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June 17, 2011

Board of Directors
Northern Indiana Commuter Transportation District
503 North Carroll Avenue
Michigan City, IN 46360-5026

We have reviewed the audit report prepared by Crowe Horwath, LLP, Independent Public Accountants, for the period January 1, 2010 to December 31, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Northern Indiana Commuter Transportation District, as of December 31, 2010 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

TAA:csc

**NORTHERN INDIANA COMMUTER
TRANSPORTATION DISTRICT**

FINANCIAL STATEMENTS
December 31, 2010 and 2009

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
Chesterton, Indiana

FINANCIAL STATEMENTS
December 31, 2010 and 2009

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REPORT OF INDEPENDENT AUDITORS ON
THE FINANCIAL STATEMENTS

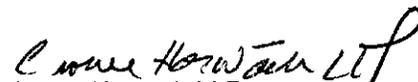
Board of Trustees
Northern Indiana Commuter
Transportation District
Chesterton, Indiana

We have audited the accompanying balance sheets of Northern Indiana Commuter Transportation District (the District) as of December 31, 2010 and 2009, and the related statements of revenues, expenses, and changes in net assets, and cash flows, for the years then ended, which collectively comprise the District's basic financial statements. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Northern Indiana Commuter Transportation District as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.


Crowe Horwath LLP

South Bend, Indiana
April 18, 2011

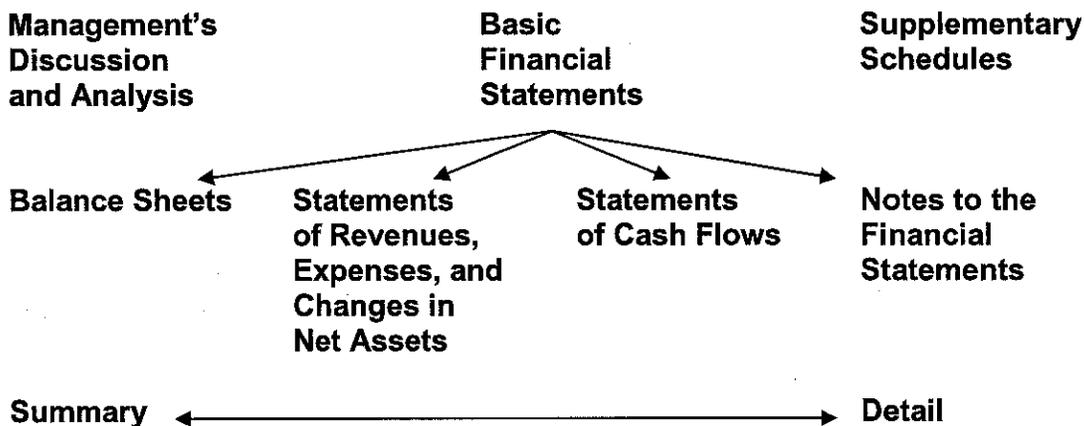
NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2010 and 2009
 (In thousands of dollars)

The following discussion and analysis of the Northern Indiana Commuter Transportation District's (the District's) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2010 and 2009.

Overview of the Financial Statements

This annual financial report consists of four parts: Management's Discussion and Analysis, Financial Statements, Schedules, Supplementary and the Reports on Compliance. The Financial Statements also include notes that explain in more detail some of the information in the financial statements. The statements are followed by a section of Supplementary Schedules that further explain and support the information in the Financial Statements. Figure A-1 shows how the required parts of the annual financial report are arranged and relate to one another. The Financial Statements of the District report information about the District using accounting methods similar to those used by private sector companies, except for the reporting of capital contributions and net assets. These statements offer short and long-term financial information about its activities.

Figure A-1
Required Components of Northern Indiana Commuter Transportation District's Annual Financial Report



The Balance Sheet includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010 and 2009
(In thousands of dollars)

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Change in Net Assets, successor to the Income Statement. This statement measures the results of the District's operations over the past year and can be used to determine whether the District has recovered its costs through its fare rates and other charges.

The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides information on the sources and uses of cash and the changes in cash balances during the year.

Financial Highlights

- Total Assets increased by \$13,507 or 3.88%, from \$348,292 in 2009 to \$361,799 in 2010, primarily due to increases in cash and cash equivalents. Total Assets decreased by \$2,304 or 0.66%, from \$350,596 in 2008 to \$348,292 in 2009, primarily due to decreases in cash and cash equivalents.
- Operating Revenues decreased by \$40 or 0.23% in 2010, from \$17,759 to \$17,719. Operating Revenues decreased by \$1,326 or 6.95% in 2009, from \$19,085 to \$17,759.
- Operating Expenses increased by \$2,050 or 3.69% in 2010, from \$55,575 to \$57,625, primarily due to an increase in Depreciation Expense. Operating Expenses increased by \$2,898 or 5.50% in 2009, from \$52,677 to \$55,575, primarily due to increases in Maintenance Expenses.
- Loss before Capital Contributions increased by \$6,278 or 40.42% in 2010, from \$15,533 to \$21,811 due to a decrease in state operating assistance. Loss before Capital Contributions increased by \$3,579 or 29.94% in 2009, from \$11,954 to \$15,533 due to a decrease in other local grants and other revenue.

