KPMG

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

(Public Entities, doing business as Metra)

Financial Statements and Supplementary Information

December 31, 2015

(With Independent Auditors' Report Thereon)

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

(Public Entities, doing business as Metra)

Table of Contents

KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Directors
Commuter Rail Division of the
Regional Transportation Authority and the
Northeast Illinois Regional Commuter Railroad Corporation
(Public Entities, doing business as Metra):

Report on the Financial Statements

We have audited the accompanying financial statements of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation, both doing business as Metra (Metra), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation, both d/b/a Metra, as of December 31, 2015, and the changes in its financial position and its cash flows for the year then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 12 to the basic financial statements, Metra adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, during the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 16, and required supplementary information on pages 42 through 45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on Metra's basic financial statements. The schedule of revenues and expenses – budget to actual (budgetary basis), the budgetary basis schedule of operations, and notes to supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of revenues and expenses – budget to actual (budgetary basis), the budgetary basis schedule of operations, and notes to supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2016 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Metra's internal control over financial reporting and compliance.

KPMG LLP

Chicago, Illinois
June 8, 2016

Management's Discussion and Analysis

Management's discussion and analysis of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation (Public Entities, doing business as Metra) (Metra) offers an analysis of Metra's financial performance during the year ended December 31, 2015. 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 17.

Basic Financial Statements

The *Statement of Net Position* present current, noncurrent assets, deferred outflows and inflows of resources, 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 Position* present Metra's revenues, expenses, and the net impact these activities had on its fiscal well-being, identified as "Change in net position." The timing of the recognition of revenues and expenses is often different from the related cash transactions, because under the accrual method, revenues are recognized when earned and expenses are recognized when incurred, not when the cash is received or disbursed.

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

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

Financial Summary

2015 Financial Summary

- *Net position* increased $26.5 million (includes $49.5 million net income offset by the restatement to net position of $23.0 million), or 0.9%, to $3.1 billion at December 31, 2015. Net position represents total assets plus deferred outflows of resources minus total liabilities and deferred inflows of resources.
- *Capital assets – net* increased $14.5 million, or 0.5%, during 2015 reflecting new capital acquisitions less depreciation incurred in 2015.
- *Passenger revenue* increased $25.7 million, or 8.2%, to $337.4 million in 2015.
- *Other operating revenue* decreased by $24.2 million, or 37.9%, to $39.6 million in 2015.
- *Non-operating revenues* decreased $5.1 million, or 0.8%, to $615.8 million in 2015.
- *Total operating expenses before depreciation* decreased $1.8 million, or 0.2%, to $726.1 million during 2015.

Financial Analysis

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

2015 vs. 2014 Analysis

Statements of Net Position

Total net position represents the difference between the total assets and deferred outflows of resources, and the total liabilities and deferred inflows of resources. As shown in Table 1a, Metra's total net position at December 31, 2015 increased to $3.1 billion, a 0.9% increase from December 31, 2014. This is primarily due to increases in net capital assets and current assets. Current assets increased $39.5 million, or 12.1%, to $367.0 million primarily due to increases in cash, cash equivalents and investments, financial assistance receivable-RTA, material and supplies, and prepaid expense, partially offset by decreases in other receivables, and grant project receivables, net. Current liabilities increased $30.9 million, or 18.3%, to $199.9 million primarily due to increases in accounts payable, wages and benefits payable, and the current portion of the claims liability, partially offset by a decrease in deferred revenues. Long-term liabilities increased by $40.6 million, or 139.5%, to $69.7 million primarily due to increases in long-term accrued claims and by an increase in a provision for post retiree health benefits. Due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, Metra recorded deferred outflows of resources of $44.5 million and deferred inflows of resources of $1.0 million in 2015.

(Continued)

Table 1a

Condensed Statements of Net Position

(Amounts in millions)

		December 31		Change increase (decrease)	
Assets		**2015**	**2014**	**Dollars**	**Percent**
Current assets	$	367.0	327.5	39.5	12.1%
Capital assets – net		2,952.4	2,937.9	14.5	0.5
Total assets	$	3,319.4	3,265.4	54.0	1.7%
Deferred outflows of resources					
Deferred outflows of resources	$	44.5	—	44.5	100.0%
Liabilities					
Current liabilities	$	199.3	169.0	30.3	17.9%
Long-term liabilities		69.7	29.1	40.6	139.5
Total liabilities	$	269.0	198.1	70.9	35.8%
Deferred inflows of resources					
Deferred inflows of resources	$	1.0	—	1.0	100.0%
Net Position					
Net investment in capital assets	$	2,952.4	2,937.9	14.5	0.5%
Unrestricted net assets		141.5	129.5	12.0	9.3
Total net position	$	3,093.9	3,067.4	26.5	0.9%

Key changes include the following:

- *Current assets* increased by $39.5 million, or 12.1%, to $367.0 million primarily due to increases in cash, cash equivalents, and investments by $41.3 million, or 29.1%, financial assistance-RTA by $3.1 million, or 3.3%, material and supplies by $2.4 million, or 13.5%, prepaid expense by $0.9 million, or 104.3%, which were partially offset by a decrease in other receivables by $1.1 million, or 8.7%, and grant project receivable by $7.1 million, or 11.2%.
- *Capital assets – net* increased by $14.5 million, or 0.5%, to $2,952.4 million, primarily due to the acquisition of 160 new Highliner railcars for the Metra Electric District, of which 42 were received in 2015. Rolling stock increased by $71.8 million (net of retirement), or 3.3%, roadways and passenger stations increased by $125.5 million, or 3.2%, support equipment and infrastructure increased by $20.1 million, or 4.1%. Capital in progress decreased by $120.2 million, or 58.2%.
- *Current liabilities* increased by $30.3 million, or 17.9%, to $199.3 million, primarily due to increases in accounts payables by $28.1 million, or 26.6%, accrued wages and benefits payable by $3.2 million, or 7.7%,

(Continued)

and the current portion of the accrued claims liability by $0.3 million, or 4.0%, which were partially offset by the decrease in unearned revenues by $1.1 million, or 8.9%.

- *Long-term liabilities* increased by $40.6 million, or 139.5%, to $69.7 million, primarily due to increase in long-term portion of accrued claims by $5.5 million, or 27.4%, net pension liability by $33.1 million, or 100%, and provision for postretiree health benefits by $2.0 million, or 22.7%.

Statements of Revenues, Expenses, and Changes in Net Position

Change in net position represents the difference between operating loss and financial assistance. As shown in table 2a, Metra's change in net position for year ended December 31, 2015 was $49.5 million, a 15.5% decrease in change in net position from the year ended December 31, 2014. Total operating revenues increased by $1.5 million, or 0.4%, from 2014. Total operating expenses before depreciation decreased by $1.8 million, or 0.2%, from 2014. Total non-operating revenues decreased by $5.1 million, or 0.8%, from 2014.

