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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)

Financial Statements and Supplementary Information

December 31, 2014 and 2013

(With Independent Auditors' Report Thereon)

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

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

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Independent Auditors' Report

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

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 d/b/a Metra (Metra), as of and for the years ended December 31, 2014 and 2013, 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 audits. We conducted our audits 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 audits 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, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and schedule of funding postemployment healthcare plan progress on pages 3 through 21 and page 49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were 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 April 30, 2015 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
April 30, 2015

Management's Discussion and Analysis

Management's discussion and analysis of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation (A Public Corporation) (Both d/b/a Metra) (Metra) offers an analysis of Metra's financial performance during the years ended December 31, 2014 and 2013. Management's discussion and analysis is designed to focus on current activities, resulting changes, and currently known facts. Please read it in conjunction with Metra's financial statements, which begin on page 20.

Basic Financial Statements

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

The *Statements 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." Recognition of revenues and expenses is often distinct from the related cash transactions, because under the accrual method, revenues are recognized when earned and expenses are recognized when incurred.

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

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

Financial Summary

2014 Financial Summary

- *Net position* increased $58.6 million to $3.1 billion at December 31, 2014. Net position represents total assets minus total liabilities.
- *Capital assets – net* increased $44.5 million during 2014 reflecting new capital acquisitions less depreciation incurred in 2014.
- *Passenger revenue* increased $2.2 million or 0.7% in 2014.
- *Other operating revenue* increased by $9.3 million or 17.0% to $63.9 million in 2014.
- *Nonoperating revenues* de*creased* $34.0 million or 5.2% to $620.9 million in 2014.
- *Total operating expenses* before depreciation increased $23.5 million or 3.3% to $727.9 million during 2014.

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.

(Continued)

2014 vs 2013 Analysis

Statements of Net Position

Total net position represents the difference between total assets and total liabilities. As shown in Table 1a, Metra's total net position at December 31, 2014 increased to $3.1 billion, a 1.9% increase from December 31, 2013. This is primarily due to increases in net capital assets and current assets. Current assets increased 7.3% to $327.5 million primarily due to increases in cash and cash equivalents, financial assistance receivable-RTA, and financial assistance receivable-other carriers, partially offset by a decreases in other receivables, prepaid expense, material and supplies, and grant project receivables, net. Current liabilities increased by 1.5% to $169.0 million primarily due to increases in accounts payable, deferred revenue, and the current portion of the claims liability, partially offset by a decrease in financial assistance payable – other carriers, wages and benefits payable, and the current portion of the leasehold transaction. Long-term liabilities decreased by 77.5% to $29.0 million primarily due to decreases in long-term accrued claims and in the amounts payable for leasehold transaction (see Note 7 to the financial statements for detail on leasehold transaction) partially offset by an increase in a provision for post retiree health benefits.

Table 1a

Condensed Statements of Net Position

(Amounts in millions)

		December 31		Change increase (decrease)	
Assets		**2014**	**2013**	**Dollars**	**Percent**
Current assets	$	327.5	305.3	22.2	7.3%
Capital assets – net		2,937.9	2,893.4	44.5	1.5
Restricted assets		—	105.7	(105.7)	(100.0)
Total assets	$	3,265.4	3,304.4	(39.0)	(1.2)%
Liabilities					
Current liabilities	$	169.0	166.5	2.5	1.5%
Long-term liabilities		29.0	129.1	(100.1)	(77.5)
Total liabilities	$	198.0	295.6	(97.6)	(33.0)%
Net Position					
Net investment in capital assets	$	2,937.9	2,893.4	44.5	1.5%
Unrestricted net assets		129.5	115.4	14.1	12.2
Total net position	$	3,067.4	3,008.8	58.6	(1.9)%

(Continued)

Key changes include:

- *Current assets* increased by $22.2 million or 7.3% to $327.5 million primarily due to increases in cash and cash equivalents by $24.7 million or 21.1%, financial assistance-RTA by $1.5 million or 1.7%, and financial assistance-other carriers by $1.9 million or 87.6%, which were partially offset by a decrease in other receivables by $1.1 million or 11.4%, grant project receivable by $4.6 million or 6.8%, prepaid expense by $52 thousand or 538%, and materials and supplies by $54 thousand or 0.03%.
- *Capital assets – net* increased by $44.5 million or 1.5% to $2.9 billion, primarily due to progress payments made for the acquisition of 160 new Highliner railcars for the Metra Electric District, of which 22 were received in 2014. Rolling stock equipment increased by $74.0 million (net of retirement) or 3.5%, roadways and structure increased by $147.9 million or 3.6%, furniture fixture and office equipment increased by $1.9 million or 2.1%. Capital in progress decreased by $12.6 million or 5.8%.
- *Restricted assets* decreased by $105.7 million or 100% to $0 (see Note 7 to the financial statements for details on the leasehold transaction).
- *Current liabilities* increased by $2.5 million or 1.5% to $169.0 million, primarily due to increases in accounts payables by $15.0 million or 16.6%, deferred revenue by $2.2 million or 21.8%, and the current portion of the accrued claims liability by $1.5 million or 20.7% which were partially offset by the decrease in wages and benefits payable by $5.2 million or 11.1%, financial assistance payable – other carriers by $1.8 million or 72.5% and amounts payable for current portion leasehold transaction by $9.1 million or 100%.
- *Long-term liabilities* decreased by $100.1 million or 77.5% to $29.0 million, primarily due to the decreases in the long-term portion amounts payable for the leasehold transaction by $96.6 million or 100% (see Note 7 to the financial statements for details on the leasehold transaction) and long-term portion of accrued claims by $5.1 million or 20.0% that were partially offset by an increase in provision for post retiree health benefits by $1.6 million or 21.4%

Statement 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, 2014 was $58.7 million, a 47.4% decrease in change in net position for year ended December 31, 2013. Total operating revenues increased by $11.6 million or 3.2% from 2013. Total operating expenses before depreciation increased by $23.5 million or 3.3% from 2013. Total nonoperating revenues decreased by $34.0 million or 5.2% from 2013.

Table 2a

Statement of Revenues, Expenses, and Changes in Net Position

(Amounts in millions)

	December 31		Change increase (decrease)	
	2014	**2013**	**Dollars**	**Percent**
Operating revenues:				
Passenger revenue	$ 311.7	309.4	2.3	0.7%
Other revenue	63.9	54.6	9.3	17.0
Total operating revenues	375.6	364.0	11.6	3.2
Operating expenses:				
Transportation	232.9	224.0	8.9	4.0
Fuel and motive power	85.5	83.7	1.8	2.2
Maintenance of way	134.6	127.5	7.1	5.6
Maintenance of equipment	160.3	150.5	9.8	6.5
Administration	82.6	86.6	(4.0)	(4.6)
Claims, insurance and risk management	17.4	18.1	(0.7)	(3.9)
Downtown stations	14.6	14.0	0.6	4.3
Total operating expenses before depreciation	727.9	704.4	23.5	3.3
Operating loss before depreciation	(352.3)	(340.4)	(11.9)	3.5
Depreciation expense	209.9	202.8	7.1	3.5
Operating loss	(562.2)	(543.2)	(19.0)	3.5
Nonoperating revenues:				
Financial assistance	620.9	654.9	(34.0)	(5.2)
Total nonoperating revenues	620.9	654.9	(34.0)	(5.2)
Change in net position	$ 58.7	111.7	(53.0)	(47.4)%

(Continued)

Total operating revenues increased by $11.6 million or 3.2% from 2013. Principal changes are discussed below:

Passenger revenue increased $2.3 million or 0.7% in 2014. This increase was due to an overall ridership increase of 1.3%. Below is a table comparing ridership by line for 2014 and 2013:

Ridership By Line

(In thousands of Riders)

Rail line	2014*	2013*	Increase (Decrease)	Percent
Burlington Northern/Santa Fe	16,658	16,554	104	0.6%
Metra Electric	9,416	9,556	(140)	(1.5)
Heritage Corridor	729	704	25	3.6
Milwaukee-North	7,238	7,041	197	2.8
Milwaukee-West	6,946	6,831	115	1.7
North Central Service	1,817	1,685	132	7.9
Rock Island	8,545	8,589	(44)	(0.5)
SouthWest Service	2,659	2,606	53	2.0
Union Pacific-North	9,329	9,270	59	0.6
Union Pacific-Northwest	11,609	11,180	429	3.8
Union Pacific-West	8,423	8,252	171	2.1
Total ridership	83,369	82,268	1,101	1.3%

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

Other revenue increased by $9.3 million or 17.0%. Increases in capital grant credits, investment income, lease revenues, miscellaneous income, and half-fare subsidy were partially offset by decreases in advertising and rental income.

