 and $1,525,255 for the years ending December 31, 2010 and 2009, respectively.

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 $7,353,903 and $7,545,304 for the years ending December 31, 2010 and 2009 respectively. Employer contributions were $3,046,993 and $2,686,950 for the years ending December 31, 2010 and 2009, respectively.

Metra is required to contribute to various defined contribution plans in accordance with union agreements. Employer contributions to these plans were $1,590,281 and $1,391,420 for the years ending December 31, 2010 and 2009, 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, 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	82,838,213	49,141,286	4,141,691	136,121,190
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	158,023,626	54,231,780	7,890,154	220,145,560
Deficit funding	75,185,413	5,090,494	3,748,463	84,024,370
In-kind expenses:				
Diesel fuel	23,707,788	9,949,192	—	33,656,980
Motive electricity	—	—	381,408	381,408
Claims, insur. 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	36,528,365	20,013,001	1,431,556	57,972,922
Total operating expenses	194,551,991	74,244,781	9,321,710	278,118,482
Purchase of service carriers' operating (loss)	$ (111,713,778)	(25,103,495)	(5,180,019)	(141,997,292)

	Year ended December 31, 2009 Union Pacific	BNSF	NICTD	Total
Operating revenues:				
Passenger revenue	$ 78,098,507	47,376,605	3,816,721	129,291,833
Other revenue	1,911,904	422,900	374,738	2,709,542
Total operating revenues	80,010,411	47,799,505	4,191,459	132,001,375
Operating expenses:				
Carrier expenses:				
Transportation	66,071,524	22,547,090	2,773,750	91,392,364
Maintenance of way	42,272,419	4,480,405	1,438,428	48,191,252
Maintenance of equipment	42,761,681	21,189,342	2,128,227	66,079,250
Administration	3,182,917	768,687	1,386,130	5,337,734
Total carrier expenses	154,288,541	48,985,524	7,726,535	211,000,600
Deficit funding	74,278,130	1,186,019	3,535,076	78,999,225
In-kind expenses:				
Diesel fuel	17,852,550	7,285,481	—	25,138,031
Motive electricity	—	—	406,432	406,432
Claims, insur. and risk management	1,821,119	467,381	200,455	2,488,955
Regional services	4,152,790	1,477,523	227,395	5,857,708
Downtown stations	1,516,112	5,113,289	—	6,629,401
Total in-kind expenses	25,342,571	14,343,674	834,282	40,520,527
Total operating expenses	179,631,112	63,329,198	8,560,817	251,521,127
Purchase of service carriers' operating (loss)	$ (99,620,701)	(15,529,693)	(4,369,358)	(119,519,752)

(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, 2010 were as follows:

2011	$	10,867,294
2012		10,880,617
2013		10,542,251
2014		10,545,651
2015		10,549,080
2016 – 2020		38,653,268
2021 – 2025		10,455,292
2026 – 2029		5,046,040
Thereafter		18,994,944
Total	$	126,534,437

Total rent expense aggregated $15,922,593 and $15,173,612 for the years ended December 31, 2010 and 2009, respectively.

Grants – At December 31, 2010, Metra had $972.7 million in unexpended obligations related to federal and state (including local) capital grant contracts.

(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 quarterly contributions totaling $5,652,000 and $4,733,557 in 2010 and 2009, respectively, for pension expense accrued in 2010 and 2009. No other contributions were made or required by Metra for the years ended December 31, 2010 and 2009.

(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 audit 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 – Post Employment Health Benefits (Unaudited)

Years ended December 31, 2010 and 2009

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, 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, 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, 2010

	Final budget	Actual	Favorable (unfavorable)
Revenues:			
Passenger revenue:			
Passenger revenue*	$ 236,200,000	239,448,944	3,248,944
Reduced fare reimbursement	3,400,000	3,399,996	(4)
Total operating passenger revenues	239,600,000	242,848,940	3,248,940
Other revenue	54,000,000	53,549,677	(450,323)
Total revenues	293,600,000	296,398,617	2,798,617
Operating expenses:			
Transportation	201,556,047	200,928,643	627,404
Fuel and motive power	62,291,079	64,952,622	(2,661,543)
Maintenance of way	122,284,281	121,679,583	604,698
Maintenance of equipment	136,476,842	132,841,017	3,635,825
Administration	44,449,786	43,871,304	578,482
Regional services	19,990,598	23,189,120	(3,198,522)
Total administration and regional services	587,048,633	587,462,289	(413,656)
Claims, insurance and risk management	13,780,537	14,275,359	494,822
Downtown stations	13,939,079	14,053,769	114,690
Total operating expenses	614,768,249	615,791,417	(1,023,168)
Loss before depreciation, financial assistance, and leasehold related interest income and expense	$ (321,168,249)	(319,392,800)	1,775,449
Note amounts excluded from the operating budget-basis farebox recovery ratio:			
Security expense	$ 17,150,000	16,605,336	544,664
Funded depreciation included in operating expenses	2,668,400	2,944,695	(276,295)
Lease of transportation facilities	16,931,600	16,251,277	680,323
Total deductions	$ 36,750,000	35,801,308	948,692
Amounts added to the operating budget-basis farebox recovery ratio:			
Senior fare allowance	$ 7,500,000	8,887,860	1,387,860
Farebox recovery ratio	52.1%	52.6%	0.5%