Table 2a

Statements of Revenues, Expenses, and Changes in Net Position

(Amounts in millions)

	December 31		Change increase (decrease)	
	2015	**2014**	**Dollars**	**Percent**
Operating revenues:				
Passenger revenue	$ 337.4	311.7	25.7	8.2%
Other	39.6	63.8	(24.2)	(37.9)
Total operating revenues	377.0	375.5	1.5	0.4
Operating expenses:				
Transportation	235.2	232.9	2.3	1.0
Fuel and motive power	77.8	85.5	(7.7)	(9.0)
Engineering	129.8	134.6	(4.8)	(3.6)
Mechanical	158.5	160.3	(1.8)	(1.1)
Administration	94.4	82.6	11.8	14.3
Claims and insurance	15.0	17.4	(2.4)	(13.8)
Downtown stations	15.4	14.6	0.8	5.5
Total operating expenses before depreciation	726.1	727.9	(1.8)	(0.2)
Operating loss before depreciation	(349.1)	(352.4)	3.3	(0.9)
Depreciation	217.2	209.9	7.3	3.5
Operating loss	(566.3)	(562.3)	(4.0)	0.7
Nonoperating revenues:				
Financial assistance	615.8	620.9	(5.1)	(0.8)
Total nonoperating revenues	615.8	620.9	(5.1)	(0.8)
Change in net position	$ 49.5	58.6	(9.1)	(15.5)%

(Continued)

Total operating revenues increased by $1.5 million, or 0.4%, from 2014. Principal changes are discussed below:

Passenger revenue increased $25.7 million, or 8.2%, in 2015. This increase was due to a 10.8% average fare increase effective February 1, 2015, offset by an overall ridership decrease of 2.1%. Below is a table comparing ridership by line for 2015 and 2014:

Passenger Trips By Line

(In thousands of passenger trips)

Rail line	2015*	2014*	Increase (Decrease)	Percent
Burlington Northern/Santa Fe	16,400	16,658	(258)	(1.5)%
Metra Electric	9,055	9,416	(361)	(3.8)
Heritage Corridor	724	729	(5)	(0.7)
Milwaukee–North	7,095	7,238	(143)	(2.0)
Milwaukee–West	6,772	6,946	(174)	(2.5)
North Central Service	1,758	1,817	(59)	(3.2)
Rock Island	8,305	8,545	(240)	(2.8)
SouthWest Service	2,604	2,659	(55)	(2.1)
Union Pacific–North	9,249	9,329	(80)	(0.9)
Union Pacific–Northwest	11,302	11,609	(307)	(2.6)
Union Pacific–West	8,367	8,423	(56)	(0.7)
Total passenger trips	81,631	83,369	(1,738)	(2.1)%

* Includes free senior rides; does not include Northern Indiana Commuter Transportation District (NICTD)

Other operating revenue decreased by $24.2 million, or 37.9%. Decreases in advertising, half fare subsidy and rental income were partially offset by increases in investment income, lease revenues, and miscellaneous income.

Non-operating revenues decreased by $5.1 million, or 0.8%, to $615.8 million in 2015 primarily because Metra's external funding sources for capital grants decreased by $23.0 million, or 9.4%, to $220.9 million and were partially offset as Metra's statutory share of Regional Transportation Authority (RTA) Sales Tax and Public Transportation Funds increased by $12.0 million, or 3.2%, to $386.1 million and increase in operating financial assistance by $5.9 million, or 210.8%, to $8.7 million.

Total operating expenses before depreciation decreased by $1.8 million, or 0.2%, from 2014. In general, labor and fringe benefits increased by $23.7 million, or 5.1%, to $491.5 million due to contract and non-contract employees' wage increases, material and supplies increased by $0.6 million, or 1.5%, to $40.1 million and outside services and utilities increased by $13.3 million, or 15.0%, to $101.7 million were partially offset by a $2.4 million, or 13.8%, decrease in claims and insurance expenses. Diesel fuel expense decreased by $7.0 million, or 8.9%, from $78.7 million to $71.7 million, despite a 4.0% increase in usage because of increasing average age of the rolling stock. The average cost per gallon of diesel fuel in 2015 was $2.62, versus $3.00 in 2014. Motive power expense decreased by $0.7 million, or 10.3%, from $6.8 million to $6.1 million in 2015 due to greater use of new Highliner cars. The average cost per kilowatt hour in 2015 was $0.0750, versus $0.0740 in 2014.

Capital Assets

Metra's capital program continues needed capital improvements in order to maintain a state of good repair 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 Metra's customers, these modernization projects help provide continued on-time and reliable public transportation services in an efficient and cost-effective manner.

As of December 31, 2015, Metra had invested approximately $7.0 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, 2015 totaled approximately $3.0 billion (see Table 3a below). This amount represents a net increase (including additions and disposals, net of depreciation) of $14.5 million or 0.5% over the December 31, 2014 balance.

Table 3a

Capital Assets by Funding Source

Current Year to Prior Year Analysis

(Amounts in millions of dollars)

Funding source		December 31, 2015	December 31, 2014	Change Increase (Decrease) Dollars	Change Increase (Decrease) Percent
Federal Transit Administration	$	3,428.5	3,292.1	136.4	4.1%
Illinois Department of Transportation		654.5	639.0	15.5	2.4
Regional Transportation Authority		1,926.0	1,914.8	11.2	0.6
Northern Indiana Commuter Transportation District		6.4	6.4	—	—
Metra		988.2	980.3	7.9	0.8
Total capital assets		7,003.6	6,832.6	171.0	2.5%
Accumulated depreciation		(4,051.2)	(3,894.7)	(156.5)	4.0
Total capital assets, net	$	2,952.4	2,937.9	14.5	0.5%

Major capital asset expenditures during 2015 included the following:

- Metra's *Rolling Stock* program seeks to ensure that an adequate number of locomotives and commuter railcars are available to meet the current and future service needs of the system. This program includes rehabilitation of, and improvements to, existing vehicles. In 2015, Metra made payments totaling $34.6 million toward the purchase of 160 new Highliner railcars for the Metra Electric District and obtained delivery of 42 Highliner railcars. Metra expended $48.9 million and $33.9 million for 2015 and 2014, respectively, to upgrade and maintain its existing fleet through rehabilitations and replacement of major subassemblies.
- The *Track and Structure* program provides for the continued rehabilitation and upgrading of Metra's commuter railroad rights-of-way. In addition to maintaining operational safety, the rehabilitation of track and structures results in reduced train running times, fewer interruptions in service, greater passenger comfort, and efficient use of plant and equipment. Metra has developed a cyclical program of track rehabilitation, which includes all commuter rail lines within the region. Project priorities are decided based on train volumes, speed restrictions, age and condition of the roadbed, and track speeds essential to maintaining on-time performance. Structure projects serve objectives that are similar to those of the track program. Since 1990, when Metra's comprehensive plan for bridge rehabilitation and replacement began, the structure program has focused on the commuter rail bridges identified as high priorities for action. The Capital Program continued the implementation of these programs in 2015 and 2014 by expending $44.4 million and $73.4 million, respectively, in funding for the rehabilitation, replacement, and upgrade of bridges, track, and structures.

(Continued)

- *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 controlled 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 its customers. Signaling, electrical, and communications expenditures in 2015 and 2014 were $64.5 million and $44.9 million, respectively. The largest component of the expenditures in this category for 2015 and 2014 has been for Positive Train Control (PTC). PTC is a communication-based safety train control system intended to prevent train collisions. PTC is presently estimated to cost $408 million in total.
- *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 2015 and 2014 were $16.3 million and $8.4 million, respectively.
- *Commuter Stations* are portals to the Metra system and very often to the communities in which they are located. Stations must be functional and compliant with the Americans with Disabilities Act, as well as inviting to Metra customers. Commuter stations expenditures in 2015 and 2014 were $15.0 million and $19.3 million, respectively.
- The *Commuter Parking* program is designed to expand parking capacity to relieve overcrowding at existing facilities and to accommodate future ridership growth. Parking improvements are constructed in a manner to ensure conformance with the requirements of the Americans with Disabilities Act. Commuter parking expenditures in 2015 and 2014 were $2.6 million and $3.9 million, respectively.

RTA Sales Tax and Public Transportation Funds

RTA Sales Tax and Public Transportation Funds (PTF) have been the primary sources of revenue for the RTA and the three Service Boards (Metra, Chicago Transit Authority (CTA), and the Suburban Bus Division (Pace)) for over three decades. The RTA Sales Tax is authorized by Illinois statute and imposed by the RTA in the six-county northeastern Illinois region. The RTA Sales Tax is collected by the Illinois Department of Revenue, paid to the Treasurer of the State of Illinois, and held in trust for the RTA outside the State Treasury. Proceeds from the RTA Sales Tax are paid directly to the RTA on a monthly basis, without appropriation, by the State Treasury or on the order of the State Comptroller.