Nonoperating revenues decreased by $34.0 million or 5.2% to $620.9 million in 2014 primarily because Metra's external funding sources for capital grants decreased by $44.4 million or 15.3% to $246.4 million and were partially offset as Metra's statutory share of Regional Transportation Authority (RTA) Sales Tax and Public Transportation Funds increased by $9.9 million or 2.7% to $374.1 million.

Total operating expenses before depreciation increased by $23.5 million or 3.3% from 2013. In general, labor and fringe benefits increased by $17.3 million or 3.8% to $466.9 million due to contract and non-contract employees' wage increases partially offset by a $0.7 million or 3.9% decrease in claims, insurance, and risk management expenses. Diesel fuel expense increased by $0.6 million or 0.8%, from $78.1 million to $78.7 million, due to a 3.1% increase in usage because of harsh winter condition and increasing average age of the rolling stock. The average cost per gallon of diesel fuel in 2014 was $3.00, versus $3.07 in 2013. Motive power expense increased $1.2 million or 21.4%, from $5.6 million to $6.8 million in 2014 due to higher average cost per kilowatt hour. The average cost per kilowatt hour in 2014 was $0.0740, versus $0.0566 in 2013.

Capital Assets

As of December 31, 2014, Metra had invested approximately $6.8 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, 2014 totaled approximately $2.9 billion (see Table 3a below). This amount represents a net increase (including additions and disposals, net of depreciation) of $44.5 million or 1.5% over the December 31, 2013 balance.

Table 3a

Capital Assets by Funding Source

Current Year to Prior Year Analysis

(Amounts in millions of dollars)

	December 31		Change Increase (Decrease)	
Funding source	**2014**	**2013**	**Dollars**	**Percent**
Federal Transit Administration	$ 3,292.1	3,179.9	112.2	3.5%
Illinois Department of Transportation	639.0	590.3	48.7	8.3
Regional Transportation Authority	1,914.8	1,874.3	40.5	2.2
Northern Indiana Commuter Transportation District	6.4	6.4	—	—
Metra	980.3	970.4	9.9	1.0
Total capital assets	6,832.6	6,621.3	211.3	3.2
Accumulated depreciation	(3,894.7)	(3,727.9)	(166.8)	4.5
Total capital assets, net	$ 2,937.9	2,893.4	44.5	1.5%

Major capital asset expenditures during 2014 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 2014, Metra made progress payments totaling $65.2 million toward the purchase of 160 new Highliner railcars for the Metra Electric District and obtained delivery of 22 Highliner railcars. The progress payments were $111.6 million for purchase of new rolling stock in 2013. Metra expended $33.9 million and $19.7 million for 2014 and 2013, 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 2014 Capital Program continued the implementation of these programs by expending $73.4 million in funding for the rehabilitation, replacement, and upgrade of bridges, track, and structures.
- *Signaling, Electrical, and Communications* systems and equipment improvements are designed to maximize commuter operating efficiencies, maintain reliability of rail service, and provide a safe system of dispatching and centrally 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 2014 and 2013 were $44.9 million and $43.3 million, respectively.
- *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 2014 and 2013 were $8.4 million and $3.7 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 2014 and 2013 were $19.3 million and $13.3 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 2014 and 2013 were $3.9 million and $1.7 million, respectively.

2013 Financial Summary

- *Net position* increased $111.8 million to $3.0 billion at December 31, 2013. Net position represents total assets minus total liabilities.
- *Capital assets – net* increased $92.6 million during 2013 reflecting new capital acquisitions less depreciation incurred in 2013.
- *Passenger revenue* increased $8.3 million or 2.8% in 2013.
- *Other operating revenue* decreased by $0.8 million or 1.4% to $54.6 million in 2013.

- *Nonoperating revenues* increased $45.1 million or 7.4% to $654.9 million in 2013.
- *Total operating expenses* before depreciation increased $27.9 million or 4.1% to $704.4 million during 2013.

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.

2013 vs 2012 Analysis

Statements of Net Position

Total net position represents the difference between total assets and total liabilities. As shown in Table 1b, Metra's total net position at December 31, 2013 increased to $3.0 billion, a 3.9% increase from December 31, 2012. This is primarily due to increases in net capital assets and current assets. Current assets increased 20.4% to $305.3 million primarily due to increase in cash and cash equivalents, other receivables, and financial assistance receivables, partially offset by a decrease in material and supplies and grant project receivables, net. Current liabilities increased by 14.2% to $166.5 million primarily due to increases in accounts payable, wages and benefits payable, deferred revenue, and financial assistance payable – other carriers, partially offset by decrease in current portion of the claims liability. Long-term liabilities increased by 7.9% to $129.5 million primarily due to increases in long-term accrued claims, a provision for asbestos removal from out of service Highliner railcars, and a provision for post-retiree health benefits, partially offset by decreases in the amounts payable for leasehold transaction.

Table 1b

Condensed Statements of Net Position

(Amounts in millions)

		December 31		Change increase (decrease)	
Assets		**2013**	**2012**	**Dollars**	**Percent**
Current assets	$	305.3	253.5	51.8	20.4%
Capital assets – net		2,893.4	2,800.8	92.6	3.3
Restricted assets		105.7	108.1	(2.4)	(2.2)
Total assets	$	3,304.4	3,162.4	142.0	4.5%
Liabilities					
Current liabilities	$	166.5	145.8	20.7	14.2%
Long-term liabilities		129.1	119.6	9.5	7.9
Total liabilities	$	295.6	265.4	30.2	11.4%
Net Position					
Net investment in capital assets	$	2,893.4	2,800.8	92.6	3.3%
Unrestricted net assets		115.4	96.2	19.2	20.0
Total net position	$	3,008.8	2,897.0	111.8	3.9%

Key changes include:

- *Current assets* increased by $51.8 million or 20.4% to $305.3 million, primarily due to increases in cash and cash equivalents by $43.0 million or 57.9%, other receivables by $1.0 million or 12.3%, and financial assistance receivable by $10.8 million or 13.6%, which were partially offset by a decrease in grant project receivable by $507 thousand or 0.7% and material and supplies by $1.2 million or 6.1%.
- *Capital assets – net* increased by $92.6 million or 3.3% to $2.9 billion primarily due to the progress payments made for the acquisition of 160 new Highliner railcars for the Metra Electric District. Rolling stock equipment increased by $224.5 million or 12.1%, roadways and structure increased by $159.6 million or 4.1%, furniture fixture and office equipment increased by $1.0 million or 1.1%. Capital in progress decreased by $89.6 million or 29.0%.
- *Restricted assets* decreased by $2.4 million or 2.2% to $105.7 (see Note 7 to the financial statements for details on the leasehold transaction).

- *Current liabilities* increased by $20.7 million or 14.2% to $166.5 million, primarily due to increases in accounts payable by $2.9 million or 3.3%, wages and benefits payable by 16.4% or 54.1%, financial assistance payable – other carriers by $1.8 million or 243.1% and deferred revenues by $478 thousand or 5.0%, which were partially offset by a decrease in the current portion of the accrued claims liability by $928 thousand or 11.5%.
- *Long-term liabilities* increased by $9.5 million or 7.9% to $129.1 million, primarily due to increases in long-term portion of accrued claims by $10.6 million or 73.0% and provision for post-retiree health benefits by $1.3 million or 21.5% that were partially offset by decreases in the long-term portion of amounts payable for the leasehold transaction $2.4 million or 2.4%. (See Note 7 to the financial statements for details on the leasehold transaction).

Statement 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 2b, Metra's change in net position for year ended December 31, 2013 was $111.7 million, a 42.5% increase in change in net position for year ended December 31, 2012. Total operating revenues increased by $7.5 million or 2.1% from 2012. Total operating expenses before depreciation increased by $27.9 million or 4.1% from 2012. Total nonoperating revenues increased by $45.1 million or 7.4% from 2012.