Balance Sheet

Total Net Assets increased by \$10,712 in 2010 and decreased by \$96 in 2009 (see Figure A-2). The largest portion of Net Assets is Invested in Capital Assets, net of Related Debt, which increased \$16,179 in 2010 and \$9,980 in 2009 through capital improvements, which were funded by contributions from federal and state governmental agencies.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010 and 2009

(In thousands of dollars)

Figure A-2a				
Condensed Balance Sheet				
	2010	2009	Difference	Percent Change
Current Assets	\$ 37,133	\$ 40,242	\$ (3,109)	(7.73)%
Noncurrent Assets	550	598	(48)	(8.03)%
Restricted Assets	35,259	32,162	3,097	9.63%
Capital Assets	288,857	275,290	13,567	4.93%
Total Assets	361,799	348,292	13,507	3.88%
Current Liabilities	17,354	11,247	6,107	54.30%
Long-Term Liabilities	49,239	52,551	(3,312)	(6.30)%
Total Liabilities	66,593	63,798	2,795	4.38%
Net Assets invested in capital assets, net of related debt	238,232	222,053	16,179	7.29%
Net Assets restricted for debt service	12,321	15,183	(2,862)	(18.85)%
Net Assets restricted for capital projects	6,227	6,223	4	0.06%
Unrestricted net assets	38,426	41,035	(2,609)	(6.36)%
Total Net Assets	\$ 295,206	\$ 284,494	\$10,712	3.77%
Figure A-2b				
Condensed Balance Sheet				
	2009	2008	Difference	Percent Change
Current Assets	\$ 40,242	\$ 41,441	\$ (1,199)	(2.89)%
Noncurrent Assets	598	646	(48)	(7.43)%
Restricted Assets	32,162	44,441	(12,279)	(27.63)%
Capital Assets	275,290	264,068	11,222	4.25%
Total Assets	348,292	350,596	(2,304)	(0.66)%
Current Liabilities	11,247	10,062	1,185	11.78%
Long-Term Liabilities	52,551	55,944	(3,393)	(6.06)%
Total Liabilities	63,798	66,006	(2,208)	(3.34)%
Net Assets invested in capital assets, net of related debt	222,053	212,073	9,980	4.71%
Net Assets restricted for debt service	15,183	15,611	(428)	(2.74)%
Net Assets restricted for capital projects	6,223	16,473	(10,250)	(62.22)%
Unrestricted net assets	41,035	40,433	602	1.49%
Total Net Assets	\$ 284,494	\$ 284,590	\$ (96)	(0.03)%

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2010 and 2009
 (In thousands of dollars)

Statement of Revenues, Expenses and Changes in Net Assets

Operating Revenues decreased by \$40 in 2010 (see Figure A-3a). Operating Revenues decreased by \$1,326 in 2009 (see Figure A-3a).

	2010	2009	2008
Operating Revenue	\$ 17,719	\$ 17,759	\$ 19,085
Commuter Ridership	2,176	2,242	2,370
Off-Peak Ridership	1,538	1,643	1,810
Total Ridership	3,714	3,885	4,180

Operating Expenses increased by \$2,050 in 2010. The key components of operating expenses are: Transportation, Maintenance and Depreciation. Depreciation Expense increased by \$2,170 due to capitalizing of signal, catenary, and railcar projects; while Maintenance Expenses decreased by \$843. Railroad operating expenses increased 3.69% over 2009. Labor costs have decreased 5.47% due to completion of the Midlife Program and additional staff cuts. The cost of fringe benefits increased 1.67%. Traction Power increased by 11.00% in 2010 due to adjustments by Metra based on actual electricity consumed. Total non-operating revenues/expenses decreased by \$4,188, or 18.80% in 2010 due to a decrease in indefinite Situs tax collections.

Figure A-3a				
Condensed Statements of Revenues, Expenses and Changes in Net Assets				
	2010	2009	Difference	Percent Change
Operating Revenue	\$ 17,719	\$ 17,759	\$ (40)	(0.23)%
Operating Expenses	(57,625)	(55,575)	2,050	3.69%
Operating Loss	(39,906)	(37,816)	2,090	5.53%
Non-Operating Revenues/Expenses	18,095	22,283	(4,188)	(18.79)%
Income/(Loss) before Contributions	(21,811)	(15,533)	(6,278)	(40.42)%
Contributions	32,523	15,437	17,086	110.68%
Increase/(decrease) in Net Assets	10,712	(96)	10,808	11,258.33%
Net Assets, Beginning of Year	284,494	284,590	(96)	(0.03)%
Net Assets, End of Year	\$ 295,206	\$ 284,494	\$ 10,712	3.77%

(Continued)

**NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS**
December 31, 2010 and 2009
(In thousands of dollars)

Operating Expenses increased by \$2,898 in 2009. The key components of operating expenses are: Transportation, Maintenance and Depreciation. Maintenance Expenses increased by \$1,110 due to increased labor wages, salary rates, as well as several significant repairs. Railroad operating expenses increased 5.50% over 2008. This reflects flows of internal labor and related charges, which get capitalized, being a greater share of the work than maintenance in a given year. Labor costs have increased 3.27% while the cost of fringe benefits have increased 2.30%. Traction Power increased by 46.21% in 2009 due to separate accounting of the electricity portion of the trackage rights expense. Subsequently, operating costs decreased by 26.33% due to change in trackage rights reporting. Depreciation expense increased by \$2,318 due to capitalizing of signal, catenary and railcar projects. Total non-operating revenues/expenses increased by \$645, or 2.98%, in 2009 due to an increase in local grant funding.