The original RTA sales tax (Sales Tax I) is levied at 1.0% in Cook County and 0.25% in the collar counties of DuPage, Kane, Lake, McHenry, and Will. The RTA distributes 85% of Sales Tax I receipts to the Service Boards according to a statutory formula. The remaining 15% of Sales Tax I is retained by the RTA to fund regional and agency expenses before being allocated at the discretion of the RTA Board. Metra receives 55% of the Service Board statutory share of Sales Tax I collected in Suburban Cook County and 70% of the share collected in the collar counties.

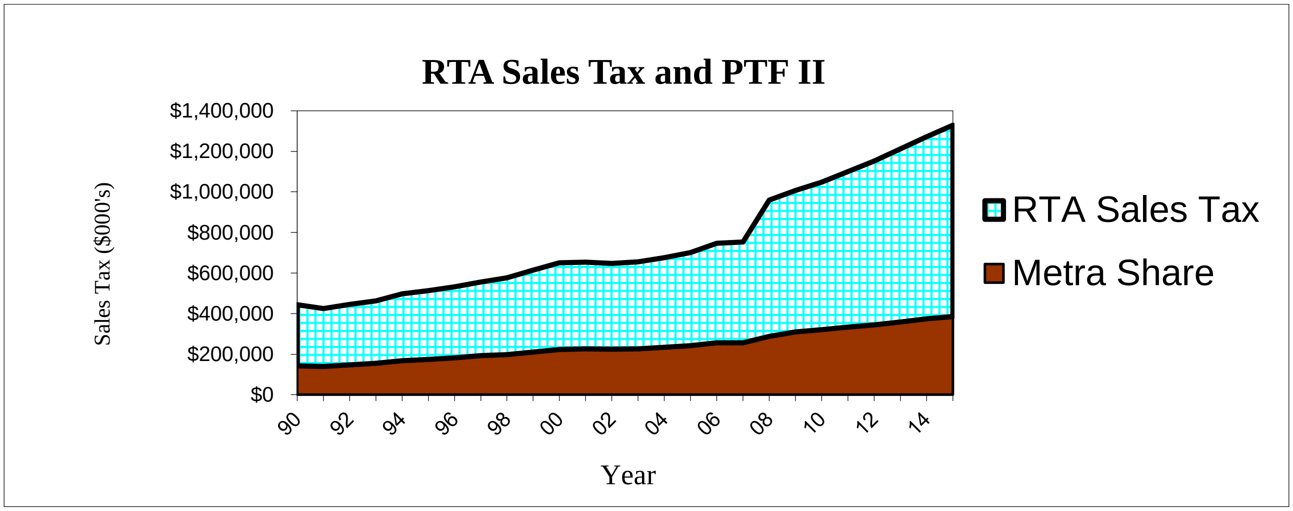
The Public Transportation Fund is State-provided funding initially comprising a 25% match of Sales Tax I receipts (PTF I). RTA retains 100% of PTF I, which is combined with 15% of Sales Tax I to form the basis of discretionary funding. PTF revenues are payable to the RTA upon State appropriation. None of the PTF revenues are actually paid to the RTA until the RTA certifies to the Governor, the State Comptroller, and the Mayor of the City of Chicago that it has adopted a budget and two-year financial plan as called for by the RTA Act.

The RTA Act, as amended in 2008, increased the RTA sales tax by an additional 0.25% in all six counties of the RTA region (Sales Tax II), increased the Real Estate Transfer Tax (RETT) in the City of Chicago by 0.3%, and provided additional Public Transportation Funds equal to a 5% match of Sales Tax I receipts and a 30% match of Sales Tax II receipts and RETT receipts (PTF II). By statute, CTA receives all revenues from the RETT increase and 25% PTF match on the RETT. Sales Tax II and remaining PTF II (i.e., 5% match on Sales Tax I, 30% match on Sales Tax II, and 5% match on the RETT) are distributed to the three Service Boards and the RTA in 2015 as follows:

- $149.7 million to Pace ADA Paratransit Service
- $23.8 million to Pace Suburban Community Mobility Fund (SCMF)
- $11.9 million to the RTA Innovation, Coordination, and Enhancement (ICE) Fund

After these deductions, all remaining Sales Tax II and PTF II proceeds are distributed as follows: 48% CTA, 39% Metra, and 13% Pace Suburban Service.

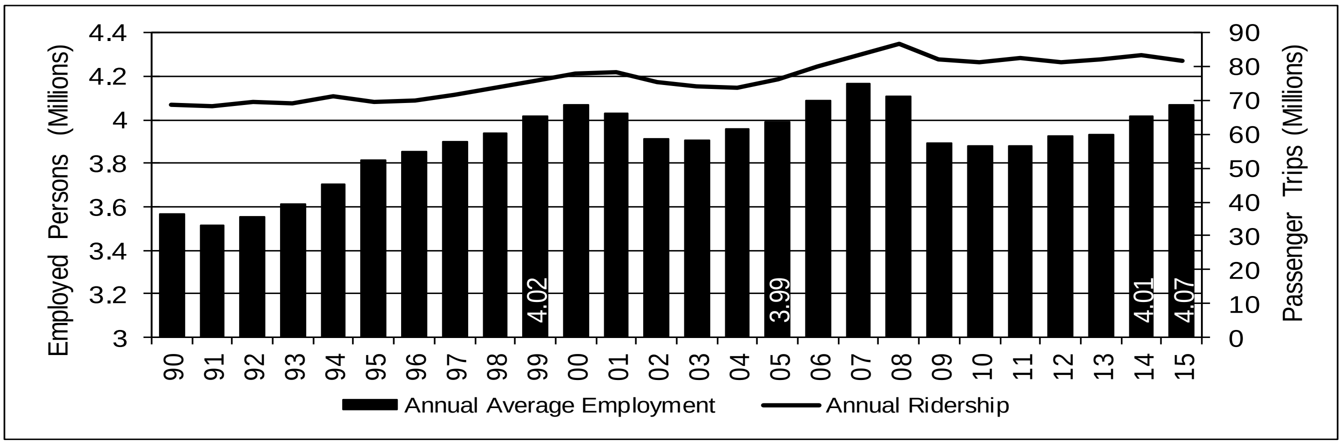
The graph on the following page shows the annual Sales Tax I collected in the six-county region since 1990, together with the Sales Tax II and PTF II collected beginning in 2008. Year 2015 Sales Tax I and combined Sales Tax II/PTF II totaled $866.3 million and $462.6 million, respectively. Metra's statutory shares ($285.6 million and $100.5 million, respectively) together represent 29.1% of total RTA Sales Tax and PTF II revenue sources.



Employment

Even during the harshest weather conditions, most businesses and institutions in the Chicago region are opened as scheduled. Since approximately 86% of passenger trips taken on Metra are for work, the health of the regional economy, especially in terms of employment levels, greatly influences Metra ridership (see Figure 1). Regional employment has generally grown since 1990. The economic downturn following the September 11 attacks and the 2007 to 2009 economic recession (affecting 2008 through 2010 employment averages) are the exceptions. Average regional employment for 2015 was 1.4% higher compared to 2014. Although regional employment has increased in each of the past three years, employment remains below prerecession levels. In 2015, approximately 4.07 million persons were employed in the Chicago region. This is comparable to 1999 and 2005.