Table 2b

Statement of Revenues, Expenses, and Changes in Net Position

(Amounts in millions)

	December 31		Change increase (decrease)	
	2013	**2012**	**Dollars**	**Percent**
Operating revenues:				
Passenger revenue	$ 309.4	301.1	8.3	2.8%
Other revenue	54.6	55.4	(0.8)	(1.4)
Total operating revenues	364.0	356.5	7.5	2.1
Operating expenses:				
Transportation	224.0	211.4	12.6	6.0
Fuel and motive power	83.7	83.5	0.2	0.2
Maintenance of way	127.5	124.1	3.4	2.7
Maintenance of equipment	150.5	147.8	2.7	1.8
Administration	62.7	50.0	12.7	25.4
Claims, insurance, and risk management	18.1	22.2	(4.1)	(18.5)
Regional services	23.9	23.3	0.6	2.6
Downtown stations	14.0	14.2	(0.2)	(1.4)
Total operating expenses before depreciation	704.4	676.5	27.9	4.1
Operating income (loss) before depreciation	(340.4)	(320.0)	20.4	(6.4)
Depreciation expense	202.8	211.4	(8.6)	(4.1)
Operating loss	(543.2)	(531.4)	11.8	(2.2)
Nonoperating revenues:				
Financial assistance	654.9	609.8	45.1	7.4
Total nonoperating revenues	654.9	609.8	45.1	7.4
Change in net position	$ 111.7	78.4	33.3	42.5%

(Continued)

Total operating revenues increased by $7.5 million or 2.1% from 2012. Principal changes are discussed below:

Passenger revenue increased $8.3 million or 2.8% in 2013. This increase was due to an overall ridership increase of 1.2%. Below is a table comparing ridership by line for 2013 and 2012:

Ridership By Line

(In thousands of Riders)

Rail line	2013*	2012*	increase (decrease)	Percent
Burlington Northern/Santa Fe	16,554	16,360	194	1.2%
Metra Electric	9,556	9,673	(117)	(1.2)
Heritage Corridor	704	683	21	3.1
Milwaukee-North	7,041	6,893	148	2.1
Milwaukee-West	6,831	6,860	(29)	(0.4)
North Central Service	1,685	1,690	(5)	(0.3)
Rock Island	8,589	8,491	98	1.2
SouthWest Service	2,606	2,531	75	3.0
Union Pacific-North	9,270	9,056	214	2.4
Union Pacific-Northwest	11,180	11,025	155	1.4
Union Pacific-West	8,252	8,008	244	3.0
Total ridership	82,268	81,270	998	1.2

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

Other revenue decreased by $0.8 million or 1.4%. Decreases in rental income, miscellaneous income and half-fare subsidy were partially offset by increases in capital grant credits, advertising, and investment income.

Nonoperating revenues increased by $45.1 million or 7.4% to $654.9 million in 2013, primarily because Metra's external funding sources for capital grants increased $24.7 million to $290.8 million and Metra's statutory share of Regional Transportation Authority (RTA) Sales Tax and Public Transportation Funds proceeds increased by 6.0% to $364.2 million.

Total operating expenses before depreciation increased by $27.9 million or 4.1% from 2012. In general, labor and fringe benefits increased due to contract employees' wage increases, which were partially offset by an 18.5% decrease in claims, insurance, and risk management expenses. Diesel fuel expense increased 2.5%, from $76.2 million to $78.1 million, due to a 3.0% increase in usage. The average cost per gallon of diesel fuel in 2013 was $3.07 versus $3.08 in 2012. Motive power expense decreased 23.3%, from $7.3 million to $5.6 million in 2013, primarily due to a 16.3% decrease in the price per kilowatt hour along with decrease in usage.

Capital Assets

As of December 31, 2013, Metra had invested approximately $6.6 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, 2013 totaled approximately $2.9 billion (see Table 3b below). This amount represents a net increase (including additions and disposals, net of depreciation) of $92.6 million or 3.3% over the December 31, 2012 balance.

Table 3b

Capital Assets by Funding Source

Current Year to Prior Year Analysis

(Amounts in millions of dollars)

	December 31		Change increase (decrease)	
Funding source	**2013**	**2012**	**Dollars**	**Percent**
Federal Transit Administration	$ 3,179.9	3,073.9	106.0	3.4%
Illinois Department of Transportation	590.3	542.7	47.6	8.8
Regional Transportation Authority	1,874.3	1,754.9	119.4	6.8
Northern Indiana Commuter Transportation District	6.4	6.4	—	—
Metra	970.4	948.0	22.4	2.4
Total capital assets	6,621.3	6,325.9	295.4	4.7
Accumulated depreciation	(3,727.9)	(3,525.1)	(202.8)	5.8
Total capital assets, net	$ 2,893.4	2,800.8	92.6	3.3%

Major capital asset expenditures during 2013 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 2013, Metra made progress payments totaling $111.6 million toward the purchase of 160 new Highliner railcars for the Metra Electric District and obtained delivery of 56 Highliner railcars. The progress payments were $111.6 million for purchase of new Highliner railcars in 2012. Metra expended $19.7 million and $36.5 million in 2013 and 2012, 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 2013 Capital Program continued the implementation of these programs by expending $102.1 million in funding for the rehabilitation, replacement, and upgrade of bridges, track, and structures.

- *Signaling, Electrical, and Communications* systems and equipment improvements are designed to maximize commuter operating efficiencies, maintain reliability of rail service and provide a safe system of dispatching and centrally 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 2013 and 2012 were $43.3 million and $36.0 million, respectively.
- *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 2013 and 2012 were $3.7 million and $4.0 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's customers. Commuter stations expenditures in 2013 and 2012 were $13.3 million and $11.2 million, respectively.
- The *Commuter Parking* program is designed to expand parking capacity to relieve overcrowding at existing facilities and to accommodate future ridership growth. Parking improvements are constructed in a manner to ensure conformance with the requirements of the Americans with Disabilities Act. Commuter parking expenditures in 2013 and 2012 were $1.7 million and $3.0 million, respectively.

General Operational and Economic Trends

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.

Economic Trends

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.

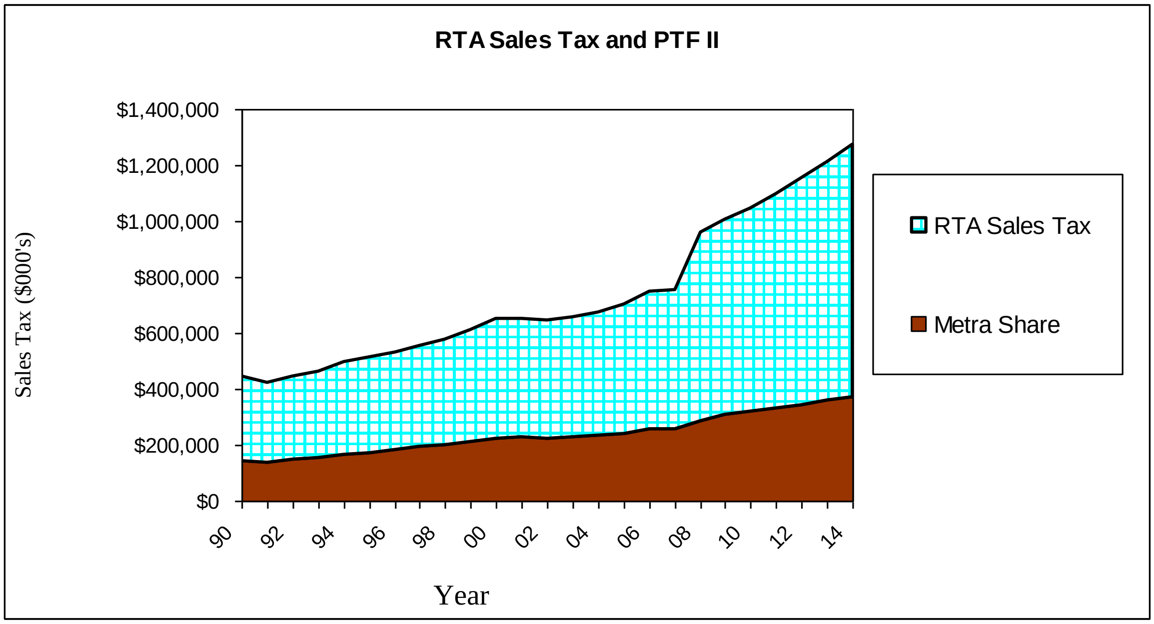
The Public Transportation Fund is State-provided funding initially comprised of a 25% match of Sales Tax I receipts (PTF I). RTA retains 100% of PTF I, which is combined with 15% of Sales Tax I to form the basis of discretionary funding. PTF revenues are payable to the RTA upon State appropriation. None 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 2014 as follows:

- $138.7 million to Pace ADA Paratransit Service
- $22.9 million to Pace Suburban Community Mobility Fund (SCMF)
- $11.4 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.