Figure A-3b				
Condensed Statements of Revenues, Expenses and Changes in Net Assets				
	2009	2008	Difference	Percent Change
Operating Revenue	\$ 17,759	\$ 19,085	\$ (1,326)	(6.95)%
Operating Expenses	(55,575)	(52,677)	2,898	5.50%
Operating Loss	(37,816)	(33,592)	4,224	12.57%
Non-Operating Revenues/Expenses	22,283	21,638	645	2.98%
Income/(Loss) before Contributions	(15,533)	(11,954)	(3,579)	29.94%
Contributions	15,437	28,467	(13,030)	(45.77)%
Increase/(decrease) in Net Assets	(96)	16,513	(16,609)	(100.58)%
Net Assets, Beginning of Year	284,590	268,077	16,513	6.16%
Net Assets, End of Year	\$ 284,494	\$ 284,590	\$ (96)	(0.03)%

Statement of Cash Flows

Cash flow from Operating Activities in 2010 increased by \$3,979 (see Figure A-4a) due to a reduction in operating expenses. Cash receipts for Capital and Related Financing Activities increased by \$11,637 due to an increase in capital grants received. Cash from Investing Activities increased by \$28,162 due to sales of investments. Cash flow from Operating Activities in 2009 decreased by \$103 (see Figure A-4b) due to an increase in operating expenses. Cash receipts for Capital and Related Financing Activities decreased by \$7,484 due to an increase in capital assets acquired. Cash from Investing Activities decreased by \$1,838 due to purchases of investments.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2010 and 2009
 (In thousands of dollars)

Figure A-4a				
Condensed Statements of Cash Flows				
	2010	2009	Difference	Percent Change
Net Cash Flows Used in Operating Activities	\$ (15,699)	\$ (19,678)	\$ 3,979	20.22%
Net Cash Flows Provided by Noncapital Financing Activities	21,347	26,010	(4,663)	(17.93)%
Net Cash Flows Used in Capital and related Financing Activities	(7,036)	(18,673)	11,637	62.32%
Net Cash Flows Provided by (Used in) Investing Activities	18,040	(10,122)	28,162	278.22%
Net Increase (Decrease) in Cash and Cash Equivalents	16,652	(22,463)	39,115	174.13%
Cash and Equivalents, Beginning of Year	25,688	48,151	(22,463)	(46.65)%
Cash and Equivalents, End of Year	\$ 42,340	\$ 25,688	\$ 16,652	64.82%

Figure A-4b				
Condensed Statements of Cash Flows				
	2009	2008	Difference	Percent Change
Net Cash Flows Used in Operating Activities	\$ (19,678)	\$ (19,575)	\$ (103)	(0.53)%
Net Cash Flows Provided by Noncapital Financing Activities	26,010	19,846	6,164	31.06%
Net Cash Flows Used in Capital and related Financing Activities	(18,673)	(11,189)	(7,484)	(66.89)%
Net Cash Flows Provided by (Used in) Investing Activities	(10,122)	(8,284)	(1,838)	(22.19)%
Net Increase (Decrease) in Cash and Cash Equivalents	(22,463)	(19,202)	(3,261)	(16.98)%
Cash and Equivalents, Beginning of Year	48,151	67,353	(19,202)	(28.51)%
Cash and Equivalents, End of Year	\$ 25,688	\$ 48,151	\$ (22,463)	(46.65)%

Capital Assets

The District uses a five-year Capital Improvements Program (CIP) that is updated annually. Development of the CIP is based on the District's current facilities plan and recommendations from the annual inspection of tracks, catenary, traffic signals, and bridge facilities. The District's current plan covers the years from 2009 through 2013. The District expects to invest \$81,000 in capital improvements during 2009-2013 in a major upgrade of the right of way. For more detailed information related to capital assets, see Note 3 to the financial statements.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010 and 2009
(In thousands of dollars)

Debt Administration

At December 31, 2010 and 2009, the District had \$28,845 and \$30,505 principal outstanding for the Series 2007 bonds and \$21,780 and \$23,305 principal outstanding for the Series 2004 Bonds.

Figure A-5 Debt Service Coverage				
	2010	2009	Difference	Percent Change
Situs Tax Restricted for Debt Service	\$ 12,321	\$ 15,183	\$ (2,862)	(18.85)%
Aggregate Net Debt Service Principal – Bonds	\$ 50,625	\$ 53,810	\$ (3,185)	(5.92)%

Figure A-5 Debt Service Coverage				
	2009	2008	Difference	Percent Change
Situs Tax Restricted for Debt Service	\$ 15,183	\$ 15,611	\$ (428)	(2.74)%
Aggregate Net Debt Service Principal – Bonds	\$ 53,810	\$ 56,890	\$ (3,080)	(5.41)%

For more detailed information related to long-term debt, see Note 5 to the financial statements.

Economic Factors and Next Year's Business Plans and Fares

Ridership is expected to remain flat in 2011. Commuter ridership remained flat from 2009 to 2010. As such, operating revenue decreased slightly by 0.22% in 2010. Operation and maintenance expenses in 2011 are estimated to increase by \$1,505 or approximately 4% over 2010 expense levels. Management believes that the 2011 plan adequately addresses all revenue requirements, pending stable economic conditions. If the economy worsens, management anticipates it can reduce expenses by an adequate amount to offset reduced revenues.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, customers, creditors, and Board members with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Chief Financial Officer at Northern Indiana Commuter Transportation District, 33 East U.S. Highway 12, Chesterton, Indiana 46304.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
 Years ended December 31, 2010 and 2009
 (In thousands of dollars)