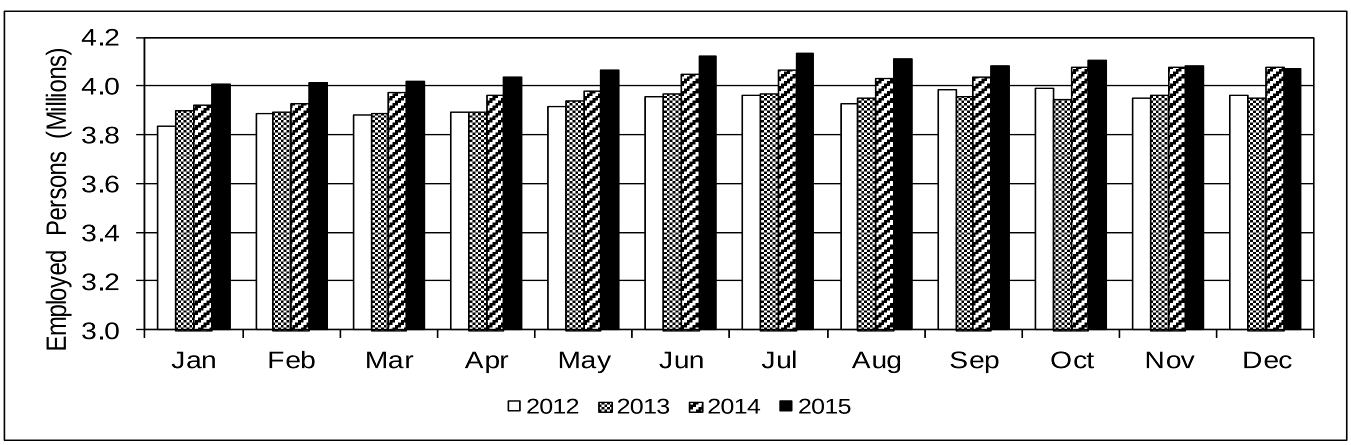
Figure 1: Annual Average Regional Employment



Source: Illinois Department of Economic Security. Includes employees covered under the State's Unemployment Insurance Act. Includes employment figures for Cook, DuPage, Kane, Lake, McHenry, and Will Counties. Government workers are not included in these estimates.

Figure 2 shows regional employment by month for 2012 through 2015. Similar to 2014, 2015 was a banner year for employment in the region with monthly totals higher than the previous four years in all but the month of December. This continues a positive trend of year-over-year gains in regional employment that began in mid-2012.

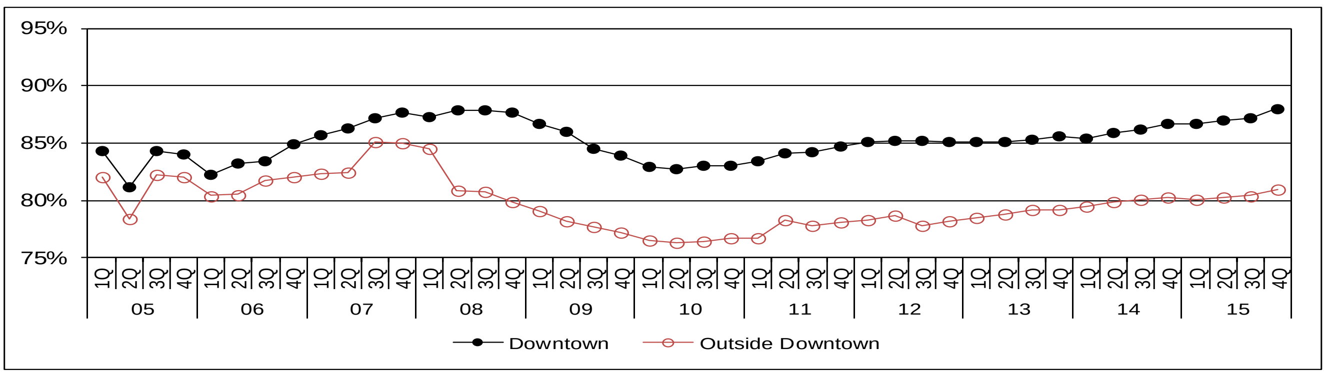
Figure 2: Regional Employment by Month



Source: Illinois Department of Economic Security. Includes employees covered under the State's Unemployment Insurance Act. Government workers are not included.

The shift in the share of total employment toward downtown Chicago is evident in office occupancy rates (see Figure 3). Downtown Chicago office occupancy rates remained constant near 85.1% between the First Quarter of 2012 through the first half of 2013. Beginning in the Third Quarter of 2013, the occupancy rate began to climb. By the Fourth Quarter of 2015, the rate had gone up to 88%. Office occupancy rates outside of downtown continued a slow and steady increase in 2015 that began in the Fourth Quarter of 2012, starting the year at 80.4% and rising to 80.9% by the Fourth Quarter. The difference between downtown and outside-of-downtown occupancy has been steady since the Second Quarter of 2008 (see Figure 3).

Figure 3: Quarterly Office Space Occupancy Rates (% of Available Space Occupied)



Source: CB Richard Ellis

Metra will continue to monitor these and other economic indicators for potential long-term impacts 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 Regional Transportation Authority Act, as amended by the Illinois legislature in January 2008, authorizes Metra to issue up to $1 billion in bonds for capital projects.

Contacting Metra's Financial Management

This report is designed to provide Metra's 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 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

(Public Entities, doing business as Metra)

Statement of Net Position

December 31, 2015

Assets		
Current assets:		
Cash, cash equivalents, and investments:		
Cash and cash equivalents	$	4,401,756
Investments		178,729,794
Total cash, cash equivalents, and investments		183,131,550
Accounts receivable:		
Grant projects		56,300,445
Financial assistance – RTA		94,304,296
Other, net		11,231,415
Total accounts receivable		161,836,156
Materials and supplies		20,258,492
Prepaid expense		1,731,617
Total current assets		366,957,815
Capital assets:		
Land		153,263,036
Rolling stock		2,232,644,622
Roadways and passenger stations		4,024,210,897
Support equipment and infrastructure		506,994,803
Less accumulated depreciation		(4,051,154,625)
Capital projects in progress		86,438,384
Total capital assets		2,952,397,117
Total assets		3,319,354,932
Deferred Outflows of Resources		
Deferred outflows of resources - pension related		44,466,812

(Continued)

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

(Public Entities, doing business as Metra)

Statement of Net Position

December 31, 2015

Liabilities		
Current liabilities:		
Accounts payable	$	133,820,192
Accrued wages and benefits payable		44,789,226
Accrued claims – current		9,004,305
Accrued postretiree health benefits – current		452,934
Unearned revenue		11,223,815
Total current liabilities		199,290,472
Long-term liabilities:		
Accrued claims		25,738,776
Accrued postretiree health benefits		10,860,817
Net pension liability		33,062,726
Total long-term liabilities		69,662,319
Total liabilities		268,952,791
Deferred Inflows of Resources		
Deferred inflows of resources - pension related		965,410
Net Position		
Net position:		
Net investment in capital assets		2,952,397,117
Unrestricted net assets		141,506,426
Total net position	$	3,093,903,543

See accompanying notes to financial statements.

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

(Public Entities, doing business as Metra)

Statement of Revenues, Expenses, and Changes in Net Position

Year ended December 31, 2015

Operating revenues:	
Passenger revenue	$ 337,413,270
Other	39,580,279
Total operating revenues	376,993,549
Operating expenses:	
Transportation	235,198,655
Fuel and motive power	77,764,545
Engineering	129,806,310
Mechanical	158,460,396
Administration	94,434,004
Claims and insurance	14,985,332
Downtown stations	15,382,656
Total operating expenses before depreciation	726,031,898
Depreciation	217,160,385
Total operating expenses	943,192,283
Operating loss	(566,198,734)
Nonoperating revenues:	
Federal	140,847,986
Local	474,934,989
Total financial assistance	615,782,975
Total nonoperating revenues	615,782,975
Change in net position	49,584,241
Net position at beginning of year, as restated (see note 12)	3,044,319,302
Net position at end of year	$ 3,093,903,543

See accompanying notes to financial statements.