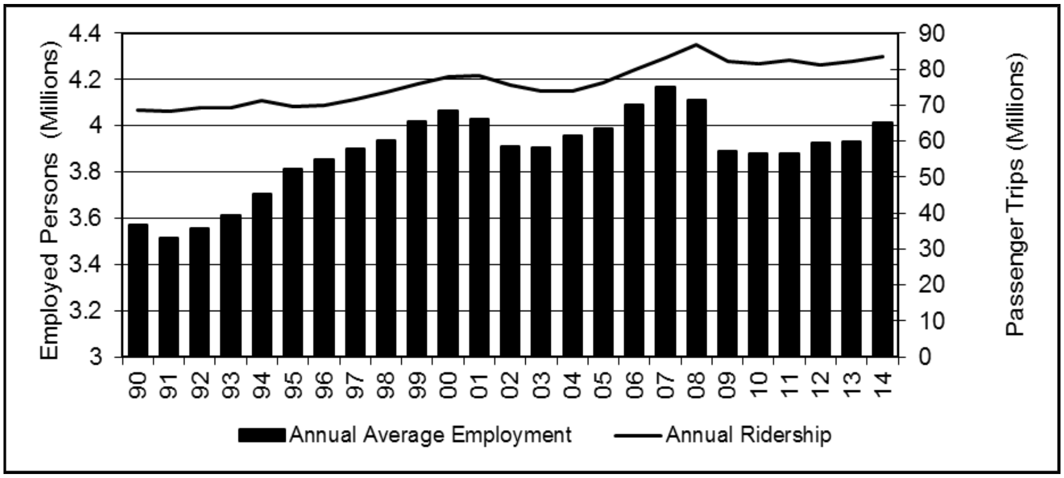
The graph below shows the annual Sales Tax I collected in the six-county region since 1990, together with the Sales Tax II and PTF II collected beginning in 2008. Year 2014 Sales Tax I and combined Sales Tax II/PTF II totaled $830.1 million and $441.6 million, respectively. Metra's statutory shares ($275.2 million and $98.9 million, respectively) together represent 29.4% of total RTA Sales Tax and PTF II revenue sources.



Labor Statistics – Historically, Metra ridership has had a direct relationship to employment levels. Since over 87% of trips taken on Metra are for work, it is no surprise that the health of the regional economy, especially in Downtown Chicago, can influence Metra ridership. Regional employment has generally grown since 1990, except for the economic downturn following the September 11 attacks and the Great Recession in the late-2000s. As shown in the following figure, average regional employment for 2014 was 2.1% higher compared to 2013. Although regional employment has increased in each of the past three years, employment remains 3.6% below 2007 pre-recession levels. In 2014, approximately 4.01 million people were employed, which is similar to the levels seen in 1999 and 2005.

Average Annual Regional Employment

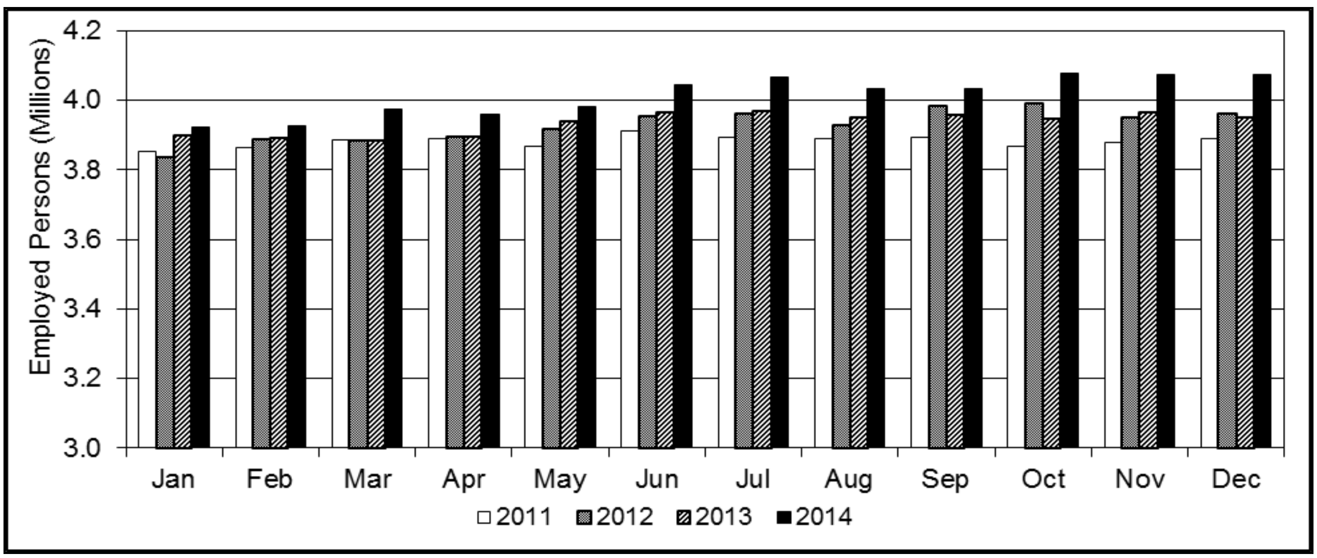
Source: Illinois Department of Employment Security (IDES)



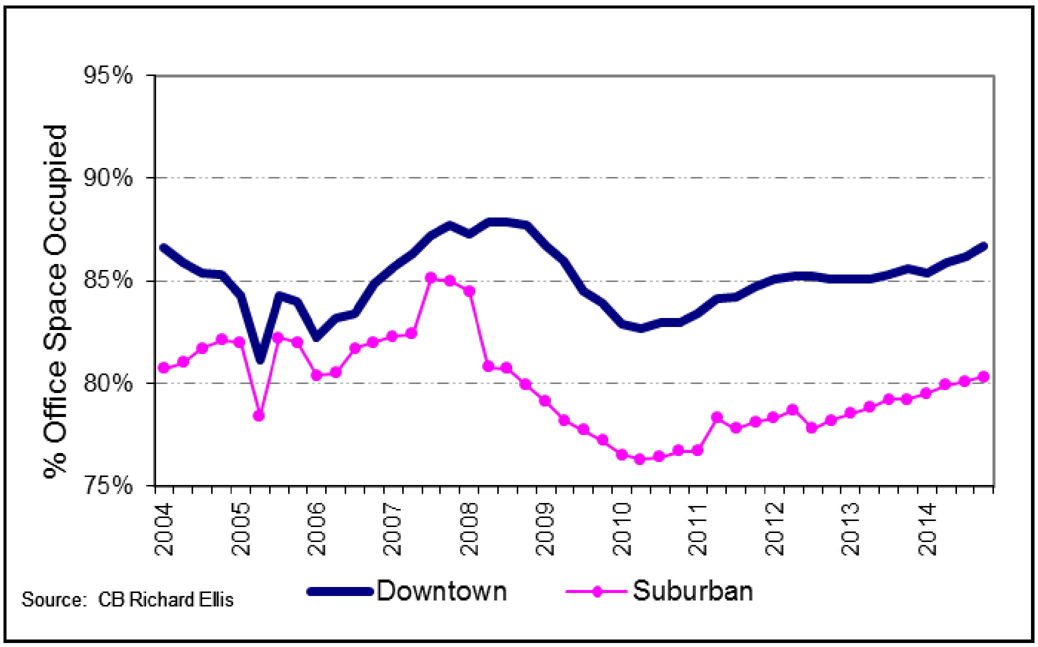
The figure below shows regional employment by month for 2011 through 2014. A period of year-over-year gains in regional employment of approximately 2% that began in mid-2012 continued through January 2013. Except for September and October, monthly regional employment for the rest of 2013 generally kept pace with monthly regional employment in 2012. Unlike 2013, 2014 was a banner year for employment in the region with monthly totals higher than the previous four years.

2011 – 2014 Monthly Regional Employment

Source: Illinois Department of Employment Security (IDES)



Office Occupancy Rates – Downtown Chicago office occupancy rates remained constant near 85.1% in the First Quarter of 2012 through first half of 2013. Beginning in the Third Quarter of 2013, the occupancy rate began to climb ending the year at 85.6%. By the Fourth Quarter of 2014, the rate had gone up to 86.7%. Suburban office occupancy rates in 2014 continued a climb that began in the Fourth Quarter of 2012, starting the year at 79.5% and climbing to 80.3% in the in the Fourth Quarter. The figure below shows the trend of office occupancy rates for both downtown and the suburbs:



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 financial 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 financial information, contact the Office of the Controller at 547 W. Jackson, Chicago, IL 60661, or www.metrarail.com.