	<u>2010</u>	<u>2009</u>
Operating revenue		
Passenger fares (net of refunds)	\$ 17,677	\$ 17,719
Parking lot collections	<u>42</u>	<u>40</u>
	<u>17,719</u>	<u>17,759</u>
 Operating expenses		
Transportation	12,883	12,527
Maintenance of way	7,793	7,914
Maintenance of equipment	9,280	10,002
Claims and insurance	2,205	2,004
General and administrative	<u>5,889</u>	<u>5,723</u>
	38,050	38,170
Depreciation	<u>19,575</u>	<u>17,405</u>
	<u>57,625</u>	<u>55,575</u>
 Operating loss	 <u>(39,906)</u>	 <u>(37,816)</u>
 Nonoperating revenues (expenses)		
Maintenance grant	4,520	4,495
State operating assistance	8,089	9,985
Other local funds (Note 8)	3,723	3,780
Other revenue (Note 8)	418	1,031
Interest expense	(2,235)	(2,350)
Indefinite Situs tax	<u>3,580</u>	<u>5,342</u>
	<u>18,095</u>	<u>22,283</u>
 Income (loss) before capital contributions	 <u>(21,811)</u>	 <u>(15,533)</u>
 Capital contributions		
Federal	28,199	12,490
State	<u>4,324</u>	<u>2,947</u>
	<u>32,523</u>	<u>15,437</u>
 Increase (decrease) in net assets	 10,712	 (96)
 Net assets at beginning of year	 <u>284,494</u>	 <u>284,590</u>
 Net assets at end of year	 <u>\$ 295,206</u>	 <u>\$ 284,494</u>

See accompanying notes to financial statements.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
BALANCE SHEETS
December 31, 2010 and 2009
(In thousands of dollars)

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 15,698	\$ 7,642
Short-term investments (Note 2)	1,288	13,710
Receivables		
Federal capital and planning assistance	4,754	1,979
State assistance	8,139	9,106
Metra portion of operating costs	1,434	1,115
Other	<u>1,008</u>	<u>1,497</u>
Total receivables	15,335	13,697
Materials and supplies inventory	3,746	4,119
Prepaid expenses	<u>1,066</u>	<u>1,074</u>
Total current assets	<u>37,133</u>	<u>40,242</u>
Restricted assets		
Cash and cash equivalents (Note 2)	26,642	18,046
Short-term investments (Note 2)	8,617	14,115
Interest receivable	<u>-</u>	<u>1</u>
Total restricted assets	<u>35,259</u>	<u>32,162</u>
Capital assets		
Capital assets not being depreciated	48,796	21,842
Capital assets being depreciated	430,276	424,362
Less accumulated depreciation	<u>(190,215)</u>	<u>(170,914)</u>
Capital assets being depreciated, net	<u>240,061</u>	<u>253,448</u>
Total capital assets, net (Note 3)	<u>288,857</u>	<u>275,290</u>
Loan fees, net of amortization	<u>550</u>	<u>598</u>
Total assets	<u>\$ 361,799</u>	<u>\$ 348,292</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
BALANCE SHEETS
December 31, 2010 and 2009
(In thousands of dollars)

	<u>2010</u>	<u>2009</u>
LIABILITIES AND NET ASSETS		
Current liabilities (payable from current assets)		
Accounts payable		
Trade	\$ 6,960	\$ 3,042
Capital projects	2,091	274
Payroll taxes and withholdings	548	563
Unredeemed fares	213	163
Accrued injuries and damages	1,510	1,300
Other accrued expenses	2,730	2,720
Current portion – bonds payable (Note 5)	<u>3,302</u>	<u>3,185</u>
Total current liabilities (payable from current assets)	<u>17,354</u>	<u>11,247</u>
Long-term debt – bonds payable (Note 5)	47,971	51,376
Accrued post retirement health costs (Note 5)	<u>1,268</u>	<u>1,175</u>
Total long-term liabilities	<u>49,239</u>	<u>52,551</u>
Total liabilities	<u>66,593</u>	<u>63,798</u>
Net assets (Note 6)		
Invested in capital assets, net of related debt	238,232	222,053
Restricted for debt service	12,321	15,183
Restricted for capital projects	6,227	6,223
Unrestricted	<u>38,426</u>	<u>41,035</u>
Total net assets	<u>295,206</u>	<u>284,494</u>
Total liabilities and net assets	<u>\$ 361,799</u>	<u>\$ 348,292</u>

See accompanying notes to financial statements.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 2010 and 2009
 (In thousands of dollars)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Cash fares from customers	\$ 17,769	\$ 17,721
Cash payments for salaries and benefits	(24,661)	(25,501)
Cash payments for insurance	(2,007)	(1,673)
Cash paid for goods and services	<u>(6,800)</u>	<u>(10,225)</u>
Net cash flows used in operating activities	<u>(15,699)</u>	<u>(19,678)</u>
Cash flows from noncapital financing activities		
State assistance grant contributions	9,056	12,518
Maintenance grant	4,520	4,495
Situs tax	3,580	5,342
Other local sources	786	(415)
Metra operating subsidy	2,623	3,118
State & local government contributions	31	-
Trackage rights subsidy	<u>750</u>	<u>952</u>
Net cash flows provided by noncapital financing	<u>21,346</u>	<u>26,010</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(31,324)	(28,479)
Proceeds from disposition of assets	15	5
Capital grants received	29,748	15,290
Interest expenses	(2,290)	(2,409)
Bond repayment	<u>(3,185)</u>	<u>(3,080)</u>
Net cash flows used in capital and related financing activities	<u>(7,036)</u>	<u>(18,673)</u>
Cash flows from investing activities		
Purchases of investments	(1,288)	(27,825)
Sales of investments	19,208	17,298
Interest received on cash equivalents and investments	<u>121</u>	<u>405</u>
Net cash flows provided by (used in) investing activities	<u>18,041</u>	<u>(10,122)</u>
Net increase (decrease) in cash and cash equivalents	16,652	(22,463)
Cash and cash equivalents at beginning of year	<u>25,688</u>	<u>48,151</u>
Cash and cash equivalents at end of year	<u>\$ 42,340</u>	<u>\$ 25,688</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 2010 and 2009
 (In thousands of dollars)