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

(Public Entities, doing business as Metra)

Statement of Cash Flows

Year ended December 31, 2015

Cash flows from operating activities:	
Cash received from fares	$ 336,428,958
Cash received from other operating revenue items	38,770,198
Cash paid to and on behalf of employees for services	(519,341,078)
Cash paid for claims	(6,111,537)
Cash paid to contractual service providers and suppliers	(198,412,694)
Net cash used in operating activities	(348,666,153)
Cash flows from noncapital and related financing activities:	
Cash received from RTA sales tax and other local noncapital assistance	389,083,867
Cash received from noncapital state assistance	1,764,267
Cash received from noncapital federal assistance	2,749,512
Net cash provided by noncapital and related financing activities	393,597,646
Cash flows from capital and related financing activities:	
Cash received from capital grants	220,894,167
Cash paid to acquire and construct capital assets	(224,532,875)
Net cash used in capital and related financing activities	(3,638,708)
Cash flows from investing activities:	
Cash received from the sale of investment securities	612,816,437
Cash paid for the purchase of investment securities	(657,515,873)
Net cash used in investing activities	(44,699,436)
Net decrease in cash and cash equivalents	(3,406,651)
Cash and cash equivalents, beginning of year	7,808,407
Cash and cash equivalents, end of year	$ 4,401,756

(Continued)

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

(Public Entities, doing business as Metra)

Statement of Cash Flows

Year ended December 31, 2015

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	$ (566,198,734)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	217,160,385
Provision for claims	11,993,483
Settlement of claims	(6,111,537)
Half-fare revenues	(1,618,000)
(Increase) decrease in assets:	
Accounts receivable	922,026
Materials and supplies	(2,416,259)
Prepaid expense	(884,070)
Increase (decrease) in liabilities:	
Accounts payable	27,389,966
Accrued wages and benefits payable	15,696,408
Net pension liability	(43,501,402)
Unearned revenue	(1,098,419)
Total adjustments	217,532,581
Net cash used in operating activities	$ (348,666,153)

See accompanying notes to financial statements.

(1) Organization

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

Metra operates and manages the Rock Island, Milwaukee Road, Metra Electric, Heritage Corridor, North Central Service, and South West Service commuter lines. Metra also contracts for commuter rail service on other lines through purchase of service agreements executed with the Union Pacific Railroad (UP), BNSF Railway Co. (BNSF), and Northern Indiana Commuter Transportation District (NICTD).

Metra also leases track rights to NICTD, Amtrak, CSX Corporation, Canadian Pacific Railway, Chicago Rail Link, Union Pacific, Norfolk Southern, Wisconsin and Southern, Wisconsin Central (Canadian National), and Iowa Interstate.

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

Reporting Entity – As defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14,* the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

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

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

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

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

(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.

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

(b) Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful life of fixed assets, allowances for doubtful accounts, reserves for employee-benefit obligations, and other contingencies.

(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 that Metra may purchase are limited by Illinois law to the following: (1) securities that 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 Funds; and (8) money market mutual funds and certain other instruments.

The Illinois Funds is an external investment pool administered by the State Treasurer. The fair value of Metra's share in the fund is the same as the value in the pool shares. Although not subject to direct oversight, the Illinois Funds is administered in accordance with the provisions of the Illinois Public Investment Act, 30 ILCS 235.

(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, a unit or group cost of more than $5,000, and are purchased with grant money or are not intentionally acquired for resale. 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) 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 position.

(h) Retained Risk Programs

Metra provides for retained risk 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 retained risk programs currently maintained by Metra. Claims

(Continued)

are recorded in the year of occurrence (see Note 6). Metra directly administers the public liability, property damage, and FELA programs.

(i) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the RTA Pension Plan (RTAPP) and additions to/deductions from RTAPP's fiduciary net position have been determined on the same basis as they are reported by RTAPP. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(j) Net Position

Net position is displayed in two components, as follows:

Net Investment in Capital Assets – This consists of all federal, state, and local grant funded 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 the remaining components of net position that do not meet the definition of "net investment in capital assets."

(k) Passenger Revenue

Metra sells full and reduced price, one-way tickets, ten-ride tickets, and monthly tickets. Passenger revenue for one-way tickets is recorded when the tickets are sold. Passenger revenue for ten-ride tickets sold in the first half of the month is recorded in the month the ticket is sold. Passenger revenue for ten-ride tickets sold in the second half of the month is unearned and recorded in the following month. Passenger revenue for monthly tickets is recorded in the month the ticket is valid for. Monthly tickets sold prior to the month of validity are recorded as unearned revenues. Metra also sells weekend tickets. Passenger revenue for weekend tickets is recorded in the month the tickets are sold.

(l) Classification of Revenues

Metra has classified its revenues as either operating or non-operating. Operating revenues include activities that have the characteristics of exchange transactions, including passenger revenue and other non-passenger operating revenue. Non-passenger operating revenues include half-fare revenues, joint facility revenue, interest income, lease and rental income, advertising income, and other miscellaneous non-fare generated income. Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as federal, state, and local grants and contracts.

Metra's non-operating revenue includes federal, state, and local grant reimbursements, sales tax revenue, and other operating assistance distributed through appropriations from the RTA. Metra's statutory share of RTA sales tax proceeds was approximately $386.1 million during the year ended December 31, 2015. RTA capital funding was $67.8 million during the year ended December 31, 2015. Illinois Department of Revenue's share of capital financing funding was $15.6 million, and a reduction

 (Continued)

in local share of $0.6 million during the year ended December 31, 2015. Metra's revenues included $6.0 million in operating assistance from the RTA during the year ended December 31, 2015.

(m) Implementation of Accounting Pronouncements

As discussed in Note 12, Metra implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 27*, during the year ended December 31, 2015. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

Metra also implemented the provisions of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, during the year ended December 31, 2015. This Statement amends paragraph 137 of Statement 68 to require that, at transition, a government entity recognizes a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. Metra can determine these amounts thus they are accounted for in the accompanying financial statements.

(n) New Accounting Pronouncements

Effective in fiscal year 2016, Metra will be required to implement GASB Statement No. 72, *Fair Value Measurement and Application* (GASB Statement No. 72). GASB Statement No. 72 provides guidance to governments on determining fair value and requires disclosures about fair value measurements, the level of the fair value hierarchy, and valuation techniques. Additionally, GASB Statement No. 72 changes the measurement guidance for donated capital assets, donated works of art, historical treasures, and similar assets, as well as capital assets received in a service concession agreement.

Effective in fiscal year 2018, Metra will be required to implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB Statement No. 75). GASB Statement No. 75 will require state and local governments using the resource measurement focus for financial reporting to recognize a liability for postemployment benefits other than pensions (OPEB) as employees earn the OPEB benefits through service. Additionally, GASB Statement No. 75 includes substantive changes to the methods and assumptions used to determine the actuarial valuation for financial reporting purposes.

(3) Cash, Cash Equivalents, and Investments

(a) Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments are reported in the statements of net position as of December 31, 2015 as follows:

Cash and cash equivalents:		
Bank deposits, working cash, certificates of deposit, and cash equivalents	$	4,401,756
Investments, including board-designated funds		178,729,794
Total	$	183,131,550

Included in investments are board-designated funds (totaling $159,224,376) consisting of RTA advances, capital commitments, long-term provisions, and funds for operations.

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

(b) Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, Metra's deposits may not be returned. Metra's investment policy requires deposits in excess of FDIC coverage be collateralized with securities or financial instruments permitted by the Public Funds Investment Act with maturities not exceeding five years. Metra's bank balances were $12,707,463 at December 31, 2015 and was 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 is 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, 2015, and, therefore, had no material exposure to interest rate fluctuations. The following schedule reports the fair value and maturities (using the segmented time distribution method) for Metra's investments as of December 31, 2015:

		Investments as of December 31, 2015	
			Investment maturities
Investment type		Fair value	Less than one year
U.S. Treasury Securities	$	70,893,650	70,893,650
U.S. Agencies		31,920,265	31,920,265
Illinois Funds (local government investment pool)		1,001,414	1,001,414
Money market		13,016,427	13,016,427
Commercial paper		61,898,038	61,898,038
Total	$	178,729,794	178,729,794

(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 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 million 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 as described by Standard & Poor's at December 31, 2015 are as follows:

Credit Ratings Investments Held as of December 31, 2015 (S&P)
(As a percentage of total fair value for investment securities)

Investment type		Fair value	Percent	S&P
U.S. Treasury Securities	$	70,893,650	39.7%	AA+
U.S. Agencies		31,920,265	17.9	AA+
Illinois Funds		1,001,414	0.6	AAAm
Money market		13,016,427	7.3	AAAm
Commercial paper		61,898,038	34.5	A1P1
Total investments at fair value	$	178,729,794	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 is in accordance with the Illinois Public Funds Investment Act and states that commercial paper purchases should not exceed 10% of the corporation's outstanding obligations.