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

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

Statements of Net Position

December 31, 2014 and 2013

Assets		2014	2013
Current assets:			
Cash, cash equivalents, and investments:			
Cash and cash equivalents	$	7,808,407	1,554,358
Investments		134,030,358	115,577,216
Total cash, cash equivalents, and investments		141,838,765	117,131,574
Accounts receivable:			
Grant projects		63,424,417	68,052,419
Financial assistance – RTA		91,248,868	89,766,865
Financial assistance – other carriers		3,982,865	2,123,045
Other, net		8,316,843	9,389,584
Total accounts receivable		166,972,993	169,331,913
Materials and supplies		17,842,233	17,896,764
Prepaid expense		847,547	899,968
Total current assets		327,501,538	305,260,219
Capital assets:			
Land		149,844,631	149,688,658
Rolling stock and equipment		2,160,816,360	2,086,801,737
Roadways and structures		4,223,323,059	4,075,448,713
Furniture, fixtures, and office equipment		92,012,955	90,080,518
Less accumulated depreciation		(3,894,726,803)	(3,727,893,109)
Capital projects in progress		206,630,452	219,252,513
Total capital assets		2,937,900,654	2,893,379,030
Restricted assets:			
Assets restricted for payment of obligations under leasing transaction		—	105,725,735
Total noncurrent assets		2,937,900,654	2,999,104,765
Total assets	$	3,265,402,192	3,304,364,984

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 Position

December 31, 2014 and 2013

Liabilities and Net Position		2014	2013
Current liabilities:			
Accounts payable	$	105,729,650	98,120,707
Accrued wages and benefits payable		41,575,657	39,366,560
Financial assistance payable – other carriers		700,576	2,545,411
Accrued claims – current		8,658,340	7,174,685
Deferred revenue		12,322,234	10,112,768
Amounts payable for leasehold transaction		—	9,142,472
Total current liabilities		168,986,457	166,462,603
Long-term liabilities:			
Accrued claims		20,202,795	25,262,296
Accrued post-retiree health benefits		8,854,171	7,292,527
Amounts payable for leasehold transaction		—	96,583,263
Total long-term liabilities		29,056,966	129,138,086
Total liabilities		198,043,423	295,600,689
Net position:			
Net investment in capital assets		2,937,900,654	2,893,379,030
Unrestricted net assets		129,458,115	115,385,265
Total net position	$	3,067,358,769	3,008,764,295

See accompanying notes to financial statements.

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

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended December 31, 2014 and 2013

	2014	2013
Operating revenues:		
Passenger revenue	$ 311,685,272	309,448,078
Other	63,849,317	54,543,469
Total operating revenues	375,534,589	363,991,547
Operating expenses:		
Transportation	232,925,953	223,979,924
Fuel and motive power	85,500,588	83,685,912
Maintenance of way	134,615,030	127,495,600
Maintenance of equipment	160,270,692	150,487,836
Administration	82,630,538	86,676,780
Claims, insurance, and risk management	17,382,776	18,076,838
Downtown stations	14,584,208	13,965,854
Total operating expenses before depreciation	727,909,785	704,368,744
Depreciation	209,897,068	202,781,563
Total operating expenses	937,806,853	907,150,307
Operating loss	(562,272,264)	(543,158,760)
Nonoperating revenues:		
Federal	118,996,955	121,870,751
Local	501,869,783	533,036,120
Total financial assistance	620,866,738	654,906,871
Interest income from restricted assets	2,888,442	6,739,049
Interest expense on leasehold transaction obligations	(2,888,442)	(6,739,049)
Total nonoperating revenues	620,866,738	654,906,871
Change in net position	58,594,474	111,748,111
Net position at beginning of year	3,008,764,295	2,897,016,184
Net position at end of year	$ 3,067,358,769	3,008,764,295

See accompanying notes to financial statements.

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

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

Statements of Cash Flows

Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Cash received from fares	$ 311,685,272	309,448,078
Cash received from other operating revenue items	63,993,524	50,464,348
Cash received from or paid to purchased service carriers	(1,859,820)	900,253
Cash paid to and on behalf of employees for services	(313,578,964)	(276,833,727)
Cash paid to purchased service carriers	(66,158,881)	(58,836,077)
Cash paid for claims	(15,239,087)	(12,094,957)
Cash paid to contractual service providers and suppliers	(326,866,898)	(322,894,119)
Net cash used in operating activities	(348,024,854)	(309,846,201)
Cash flows from noncapital and related financing activities:		
Cash received from RTA sales tax and other local noncapital assistance	372,619,997	353,441,473
Cash received from noncapital state assistance	3,138,000	2,173,013
Cash received from noncapital federal assistance	4,083,647	2,426,768
Net cash provided by noncapital and related financing activities	379,841,644	358,041,254
Cash flows from capital and related financing activities:		
Cash received from capital grants	201,367,067	273,313,406
Cash paid to acquire and construct capital assets	(208,476,666)	(278,540,594)
Net cash used in capital and related financing activities	(7,109,599)	(5,227,188)
Cash flows from investing activities:		
Cash paid for the purchase of investment securities	(18,453,142)	(41,457,060)
Net cash used in investing activities	(18,453,142)	(41,457,060)
Net increase in cash and cash equivalents	6,254,049	1,510,805
Cash and cash equivalents, beginning of year	1,554,358	43,553
Cash and cash equivalents, end of year	$ 7,808,407	1,554,358

(Continued)

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, 2014 and 2013

	2014	2013
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	$ (562,272,264)	(543,158,760)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	209,897,068	202,781,563
Provision for claims	11,663,241	13,138,316
Settlement of claims	(15,239,087)	(12,094,957)
State-reduced fare assistance	(3,138,000)	(2,173,013)
(Increase) decrease in assets:		
Accounts receivable – other carriers	(1,859,820)	900,253
Accounts receivable – other, net	1,072,741	(2,383,881)
Materials and supplies	54,531	1,162,477
Prepaid expense	52,421	371,336
Increase (decrease) in liabilities:		
Accounts payable	15,034,621	11,610,264
Accrued wages and benefits payable	(3,654,937)	17,718,832
Financial assistance payable – other carriers	(1,844,835)	1,803,596
Deferred revenue	2,209,466	477,773
Total adjustments	214,247,410	233,312,559
Net cash used in operating activities	$ (348,024,854)	(309,846,201)
Noncash investing and financing activities:		
Interest income from assets restricted for payment of leasehold transactions obligations	$ 2,888,442	6,739,049
Interest expense on leasehold transactions obligations	(2,888,442)	(6,739,049)
Net noncash investing and financing activities	$ —	—

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 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 SouthWest Service commuter lines. Metra also contracts for commuter rail service on other lines through agreements executed with the Union Pacific Railroad (UP), BNSF Railway Co., and Northern Indiana Commuter Transportation District (NICTD).

The Act provides for funding of public transportation in the six-county region of Northeast Illinois. The Act requires that at least 50% of system-wide operating costs, excluding depreciation and certain other items, are financed through passenger fares and other revenues. The Regional Transportation Authority (RTA) 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 determines the level of service, passenger fares, and operational policies over Metra operations and is accountable for fiscal matters, including ownership of assets, relations with federal and state transportation funding agencies that provide financial assistance, and the preparation of operating budgets. The 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.

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

On September 18, 1998, Metra entered into lease/leaseback agreements for railcars that provide certain cash and tax benefits to the third parties through equity investor trusts. Metra received certain funds as prepayment by the equity investor trust. These funds have been deposited in designated investment accounts sufficient to meet the payments required under the leases and are recorded as assets restricted for repayment of leasing commitments. In 2014, Metra terminated the lease and was absolved of all obligations (see Note 7).

(h) Compensated Absences

All employees receive compensation for vacations, holidays, illness, and certain other qualifying absences. The number of days compensated for the various categories of absence is based generally on length of service. Vacation leave that has been earned but not paid has been accrued in the accompanying financial statements. Similarly, sick leave is accrued as the benefits are earned, but only to the extent it is probable that Metra will compensate the employee through cash payments conditioned on the employee's termination or retirement. Compensation for holidays and other qualifying absences is not accrued in the accompanying financial statements because rights to such compensation amounts do not accumulate.