	<u>2010</u>	<u>2009</u>
Reconciliation of operating loss to net cash flows used in operating activities		
Operating loss	\$ (39,906)	\$ (37,816)
Adjustments to reconcile operating loss to net cash flows used in operating activities:		
Depreciation expense	19,575	17,405
Gain on sale of fixed assets	(15)	(5)
Change in assets and liabilities		
Inventories	373	(106)
Prepaid expenses	8	12
Accounts payable - trade	3,918	622
Unredeemed fares	50	(38)
Accrued retirement	93	(101)
Accrued injuries and damages	210	360
Accrued and withheld items	<u>(5)</u>	<u>(11)</u>
Net cash flows used in operating activities	<u>\$ (15,699)</u>	<u>\$ (19,678)</u>
Noncash capital and related financing activities		
Capital assets included in accounts payable		
End of year	\$ 2,091	\$ 274
Beginning of year	274	126
Noncash noncapital financing activities		
Insurance premiums financed	1,020	1,029

See accompanying notes to financial statements.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: The Northern Indiana Commuter Transportation District (the District) was formed as a municipal corporation in 1977, through ordinances by the Boards of the County Commissioners of Lake, LaPorte, Porter and St. Joseph counties in Indiana (under the provisions of Indiana Code, Section 19-5-2.6-3 which was recodified and is now Section 8-5-15-2), to enable these counties to solve the problems of providing public commuter transportation across county lines. Specifically, the counties have endeavored to improve passenger service over the Chicago South Shore and South Bend Railroad by coordinating the raising of local, state, and federal funds and providing certain subsidies for operating losses and capital improvements. On December 29, 1989, the District began direct operation of the passenger service.

Basis of Accounting: The operations of the District are accounted for in one business segment, public transportation, as an enterprise fund on an accrual basis in order to recognize the flow of economic resources. Under this basis, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the District are included in the balance sheet. The principle operating revenues of the District are rail passenger fares. The District also recognizes as operating revenue parking lot collections and miscellaneous operating revenue. Operating expenses for the District include the costs of operating the mass transit system, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District applies Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails, and all of the GASB pronouncements issued subsequently.

Capital, Planning, and Operating Grants: Federal grants, through the Federal Transit Administration (FTA), provide substantial funding of the District's operations and capital improvement programs.

Additional funding of such activities is provided through the public mass transportation, electric rail service fund and commuter rail service funds in the State of Indiana. In accordance with GASB 33, the District recognizes revenue when all applicable eligibility requirements, including time requirements are met. Revenue from federal and state planning and operating assistance grants is recognized as earned based on eligible costs incurred.

Federal and state capital grants are recorded as capital contributions in the statements of revenue, expenses, and changes in net assets.

Cash Equivalents: For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2010 and 2009 cash equivalents stated at cost, which approximates fair value, consisted of certificates of deposit.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments: In accordance with Indiana Code, Section 5-12 et sequel, it is the policy of the District to deposit public funds into the depositories approved by the State Board of Finance. The District is further authorized by statute to invest in obligations of the U.S. Treasury and U.S. Agencies, certificates of deposit, repurchase agreements, passbook savings, money market deposit accounts, and negotiable order of withdrawal accounts. It is the policy of the District to invest funds with local, federally insured banks that have a principal office within any of the four counties of Northwest Indiana and have been approved by the State Board of Finance. Cash and certificates of deposit are fully insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposits Insurance Fund. Investments are carried at cost which generally approximates fair value.

Restricted Assets: Funds are deposited in the Accident Claims Reserve Accounts, plus interest earned on these funds, are set aside from the general operations of the District at the direction of the Board of Trustees to be used to cover up to the \$5 million self-insured retention for catastrophic liability. Funds deposited in the Bond Fund represent Indefinite Situs tax revenue which use is limited to the repayment of debt.

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

Capital Assets: Capital assets include major items of property, plant, and equipment acquired with federal, state and local funds and are capitalized at cost. Expenditures for maintenance and repairs are charged to operations as incurred. The District recognizes depreciation on capital assets on a straight-line basis over the estimated useful lives of the assets, as follows:

Rolling stock (including capital spare parts)	33 years
Building and improvements	5 - 30 years
Electrical substations	20 years
Track work	5 - 30 years
Information system and office equipment	3 - 10 years
Machinery and equipment	3 - 10 years
Autos and trucks	3 - 5 years

For the year ended December 31, 2010, the District implemented GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. It defines an intangible asset's required characteristics, and generally requires that they be treated as capital assets. Implementation of this statement did not have a material affect on the District therefore prior periods were not required to be restated. Included with the District's machinery and equipment capital assets, the District has capitalized an intangible asset, computer software. The District follows the same capitalization policy and estimated useful life for its intangible asset as it does for its machinery and equipment capital assets. The District also amortizes the intangible asset utilizing the straight-line method.

Depreciation on the portion of the cost of assets attributable to federal, state, and local capital grants is transferred to the respective capital grant equity balance from unreserved net assets.

Materials and Supplies Inventory: Material and supplies inventory is stated at lower of average cost or market.