Following are the investments by issuer that exceeded 5% or more of the total investments, and the percent of the fair value to total investments, as of December 31, 2015:

Issuer		Fair value	Percent
U.S. Agencies:			
Federal Home Loan Bank	$	20,940,700	11.4%
Commercial paper:			
Dealer Capital Access Trust LLC		9,992,208	5.5%
Institutional Secured Funding LLC		9,989,863	5.5%

(4) Capital Assets

In October 2010, Metra entered into a seven-year contract totaling $577.7 million with a vendor to furnish 160 new electric multiunit gallery type (Highliner) railcars and associated spare parts. The total project cost is $586.2 million. Funding for this contract is provided primarily by bonds issued by the State of Illinois and administered by the RTA under a grant contract agreement with Metra. The vendor furnished Metra with an irrevocable letter of credit (LOC) in an amount equal to funds advanced to the vendor to cover start-up costs until the new Highliner railcars are delivered. The available LOC amount was $160.4 million at December 31, 2015. The agreement has established milestones the vendor must meet as it designs and builds the railcars. Beginning with delivery of the 83rd new Highliner railcar, the amount of the LOC is reduced by a specific value with the delivery of each new Highliner railcar that is conditionally accepted by Metra. The vendor also furnished Metra with a labor and material payment (payment) bond and a performance bond, each in the amount of 50% of the total contract price. The payment and performance bonds are continuously in effect until the completion of all of the vendor's obligations. In 2015, the Regional Transportation Authority made payments of $31.3 million directly to a vendor for the purchase of new Highliner railcars.

The following schedules summarize the capital asset activity of Metra for the year ended December 31, 2015:

	Beginning balance	Additions	Reductions	Ending balance
Capital assets, not being depreciated:				
Land	$ 149,844,631	3,418,405	—	153,263,036
Capital projects in progress	206,630,452	33,680,416	(153,872,484)	86,438,384
Total capital assets, not being depreciated	356,475,083	37,098,821	(153,872,484)	239,701,420
Capital assets being depreciated:				
Rolling stock	2,090,564,764	202,812,422	(60,732,564)	2,232,644,622
Roadways and passenger stations	3,898,702,865	125,508,032	—	4,024,210,897
Support equipment and infrastructure	486,884,744	20,110,059	—	506,994,803
Total capital assets being depreciated	6,476,152,373	348,430,513	(60,732,564)	6,763,850,322
Less accumulated depreciation:				
Rolling stock	(1,006,620,169)	(82,493,882)	60,732,564	(1,028,381,487)
Roadways and passenger stations	(2,486,988,106)	(118,324,256)	—	(2,605,312,362)
Support equipment and infrastructure	(401,118,528)	(16,342,248)	—	(417,460,776)
Total accumulated depreciation	(3,894,726,803)	(217,160,386)	60,732,564	(4,051,154,625)
Total capital assets being depreciated, net	2,581,425,570	131,270,127	—	2,712,695,697
Total capital assets, net	$ 2,937,900,653	168,368,948	(153,872,484)	2,952,397,117

(5) Long-Term Liabilities

Long-term liabilities activity for the year ended December 31, 2015 was as follows:

2015	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Accrued claims	$ 28,861,135	11,993,483	(6,111,537)	34,743,081	9,004,305
Accrued postretiree health benefits	8,854,171	2,912,514	(452,934)	11,313,751	452,934
Net pension liability	29,505,563	12,834,923	(9,277,760)	33,062,726	-
Total	$ 67,220,869	27,740,920	(15,842,231)	79,119,558	9,457,239

(6) Retained Risk Programs

A liability for each retained risk is provided based upon the estimated ultimate cost of settling claims using a case-by-case review and historical perspective. Changes in the retained risk portion of injury and damage, and Federal Employers Liability Act (FELA) accounts were as follows:

Balance, December 31, 2013	$	32,436,981
2014 provision		13,376,335
2014 payments		(16,952,181)
Balance, December 31, 2014	$	28,861,135
2015 provision		11,993,483
2015 payments		(6,111,537)
Balance, December 31, 2015	$	34,743,081

(7) Postemployment Healthcare Plan

Plan Description. Metra provides limited health benefits to retired management employees for Medicare supplemental insurance under a single employer plan established by Metra's Board. Metra also provides health benefits to retired contract police officers, under a union contract, between the ages of 60 and 65 who 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 the year ended December 31, 2015 based on the biannual actuarial determination.

Annual OPEB Cost and Net OPEB Obligation. Metra's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined biannually in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions.* The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Metra's annual OPEB cost for 2015, the amount actually contributed to the plan, and changes in the Metra's net OPEB obligation:

Annual OPEB Cost and Net OPEB Obligation

Annual required contribution	$	2,459,580
Interest on net OPEB obligation		398,438
Adjustment to annual required contribution		54,496
Annual OPEB cost		2,912,514
Contributions made		(452,934)
Increase in net OPEB obligation		2,459,580
Net OPEB obligation beginning of year		8,854,171
Net OPEB obligation end of year	$	11,313,751

Metra's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 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, 2015	$	2,912,514	15.6%	$	11,313,751
December 31, 2014		2,014,578	22.5		8,854,171
December 31, 2013		1,745,461	25.9		7,292,527

Funded Status and Funding Progress. As of December 31, 2015, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $28.8 million. The covered payroll (annual payroll of active employees covered by the plan) was $43.1 million, and the ratio of the unfunded accrued actuarial liability to the covered payroll was 66.9%. 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

 (Continued)

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, 2015 actuarial valuation, the most recent actuarial valuation performed for the plan, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5% 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 7.0% initially, reduced by decrements to an ultimate rate of 6.2% by 2040. Both rates included a 3.0% inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at December 31, 2015 was 28 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 $2,814,602 for the year ended December 31, 2015.

(8) Deferred Compensation Plans

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

All assets of the deferred compensation plan are held in a separate trust in accordance with Section 1448 of the Small Business Jobs Protection Act of 1996. As a result, such amounts are not subject to the claims of Metra's general creditors, and deferred compensation plan assets are not presented on Metra's statement of net position as of December 31, 2015. Employee contributions were $2,374,952 for the year ended December 31, 2015.

Metra also offers its employees a defined contribution plan in accordance with Internal Revenue Code Section 401(k). The plan, available to all 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 and employer contributions were $6,807,476 and $362,950, respectively, for the year ended December 31, 2015.

Metra is required to contribute to various defined contribution plans in accordance with union agreements. Employer contributions to these plans were $2,203,184 for the year ended December 31, 2015.

(9) 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, 2015		
	Union Pacific	**BNSF**	**Total**
Operating revenues:			
Passenger revenue	$ 118,814,610	69,753,168	188,567,778
Other revenue	1,267,349	320,780	1,588,129
Total operating revenues	120,081,959	70,073,948	190,155,907
Operating expenses:			
Carrier-level expenses paid by carrier:			
Transportation	80,221,762	31,600,338	111,822,100
Engineering	42,728,395	6,319,541	49,047,936
Mechanical	55,016,737	25,666,590	80,683,327
Administration	17,657,610	—	17,657,610
Total carrier-level expenses	195,624,504	63,586,469	259,210,973
Deficit (excess) funding	75,542,545	(6,487,479)	69,055,066
Centralized Expenses paid by Metra:			
Diesel fuel	29,466,533	16,009,743	45,476,276
Claims and insurance	1,560,743	490,801	2,051,544
Downtown stations	1,408,538	5,885,421	7,293,959
Total in-kind expenses	32,435,814	22,385,965	54,821,779
Total operating expenses	228,060,318	85,972,434	314,032,752
Purchase of service carriers' operating loss	$ (107,978,359)	(15,898,486)	(123,876,845)

(10) 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, 2015 were as follows:

2016	$	10,482,167
2017		10,484,056
2018		10,485,975
2019		4,830,068
2020		2,003,117
2021–2025		10,047,419
2026–2030		6,058,878
2031–2035		5,935,920
Thereafter		11,871,840
Total	$	72,199,440

Total rent expense aggregated $16,404,826 for the year ended December 31, 2015.