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

(i) Self-Insurance

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

(j) Net 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 deferred 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 deferred 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 capital grant additives, reduced fare reimbursements, joint facility revenue, investment 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 $374,102,000 and $364,195,377 during the years ended December 31, 2014 and 2013, respectively. Revenues from the State of Illinois Reduced Fare Reimbursement Program were $3,138,000 and $2,173,013 during the years ended December 31, 2014 and 2013, respectively.

(m) Reclassifications

Certain financial statement amounts in the 2013 financial statements have been reclassified to conform to the presentation in the 2014 financial statements.

(n) New Accounting Pronouncements

Metra implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* during the year ended December 31, 2014. This Statement replaces the requirements of Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. There was no impact to Metra's financial statements as a result of the implementation.

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, 2014. 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. There was no impact to Metra's financial statements as a result of the implementation.

Metra implemented the provisions of GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* during the year ended December 31, 2014. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement provides accounting and financial reporting guidance for disposals of government operations that have been transferred or sold. There was no impact to Metra's financial statements as a result of the implementation.

Metra implemented the provisions of GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* during the year ended December 31, 2014. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicates that it is more likely than not that the government will be required to make payment on the guarantee. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. There was no impact to Metra's financial statements as a result of the implementation.

Metra implemented the provisions of GASB Statement No. 65, *Items previously reported as Assets and Liabilities* during the year ended December 31, 2013. This Statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities, and recognizes, as outflows of resources or inflow of resources, certain items that were previously reported as assets and liabilities. There was no impact to Metra's financial statements as a result of the implementation.

Metra implemented the provisions of GASB Statement No. 66, *Technical Corrections – 2013 GASB Statements* during the year ended December 31, 2013. This Statement amends certain provisions of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. There was no impact to Metra's financial statements as a result of the implementation.

(3) Cash, Cash Equivalents, and Investments

(a) Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments are reported in the statements of net position as of December 31, 2014 and 2013 as follows:

		2014	2013
Cash:			
Bank deposits, working cash, certificates of deposit, and cash equivalents	$	7,808,407	1,554,358
Investments		134,030,358	115,577,216
Total	$	141,838,765	117,131,574

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.

(Continued)

(b) Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, Metra's deposits may not be returned. Metra's investment policy requires deposits in excess of FDIC coverage be collateralized with securities or financial instruments permitted by the Public Funds Investment Act with maturities not exceeding five years. Metra's bank balances were $9,180,925 and $5,282,019 at December 31, 2014 and 2013, respectively, and were covered by FDIC insurance or by collateral held by a third party.

(c) Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, Metra will not be able to recover the value of its investments or collateral securities that are in the possession of a third party. Metra's investment policy requires that safekeeping and collateralization shall be in compliance with the requirements of the Public Funds Investment Act.

(d) Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Metra's investment policy seeks to ascertain safety of principal and to attain a market average or better rate of return, taking into account risk, constraints, cash flow, and legal restrictions on investments. Metra's policy is to routinely monitor the contents of the portfolio, the available markets, and the relative values of competing instruments to assess the effectiveness of the portfolio in meeting the safety, liquidity, rate of return, diversification, and general performance objectives, and to adjust the portfolio accordingly. Metra did not have long-term investments in its portfolio at December 31, 2014 and 2013 and therefore, had no material exposure to interest rate fluctuations.

The following schedule reports the fair values and maturities (using the segmented time distribution method) for Metra's investments at December 31, 2014 and 2013:

		Investments as of December 31, 2014	
			Investment maturities
Investment type		Fair value	Less than one year
U.S. Treasury Securities	$	47,476,415	47,476,415
U.S. Agencies		22,683,716	22,683,716
Illinois Funds (local government investment pool)		4,010,567	4,010,567
Money market		19,859,660	19,859,660
Commercial paper		40,000,000	40,000,000
Total	$	134,030,358	134,030,358

		Investments as of December 31, 2013	
			Investment maturities
Investment type		Fair value	Less than one year
U.S. Treasury Securities	$	36,491,280	36,491,280
U.S. Agencies		17,989,310	17,989,310
Illinois Funds (local government investment pool)		6,919,548	6,919,548
Money market		15,702,078	15,702,078
Commercial paper		38,475,000	38,475,000
Total	$	115,577,216	115,577,216

(e) Credit Risk

Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. Metra’s general investment policy is to apply the prudent-person rule, which states that investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of the capital as well as the probable income to be derived. Metra’s investment policy limits investments in short-term obligations of corporations organized in the United States with assets exceeding $500 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, 2014 and 2013, respectively, (excluding investments in U.S. Treasuries which are not considered to have credit risk) are as follows:

Credit Ratings Investments Held as of December 31, 2014 (S&P)
(As a percentage of total fair value for investment securities)

Investment type		Fair value	Percent	S&P
U.S. Treasury Securities	$	47,476,415	35.4%	AA+
U.S. Agencies		22,683,716	16.9	AA+
Illinois Funds		4,010,567	3.0	AAAm
Money market		19,859,660	14.8	AAAm
Commercial paper		40,000,000	29.9	A1P1
Total investments at fair value	$	134,030,358	100.0%	

Credit Ratings Investments Held as of December 31, 2013 (S&P)
(As a percentage of total fair value for investment securities)

Investment type		Fair value	Percent	S&P
U.S. Treasury Securities	$	36,491,280	31.6%	AA+
U.S. Agencies		17,989,310	15.6	AA+
Illinois Funds		6,919,548	6.0	AAAm
Money market		15,702,078	13.6	AAAm
Commercial paper		38,475,000	33.2	A1P1
Total investments at fair value	$	115,577,216	100.0%	

(Continued)

(f) Concentration of Credit Risk

Concentration of credit risk occurs when investments in one issuer exceed 5% of the investment portfolio (lack of diversification). Metra does not have a policy regarding concentration of credit risk. 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, 2014 and 2013:

	2014		2013	
Issuer	**Fair value**	**Percent**	**Fair value**	**Percent**
U.S. Agencies:				
Federal Home Loan Mortgage Corporation	$ 17,689,665	12.5%	$ 6,995,700	6.0%
Federal Home Loan Bank	—	—	7,995,720	6.9
Commercial paper:				
Dealer Capital Access Trust LLC	10,800,000	7.6	10,500,000	9.1
Institutional Secured Funding LLC	—	—	9,000,000	7.8
Ridgefield Funding	—	—	11,000,000	9.5
White Plains Capital	10,000,000	7.1	—	—

(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 multi-unit 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 $272 million at December 31, 2014. 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 2014, the Regional Transportation Authority made progress payments of $61.5 million directly to Sumitomo Corporation of America for the purchase of new Highliner railcars. Progress payments for new Highliner railcars in 2013 totaled $111.6 million.

The following schedules summarize the capital assets of Metra as of December 31, 2014 and 2013:

2014	Beginning balance	Additions	Reductions	Ending balance
Capital assets, not being depreciated:				
Land	$ 149,688,658	155,973	—	149,844,631
Capital projects in progress	219,252,513	2,756,838	(15,378,899)	206,630,452
Total capital assets, not being depreciated	368,941,171	2,912,811	(15,378,899)	356,475,083
Capital assets being depreciated:				
Rolling stock and equipment	2,086,801,737	117,077,996	(43,063,374)	2,160,816,359
Roadways and structures	4,075,448,713	147,874,346	—	4,223,323,059
Furniture, fixtures, and office equipment	90,080,518	1,932,437	—	92,012,955
Total capital assets being depreciated	6,252,330,968	266,884,779	(43,063,374)	6,476,152,373
Less accumulated depreciation:				
Rolling stock and equipment	(1,132,733,393)	(78,508,897)	43,063,374	(1,168,178,916)
Roadways and structures	(2,514,162,794)	(128,009,972)	—	(2,642,172,766)
Furniture, fixtures, and office equipment	(80,996,922)	(3,378,199)	—	(84,375,121)
Total accumulated depreciation	(3,727,893,109)	(209,897,068)	43,063,374	(3,894,726,803)
Total capital assets being depreciated, net	2,524,437,859	56,987,711	—	2,581,425,570
Total capital assets, net	$ 2,893,379,030	59,900,522	(15,378,899)	2,937,900,653

