Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation (A Public Corporation), (Both d/b/a Metra)

Financial Statements, Supplemental Information, and Independent Auditors' Report for the Years Ended December 31, 2008 and 2007

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

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

TABLE OF CONTENTS

Crowe Horwath LLP
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying basic financial statements of Metra, the Commuter Rail Division of the Regional Transportation Authority, as of and for the years ended December 31, 2008 and 2007. These basic financial statements are the responsibility of the management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Metra, the Commuter Rail Division of the Regional Transportation Authority, as of December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 8, 2009 on our consideration of Metra, the Commuter Rail Division of the Regional Transportation Authority's internal control over financial reporting and on our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Crowe Horwath LLP

Crowe Horwath LLP

Oak Brook, Illinois
June 8, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation's (A Public Corporation) (Both d/b/a Metra) ("Metra's") Annual Report presents management's discussion and analysis of Metra's financial performance during the year ended December 31, 2008. The management 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 15.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements, prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34.

The **Statements of Net Assets** present the assets, both current, such as cash holdings, and long-term, such as its property and equipment, and obligations, both short- and long-term, of Metra on a full accrual and historical cost basis. Assets are recognized when acquired, and liabilities are recognized when goods and services are provided to Metra.

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

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

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

FINANCIAL SUMMARY

2008 Financial Summary

- **Net assets** decreased by $94.5 million to $2.7 billion at the end of 2008. Net Assets represent Total Assets minus Total Liabilities.

- **Capital assets - net** decreased by $73.7 million during 2008 reflecting new acquisitions minus depreciation on existing assets and retirements.

- **Passenger revenues** increased $24.5 million or 10.8% due a 10% fare increase that was effective February 1, 2008 and a ridership increase of 4.2% during 2008.

- **Total Other Operating Revenues** decreased by $0.5 million or 0.8% to $64.2 million during 2008.

- **Non-Operating Revenues** decreased by $42.3 million or 9.5% to $405.1 million in 2008.

- **Total Operating Expenses before depreciation** increased by $46.1 million or 8.4% to $594.6 million during 2008. The higher cost of diesel fuel accounted for $20.8 million of the increase.

FINANCIAL ANALYSIS

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

Net Assets

2008 vs. 2007 Analysis

Net assets represent the difference between total assets and total liabilities. As shown in Table 1a, Metra's Total net assets at December 31, 2008 declined to $2.7 billion, a 3.4% decrease over December 31, 2007. This is primarily due to a decrease in net capital assets and restricted assets that was partially offset by a decrease in total liabilities. Current assets decreased 11.2% to $173.4 million. Current liabilities decreased by 8.3% to $109.0 million and other liabilities decreased by 31.1% to $188.1 million primarily due to the termination of one participant in the LILO transaction. For more information on this transaction, see note 8 to the financial statements.

Table 1a

Condensed Statement of Net Assets
Current Year to Prior Year Analysis
(Amounts in millions)

	December 31,		Change Increase (Decrease)	
ASSETS	**2008**	**2007**	**Dollars**	**Percent**
Current assets	$ 173.4	$ 195.3	$ (21.9)	(11.2) %
Capital assets - net	2,599.5	2,673.2	(73.7)	(2.8)
Restricted assets	182.5	276.4	(93.9)	(34.0)
Total assets	**$ 2,955.4**	**$ 3,144.9**	**$ (189.5)**	**(6.0)** %
LIABILITIES				
Current liabilities	$ 109.0	$ 118.9	$ (9.9)	(8.3) %
Other liabilities	188.1	273.2	(85.1)	(31.1)
Total liabilities	**$ 297.1**	**$ 392.1**	**$ (95.0)**	**(24.2)** %
NET ASSETS				
Invested in capital assets	$ 2,599.5	$ 2,673.2	$ (73.7)	(2.8) %
Unrestricted net assets	58.8	79.6	(20.8)	(26.1)
Total net assets	**$ 2,658.3**	**$ 2,752.8**	**$ (94.5)**	**(3.4)** %

Key changes include:

- **Current assets** decreased by $21.9 million or 11.2% to $173.4 million primarily due to decreases in cash and cash equivalents, which were partially offset by increases in accounts receivable, prepaid expense, and materials and supplies.

- **Capital assets - net** decreased by $73.7 million or 2.8% to $2.6 billion because accumulated depreciation increased $220.9 million more than the $147.0 million increase in capital assets. (See the Capital Assets section for more detail on Capital Assets.)

- **Restricted assets** decreased by $93.9 as a result of the termination of one of the leasehold transactions. (See Note 8 to the financial statements for details on the leasehold transaction reduction.)

- **Current liabilities** decreased by $9.9 million or 8.3% to $109.0 million primarily due decreases in the current portion of accrued claims and leasehold transactions, and deferred revenues that were partially offset by increases in financial assistance payable to PSA carriers, accrued wages and benefits payable, and accounts payable.

- **Other liabilities** decreased by 31.1% to $188.1 million primarily due to the decreases in the long term portion of the amounts payable for the leasehold transaction and accrued claims. (See Note 8 to the financial statements for details on the leasehold transaction reduction.)

2007 vs 2006 Analysis

Table 1b

Condensed Statement of Net Assets
2007 to 2006 Analysis
(Amounts in millions)

	December 31,		Change Increase (Decrease)	
ASSETS	**2007**	**2006**	**Dollars**	**Percent**
Current assets	$ 195.3	$ 189.9	$ 5.4	2.8 %
Capital assets - net	2,673.2	2,721.2	(48.0)	(1.8)
Restricted assets	276.4	283.4	(7.0)	(2.5)
Total assets	**$ 3,144.9**	**$ 3,194.5**	**$ (49.6)**	**(1.6)** %
LIABILITIES				
Current liabilities	$ 118.9	$ 132.5	$ (13.6)	(10.3) %
Other liabilities	273.2	286.5	(13.3)	(4.6)
Total liabilities	**$ 392.1**	**$ 419.0**	**$ (26.9)**	**(6.4)** %
NET ASSETS				
Invested in capital assets	$ 2,673.2	$ 2,721.2	$ (48.0)	(1.8) %
Unrestricted net assets	79.6	54.3	25.3	46.6
Total net assets	**$ 2,752.8**	**$ 2,775.5**	**$ (22.7)**	**(0.8)** %

Revenues, Expenses, and Changes in Net Assets

2008 vs. 2007 Analysis

Table 2a

Condensed Statements of Revenues, Expenses, and Changes in Net Assets
Current Year to Prior Year Analysis
(Amounts in millions)

	Year Ended December 31,		Change Increase (Decrease)	
	2008	**2007**	**Dollars**	**Percent**
OPERATING REVENUES				
Passenger revenue	$ 251.7	$ 227.2	$ 24.5	10.8 %
Other revenue	64.2	64.7	(0.5)	(0.8)
Total operating revenues	$ 315.9	$ 291.9	$ 24.0	8.2 %
OPERATING EXPENSES				
Transportation	$ 195.2	$ 182.3	$ 12.9	7.1 %
Fuel and motive power	81.8	60.4	21.4	35.4
Maintenance of way	118.5	109.9	8.6	7.8
Maintenance of equipment	122.8	114.1	8.7	7.6
Administration	36.9	35.8	1.1	3.1
Claims, insurance & risk management	10.9	19.8	(8.9)	(44.9)
Regional services	14.9	13.1	1.8	13.7
Downtown stations	13.6	13.1	0.5	3.8
Total expenses before depreciation	$ 594.6	$ 548.5	$ 46.1	8.4 %
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	$ (278.7)	$ (256.6)	$ (22.1)	(8.6) %
Depreciation expense	220.9	213.4	7.5	3.5
OPERATING INCOME (LOSS) AFTER DEPRECIATION EXPENSE	$ (499.6)	$ (470.0)	$ (29.6)	(6.3) %
NON-OPERATING REVENUES				
Financial assistance	$ 405.1	$ 447.4	$ (42.3)	(9.5) %
Total non-operating revenues	$ 405.1	$ 447.4	$ (42.3)	(9.5) %
CHANGE IN NET ASSETS	$ (94.5)	$ (22.6)	$ (71.9)	(318.1) %

Certain 2007 amounts have been reclassified to conform to the 2008 presentation

2008 vs 2007 Revenues

Total Operating Revenues increased by $24.0 million or 8.2% over 2007. Principal changes are discussed below:

Passenger revenue increased $24.5 million in 2008 or 10.8%. This increase was due to a combination of a 10% fare increase that was effective February 1, 2008 and an overall ridership increase of 4.2%. Below is a table comparing ridership per line for 2008 and 2007:

Ridership By Line
Current Year to Prior Years Analysis
(In thousands of Riders)

Rail Line	2008*	2007	Increase (Decrease)	Percent
Burlington Northern/Santa Fe	17,043	16,344	699	4.3 %
Metra Electric	11,266	11,726	(460)	(3.9)
Heritage Corridor	746	740	6	0.8
Milwaukee-North	7,774	7,013	761	10.9
Milwaukee-West	6,902	6,519	383	5.9
North Central Service	1,610	1,418	192	13.5
Rock Island	9,642	9,920	(278)	(2.8)
SouthWest Service	2,541	2,404	137	5.7
Union Pacific-North	10,499	9,200	1,299	14.1
Union Pacific-Northwest	10,613	10,132	481	4.7
Union Pacific-West	8,170	7,928	242	3.1
Total Ridership	86,806	83,344	3,462	4.2 %

* 2008 includes free senior rides

- **Other revenue** decreased $0.5 million or 0.8%. Decreases in investment income, reduced fare subsidy revenues, capital credits, and advertising were partially offset by increases in lease revenues and joint facility income.