Accounts Receivable: No allowance for bad debts has been established because management considers all material accounts receivable to be collectable.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences: Substantially all employees receive compensation for vacations and holidays. Approximately one-fourth of the employees receive compensation for 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 which has been earned but not paid has been accrued in the accompanying financial statements. Compensation for holiday, illness, and other qualifying absences are not accrued in the accompanying financial statements because rights to such compensation amounts either do not accumulate or they do not vest.

Insurance: The District has insurance coverage for property and casualty losses to electrical substations and related equipment. In addition, the District is responsible for the retention portion on the following insured risks: the first \$500 of loss on cars and trucks; \$2 million per occurrence on rolling stock; and the first \$100 thousand of loss on all other property.

The District is responsible for catastrophic liability claims up to \$3 million. Claims in excess of \$3 million are covered by commercial insurance carriers up to a maximum of \$62 million. The coverage from \$3 million to \$62 million is with several insurance carriers. During 2010 and 2009, all such layers of coverage have been subscribed. There is no guarantee that such coverage will continue to be fully subscribed in the future.

Budgetary Accounting and Reporting: The District practices financial planning and cost controls, however it is not legally required to report on a budgetary basis. Therefore, no comparison of actual and budget data is included in the financial statements.

Reporting Entity: In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise material operational control. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of managements, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusions or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, no entities have been considered to be potential components units for the purpose of defining the District's reporting entity.

Management Estimates: In preparing financial statements, management must make estimates and assumptions. These estimates and assumptions affect the amounts reported for assets, liabilities, revenue and expenses, as well as affecting the disclosures provided. Future results could differ from current estimates.

New Accounting Pronouncements: For the year ended December 31, 2010, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. It defines an intangible asset's required characteristics, and generally requires that they be treated as capital assets. Implementation of this statement did not have a material affect on the District.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended December 31, 2010, the District implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Implementation of this statement did not have a material affect on the District.

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents at December 31, 2010 and 2009 are as follows in thousands of dollars:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2010 Amount</u>	<u>2009 Amount</u>
Cash				\$ 34,052	\$ 22,792
Certificate of deposit	11/24/10	02/22/11	0.100%	3,354	-
Certificate of deposit	11/23/10	02/21/11	0.100%	1,001	-
Certificate of deposit	11/24/10	02/22/11	0.100%	1,005	-
Certificate of deposit	10/25/10	01/24/11	0.350%	512	-
Certificate of deposit	10/26/10	01/25/11	0.350%	428	-
Certificate of deposit	10/26/10	01/25/11	0.350%	354	-
Certificate of deposit	11/05/10	02/04/11	0.350%	506	-
Certificate of deposit	11/24/10	02/22/11	0.100%	1,128	-
Certificate of deposit	11/12/09	02/12/10	0.100%	-	1,000
Certificate of deposit	10/26/09	01/25/10	0.400%	-	510
Certificate of deposit	10/27/09	01/26/10	0.400%	-	427
Certificate of deposit	10/27/09	01/26/10	0.400%	-	353
Certificate of deposit	11/06/09	02/05/10	0.400%	-	505
Certificate of deposit	10/24/09	01/22/10	0.050%	-	101
				<u>\$ 42,340</u>	<u>\$ 25,688</u>

Cash and cash equivalents are allocated as follows in thousands of dollars:

	<u>2010</u>	<u>2009</u>
General fund	\$ 15,698	\$ 7,642
Restricted		
Accident claims reserve	5,024	1,000
Bond proceeds/local grants restricted for acquisition of capital assets	10,387	7,004
Westlake corridor contributions	1,671	1,663
Indefinite Situs tax restricted for debt repayment	<u>9,560</u>	<u>8,379</u>
Total Restricted	<u>26,642</u>	<u>18,046</u>
	<u>\$ 42,340</u>	<u>\$ 25,688</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Short-term investments at December 31, 2010 and 2009 are as follows in thousands of dollars:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2010 Amount</u>	<u>2009 Amount</u>
Government Securities				\$ 8,617	\$ 8,617
Certificate of deposit	10/12/10	01/15/11	0.145%	1,288	-
Certificate of deposit	11/19/09	02/23/10	0.100%	-	1,005
Certificate of deposit	11/11/09	05/11/10	0.395%	-	1,143
Certificate of deposit	08/03/09	02/03/10	0.792%	-	3,601
Certificate of deposit	09/12/09	01/12/10	0.245%	-	1,089
Certificate of deposit	09/22/09	03/22/10	0.445%	-	1,177
Certificate of deposit	09/22/09	03/22/10	0.445%	-	1,342
Certificate of deposit	11/01/09	05/01/10	0.395%	-	1,514
Certificate of deposit	11/19/09	02/22/10	0.100%	-	1,127
Certificate of deposit	09/22/09	01/22/10	0.245%	-	3,860
Certificate of deposit	11/17/09	02/22/10	0.100%	-	3,350
				<u>\$ 9,905</u>	<u>\$ 27,825</u>

Short-term investments are allocated as follows in thousands of dollars:

	<u>2010</u>	<u>2009</u>
General fund	\$ 1,288	\$ 13,710
Restricted		
Accident claims reserve	-	2,148
Bond proceeds/local grants restricted for acquisition of capital assets	2,873	6,223
Indefinite Situs tax restricted for debt repayment	<u>5,744</u>	<u>5,744</u>
Total Restricted	<u>8,617</u>	<u>14,115</u>
	<u>\$ 9,905</u>	<u>\$ 27,825</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Cash and Investment Deposits: The District maintains deposits with nine area financial institutions. A summary of these deposits as of December 31, 2010 and 2009 is as follows in thousands of dollars:

	2010		2009	
	Carrying Amount	Balance Per Bank	Carrying Amount	Balance Per Bank
On hand	\$ 1	\$ -	\$ 1	\$ -
On deposit				
Insured by FDIC	1,550	1,352	1,430	1,394
Insured by IPDIF	42,077	40,315	43,465	45,712
Held by U.S. Treasury	8,617	8,617	8,617	8,617
	\$ 52,245	\$ 50,284	\$ 53,513	\$ 55,723

The investments which the District may purchase are limited by Indiana law. The District's cash deposits and its investment in certificates of deposit at year-end were entirely covered by Federal Deposit Insurance Corporation (FDIC) or by Indiana Public Deposits Insurance Fund (IPDIF). The IPDIF is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12.

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 3 - CAPITAL ASSETS

A summary of changes in capital assets is as follows in thousands of dollars:

	Balance January 1, <u>2010</u>	<u>Changes During Year</u>		Balance December 31, <u>2010</u>
		<u>Additions</u>	<u>Reductions</u>	
Capital assets not being depreciated:				
Land	\$ 6,995	\$ -	\$ -	\$ 6,995
Construction in progress	14,847	33,196	(6,242)	41,801
Total capital assets not being depreciated	<u>21,842</u>	<u>33,196</u>	<u>(6,242)</u>	<u>48,796</u>
Capital assets being depreciated:				
Rolling stock (including capital spare parts)	201,481	2,465	-	203,946
Buildings and improvements	134,475	1,368	-	135,843
Track work and substations	43,177	186	-	43,363
Bridges and crossings	32,806	710	-	33,516
Machinery and equipment	8,207	881	(12)	9,076
Information system and office equipment	831	52	-	883
Autos and trucks	3,385	526	(262)	3,649
Total capital assets being depreciated	<u>424,362</u>	<u>6,188</u>	<u>(274)</u>	<u>430,276</u>
Less accumulated depreciation	<u>170,914</u>	<u>19,575</u>	<u>(274)</u>	<u>190,215</u>
Total capital assets being depreciated, net	<u>253,448</u>	<u>(13,387)</u>	<u>-</u>	<u>240,061</u>
Total capital assets, net	<u>\$ 275,290</u>	<u>\$ 19,809</u>	<u>\$ (6,242)</u>	<u>\$ 288,857</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 3 - CAPITAL ASSETS (Continued)

	Balance January 1, <u>2009</u>	<u>Changes During Year</u>		Balance December 31, <u>2009</u>
		<u>Additions</u>	<u>Reductions</u>	
Capital assets not being depreciated:				
Land	\$ 6,995	\$ -	\$ -	\$ 6,995
Construction in progress	92,587	29,136	(106,876)	14,847
Total capital assets not being depreciated	<u>99,582</u>	<u>29,136</u>	<u>(106,876)</u>	<u>21,842</u>
Capital assets being depreciated:				
Rolling stock (including capital spare parts)	148,911	52,570	-	201,481
Buildings and improvements	84,604	49,871	-	134,475
Track work and substations	43,177	-	-	43,177
Bridges and crossings	29,778	3,028	-	32,806
Machinery and equipment	7,769	560	(122)	8,207
Information system and office equipment	1,129	83	(381)	831
Autos and trucks	3,542	255	(412)	3,385
Total capital assets being depreciated	<u>318,910</u>	<u>106,367</u>	<u>(915)</u>	<u>424,362</u>
Less accumulated depreciation	<u>154,424</u>	<u>17,405</u>	<u>(915)</u>	<u>170,914</u>
Total capital assets being depreciated, net	<u>164,486</u>	<u>88,962</u>	<u>-</u>	<u>253,448</u>
Total capital assets, net	<u>\$ 264,068</u>	<u>\$ 118,098</u>	<u>\$ (106,876)</u>	<u>\$ 275,290</u>

Depreciation at December 31, 2010 and 2009 consists of the following in thousands of dollars:

	<u>2010</u>	<u>2009</u>
Depreciation on assets acquired with federal funds	\$ 12,337	\$ 11,315
Depreciation on assets acquired with state and local funds	<u>7,238</u>	<u>6,090</u>
	<u>\$ 19,575</u>	<u>\$ 17,405</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 4 - TRACKAGE RIGHTS

Beginning in 1991, as a result of the District's acquisition of the "Joint Assets," including all track, ties, ballast, switches, real estate, and other similar items, the District is to receive an "annual fee" for the use of its track. This annual fee has two components: (1) a reimbursement of maintenance of way costs (the MOW fee) and (2) a payment for the right to use the track (the ROI fee). Both components of the annual fee are calculated in accordance with formulas incorporated in the purchase agreement between the District and the South Shore Acquisition Company (SSA). The District recognized \$1.29 million and \$1.52 million in MOW fees in 2010 and 2009, respectively. These amounts have been recorded as reductions to the related maintenance of way expense in the accompanying statements of revenue and expense and changes in fund equity. \$763 thousand and \$941 thousand in ROI fees are recognized in 2010 and 2009, respectively, and reported as part of "other local funds" in the accompanying statement of revenue and expense and change in net assets.