2013	Beginning balance	Additions	Reductions	Ending balance
Capital assets, not being depreciated:				
Land	$ 149,826,221	—	(137,563)	149,688,658
Capital projects in progress	308,859,085	113,469,697	(203,076,269)	219,252,513
Total capital assets, not being depreciated	458,685,306	113,469,697	(203,213,832)	368,941,171
Capital assets being depreciated:				
Rolling stock and equipment	1,862,317,387	224,484,350	—	2,086,801,737
Roadways and structures	3,915,825,034	159,623,679	—	4,075,448,713
Furniture, fixtures, and office equipment	89,067,544	1,012,974	—	90,080,518
Total capital assets being depreciated	5,867,209,965	385,121,003	—	6,252,330,968
Less accumulated depreciation:				
Rolling stock and equipment	(1,061,152,831)	(71,580,562)	—	(1,132,733,393)
Roadways and structures	(2,387,345,353)	(126,817,441)	—	(2,514,162,794)
Furniture, fixtures, and office equipment	(76,613,362)	(4,383,560)	—	(80,996,922)
Total accumulated depreciation	(3,525,111,546)	(202,781,563)	—	(3,727,893,109)
Total capital assets being depreciated, net	2,342,098,419	182,339,440	—	2,524,437,859
Total capital assets, net	$ 2,800,783,725	295,809,137	(203,213,832)	2,893,379,030

(Continued)

(5) Long-Term Liabilities

Long-term liabilities for the years ended December 31, 2014 and 2013 were as follows:

2014		Beginning balance	Additions	Reductions	Ending balance	Due within one year
Accrued claims	$	32,436,981	11,663,241	(15,239,087)	28,861,135	8,658,340
Amounts payable for leasehold transaction		105,725,735	2,888,442	(108,614,177)	—	—
Total	$	138,162,716	14,551,683	(123,853,264)	28,861,135	8,658,340

2013		Beginning balance	Additions	Reductions	Ending balance	Due within one year
Accrued claims	$	22,702,622	21,829,316	(12,094,957)	32,436,981	7,174,685
Amounts payable for leasehold transaction		108,129,158	6,739,049	(9,142,472)	105,725,735	9,142,472
Total	$	130,831,780	28,568,365	(21,237,429)	138,162,716	16,317,157

(6) Self-Insurance Programs

Metra is exposed to various types of risk of loss including torts; theft of, damage to, or destruction of assets; errors or omissions; job-related illnesses or injuries to employees; natural disasters; and environmental occurrences.

Metra is self-insured for general liability, FELA, and automotive liability claims up to $7.5 million per claim occurrence. Metra purchases excess insurance for individual claims exceeding $7.5 million and up to $200 million (see Table on next page). The RTA also provides excess liability insurance to protect the self-insurance programs currently maintained by Metra.

Following is a summary of the excess insurance policies in place at Metra, which were in effect during the years ended December 31, 2014 and 2013:

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

Metra participates in a Joint Self-Insurance Fund (the Fund) with the RTA that permits Metra to receive monies necessary to pay injury and damage claims in excess of $2.5 million per occurrence up to a maximum of $47.5 million from the Fund. Metra is obligated to reimburse the Fund for any damages paid plus a floating interest rate that is a variable rate based upon the investment earnings of the Fund. Reimbursement payments, including interest, cannot exceed $3.5 million in any one year. Metra has never borrowed from the Fund to pay injury and damage claims.

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

(Continued)

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

Balance, December 31, 2012	$	22,702,622
2013 provision		21,829,316
2013 payments		(12,094,957)
Balance, December 31, 2013		32,436,981
2014 provision		11,663,241
2014 payments		(15,239,087)
Balance, December 31, 2014	$	28,861,135

(7) Lease Transaction

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

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

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

One of the lease agreements was terminated in 2008 and the second lease was terminated in 2011. On June 11, 2014, Metra entered into an agreement with the final investor to terminate the third lease. As a result of the termination, payments were made to the equity investor by the equity payment undertaker (EPU) and debt payment undertaker (DPU) from the restricted assets that based upon the executed termination agreement, released Metra from any further liability. Accordingly, Metra removed approximately $105.7 million of assets restricted for payment of obligations under leasing transactions and approximately $105.7 million of amounts payable for leasehold transactions from its financial statements. No gain or loss was realized by Metra as a result of the termination agreement. Metra has no further obligation under the lease agreement. In accordance with the provisions of the termination agreement, Metra was required to pay all legal expenses of all parties involved, which totaled approximately $101,000 during the year ended December 31, 2014.

(8) Postemployment Healthcare Plan

Plan Description. Metra provides limited health benefits to retired management employees for Medicare supplemental insurance under a single employer plan established by Metra's Board. Metra also provides health benefits to retired contract police officers, under a union contract, between the ages of 60 and 65 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 each year 2014 and 2013.

Annual OPEB Cost and Net OPEB Obligation. Metra's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions.* The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Metra's annual OPEB cost for 2014 and 2013, the amount actually contributed to the plan, and changes in the Metra's net OPEB obligation:

Annual OPEB Cost and Net OPEB Obligation

		2014	2013
Annual required contribution	$	1,561,644	1,645,461
Interest on net OPEB obligation		364,626	300,000
Adjustment to annual required contribution		88,308	(200,000)
Annual OPEB cost		2,014,578	1,745,461
Contributions made		(452,934)	(452,934)
Increase in net OPEB obligation		1,561,644	1,292,527
Net OPEB obligation beginning of year		7,292,527	6,000,000
Net OPEB obligation end of year	$	8,854,171	7,292,527

Metra's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 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, 2012	$ 1,750,360	25.9%	$ 6,000,000
December 31, 2013	1,745,461	25.9	7,292,527
December 31, 2014	2,014,578	22.5	8,854,171

Funded Status and Funding Progress. As of December 31, 2013, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was $21.6 million. The covered payroll (annual payroll of active employees covered by the plan) was $42.7 million, and the ratio of the unfunded accrued actuarial liability to the covered payroll was 50.7%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the December 31, 2013 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 7.5% initially, reduced by decrements to an ultimate rate of 5.0% after 10 years. 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, 2014 was 29 years.

Union employees are eligible to receive retiree health benefits through a defined contribution plan established under the Railway Labor Act called the Railroad Employees National Early Retirement Major Medical Benefit Plan (the Plan) administered by United Healthcare. Eligible individuals are those who retire at age 60 with 30 or more years of service in the railroad industry. Metra is required to pay a rate premium per participating employee, which is calculated by the Plan on an annual basis. Metra contributed $3,195,468 and $3,403,637 for the years ended December 31, 2014 and 2013, respectively.

(9) Deferred Compensation Plans

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

All assets of the deferred compensation plan are held in a separate trust in accordance with Section 1448 of the Small Business Jobs Protection Act of 1996. As a result, such amounts are not subject to the claims of Metra's general creditors, and deferred compensation plan assets are not presented on Metra's statements of net position as of December 31, 2014 and 2013. Employee contributions were $1,534,864 and $1,534,790 for the years ended December 31, 2014 and 2013, respectively.

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 contributions were $6,307,307 and $5,493,825 for the years ended December 31, 2014 and 2013, respectively. Employer contributions were $709,225 and $699,025 for the years ended December 31, 2014 and 2013, respectively.

Metra is required to contribute to various defined contribution plans in accordance with union agreements. Employer contributions to these plans were $2,059,764 and $2,051,976 for the years ended December 31, 2014 and 2013, respectively.

(10) Purchase of Service Carriers' Expenses

The following details the revenue and expense activity of Metra's PSA carriers, which are included in the financial statements of Metra. The in-kind expenses include expenses Metra has paid on behalf of the participating commuter rail carriers for assistance, such as fuel and insurance coverage. In 2012, Metra signed a new purchase of service agreement with NICTD. The new agreement stipulates a flat annual payment to NICTD representing the net cost of Illinois residents travelling from Hegewisch to Randolph Street. Under the previous agreement, Metra paid for 22% of net cost of all riders using the service.