- **Non-Operating Revenues** decreased by $42.3 million or 9.5% to $405.1 million in 2008 primarily because Metra’s external funding sources for capital grants decreased $72.7 million to $117.9 million. Metra's statutory share of RTA sales tax proceeds increased 11.9% to $287.2 million in 2008 due to the addition operating funding provided the Illinois legislature in January 2008. Without this additional funding, Metra’s share of the sales tax proceeds decreased by $9.6 million or 3.9 % from 2007.

2008 versus 2007 Expenses

Total Operating Expenses increased by $46.1 million or 8.4% over 2007. In general, labor and fringe benefits increased due to wage increases and higher health insurance premiums. Diesel fuel expense increased $20.8 million or 38.7% most significantly due to a 38.8% increase in the average cost per gallon of diesel fuel of $2.99 in 2008 versus $2.15 in 2007, which was offset due to a slight decrease in usage. Decreases in claims expense and insurance were partially offset by increases in materials, motive power and utilities expenses.

2007 vs. 2006 Analysis

Table 2b

Condensed Statements of Revenues, Expenses, and Changes in Net Assets
Current Year to Prior Year Analysis
(Amounts in millions)

	Year Ended December 31, 2007	Year Ended December 31, 2006	Change Increase (Decrease) Dollars	Change Increase (Decrease) Percent
OPERATING REVENUES				
Passenger revenue	$ 227.2	$ 217.6	$ 9.6	4.4 %
Other revenue	64.7	57.7	7.0	12.1
Total operating revenues	$ 291.9	$ 275.3	$ 16.6	6.0 %
OPERATING EXPENSES				
Transportation	$ 182.3	$ 176.8	$ 5.5	3.1 %
Fuel and motive power	60.4	54.3	6.1	11.2
Maintenance of way	109.9	103.2	6.7	6.5
Maintenance of equipment	114.1	108.8	5.3	4.9
Administration	35.8	34.0	1.8	5.3
Claims, insurance & risk management	19.8	22.0	(2.2)	(10.0)
Regional services	13.1	13.1	-	-
Downtown stations	13.1	12.7	0.4	3.1
Total expenses before depreciation	$ 548.5	$ 524.9	$ 23.6	4.5 %
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	$ (256.6)	$ (249.6)	$ (7.0)	(2.8) %
Depreciation expense	213.4	205.5	7.9	3.8
OPERATING INCOME (LOSS) AFTER DEPRECIATION EXPENSE	$ (470.0)	$ (455.1)	$ (14.9)	(3.3) %
NON-OPERATING REVENUES				
Financial assistance	$ 447.4	$ 522.4	$ (75.0)	(14.4) %
Total non-operating revenues	$ 447.4	$ 522.4	$ (75.0)	(14.4) %
CHANGE IN NET ASSETS	$ (22.6)	$ 67.3	$ (89.9)	(133.6) %

Certain 2006 amounts have been reclassified to conform to the 2007 presentation

2007 vs 2006 Revenues

Total Operating Revenues increased by $16.6 million or 6.0% over 2006. Principal changes are discussed below:

Passenger revenue increased $9.6 million in 2007 or 4.4%. Overall, ridership increased an average of 4.3%. The North Central Service and SouthWest Service lines that began new service in 2006 had ridership increases of 13.9% and 11.1% respectively. The extension to the Union Pacific West line in 2006 and the addition of the new "Sunrise Service" on the Union Pacific North in 2007 were partially responsible for the ridership increases on those lines. Below is a table comparing ridership per line for 2007 and 2006:

Ridership By Line
2007 to 2006 Analysis
(In thousands of Riders)

Rail Line	2007	2006	Increase (Decrease)	Percent
Burlington Northern/Santa Fe	16,344	15,829	515	3.3 %
Metra Electric	11,726	11,533	193	1.7
Heritage Corridor	740	726	14	1.9
Milwaukee-North	7,013	6,600	413	6.3
Milwaukee-West	6,519	6,259	260	4.2
North Central Service	1,418	1,245	173	13.9
Rock Island	9,920	9,933	(13)	(0.1)
SouthWest Service	2,404	2,163	241	11.1
Union Pacific-North	9,200	8,347	853	10.2
Union Pacific-Northwest	10,132	9,813	319	3.3
Union Pacific-West	7,928	7,469	459	6.1
Total Ridership	83,344	79,917	3,427	4.3 %

- **Other revenue** increased $7.0 million or 12.1%. Increases in capital credits, other income, investment, advertising, joint facilities, and reduced fare subsidy revenues were partially offset by lower lease revenues.

- **Non-Operating Revenues** decreased by $75.0 million or 14.4% to $447.4 million in 2007 primarily because Metra's external funding sources for capital grants decreased $76.0 million to $132.2 million. Metra's statutory share of RTA sales tax proceeds increased 0.2% to $256.7 million in 2007.

2007 versus 2006 Expenses

Total Operating Expenses increased by $23.6 million or 4.5% over 2006. In general, labor and fringe benefits increased due to wage increases and higher health insurance premiums. The cost of diesel fuel increased $6.3 million or 13.33% most significantly due to an 11.5% increase in the average cost per gallon of diesel fuel of $2.15 in 2007 versus $1.93 in 2006, and also due in part to a 1.6% increase in usage. Increases in materials and utilities expenses that were partially offset by a reduction in claims expense were also contributing factors to the overall increase.

GENERAL OPERATIONAL AND ECONOMIC TRENDS

FUNDING

On February 8, 2007 the RTA published the Regional Transportation Strategic Plan Final Report, "Moving Beyond Congestion, 2007—The Year of Decision." In this report the RTA noted that if significant new sources of operating and capital funding are not provided to the RTA and the Service Boards, the CTA, Metra, and Pace will have insufficient resources to operate and maintain existing as well as planned services and capital assets at appropriate standards and performance levels. In January 2008, the Illinois legislature approved a bill to provide additional operating funding to the RTA and Service Boards.

CAPITAL ASSETS

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

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

As of December 31, 2008, Metra had invested approximately $5.3 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, 2008 totaled approximately $2.6 billion. (See Table 3a) This amount represents a net decrease (including additions and disposals, net of depreciation) of $73.8 million or 2.8% over the December 31, 2007 balance.

Table 3a

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

	Year Ended December 31,		Change Increase (Decrease)	
Funding Source	**2008**	**2007**	**Dollars**	**Percent**
Federal Transit Administration	$ 2,544.3	$ 2,445.4	$ 98.9	4.0 %
Illinois Department of Transportation	508.4	501.5	6.9	1.4
Regional Transportation Authority	1,372.7	1,360.8	11.9	0.9
Northern Indiana Commuter Transportation District	6.4	6.4	0.0	0.0
Metra	821.5	792.1	29.4	3.7
Total capital assets	5,253.3	5,106.2	147.1	2.9
Accumulated Depreciation	(2,653.8)	(2,433.0)	(220.8)	9.1
Total capital assets, net	$ 2,599.5	$ 2,673.2	$ (73.7)	(2.8) %

Major capital asset expenditures during 2008 included the following:

- Metra's **Rolling Stock** program seeks to ensure that an adequate number of locomotives and commuter rail cars are available to meet the current and future service needs of the system. This program includes rehabilitation of, and improvements to existing vehicles. There were no expenditures related to acquisitions of new rolling stock in 2008 or 2007. However, Metra expended $26.4 million and $28.3 million, respectively, to upgrade and maintain its existing fleet through rehabilitations and replacement of major sub assemblies.

- The **Track and Structure** program provides for the continued rehabilitation and upgrading of Metra's commuter railroad rights-of-way. In addition to maintaining operational safety, the rehabilitation of track and structures results in reduced train running times, fewer interruptions in service, greater passenger comfort, and efficient use of plant and equipment. Metra has developed a cyclical program of track rehabilitation, which includes all commuter rail lines within the region. Project priorities are decided based on train volumes, speed restrictions, age and condition of the roadbed, and track speeds essential to maintaining on-time performance. Structure projects serve objectives that are similar to those of the track program. Since 1990, when Metra's comprehensive plan for bridge rehabilitation and replacement began, the structure program has focused on the commuter rail bridges identified as high priorities for action. The 2008 Capital Program continued the implementation of this plan by providing $56.9 million in funding the rehabilitation, replacement and upgrade of Bridges, Track and Structures. The 2007 Capital Program funding was $69.9 million.