Grants – At December 31, 2015, Metra had $362.1 million in obligations related to federal, state, and local capital grant contracts that are in progress.

(11) The Regional Transportation Authority Pension Plan

The Regional Transportation Authority Pension Plan (the Plan) is a cost-sharing multi-employer, defined benefit pension plan. The Plan covers substantially all employees of the RTA and its Commuter Rail and Suburban Bus Divisions (Metra and Pace, respectively), who are not otherwise covered by a union pension plan. The responsibilities for administering the Plan are divided among a Board of Trustees, a Retirement Committee, a Plan Administrator, and the RTA Board of Directors (RTA Board). The Plan issues a separate financial report that includes financial statements and required supplementary information. More information regarding the elements of the Plan's basic financial statements can be obtained by writing to Metra, 547 West Jackson Blvd, Chicago, IL 60661 or by calling (312) 322-6346 to request a copy of the financial report.

Employees are eligible for participation on the first day of the month that coincides with or follows their date of employment. Participants are entitled to annual pension benefits upon normal retirement at age 65, generally a percentage of the average annual compensation in the highest three years of service, whether consecutive or not, multiplied by the number of years of credited service. At December 31, 2014, the number of participants in the Plan as a whole were as follows:

	Employee Count
Current Employees:	
Vested	750
Non-vested	306
Retirees, disabled participants, and beneficiaries of deceased retirees currently receiving benefits	592
Deferred Vested	469
Total	2,117

Pension Benefits. The Plan provides that, upon retirement, benefits will be reduced by a defined percentage for participants who received credit for prior service with an eligible employer. The Plan permits early retirement with reduced benefits at age 55 after completing ten years of credited service. As a result of the August 1, 1999 amendment to the Plan, participants may receive their full vested benefits if they are at least 55 years of age and their combined age at retirement and credited years of service equals eighty-five or higher (known as Rule of Eighty Five Early Retirement). The Plan provides for benefit payments to beneficiaries subject to the election of the participant. In addition, the lump-sum payment form is no longer an optional form of payment for participants that have not earned credited service prior to January 1, 2011. This change did not affect the valuation results. An employee is eligible for a disability pension if he or she becomes disabled after the completion of ten years of credited service, and is no longer receiving long-term disability benefits under a separate RTA benefit plan, or after reaching age 65, whichever is later.

Contributions. The Plan is funded solely by employer contributions, which are actuarially determined under the projected unit credit method. The pension plan document defines the employers' funding policy as contributions at least equal to an amount determined advisable by the Plan's actuary to maintain the Plan on a sound-actuarial basis. For the purpose of determining contributions, the Plan uses an asset-smoothing method, which smoothes asset gains and losses over a five-year period. The minimum contribution is the sum of the normal cost and the 30-year amortization of the unfunded liability. If participants terminate continuous service before rendering five years (ten years prior to January 1, 1987) of credited service, they forfeit the right to receive the portion of their accumulated benefits attributable to employer contributions. All forfeitures are applied to reduce the amount of contributions otherwise payable by the employer.

Net Pension Liability. The table below shows Metra's proportion of the changes in the collective total pension liability, plan fiduciary net position, and net pension liability during the measurement year based on the measurement date of December 31, 2014. Measurements as of the reporting date are based on fair value of assets as of December 31, 2014 and the total pension liability is based on an actuarial valuation performed as of January 1, 2014 with liabilities rolled forward to the measurement date of December 31, 2014.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at January 1, 2015	$ 117,655,908	$ 88,150,346	$ 29,505,563
Changes for year:			
Service cost	2,968,496	—	2,968,496
Interest	9,273,294	—	9,273,294
Changes of benefits	—	—	—
Changes of assumption	(1,202,158)	—	(1,202,158)
Differences between expected and Actual experience changes in Employer proportionate share	417,292	—	417,292
Contributions - employers	—	6,466,096	(6,466,096)
Net investment income	—	1,609,506	(1,609,506)
Benefits payments	(5,365,977)	(5,365,977)	—
Administrative expense	—	(175,841)	175,841
Net changes	6,090,947	2,533,784	3,557,163
Balance at December 31, 2015	$ 123,746,855	$ 90,684,130	$ 33,062,726

Metra's proportion of the collective net pension liability is consistent with the manner in which contributions to the pension plan were determined. The schedule of pension allocations shown below presents the actual fiscal year 2014 contributions used within the proportionate share calculation for Metra's participation in the Plan and the respective allocation percentage allotted to Metra. For purposes of allocating the beginning net pension liability, the Plan utilized contributions reported during fiscal year 2013.

	2014 Actual Employer Contribution	2014 Employer Allocation Percentage	2013 Actual Employer Contribution	2013 Employer Allocation Percentage
Metra	$ 6,466,096	47.24%	$ 10,336,575	46.58%

Pension Expense. The annual pension expense recognized by the Plan represents the changes in net pension liability, deferred outflows, deferred inflows, plus the employer contributions. Metra's total pension expense for 2015 was $6,370,432.

Deferred Outflows and Inflows. Deferred outflows and inflows of resources can arise from differences between expected and actual experiences, changes in assumptions, differences between projected and actual earnings, changes in the employer's proportion, and the difference between the employer's contributions and the employer's proportionate share of contributions as well as contributions made subsequent to the measurement date. The difference between projected and actual earnings on investments is recognized over a period of five years. The net effect of changes in assumptions and the change in the employer proportionate share of contributions are amortized over the average of the expected remaining service lives of all employees. For 2014, this average is 5.0778 years. Contributions made during fiscal year 2015, subsequent to the measurement date of December 31, 2014, totaled $39,848,577.

The table below summarizes Metra's proportionate share of the deferred outflows and deferred inflows of resources that are to be recognized in future pension expense:

		Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions made subsequent to:			
Measurement date	$	39,848,577	—
Changes in assumption		—	965,410
Net difference between projected and actual earnings on pension plan investments		4,283,130	—
Change in employer proportionate share		335,105	—
Total	$	44,466,812	965,410

The $39,848,577 reported as deferred outflows of resources related to pensions resulting from Metra's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized as pension expense in the following periods:

Year ending December 31:		
2016	$	922,093
2017		922,093
2018		922,093
2019		922,093
2020		(35,547)
	$	3,652,825

Assumption. The total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions applied to all periods included in the measurement:

Valuation date	January 1, 2014
Actuarial-cost method	Entry age normal
Asset-valuation method	Five-year smoothed market
Amortization method	Level dollar closed
Life expectancy	RP2014 Combined Mortality Table
Assumed rate of return	7.50%
Salary increases	3.25% to 8.75% including inflation
Inflation	2.75%
Retirement age	First day of the calendar month coinciding with or following a participant's 65th birthday; or age 55 with 10 years of vesting service.