* 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, 2010

	NIRCRC	Union Pacific	BNSF	NICTD	Total
Operating revenues:					
Passenger revenue*	$ 105,956,944	81,033,028	48,653,582	3,805,390	239,448,944
Other revenue	52,576,487	665,185	2,700	305,305	53,549,677
Reduced fare reimbursement	1,743,996	1,140,000	485,004	30,996	3,399,996
Total operating revenue	160,277,427	82,838,213	49,141,286	4,141,691	296,398,617
Operating expenses:					
Carrier level expenses:					
Transportation	108,091,354	66,164,490	23,533,974	3,138,825	200,928,643
Maintenance of way	78,437,630	37,013,628	4,907,800	1,320,525	121,679,583
Maintenance of equipment	69,646,161	40,801,954	20,425,691	1,967,211	132,841,017
Administration	22,999,842	14,043,554	5,364,315	1,463,593	43,871,304
Total carrier expenses	279,174,987	158,023,626	54,231,780	7,890,154	499,320,547
Centralized expenses:					
Diesel fuel	23,039,617	23,707,788	9,949,192	—	56,696,597
Motive electricity	7,874,617			381,408	8,256,025
Claims, insur. and risk management	7,167,407	4,033,157	2,450,600	624,195	14,275,359
Regional services	13,081,643	7,189,832	2,491,692	425,953	23,189,120
Downtown stations	7,334,664	1,597,588	5,121,517	—	14,053,769
Total centralized expenses	58,497,948	36,528,365	20,013,001	1,431,556	116,470,870
Total operating expenses	337,672,935	194,551,991	74,244,781	9,321,710	615,791,417
Operating loss	$ (177,395,508)	(111,713,778)	(25,103,495)	(5,180,019)	(319,392,800)

Note:	
Amounts excluded from the operating budget-basis farebox recovery ratio:	
Security expense	$ 16,605,336
Funded depreciation included in expenses	2,944,695
Lease of transportation facilities	16,251,277
Total exclusions	$ 35,801,308
Amounts added to the operating budget-basis farebox recovery ratio:	
Senior free ride allowance	$ 8,887,860
Total additions	$ 8,887,860
Farebox recovery ratio	52.6%

* 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)

Supplementary Information – Budgetary Basis Schedule of Operations (Unaudited)

Year ended December 31, 2009

	NIRCRC	Union Pacific	BNSF	NICTD	Total
Operating revenues:					
Passenger revenue*	$ 106,775,843	78,098,507	47,376,605	3,816,721	236,067,676
Other revenue	58,159,654	611,104	2,700	344,938	59,118,396
Reduced fare reimbursement	1,649,200	1,300,800	420,200	29,800	3,400,000
Total operating revenue	166,584,697	80,010,411	47,799,505	4,191,459	298,586,072
Operating expenses:					
Carrier level expenses:					
Transportation	107,266,933	60,978,859	20,351,537	2,774,583	191,371,912
Maintenance of way	75,971,554	38,864,624	4,151,878	1,394,803	120,382,859
Maintenance of equipment	68,115,259	39,396,880	19,093,931	2,100,343	128,706,413
Administration	23,543,432	13,405,818	4,918,539	1,365,720	43,233,509
Total carrier expenses	274,897,178	152,646,181	48,515,885	7,635,449	483,694,693
Centralized expenses:					
Diesel fuel	17,086,375	17,852,550	7,285,481	—	42,224,406
Motive electricity	8,521,780	—	—	406,432	8,928,212
Claims, insur. and risk management	6,412,745	1,821,119	467,381	200,455	8,901,700
Regional services	10,994,627	6,032,852	2,091,784	359,055	19,478,318
Downtown stations	7,042,551	1,516,112	5,113,289	—	13,671,952
Total centralized expenses	50,058,078	27,222,633	14,957,935	965,942	93,204,588
Total operating expenses	324,955,256	179,868,814	63,473,820	8,601,391	576,899,281
Operating loss	$ (158,370,559)	(99,858,403)	(15,674,315)	(4,409,932)	(278,313,209)

Note:	
Amounts excluded from the operating budget-basis farebox recovery ratio:	
Security expense	$ 16,268,740
Funded depreciation included in expenses	2,744,766
Lease of transportation facilities	16,103,501
Total exclusions	$ 35,117,007
Amounts added to the operating budget-basis farebox recovery ratio:	
Senior free ride allowance	$ 7,244,339
Capital fare program expense	10,000,000
Total additions	$ 17,244,339
Farebox recovery ratio	55.4%

* 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

December 31, 2010 and 2009

(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, 2010 and 2009. 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 2010 and 2009, respectively. 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 $16,000,000, which represents 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 52.6% and 55.4% in 2010 and 2009, respectively. Although the RTA did not allocate specific farebox recovery relief to the service boards in 2010, the RTA had sufficient farebox recovery relief available to bring Metra's actual farebox recovery to 55.0%.