- **Signaling, Electrical and Communications** systems and equipment improvements are designed to maximize commuter operating efficiencies, maintain reliability of rail service and provide a safe system of dispatching and centrally control train movements. Signaling systems and switches control usage of track. Much of this equipment is concentrated at "interlockings," which are control systems where two railroads cross each other or where many trains change tracks. The smooth, dependable operation of these interlockings is critical for maintaining on-time performance. Metra also continues its program to improve communication systems allowing for the provision of timely information to our customers. This includes new passenger information systems at downtown terminals, as well as a satellite-based system that provides time-of-arrival and related information to customers at stations and on trains all over its system. Each rehabilitated passenger station includes the Voice of Metra audio announcement equipment and a Visual Information System with rolling-message signs for contacting passengers with service-related information on a timely basis. Signaling, Electrical and Communications expenditures in 2008 and 2007 were $18.6 million and $13.9 million, respectively

- Metra's **Support Facilities and Equipment** includes maintenance yards, layover and storage facilities, and support vehicles and equipment that are essential to maintaining reliable and efficient commuter services. Support Facilities and Equipment expenditures in 2008 and 2007 were $6.9 million and $8.7 million, respectively.

- **Commuter Stations** are portals to the Metra system and very often to the communities in which they are placed. Stations must be functional and ADA compliant as well as inviting. Commuter Stations expenditures in 2008 and 2007 were $36.2 million and $27.4 million, respectively.

- The **Commuter Parking** program is designed to expand parking capacity to relieve overcrowding at existing facilities and to accommodate future ridership growth. Both station and parking improvements are performed in a manner to ensure conformance with the requirements of the Americans with Disabilities Act. Commuter parking expenditures in 2008 and 2007 were $9.8 million and $18.7 million respectively.

Table 3b

Capital Assets by Funding Source
2007 to 2006 Analysis
(Amounts in millions of dollars)

	Year Ended December 31,		Change Increase (Decrease)		
Funding Source	**2007**	**2006**	**Dollars**	**Percent**	
Federal Transit Administration	$ 2,445.4	$ 2,353.4	$ 92.0	3.9	%
Illinois Department of Transportation	501.5	489.1	12.4	2.5	
Regional Transportation Authority	1,360.8	1,333.0	27.8	2.1	
Northern Indiana Commuter Transportation District	6.4	6.4	0.0	0.0	
Metra	792.1	758.8	33.3	4.4	
Total capital assets	5,106.2	4,940.7	165.5	3.3	
Accumulated Depreciation	(2,433.0)	(2,219.5)	(213.5)	9.6	
Total capital assets, net	$ 2,673.2	$ 2,721.2	$ (48.0)	(1.8)	%

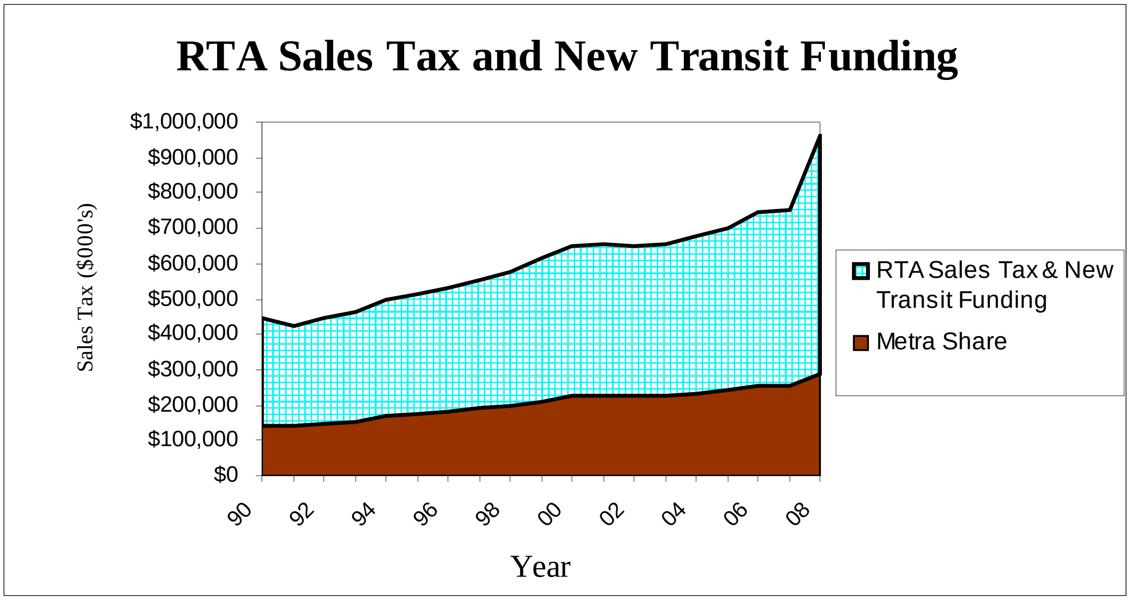
ECONOMIC TRENDS

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

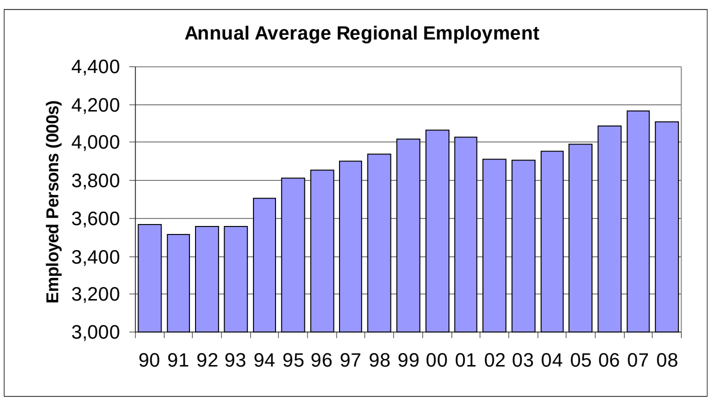
In January 2008, Illinois Public Act 95-0708 increased the RTA sales tax rate throughout the region, increased the Real Estate Transfer Tax (RETT) in the City of Chicago, and raised a portion of the RTA tax revenues matched by Public Transportation Funds (PTF). These new sources of revenue are collectively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

- $100 million to Pace ADA Paratransit Service
- $20 million to the Suburban Community Mobility Fund for Pace Suburban Service
- $10 million to the RTA Innovation, Coordination and Enhancement (ICE) Fund
- All remaining proceeds of the sales tax and PTF match are allocated 48% to the CTA, 39% to Metra and 13% to Pace.

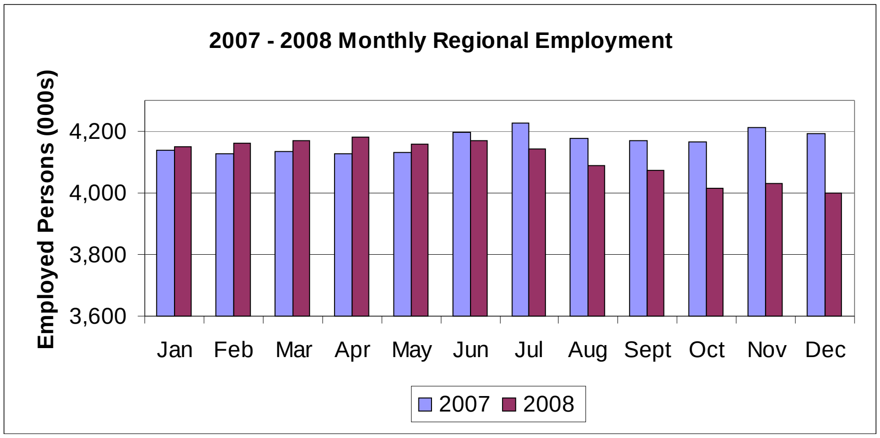
The graph below shows the annual RTA Sales Tax collected in the six-county area since 1990, together with the New Transit Funding (excluding RETT) collected beginning in 2008. Year 2008 RTA Sales Tax and New Transit Funding (partial year only) totaled $726.7 million and $232.9 million, respectively. Metra’s statutory shares ($247.0 million and $40.1 million, respectively) together represent 29.9%.of total RTA revenue sources.