	Year ended December 31, 2014			
	Union Pacific	BNSF	NICTD	Total
Operating revenues:				
Passenger revenue	$ 110,377,522	64,251,167	—	174,628,689
Other revenue	1,634,772	443,907	—	2,078,679
Total operating revenues	112,012,294	64,695,074	—	176,707,368
Operating expenses:				
Carrier expenses:				
Transportation	72,871,606	28,392,031	—	101,263,637
Maintenance of way	40,985,404	4,279,021	—	45,264,425
Maintenance of equipment	51,189,446	25,085,534	—	76,274,980
Administration	16,179,672	1,480,967	—	17,660,639
Total carrier expenses	181,226,128	59,237,553	—	240,463,681
Deficit (excess) funding	69,213,834	(5,457,521)	—	63,756,313

	Year ended December 31, 2014			
	Union Pacific	BNSF	NICTD	Total
Expenses incurred on behalf:				
Diesel fuel	$ 32,142,010	16,307,334	—	48,449,344
Claims, insurance, and risk management	2,421,213	1,534,954	—	3,956,167
Regional services				—
Downtown stations	1,342,079	5,283,456	—	6,625,535
Total in-kind expenses	35,905,302	23,125,744	—	59,031,046
Total operating expenses	217,131,430	82,363,297	—	299,494,727
Purchase of service carriers' operating loss	$ (105,119,136)	(17,668,223)	—	(122,787,359)

(Continued)

	Year ended December 31, 2013			
	Union Pacific	**BNSF**	**NICTD**	**Total**
Operating revenues:				
Passenger revenue	$ 108,258,586	63,731,724	—	171,990,310
Other revenue	1,384,127	326,506	—	1,710,633
Total operating revenues	109,642,713	64,058,230	—	173,700,943
Operating expenses:				
Carrier expenses:				
Transportation	69,713,699	25,178,712	—	94,892,411
Maintenance of way	40,490,970	2,723,559	—	43,214,529
Maintenance of equipment	47,794,678	21,544,035	—	69,338,713
Administration	14,844,507	11,598,040	—	26,442,547
Total carrier expenses	172,843,854	61,044,346	—	233,888,200
Deficit (excess) funding	63,201,141	(3,013,884)	—	60,187,257

	Year ended December 31, 2013			
	Union Pacific	**BNSF**	**NICTD**	**Total**
Expenses incurred on behalf:				
Diesel fuel	$ 32,004,581	14,680,424	—	46,685,005
Claims, insurance, and risk management	3,603,499	2,211,776	—	5,815,275
Regional services	7,897,877	2,627,916	—	10,525,793
Downtown stations	1,255,622	5,516,135	—	6,771,757
Total in-kind expenses	44,761,579	25,036,251	—	69,797,830
Total operating expenses	217,605,433	86,080,597	—	303,686,030
Purchase of service carriers' operating loss	$ (107,962,720)	(22,022,367)	—	(129,985,087)

(Continued)

(11) Commitments

Leases – Metra has entered into several noncancelable operating leases, primarily for the use of passenger terminals, which expire on various dates through 2045. Future minimum rental payments under all noncancelable operating leases having initial or remaining terms in excess of one year as of December 31, 2014 were as follows:

2015	$	10,480,302
2016		10,482,167
2017		10,484,056
2018		10,485,975
2019		4,830,068
2020–2024		10,036,396
2025–2029		6,885,834
2030–2033		4,748,736
Thereafter		14,246,208
Total	$	82,679,742

Total rent expense aggregated $16,109,964 and $12,142,672 for the years ended December 31, 2014 and 2013, respectively.

Grants – At December 31, 2014, Metra had $314.2 million in unexpended obligations related to federal and state (including local) capital grant contracts.

(12) Employee Benefits

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

(Continued)

Under the provisions of the Plan, Metra contributes annually, if necessary, an amount based on actuarially determined amounts. Metra's annual required contribution and actual amounts contributed to the Plan for 2014 and the two preceding years were as follows:

	Annual required contribution	Actual amount contributed
Year ended:		
December 31, 2012	$ 6,462,000	9,767,882
December 31, 2013	6,615,046	10,060,571
December 31, 2014	6,466,096	13,357,146

(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

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

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

Years ended December 31, 2014 and 2013

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, 2014	$ N/A	N/A	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	N/A	N/A
December 31, 2011	—	22,791,870	22,791,870	—	39,579,762	57.6
December 31, 2010	—	19,121,346	19,121,346	—	41,225,685	46.4
December 31, 2009	—	21,456,391	21,456,391	—	41,876,852	51.2
December 31, 2008	—	11,644,164	11,644,164	—	23,400,000	49.8
December 31, 2007	N/A	N/A	N/A	N/A	N/A	N/A

Employer contributions

Year ended	Annual required contribution	Percent contributed
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
December 31, 2010	1,680,866	27.0
December 31, 2009	897,026	52.8
December 31, 2008	810,641	23.1
December 31, 2007	N/A	N/A

N/A – An actuarial valuation was not performed in 2007, 2012, and 2014.

See accompanying independent auditors’ report.

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

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

Years ended December 31, 2014

	Final budget	Actual	Favorable (unfavorable)
Revenues:			
Passenger revenue:			
Passenger revenue*	$ 310,031,475	311,685,272	1,653,797
Reduced fare reimbursement	2,346,521	3,138,000	791,479
Total operating passenger revenues	312,377,996	314,823,272	2,445,276
Other revenue	51,800,004	60,711,317	8,911,313
Total revenues	364,178,000	375,534,589	11,356,589
Operating expenses:			
Transportation	234,200,000	232,925,953	1,274,047
Fuel and motive power	88,500,000	85,500,588	2,999,412
Maintenance of way	130,500,000	134,615,030	(4,115,030)
Maintenance of equipment	158,800,000	160,270,692	(1,470,692)
Administration	84,200,000	82,630,538	1,569,462
Total administration and regional services	696,200,000	695,942,801	257,199
Claims, insurance, and risk management	16,905,000	17,382,776	(477,776)
Downtown stations	15,495,000	14,584,208	910,792
Total operating expenses	728,600,000	727,909,785	433,016
Loss before depreciation, financial assistance, and leasehold-related interest income and expense	$ (364,422,000)	(352,375,196)	12,046,804
Note:			
Amounts excluded from the operating budget-basis expenses:			
Security expense	$ 18,299,774	18,825,626	(525,852)
Funded depreciation included in operating expenses	2,952,024	2,944,696	7,328
Lease of transportation facilities	17,748,202	15,298,713	2,449,489
Total deductions	$ 39,000,000	37,069,035	1,930,965
Amounts added to the operating budget-basis revenues:			
Senior fare allowance	$ 1,800,000	1,800,000	—
Farebox recovery ratio			

* Includes $4,000,000 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

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

Budgetary Basis Schedule of Operations – (Unaudited)

Years ended December 31, 2014

	NIRCRC	Union Pacific	BNSF	Total
Operating revenues:				
Passenger revenue*	$ 137,056,583	110,377,522	64,251,167	311,685,272
Other revenue	60,086,578	1,010,033	—	61,096,611
Reduced fare reimbursement	1,684,060	624,739	443,907	2,752,706
Total operating revenue	198,827,221	112,012,294	64,695,074	375,534,589
Operating expenses:				
Carrier-level expenses:				
Transportation	131,662,316	72,871,606	28,392,031	232,925,953
Maintenance of way	89,350,605	40,985,404	4,279,021	134,615,030
Maintenance of equipment	83,995,712	51,189,446	25,085,534	160,270,692
Administration	64,969,899	16,179,672	1,480,967	82,630,538
Total carrier-level expenses	369,978,532	181,226,128	59,237,553	610,442,213
Centralized expenses:				
Diesel fuel	30,279,541	32,142,010	16,307,334	78,728,885
Motive electricity	6,771,703	—	—	6,771,703
Claims, insurance, and risk management	13,426,609	2,421,213	1,534,954	17,382,776
Downtown stations	7,958,673	1,342,079	5,283,456	14,584,208
Total centralized expenses	58,436,526	35,905,302	23,125,744	117,467,572
Total operating expenses	428,415,058	217,131,430	82,363,297	727,909,785
Operating loss	$ (229,587,837)	(105,119,136)	(17,668,223)	(352,375,196)

Note:

Amounts excluded from the operating budget-basis expenses:	
Security expense	$ 18,825,626
Funded depreciation included in expenses	2,944,696
Lease of transportation facilities	15,298,713
Total exclusions	$ 37,069,035
Amounts added to the operating budget-basis revenues:	
Senior free ride allowance	$ 1,800,000
Farebox recovery ratio ($375,534,589 + $1,800,000) / ($727,909,785 - $37,069,035)	54.62%

* Includes $4,000,000 farebox revenue dedicated to capital.

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

(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 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 $12.0 million available to Metra for the year ended December 31, 2014. 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 53.07% in 2014. Metra's actual farebox recovery ratio on an operating budget-basis was 54.62% in 2014.

(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.