Discount rate. A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the future expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at the actuarially determined contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents Metra's proportionate share of the Plan's collective net pension liability, calculated using a single discount rate of 7.50%, as well as what the proportionate share would be if it were calculated using a single discount rate that is one percent lower or one percent higher:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Employer's net pension liability	$ 47,387,506	$ 33,062,726	$ 20,801,654

Long-term Expected Rate of Return. The assumed rate of investment return was adopted by the Plan's trustees after considering input from the Plan's investment consultant and actuary. Additional information about the assumed rate of investment return is included in the actuarial valuation report as of January 1, 2014 and experience study for the period January 1, 2008 through January 1, 2013. The long-term expected rate of return on the Plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the Plan's target asset allocation as of January 1, 2014, these best estimates are summarized in the following table:

Asset Type and Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Large cap U.S. equity	15.0%	4.37%
Small/mid cap equity	10.0	4.61
International equity	15.0	4.85
Emerging market international equity	10.0	6.07
Core bonds	23.5	1.20
Multisector fixed income	10.0	1.20
Hedge funds	5.0	3.64
Global asset allocation	5.0	3.98
Real assets	5.0	3.92

(Continued)

(12) Adoption of New Accounting Principle

In accordance with Metra's adoption of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, the net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense have been recognized in the financial statements. Therefore, net position has been restated as of December 31, 2014 as follows:

Net position as of December 31, 2014, as previously reported	$	3,067,358,769
Deferred outflows of resources - pension related		6,466,096
Net pension liability		(29,505,563)
Net position at December 31, 2014, as restated	$	3,044,319,302

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

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

(Public Entities, doing business as Metra)

Required Supplementary Information – Schedule of Proportionate Share of Net Pension Liability and Related Ratios – (Unaudited)

Year ended December 31, 2015

	2015
Proportion of net pension liability	47.24%
Proportionate share of net pension liability	$33,062,726
Covered-employee payroll	$43,086,132
Proportionate share of net pension liability as a percentage of its covered-employee payroll	76.74%
Plan fiduciary net position as a percentage of the total pension liability	73.28%

*This schedule is intended to show 10 years of information. Since 2015 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

See accompanying independent auditors’ report.

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

(Public Entities, doing business as Metra)

Required Supplementary Information – Schedule of Pension Contributions – (Unaudited)

Year ended December 31, 2015

		2015
Actuarially determined contribution	$	13,689,196
Contributions in relation to the actuarially determined contribution		13,689,196
Contribution deficiency (excess)		—
Covered-employee payroll		74,809,822
Contribution as a percentage of covered-employee payroll		18.3%

*This schedule is intended to show 10 years of information. Since 2015 is the first year for this presentation, no other data is available. Additional years will be included as they become available.

See accompanying independent auditors' report.

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

(Public Entities, doing business as Metra)

Required Supplementary Information – Schedule of Funding Postemployment Healthcare Plan Progress (Unaudited)

Year ended December 31, 2015

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, 2015	$	—	28,819,616	28,819,616	—	43,086,132	66.9%
December 31, 2014		—	N/A	N/A	—	N/A	N/A
December 31, 2013		—	21,642,832	21,642,832	—	42,704,042	50.7
December 31, 2012		—	N/A	N/A	—	N/A	N/A
December 31, 2011		—	22,791,870	22,791,870	—	39,579,762	57.6

Employer contributions

Year ended		Annual required contribution	Percent contributed
December 31, 2015	$	2,459,580	18.4%
December 31, 2014		1,561,644	29.0
December 31, 2013		1,645,461	27.5
December 31, 2012		1,635,554	27.7
December 31, 2011		1,516,143	29.9

* - Not a prefunded plan. An actuarial valuation was not performed in 2012 and 2014.

See accompanying independent auditors' report.

Changes of benefit terms. No changes were made in 2015 for accrual of benefits under the RTA Pension Plan.

Changes of assumptions. The amounts reported in 2015 are based on the expectation of retired life mortality RP-2000 Mortality Tables.

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

(Public Entities, doing business as Metra)

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

Year ended December 31, 2015

	Final budget	Actual	Favorable (unfavorable)
Revenues:			
Passenger revenue:			
Passenger revenue	$ 337,300,000	337,413,270	113,270
Reduced fare reimbursement	3,138,000	1,618,000	(1,520,000)
Total operating passenger revenues	340,438,000	339,031,270	(1,406,730)
Other revenue	35,500,000	37,962,279	2,462,279
Total revenues	375,938,000	376,993,549	1,055,549
Operating expenses:			
Transportation	240,000,000	235,198,655	4,801,345
Fuel and motive power	88,900,000	77,764,545	11,135,455
Engineering	130,000,000	129,806,310	193,690
Mechanical	162,000,000	158,460,396	3,539,604
Administration	100,400,000	94,434,004	5,965,996
Total administration and regional services	721,300,000	695,663,910	25,636,090
Claims and insurance	15,800,000	14,985,332	814,668
Downtown stations	16,000,000	15,382,656	617,344
Total operating expenses	753,100,000	726,031,898	27,068,102
Loss before depreciation, financial assistance, and leasehold-related interest income and expense	$ (377,162,000)	(349,038,349)	28,123,651
Note:			
Amounts excluded from the operating budget-basis expenses:			
Security expense	$ 17,281,866	16,032,753	1,249,113
Funded depreciation included in operating expenses	3,604,301	2,944,734	659,567
Lease of transportation facilities	19,113,833	18,964,632	149,201
Bond service and fees	8,400,000	27,200	8,372,800
Total deductions	$ 48,400,000	37,969,319	10,430,681

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

(Public Entities, doing business as Metra)

Budgetary Basis Schedule of Operations - (Unaudited)

Year ended December 31, 2015

	NIRCRC	Union Pacific	BNSF	Total
Operating revenues:				
Passenger revenue*	$ 148,845,492	118,814,610	69,753,168	337,413,270
Other revenue	37,298,217	664,062	—	37,962,279
Reduced fare reimbursement	693,933	603,287	320,780	1,618,000
Total operating revenues	186,837,642	120,081,959	70,073,948	376,993,549
Operating expenses:				
Carrier-level expenses paid by carrier:				
Transportation	123,376,555	80,221,762	31,600,338	235,198,655
Engineering	80,758,374	42,728,395	6,319,541	129,806,310
Mechanical	77,777,069	55,016,737	25,666,590	158,460,396
Administration	76,776,394	17,657,610		94,434,004
Total carrier-level expenses	358,688,392	195,624,504	63,586,469	617,899,365
Centralized expenses paid by Metra:				
Diesel fuel	26,167,448	29,466,533	16,009,743	71,643,724
Motive electricity	6,120,821	—	—	6,120,821
Claims and insurance	12,933,788	1,560,743	490,801	14,985,332
Downtown stations	8,088,697	1,408,538	5,885,421	15,382,656
Total centralized expenses	53,310,754	32,435,814	22,385,965	108,132,533
Total operating expenses	411,999,146	228,060,318	85,972,434	726,031,898
Operating loss	$ (225,161,504)	(107,978,359)	(15,898,486)	(349,038,349)
Calculation of Recovery Ratio (Unaudited):				
Amounts excluded from the operating budget-basis expenses:				
Security expense				$ 16,032,753
Funded depreciation included in expenses				2,944,734
Lease of transportation facilities				18,964,632
Bond service and fees				27,200
Total exclusions				$ 37,969,319
Amounts added to the operating budget-basis revenues:				
Senior free ride allowance				$ 1,900,000
Farebox recovery ratio ($376,993,549 + $1,900,000) / ($726,031,898 - $37,969,319)				55.07%

* Includes $10,000,000 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

(Public Entities, doing business as Metra)

Notes to Supplementary Information (Unaudited)

Year Ended December 31, 2015

(1) Budget and Budgetary Basis of Accounting

Metra is required under Section 3B.10 of the Regional Transportation Authority (RTA) Act to submit for RTA review and approval of a comprehensive 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 U.S. generally accepted accounting principles.

The RTA allocates funding based on the budgets of the service boards rather than actual operating deficits. 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 is favorable budget variance of $28.1 million available to Metra for the year ended December 31, 2015. The RTA monitors Metra's actual financial 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. As allowed under the RTA Act, 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 payments with respect to transportation facilities are excluded from the calculation. In order to meet its statutory requirement of a system-wide farebox recovery ratio of at least 50% or more, the RTA establishes farebox recovery ratios for each of the Service Boards and the CTA. Metra's budgeted farebox recovery ratio at 53.6% in 2015. Metra's actual farebox recovery ratio on an operating budget-basis was 55.1% in 2015.

(3) Purchase Service Carrier Agreements

Metra has agreements with participating commuter rail carriers to assist in providing service to Metra's customers. The budgetary basis schedule of operations includes expenses, such as fuel and insurance coverage that Metra has paid on behalf of the participating commuter rail carriers for such assistance.