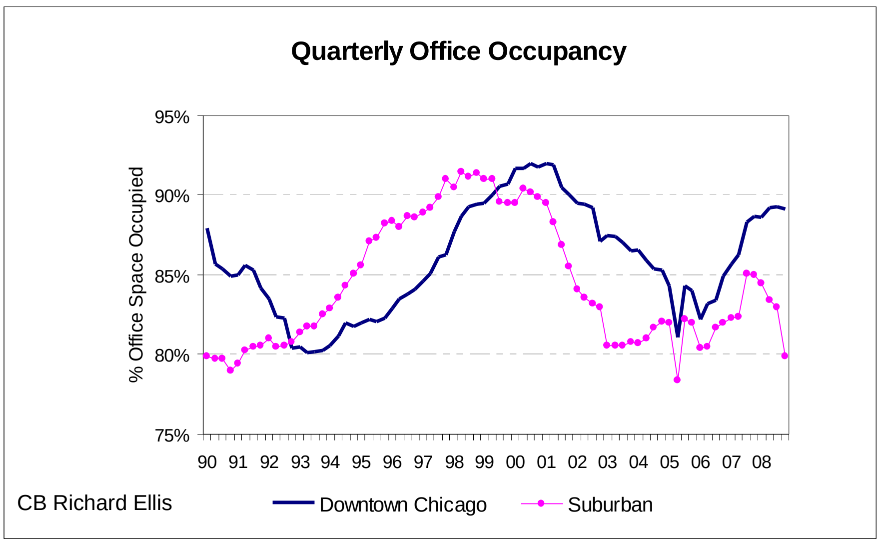
Labor Statistics – Historically, Metra ridership has had a direct relationship to employment levels. Since over 87% of trips taken on Metra are for work, it is no surprise that the health of the regional economy, especially in Downtown Chicago, can influence Metra ridership. In 2008, the regional economy was marked by lower levels of employment than in 2007. As shown in the graph below, average regional employment decreased by 1.3%, but still remained higher than the early 2000s.



The graph below shows regional employment by month for 2008. With a turbulent economy in 2008, regional employment levels stayed relatively flat through the first half of 2008, before steadily decreasing towards the end of the year. Compared to 2007, monthly employment decreased for each month in the second half of the 2008.



Office Occupancy Rates – According to statistics complied by CB Richard Ellis, 2008 fourth quarter downtown Chicago office occupancy was 89.1%, compared to 88.7% in 2007, but still 2.9 percentage points lower then its peak of 92.0% during the first quarter of 2001.



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

DEBT ADMINISTRATION

Metra has no bond related debt. The Mass Transit Funding and Reform bill passed by the Illinois legislature in January 2008 authorizes Metra to issue up to $1 billion in bonds for capital projects.

CONTACTING METRA'S FINANCIAL MANAGEMENT

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

Metra Financial Statements

Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation (A Public Corporation), (both d/b/a/ Metra)

Statements of Net Assets
December 31, 2008 and 2007

ASSETS	**2008**	**2007**
CURRENT ASSETS		
Cash, cash equivalents, and investments	$ 60,012,370	$ 99,306,376
Accounts receivable:		
Grant projects	23,352,659	21,687,127
Financial assistance - RTA	60,867,217	46,663,841
Financial assistance - other carriers	7,877	1,853,652
Other, net	10,964,413	10,498,129
Total accounts receivable	95,192,166	80,702,749
Materials and supplies	13,950,224	13,292,385
Prepaid expense	4,201,695	1,969,339
Total current assets	173,356,455	195,270,849
CAPITAL ASSETS		
Land	147,952,698	147,885,182
Rolling stock and equipment	1,611,989,274	1,583,955,115
Roadways and structures	3,402,123,381	3,280,038,708
Furniture, fixtures, & office equipment	82,188,567	81,246,588
Less: Accumulated depreciation	(2,653,837,375)	(2,432,954,273)
Capital projects in progress	9,081,151	13,064,702
Total capital assets	2,599,497,696	2,673,236,022
RESTRICTED ASSETS		
Assets restricted for payment of obligations under leasing transaction	182,532,183	276,442,008
Total non-current assets	2,782,029,879	2,949,678,030
TOTAL ASSETS	$ 2,955,386,334	$ 3,144,948,879

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See notes to the financial statements

Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation (A Public Corporation), (both d/b/a/ Metra)

Statements of Net Assets
December 31, 2008 and 2007

LIABILITIES AND NET ASSETS	**2008**	**2007**
CURRENT LIABILITIES		
Accounts payable	$ 43,318,163	$ 42,011,803
Accrued wages and benefits payable	32,010,460	30,656,505
Financial assistance payable - other carriers	6,284,609	3,308,631
Accrued claims - current	5,004,055	15,287,624
Deferred revenues	7,725,332	9,362,080
Amounts payable for leasehold transaction	14,660,341	18,261,301
Total current liabilities	109,002,960	118,887,944
OTHER LIABILITIES		
Accrued claims - long term	20,206,247	15,053,134
Amounts payable for leasehold transaction	167,871,842	258,180,707
Total other liabilities	188,078,089	273,233,841
TOTAL LIABILITIES	297,081,049	392,121,785
NET ASSETS		
Invested in capital assets	2,599,497,696	2,673,236,022
Unrestricted net assets	58,807,589	79,591,072
TOTAL NET ASSETS	$ 2,658,305,285	$ 2,752,827,094

See notes to the financial statements

Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation (A Public Corporation), (both d/b/a/ Metra)

Statements of Revenues, Expenses and Changes in Net Assets
Years Ended December 31, 2008 and 2007

OPERATING REVENUES	2008	2007
Passenger revenue	$ 251,695,058	$ 227,184,540
Other	64,164,088	64,656,065
Total operating revenues	315,859,146	291,840,605
OPERATING EXPENSES		
Transportation	195,208,531	182,261,286
Fuel and motive power	81,812,074	60,442,712
Maintenance of way	118,503,476	109,851,689
Maintenance of equipment	122,781,270	114,123,998
Administration	36,919,998	35,839,966
Claims, insurance & risk management	10,945,053	19,793,514
Regional services	14,873,453	13,062,900
Downtown stations	13,559,498	13,094,375
Total operating expenses before depreciation	594,603,353	548,470,440
Depreciation	220,883,102	213,408,914
Total operating expenses	815,486,455	761,879,354
OPERATING (LOSS)	(499,627,309)	(470,038,749)
NON-OPERATING REVENUES (EXPENSES)		
Federal	98,952,434	150,316,003
Local	306,153,066	297,053,618
Total financial assistance	405,105,500	447,369,621
Interest income from restricted assets	14,807,972	18,261,301
Interest expense on leasehold transaction obligations	(14,807,972)	(18,261,301)
Total non-operating revenues (expenses)	405,105,500	447,369,621
Change in net assets	(94,521,809)	(22,669,128)
Net assets at beginning of year	2,752,827,094	2,775,496,222
Net assets at end of year	$ 2,658,305,285	$ 2,752,827,094

See notes to the financial statements

Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation (A Public Corporation), (both d/b/a/ Metra)

Statements of Cash Flows
Years Ended December 31, 2008 and 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from fares	$ 251,695,058	$ 227,184,540
Cash received from other operating revenue items	56,569,240	57,603,788
Cash paid to and on behalf of employees for services	(250,908,732)	(236,277,810)
Cash paid to purchased service carriers	(59,563,064)	(55,182,250)
Cash paid for claims	(10,134,511)	(15,504,963)
Cash paid to contractual service providers and suppliers	(274,535,629)	(265,361,938)
Net cash used by operating activities	(286,877,638)	(287,538,633)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received from RTA sales tax and other local non-capital assistance	272,977,500	256,514,451
Cash received from non-capital state assistance	2,864,894	3,883,935
Cash received from non-capital federal assistance	85,819	58,272,957
Net cash provided from non-capital financing activities	275,928,213	318,671,343
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash received from capital grants	117,683,501	132,317,156
Cash paid to acquire and construct capital assets	(148,655,004)	(153,777,618)
Net cash used by capital and related financing activities	(30,971,503)	(21,460,462)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from investment income	2,626,922	4,852,784
Net cash provided from investing activities	2,626,922	4,852,784
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(39,294,006)	14,525,032
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	99,306,376	84,781,344
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 60,012,370	$ 99,306,376

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See notes to financial statements

Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation (A Public Corporation), (both d/b/a/ Metra)

Statements of Cash Flows
Years Ended December 31, 2008 and 2007

Reconciliation of operating loss to net cash used by operating activities:	**2008**	**2007**
Operating Loss	$ (499,627,309)	$ (470,038,749)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	220,883,102	213,408,914
Provision for claims	5,004,055	12,787,624
Settlement of claims	(10,134,511)	(15,504,963)
State reduced fare assistance	(2,864,894)	(3,883,935)
Interest received	(2,626,922)	(4,852,784)
(Increase) decrease in assets:		
Accounts receivable - other carriers	1,845,775	(456,925)
Accounts receivable - other, net	(466,284)	(378,423)
Materials and supplies	(657,839)	(859,463)
Prepaid expense	(2,232,356)	(567,624)
Increase (decrease) in liabilities:		
Accounts payable	1,306,360	(18,812,941)
Accrued wages and benefits payable	1,353,955	(2,819,704)
Financial assistance payable - other carriers	2,975,978	2,377,475
Deferred revenues	(1,636,748)	2,062,865
Total adjustments	212,749,671	182,500,116
Net cash used by operating activities	$ (286,877,638)	$ (287,538,633)
NONCASH INVESTING AND FINANCING ACTIVITIES		
Interest income from assets restricted for payment of leasehold transactions obligations	$ 14,807,972	$ 18,261,301
Interest expense on leasehold transactions obligations	(14,807,972)	(18,261,301)
Net noncash investing and financing activities	$ -	$ -

See notes to the financial statements

1. ORGANIZATION

The Regional Transportation Authority ("RTA") is responsible for the development of policies regarding the allocation of public transportation funding in the Chicago metropolitan area, development of system-wide plans and service standards, and coordination of services among different modes of transportation. In addition, the RTA establishes individual farebox recovery ratios (see Note 15) for each of the two service boards (Commuter Rail Board and Suburban Bus Board) and the Chicago Transit Authority ("CTA") so that the combined regional ratio is at least 50% as mandated by the Regional Transportation Authority Act ("ACT").

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

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

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

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

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

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

- Fiscal dependency on the primary government.

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

In addition, Metra maintains separate management, exercises control over all operations (including the passenger fare structure), and is accountable for fiscal matters including ownership of assets, relations with federal and state transportation funding agencies that provide financial assistance, and the preparation of operating budgets. Metra is also responsible for the purchase of services and approval of contracts relating to its operations.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The accompanying financial statements of Metra are maintained in accordance with the principles of accounting applicable to governmental entities using the proprietary fund type. Proprietary funds are accounted for using the accrual basis of accounting. Therefore, revenues are recognized when earned, and expenses are recorded at the time liabilities are incurred.

Metra's operating revenues are comprised of passenger fare revenues, capital grant additives, reimbursement for the use of certain Metra-owned operating property, investment income, joint facility revenue, reduced fare reimbursements and other miscellaneous income. Operating expenses for Metra include the direct costs of operating the service provided by the NIRCRC and the PSA carriers, in-kind assistance provided to PSA carriers, administrative expenses, and depreciation of capital assets. All other revenues and expenses are reported as non-operating.

Metra follows all applicable GASB Statements, as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

Metra implemented GASB Statement No. 33 "Accounting and Financial Reporting for Non-exchange Transactions" for the year ended December 31, 2002 as required. Metra received $98,866,615 and $92,043,048 in federal and $18,972,190 and $40,365,169 in local capital assistance in 2008 and 2007 respectively. Metra received $58,156,257 in Federal Section 5307 funds that were used for operating assistance in 2007. Metra did not use Federal Section 5307 funds for operating assistance in 2008. Metra also used $37,038,503 and $34,481,116 of net assets to fund capital projects in 2008 and 2007 respectively.

In November 2006, GASB released Statement No. 49 "Accounting and Financial Reporting for Pollution Remediation Obligations". This statement is effective for periods beginning after June 15, 2007. Metra implemented GASB 49 for the fiscal year ended December 31, 2008, however the impact was immaterial and therefore no disclosures are presented.

In May 2007, GASB issued Statement No. 50, "Pension Disclosures". This statement is effective for periods beginning after June 15, 2007. Metra implemented GASB 50 for the fiscal year ended December 31, 2008, however the impact was immaterial and therefore no disclosures are presented.

Use of Estimates - The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the measurement of assets and liabilities and revenues and expenses, and the disclosure of contingent assets and liabilities during the reported period. Actual results could differ from those estimates.

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 as well as those amounts that are restricted for certain purposes.

Investments - Metra follows the provisions of GASB Statement No. 40 "Deposit and Investment Risk Disclosures". Metra's investments include certificates of deposit, commercial paper, time deposits, Illinois Funds (formerly known as Illinois Public Treasurers' Investment Pool) deposits and government securities. Fair value for the Illinois Funds is the same as the value of the pool shares. State statutes require this fund to comply with the Illinois Public Funds Investment Act (30 ILCS 235).

Cash equivalents and all other investments are reported at their fair values using quoted market prices.

Materials and Supplies - Materials and supplies are recorded at average cost.

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

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

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

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 time 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 Statements of Net Assets.

Retained Risk Financing - Metra provides for self-insurance programs for public liability, property damage, and Federal Employers' Liability Act ("FELA") claims. In 1993, the RTA, as authorized under the Joint Self-Insurance Fund, obtained liability insurance as part of the self-insurance programs currently maintained by Metra.

Claims are recorded in the year of occurrence (see Note 7). Metra directly administers the public liability, property damage, and FELA programs.

Passenger Revenues - Passenger revenues are recognized when tickets sold are initially valid for transportation service. Tickets sold prior to the month of validity are recorded as deferred revenues.

Other Revenue - Other revenue includes capital grant additives, reimbursement for the use of certain Metra-owned operating property, reduced fare reimbursements, joint facility revenue, investment income, and miscellaneous non-fare generated income.

Revenues from the State of Illinois Reduced Fare Reimbursement Program, which began July 1, 1989, aggregated $2,864,894 and $3,883,935 for 2008 and 2007, respectively, for Metra.

In-kind Assistance - In-kind assistance includes expenditures made on behalf of the participating commuter rail carriers for assistance, such as fuel and insurance coverage. The accrued claims liability for unsettled public liability, property damage, and FELA claims of all participating commuter rail carriers is included on Metra's balance sheets.

Financial Operating Assistance - Financial operating assistance is recognized pursuant to RTA appropriations and represents Metra's calculated share of State of Illinois sales tax and other governmental operating assistance collected and distributed by the RTA. Metra's statutory share of RTA sales tax proceeds was $287,180,876 and $256,719,724 in 2008 and 2007, respectively. Under its previous funding policy, the RTA provided supplemental financial assistance for any shortfall between the sales tax needed to meet the Service Board's approved budget and the actual sales tax collected. The RTA was not able to provide funding for the $23.6 million sales tax shortfall in 2008. In 2007, the RTA provided $654,276 to fund Metra's share of the 2007 sales tax shortfall.

Restricted Resources – When both restricted and unrestricted resources are available for use, generally it is Metra's policy to use restricted resources first, and then unrestricted resources when they are needed.

Reclassifications – Certain items in the December 31, 2007 Financial Statements have been reclassified to correspond to the December 31, 2008 presentation.

3. BUDGET AND BUDGETARY BASIS OF ACCOUNTING

Metra is required under Section 4.01 of the RTA Act to submit for approval an annual budget to the RTA by November 15th prior to the commencement of each fiscal year. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America.

The RTA funds the budgets of the service boards rather than the actual operating expenses in excess of system-generated revenues. In 2008, the RTA was not able to fund the entire budget due to the $23.6 million sales tax shortfall. 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. The RTA monitors Metra's performance against the budget on a quarterly basis.

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash

Cash - 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.

Deposits

The carrying amounts of Metra's deposits, which consist principally of interest-bearing bank accounts, were $3,323,961 and $7,460,915 at December 31, 2008 and 2007, respectively. Metra's books also include $236,950 and $165,200 of working cash from ticket stations that were considered in-transit at the year-end 2008 and 2007, respectively. Actual bank balances related to these deposits at December 31, 2008 were $5,944,215, of which, all were covered by FDIC insurance or by collateral held by a third party. Actual bank balances related to these deposits at December 31, 2007 were $11,046,379, of which $9,148,414 were all covered by FDIC insurance or by collateral held by a third party. The collateral shortfall was due to a large unanticipated payment received on the last working day of the year that was not offset by disbursements that management had anticipated would clear on December 31, 2007.

	2008	2007
Balance per Statement of Net Assets		
Cash and cash equivalents	$ 60,012,370	$ 99,306,376
Total	$ 60,012,370	$ 99,306,376
Balance per note		
Bank deposits	$ 3,323,961	$ 7,460,915
Working cash	236,950	165,200
Certificates of Deposit	2,425,000	2,375,000
Investments	54,026,459	89,305,261
Total	$ 60,012,370	$ 99,306,376

Certificates of Deposit

Certificates of Deposit amounted to $2,425,000 and $2,375,000 at December 31, 2008 and 2007 respectively. In accordance with Metra's policy, certificates of deposit in excess of FDIC insurance coverage were collateralized with securities or financial instruments permitted by the Public Funds Investment Act ("Act") (30ILCS 235/0.01) with maturities not exceeding five years in an amount equal to at least 100% of the funds on deposit. All investment collateral is held in safekeeping in Metra's name by financial institutions acting as Metra's agent. Collateral is monitored regularly with additional collateral requested as necessary.

Investments

The investments which Metra may purchase are limited by Illinois law to the following: (1) securities which are fully guaranteed by the U.S. Government as to principal and interest; (2) certain U.S. Government Agency securities; (3) certificates of deposit or time deposits of banks and savings and loan associations which are insured by a Federal corporation; (4) short-term discount obligations of the Federal National Mortgage Association; (5) certain short-term obligations of corporations (commercial paper) rated in the highest classifications by at least two of the major rating services; (6) fully collateralized repurchase agreements; (7) the State Treasurer's Illinois and Prime Funds, and (8) money market mutual funds and certain other instruments.

In the opinion of Metra's management, during 2008 and 2007, Metra complied with the provisions of the Illinois Compiled Statutes pertaining to the types of investments held, institutions in which deposits were made, and security requirements.

The following schedule reports the fair values and maturities (using the segmented time distribution method) for Metra's investments at December 31, 2008 and 2007 respectively:

Investments As of December 31, 2008

		Investment Maturities			
Investment Type	Fair Value	Less than One Year	One to Five Years	Six to Ten years	Greater than Ten Years
U.S. Treasury Securities	$ 10,990,460	$ 10,990,460	$ -	$ -	$ -
U.S. Agencies	10,499,750	10,499,750	-	-	-
State Treasurer Illinois Funds	13,509,047	13,509,047	-	-	-
Commercial Paper	19,027,202	19,027,202	-	-	-
Total	$ 54,026,459	$ 54,026,459	$ -	$ -	$ -

Investments As of December 31, 2007

		Investment Maturities			
Investment Type	Fair Value	Less than One Year	One to Five Years	Six to Ten years	Greater than Ten Years
U.S. Treasury Securities	$ 6,971,300	$ 6,971,300	$ -	$ -	$ -
U.S. Agencies	42,490,200	42,490,200	-	-	-
State Treasurer Illinois Funds	21,865,801	21,865,801	-	-	-
Commercial Paper	17,977,960	17,977,960	-	-	-
Total	$ 89,305,261	$ 89,305,261	$ -	$ -	$ -

Credit Risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. Metra's general investment policy is to apply the prudent-person rule: Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of the capital as well as the probable income to be derived. Metra's investment policy limits investments in short term obligations of corporations organized in the United States with assets exceeding $500,000,000 if (i) such obligations are rated at the time of purchase at one of the three highest classifications established by at least two standard rating services and which mature not later than 180 days from the date of purchase; (ii) such purchases do not exceed 10% of the corporation's outstanding obligations and (iii) no more than one-third of Metra's funds may be invested in short term obligations of corporations.

Credit ratings for Metra's investments in debt securities as described by Standard & Poor's and Moody's at December 31, 2008 and 2007 respectively (excluding investments in U.S. Treasuries which are not considered to have credit risk) are as follows:

Disclosure Ratings for Debt Securities Held As of December 31, 2008 (S&P)
(As a percentage of total fair value for debt securities)

Investment Type	Fair Value	Percent	S&P
U.S. Treasury Securities	$ 10,990,460	20.3%	
U.S. Agencies	10,499,750	19.4%	AAA/A1+
The State Treasurer Illinois Funds	13,509,047	25.0%	AAA
Commercial Paper	19,027,202	35.3%	A1/A1+
Total investments at fair value	$ 54,026,459	100.0%	

Disclosure Ratings for Debt Securities Held As of December 31, 2007 (S&P)
(As a percentage of total fair value for debt securities)

Investment Type	Fair Value	Percent	S&P
U.S. Treasury Securities	$ 6,971,300	7.8%	
U.S. Agencies	42,490,200	47.6%	AAA/A1+
The State Treasurer Illinois Funds	21,865,801	24.5%	AAA
Commercial Paper	17,977,960	20.1%	A1/A1+
Total investments at fair value	$ 89,305,261	100.0%	

Custodial Credit Risk 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 an outside party. Metra deposits are fully collateralized as of December 31, 2008 and with the exception of the $1.9 million collateral shortfall described in the deposit paragraph above, are fully collateralized as of December 31, 2007.

Concentration of Credit Risk occurs as more investments are acquired from one issuer (lack of diversification). Metra's investment policy limits the amount of all funds available for investment that it may invest in any one issuer as follows: U.S Government Agencies – 25% of all funds; Commercial Paper – 33 1/3% of all funds with no more than 10% of all funds in any one issuer; Certificates of Deposit – no more than 20% of all funds with any one institution; Money Market Mutual Funds – 20% of all funds; FNMA – 25% of all funds; The Illinois Fund – 25% of all funds; Repurchase Agreements – 50% of all funds with no more than 25% of all funds at any one institution.

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, 2008 and 2007 and therefore had no material exposure to interest rate fluctuations.

5. CAPITAL ASSETS

The following schedule summarizes the capital assets of Metra as of December 31, 2008 and 2007 respectively:

2008	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets, not being depreciated:				
Land	$ 147,885,182	$ 67,516	$ -	$ 147,952,698
Capital projects in progress	13,064,702	-	(3,983,551)	9,081,151
Total Capital Assets, not being depreciated	160,949,884	67,516	(3,983,551)	157,033,849
Capital Assets being depreciated:				
Rolling stock and equipment	1,583,955,115	28,034,159	-	1,611,989,274
Roadways and structures	3,280,038,708	122,084,673	-	3,402,123,381
Furniture, fixtures and office equipment	81,246,588	941,979	-	82,188,567
Total Capital Assets being depreciated	4,945,240,411	151,060,811	-	5,096,301,222
Less Accumulated Depreciation				
Rolling stock and equipment	(737,784,739)	(61,422,214)	-	(799,206,953)
Roadways and structures	(1,628,640,777)	(157,865,149)	-	(1,786,505,926)
Furniture, fixtures and office equipment	(66,528,757)	(1,595,739)	-	(68,124,496)
Total Accumulated Depreciation	(2,432,954,273)	(220,883,102)	-	(2,653,837,375)
Total Capital Assets being depreciated, net	2,512,286,138	(69,822,291)	-	2,442,463,847
Total Capital Assets, net	$ 2,673,236,022	$ (69,754,775)	$ (3,983,551)	$ 2,599,497,696

2007	Beginning Balance	Additions	Reductions	Ending Balance
Capital Assets, not being depreciated:				
Land	$ 146,229,783	$ 1,655,399	$ -	$ 147,885,182
Capital projects in progress	14,586,981	-	(1,522,279)	13,064,702
Total Capital Assets, not being depreciated	160,816,764	1,655,399	(1,522,279)	160,949,884
Capital Assets being depreciated:				
Rolling stock and equipment	1,554,670,035	29,285,080	-	1,583,955,115
Roadways and structures	3,144,002,864	134,513,565	1,522,279	3,280,038,708
Furniture, fixtures and office equipment	81,246,588	-	-	81,246,588
Total Capital Assets being depreciated	4,779,919,487	163,798,645	1,522,279	4,945,240,411
Less Accumulated Depreciation				
Rolling stock and equipment	(676,671,887)	(61,112,852)	-	(737,784,739)
Roadways and structures	(1,478,669,643)	(149,971,134)	-	(1,628,640,777)
Furniture, fixtures and office equipment	(64,203,829)	(2,324,928)	-	(66,528,757)
Total Accumulated Depreciation	(2,219,545,359)	(213,408,914)	-	(2,432,954,273)
Total Capital Assets being depreciated, net	2,560,374,128	(49,610,269)	1,522,279	2,512,286,138
Total Capital Assets, net	$ 2,721,190,892	$ (47,954,870)	$ -	$ 2,673,236,022

6. OTHER LIABILITIES

Other liability activity for the years ended December 31, 2008 and 2007 respectively was as follows:

2008	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued Claims	$ 30,340,758	$ 5,004,055	$ (10,134,511)	$ 25,210,302	$ 5,004,055
Amounts Payable for Leasehold Transaction	276,442,008	11,354,644	(105,264,469)	182,532,183	14,660,341
Total	$ 306,782,766	$ 16,358,699	$ (115,398,980)	$ 207,742,485	$ 19,664,396

2007	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued Claims	$ 33,058,097	$ 12,787,624	$ (15,504,963)	$ 30,340,758	$ 15,287,624
Amounts Payable for Leasehold Transaction	283,420,392	18,261,301	(25,239,685)	276,442,008	18,261,301
Total	$ 316,478,489	$ 31,048,925	$ (40,744,648)	$ 306,782,766	$ 33,548,925

7. 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 experience. Changes in the retained risk portion of injury and damage, and FELA accounts were as follows:

Balance, December 31, 2006	$ 33,058,097
2007 Provision	12,787,624
2007 Payments	(15,504,963)
Balance, December 31, 2007	30,340,758
2008 Provision	5,004,055
2008 Payments	(10,134,511)
Balance, December 31, 2008	$ 25,210,302

8. LEASE TRANSACTION

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

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

Metra transferred approximately $177.4 million and $52.9 million of the prepayment proceeds to third parties in accordance with the terms of debt and equity payment undertaking agreements, respectively. These agreements constitute commitments by the debt and equity payment undertakers to pay Metra's sublease and buy-out options, under the terms of the subleases. The debt payment undertaker and equity payment undertaker are finance companies.

In connection with the transaction, Metra recognized $43.7 million as leasehold revenue in 1998.

In 2008, American International Group, Inc ('AIG') incurred a ratings downgrade. AIG acted as the Debt Payment Undertaker ('DPU'), Equity Payment Undertaker ('EPU'), and Standby Letter of Credit Provider ('SLOCP') for these transactions. Once AIG's ratings fell below levels specified per the terms of the agreements, AIG was required to provide additional collateral to securitize the transactions. Later in 2008, AIG's credit ratings were further downgraded which triggered an event of default. No notices of default were or have been received; however, the investors can demand to have AIG replaced or that some other suitable arrangement be made.

On December 18, 2008, one of the investors terminated their transaction. A second investor has advised Metra that they are satisfied with AIG in its capacities. The remaining investor has sent notices demanding that AIG be replaced. Subsequently, the investor has been allowing Metra to pursue potential options that could be mutually acceptable to both the investor and Metra. Metra does not anticipate a material adverse financial impact as a result.

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

Future Minimum lease payments due:	
2009	$ 14,660,341
2010	14,660,341
2011	14,660,341
2012	14,660,341
2013	14,660,341
2014 - 2018	73,301,706
2019 - 2021	154,316,955
Total future minimum lease payments	300,920,366
Less imputed interest	(118,388,183)
Present value of minimum lease payments	$ 182,532,183

9. GASB 45 - POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. Metra provides limited health benefits to retired management employees for Medicare supplemental insurance.

Funding Policy. Funding is provided by Metra on a pay-as-you-go basis with no contribution from the retiree. Metra's contributions were $191,792 for 2008.

Annual OPEB Cost and Net OPEB Obligation. Metra's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Metra's annual OPEB cost for 2008, the amount actually contributed to the plan, and changes in the Metra's net OPEB obligation:

Annual OPEB Cost and Net OPEB Obligation

	12/31/2008	12/31/2006
Annual required contribution	$ 810,641	$ 750,593
Interest on net OPEB obligation	61,057	-
Adjustment to annual required contribution	(42,108)	-
Annual OPEB cost	829,590	750,593
Contributions made	191,792	158,176
Increase in net OPEB obligation	637,798	592,417
Net OPEB obilgation beginning of year	1,221,140	-
Net OPEB obilgation end of year	$ 1,858,938	$ 592,417

Metra's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 and the two preceding years were as follows:

Three Year Trend Information

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2006	750,593	21.1%	592,417
12/31/2007	N/A	N/A	N/A
12/31/2008	829,590	23.1%	1,858,938

N/A – Information not available

Funded Status and Funding Progress. As of December 31, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $11.6 million. The covered payroll (annual payroll of active employees covered by the plan) was $23.4 million, and the ratio of the UAAL to the covered payroll was 49.8 percent. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2008, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, reduced by decrements to an ultimate rate of 6 percent after ten years. Both rates included a 3.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008, was twenty-eight years.

10. DEFERRED COMPENSATION PLAN

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

All assets of the deferred compensation plan are held in a separate trust in accordance with Section 1448 of the Small Business Jobs Protection Act of 1996. As a result, such amounts are not subject to the claims of Metra's general creditors, and deferred compensation plan assets are not presented on Metra's balance sheets as of December 31, 2008 and 2007.

Metra also offers its employees a noncontributory defined contribution plan in accordance with Internal Revenue Code Section 401(k). The plan, available to qualified full-time Metra employees, permits the income tax deferral of a portion of compensation until future years. The amount deferred is generally not available to employees, other than through participant loans, until termination, retirement or death. A third-party trustee forwards the participants' contributions to the investment companies selected by the individual participant.

11. PURCHASE OF SERVICE CARRIERS' EXPENSES

The following details the consolidated operations of Metra's PSA carriers:

Year Ended December 31, 2008

	Union Pacific	BNSF	NICTD	Total
Operating Revenues				
Passenger revenue				
Passenger operating	$ 79,259,848	$ 48,147,050	$ 3,925,430	$ 131,332,328
Capital farebox financing	3,222,864	1,966,368	177,744	5,366,976
Total passenger revenue	82,482,712	50,113,418	4,103,174	136,699,304
Other revenue	1,687,958	366,831	364,898	2,419,687
Total operating revenues	84,170,670	50,480,249	4,468,072	139,118,991
Operating Expenses				
Carrier expenses:				
Transportation	61,682,500	23,608,517	3,386,024	88,677,041
Maintenance of way	37,456,442	5,059,597	1,479,543	43,995,582
Maintenance of equipment	37,844,599	20,058,962	2,021,088	59,924,649
Administration	9,640,178	915,067	1,362,363	11,917,608
Total carrier expenses	146,623,719	49,642,143	8,249,018	204,514,880
Deficit funding	62,453,049	(838,106)	3,780,946	65,395,889
In-kind expenses				
Diesel fuel	31,878,454	12,886,887	-	44,765,341
Motive electricity	-	-	392,340	392,340
Claims, insur. & risk management	2,694,228	1,371,552	265,488	4,331,268
Regional services	4,518,493	1,685,574	281,609	6,485,676
Downtown stations	1,498,901	5,623,015	-	7,121,916
Total in-kind expenses	40,590,076	21,567,028	939,437	63,096,541
Total operating expenses	187,213,795	71,209,171	9,188,455	267,611,421
Purchase of service carriers' operating (loss)	$ (103,043,125)	$(20,728,922)	$(4,720,383)	$(128,492,430)

Year Ended December 31, 2007

	Union Pacific	BNSF	NICTD	Total
Operating Revenues				
Passenger revenue				
Passenger operating	$ 73,218,850	$ 44,672,859	$ 4,037,657	$ 121,929,366
Capital farebox financing	-	-	-	-
Total passenger revenue	73,218,850	44,672,859	4,037,657	121,929,366
Other revenue	2,146,751	561,026	399,926	3,107,703
Total operating revenues	75,365,601	45,233,885	4,437,583	125,037,069
Operating Expenses				
Carrier expenses:				
Transportation	54,591,151	22,757,744	2,553,983	79,902,878
Maintenance of way	34,546,138	4,413,374	1,423,558	40,383,070
Maintenance of equipment	35,123,204	18,443,737	1,766,801	55,333,742
Administration	9,086,089	919,456	1,541,386	11,546,931
Total carrier expenses	133,346,582	46,534,311	7,285,728	187,166,621
Deficit funding	57,980,981	1,300,426	2,848,145	62,129,552
In-kind expenses				
Diesel fuel	22,733,855	9,628,628	-	32,362,483
Motive electricity	-	-	400,675	400,675
Claims, insur. & risk management	5,166,349	2,814,369	707,709	8,688,427
Regional services	3,864,216	1,350,912	205,434	5,420,562
Downtown stations	1,507,656	5,111,560	-	6,619,216
Total in-kind expenses	33,272,076	18,905,469	1,313,818	53,491,363
Total operating expenses	166,618,658	65,439,780	8,599,546	240,657,984
Purchase of service carriers' operating (loss)	$(91,253,057)	$(20,205,895)	$(4,161,963)	$(115,620,915)

12. COMMITMENTS

Leases - Metra has entered into several non-cancelable operating leases, primarily for the use of passenger terminals, which expire on various dates through 2045. Future minimum rental payments under all non-cancelable operating leases having initial or remaining terms in excess of one year as of December 31, 2008 were:

2009	$ 10,840,844
2010	10,853,596
2011	10,867,294
2012	10,880,617
2013	10,542,251
2014-2018	52,762,861
2019-2023	13,246,621
2024-2028	8,052,665
Thereafter	20,182,128
Total	$ 148,228,877

Total rent expense aggregated $15,066,558 and $14,724,645 for the years ended December 31, 2008 and 2007, respectively.

Grants - At December 31, 2008, Metra had $319.7 million in unexpended obligations related to federal and state (including local) capital grant contracts.

13. EMPLOYEE BENEFITS

Metra participates in a cost-sharing multiple employer noncontributory defined benefit plan which is sponsored and controlled by the RTA (the "Plan"). Employees of Metra who are not members of a collective bargaining unit are eligible for plan participation. The Plan provides retirement, disability and death benefits. Members are eligible for normal retirement at age 65 and for early retirement at age 55 after 10 years of service. Benefits are determined as a percentage of the participant's average annual compensation in the three completed plan years of highest compensation. The benefits are generally payable through an annuity or a single lump-sum distribution. The RTA issues a publicly available report that includes the financial statements and required supplementary information for the Plan. That report may be obtained by writing to the RTA, 175 West Jackson, Suite 1550, Chicago, Illinois 60604.

Under the provisions of the Plan, Metra contributes annually, if necessary, an amount based on actuarially determined rates. Metra made a contribution to the Plan in December 2007 of $4,840,277 for pension expense accrued in 2007. A contribution in the amount of $4,814,200 was made in December 2008 for pension expense accrued in 2008. No other contributions were made or required by Metra for the years ended December 31, 2008 and 2007.

14. FAREBOX RECOVERY RATIO

Operating Budget-Basis Farebox Recovery Ratio - The operating budget-basis farebox recovery ratio represents the ratio of total operating revenues to total operating expenses before depreciation. However, funded depreciation (for both direct operations and commuter rail carriers participating through purchase of service agreements), security expenses, the proceeds and related interest income and expense from the lease transactions (see Note 8), and certain other expenses related to the leasing of transportation facilities are excluded from the calculation. In accordance with the RTA Act and its mandate to meet a system-wide farebox recovery ratio of 50% or more, the RTA establishes farebox recovery ratios for each of the Service Boards and the CTA. Metra's budgeted farebox recovery ratio was 55.0% in 2008 and 2007, respectively. Metra's farebox recovery ratio on an operating budget basis was 55.6% and 56.6% in 2008 and 2007, respectively.

GAAP-Basis Farebox Recovery Ratio - The GAAP-basis farebox recovery ratio is defined by the RTA Act. It is calculated using the same methodology as the Operating Budget Basis Farebox Recovery Ratio described above except the related interest income and expense from the leasehold transactions are included in the calculation of this ratio. Metra's farebox recovery ratio on a GAAP basis was 57.6% and 58.1% in 2008 and 2007, respectively.

15. CONTINGENCIES

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

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

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

Required Supplementary Information - Post Employment Health Benefits

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, 2008	$0	$11,644,164	$11,644,164	0.0%	$23,400,000	49.8%
December 31, 2007	N/A	N/A	N/A	N/A	N/A	N/A
December 31, 2006	$0	$10,643,559	$10,643,559	0.0%	$23,400,000	45.5%

Employer Contributions

Year Ended	Annual Required Contribution	Percent Contributed
December 31, 2008	$810,641	23.70%
December 31, 2007	N/A	N/A
December 31, 2006	$750,593	21.10%

N/A - Information not available

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

Statement of Revenues and Expenses - Budget to Actual (Budget Basis)
Year Ended December 31, 2008

	Final Budget	Actual	Favorable (Unfavorable)
REVENUES:			
Passenger revenue			
Passenger revenue *	$ 232,770,000	$ 241,693,058	$ 8,923,058
Senior fare credit	6,020,000	4,967,788	(1,052,212)
Reduced fare reimbursement	3,370,000	2,864,894	(505,106)
Total operating passenger revenues	242,160,000	249,525,740	7,365,740
Other revenue	60,160,000	61,299,194	1,139,194
Total revenues	$ 302,320,000	$ 310,824,934	$ 8,504,934
OPERATING EXPENSES:			
Transportation	$ 194,015,816	$ 195,208,531	$ (1,192,715)
Maintenance of way	111,241,979	118,503,476	(7,261,497)
Maintenance of equipment	121,625,961	122,781,270	(1,155,309)
Administration	35,075,525	36,919,998	(1,844,473)
Fuel and motive power	74,180,514	81,812,074	(7,631,560)
Claims, insurance & risk management	20,587,625	10,945,053	9,642,572
Regional services	15,793,393	14,873,453	919,940
Downtown stations	13,879,187	13,559,498	319,689
Total operating expenses	$ 586,400,000	$ 594,603,353	$ (8,203,353)
Loss before depreciation, financial assistance, leasehold related interest income and expense	$ (284,080,000)	$ (283,778,419)	$ 301,581
Note:			
Amounts excluded from the operating budget-basis farebox recovery ratio:			
Security expense	$ 16,551,432	$ 16,558,205	$ (6,773)
Funded depreciation included in operating expenses	2,748,568	2,744,244	4,324
Lease of transportation facilities	17,500,000	15,984,844	1,515,156
Total deductions	$ 36,800,000	$ 35,287,293	$ 1,512,707
Farebox recovery ratio - see note 15	55.0%	55.6%	

* Excludes $10 million dedicated to capital

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

BUDGET BASIS SCHEDULE OF OPERATIONS
YEAR ENDED DECEMBER 31, 2008

	NIRCRC	Union Pacific	BNSF	NICTD	TOTAL
Operating revenues:					
Passenger revenue *	$ 110,360,730	$ 79,259,848	$ 48,147,050	$ 3,925,430	$ 241,693,058
Lost senior fare credit	1,976,187	2,354,046	637,555	-	4,967,788
Total passenger revenue	112,336,917	81,613,894	48,784,605	3,925,430	246,660,846
Other revenue	60,368,245	581,767	2,700	346,482	61,299,194
Reduced fare reimbursement	1,376,156	1,106,191	364,131	18,416	2,864,894
Total operating revenue	174,081,318	83,301,852	49,151,436	4,290,328	310,824,934
Operating expenses:					
Carrier level expenses:					
Transportation	106,531,490	61,682,500	23,608,517	3,386,024	195,208,531
Maintenance of way	74,507,894	37,456,442	5,059,597	1,479,543	118,503,476
Maintenance of equipment	62,856,621	37,844,599	20,058,962	2,021,088	122,781,270
Administration	25,002,390	9,640,178	915,067	1,362,363	36,919,998
Total carrier expenses	268,898,395	146,623,719	49,642,143	8,249,018	473,413,275
Centralized expenses					
Diesel fuel	29,711,988	31,878,454	12,886,887	-	74,477,329
Motive electricity	6,942,405	-	-	392,340	7,334,745
Claims, insur. & risk management	6,613,785	2,694,228	1,371,552	265,488	10,945,053
Regional services	8,387,777	4,518,493	1,685,574	281,609	14,873,453
Downtown stations	6,437,582	1,498,901	5,623,015	-	13,559,498
Total centralized expenses	58,093,537	40,590,076	21,567,028	939,437	121,190,078
Total operating expenses	326,991,932	187,213,795	71,209,171	9,188,455	594,603,353
Operating loss:	$ (152,910,614)	$ (103,911,943)	$ (22,057,735)	$ (4,898,127)	$ (283,778,419)

NOTE:

Amounts excluded from the operating budget-basis farebox recovery ratio:	
Security expense	$ 16,558,205
Funded depreciation included in expenses	2,744,244
Lease of transportation facilities	15,984,844
Total exclusions	$ 35,287,293

* Excludes $10 million dedicated to capital

Farebox Recovery Ratio	55.6%

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

BUDGET BASIS SCHEDULE OF OPERATIONS
YEAR ENDED DECEMBER 31, 2007

	NIRCRC	Union Pacific	BNSF	NICTD	TOTAL
REVENUES:					
Passenger revenue	$ 105,255,174	$ 73,218,850	$ 44,672,859	$ 4,037,657	$ 227,184,540
Other revenue	59,705,343	698,086	2,700	366,001	60,772,130
Reduced fare reimbursement	1,843,019	1,448,665	558,326	33,925	3,883,935
Total Revenue	166,803,536	75,365,601	45,233,885	4,437,583	291,840,605
OPERATING EXPENSES:					
Carrier level expenses:					
Transportation	102,358,408	54,591,151	22,757,744	2,553,983	182,261,286
Maintenance of way	69,468,619	34,546,138	4,413,374	1,423,558	109,851,689
Maintenance of equipment	58,790,256	35,123,204	18,443,737	1,766,801	114,123,998
Administration	24,293,035	9,086,089	919,456	1,541,386	35,839,966
Total carrier expenses	254,910,318	133,346,582	46,534,311	7,285,728	442,076,939
Centralized expenses					
Diesel fuel	21,343,977	22,733,855	9,628,628	-	53,706,460
Motive electricity	6,335,577	-	-	400,675	6,736,252
Claims, insur. & risk management	11,105,087	5,166,349	2,814,369	707,709	19,793,514
Regional services	7,642,338	3,864,216	1,350,912	205,434	13,062,900
Downtown stations	6,475,159	1,507,656	5,111,560	-	13,094,375
Total centralized expenses	52,902,138	33,272,076	18,905,469	1,313,818	106,393,501
Total operating expenses	307,812,456	166,618,658	65,439,780	8,599,546	548,470,440
OPERATING LOSS	$(141,008,920)	$ (91,253,057)	$ (20,205,895)	$ (4,161,963)	$(256,629,835)

NOTE:	
Amounts excluded from the operating budget-basis farebox recovery ratio:	
Security expense	$ 14,772,733
Funded depreciation included in expenses	2,748,577
Lease of transportation facilities	15,324,723
Total exclusions	$ 32,846,033
Farebox Recovery Ratio	56.60%