NOTE 5 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2010 and 2009 is as follows (in thousands of dollars):

	January 1, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	December 31, <u>2010</u>	Due Within <u>One Year</u>	<u>Long-Term Portion</u>
Bonds payable:						
Bonds payable - 2004	\$ 23,305	\$ -	\$ 1,525	\$ 21,780	\$ 1,575	\$ 20,205
Bonds payable - 2007	30,505	-	1,660	28,845	1,727	27,118
Premium on bonds payable	751	-	103	648	-	648
Total bonds payable	<u>54,561</u>	<u>-</u>	<u>3,288</u>	<u>51,273</u>	<u>3,302</u>	<u>47,971</u>
Accrued postretirement health costs (Note 7)	1,175	93	-	1,268	-	1,268
Total	<u>\$ 55,736</u>	<u>\$ 93</u>	<u>\$ 3,288</u>	<u>\$ 52,541</u>	<u>\$ 3,302</u>	<u>\$ 49,239</u>

	January 1, <u>2009</u>	<u>Additions</u>	<u>Reductions</u>	December 31, <u>2009</u>	Due Within <u>One Year</u>	<u>Long-Term Portion</u>
Bonds payable:						
Bonds payable - 2004	\$ 24,790	\$ -	\$ 1,485	\$ 23,305	\$ 1,525	\$ 21,780
Bonds payable - 2007	32,100	-	1,595	30,505	1,660	28,845
Premium on bonds payable	858	-	107	751	-	751
Total bonds payable	<u>57,748</u>	<u>-</u>	<u>3,187</u>	<u>54,561</u>	<u>3,185</u>	<u>51,376</u>
Accrued postretirement health costs (Note 7)	1,276	-	101	1,175	-	1,175
Total	<u>\$ 59,024</u>	<u>\$ -</u>	<u>\$ 3,288</u>	<u>\$ 55,736</u>	<u>\$ 3,185</u>	<u>\$ 52,551</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 5 - LONG-TERM LIABILITIES (Continued)

On November 16, 2004, the District issued \$29,275,000 worth of Limited Obligation Revenue Bonds, Series 2004 to the Indiana Bond Bank. The purpose of issuing the bonds was to fund the cost of a railroad project, including a centralized traffic control system, upgraded signal, fiber optics and modernized catenaries with new conductors, poles or portal structures, mast arms and connectors and related financing costs. The Bonds maturing on February 1, 2021 and February 1, 2022, are subject to optional redemption prior to maturity on and after February 1, 2010 at par. The Bonds maturing on and after February 1, 2016, excluding the Bonds maturing on February 1, 2021 and February 1, 2022 are subject to optional redemption on and after February 1, 2015 at par. The Bonds are set to be repaid annually on December 30 for principal and interest until December 30, 2021, with payments commencing on December 30, 2005. The bonds bear an interest rate ranging from 2.0% to 5.0%.

On April 4, 2007, the District issued \$32,100,000 worth of Limited Obligation Capital Grant Receipts Revenue Bonds, Series 2007 to Chase Equipment Leasing, Inc. The funds generated were used to purchase commuter rail cars. The Bonds shall be subject to optional redemption on December 30, 2012, December 30, 2014, or December 30, 2016 at the redemption price of 100% of the principal amount of the Bonds to be redeemed plus accrued interest, if any, to the date fixed for redemption. The Bonds are also subject to optional redemption on any payment date on or after June 30, 2008 in whole at a redemption price of 100% of the principal amount of the Bonds to be redeemed plus accrued interest to the redemption, plus premium. The Bonds are set to be repaid annually on June 30 and December 30 for principal and interest starting June 30, 2009 until December 30, 2023. The bonds bear an interest rate of 4.028%.

To comply with covenants outlined in the 2004 and 2007 bonds agreements, the District has established several accounts which are required to hold all principal and interest payments on the bonds becoming due over the next 12 months. These accounts are classified as restricted cash. These reserve accounts may not in any event exceed an amount equal to two times the maximum amount of principal and interest coming due over the next 12 months. During 2009 FGIC, the District's 2004 Bond Insurer, fell below the required bond rating of "A." In accordance with the Trust Indenture, the District was required to set aside an additional \$2,600,000 in escrow.

The bond debt service requirements to maturity for the 2007 and 2004 Bonds are as follows (in thousands of dollars):

Year Ending December 31	2004 Bond			2007 Bond			Total
	Principal	Interest	Total	Principal	Interest	Total	
2011	\$ 1,575	\$ 1,024	\$ 2,599	\$ 1,727	\$ 1,145	\$ 2,872	\$ 5,471
2012	1,650	945	2,595	1,798	1,074	2,872	5,467
2013	1,735	863	2,598	1,871	1,001	2,872	5,470
2014	1,800	800	2,600	1,947	925	2,872	5,472
2015	1,865	732	2,597	2,026	846	2,872	5,469
2016-2020	10,720	2,269	12,989	11,435	2,924	14,359	27,348
2021-2023	2,435	122	2,557	8,041	576	8,617	11,174
	<u>\$ 21,780</u>	<u>\$ 6,755</u>	<u>\$ 28,535</u>	<u>\$ 28,845</u>	<u>\$ 8,491</u>	<u>\$ 37,336</u>	<u>\$ 65,871</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 6 - NET ASSET CLASSIFICATIONS

Invested in Capital Assets, Net of Related Debt: This represents the net book value of property and equipment, less the amount of debt outstanding used for the acquisition of fixed assets.

Restricted for Debt Service: This represents amounts of Situs Tax, which is restricted for debt service, less accumulated bond principal and interest payments.

Restricted for Capital Projects: This represents unspent grant and bond proceeds net of debt.

Unrestricted Net Assets: This represents the balance of net assets which use has not been restricted for debt service nor invested in capital assets, net of debt.

NOTE 7 - EMPLOYEES' RETIREMENT AND POSTRETIREMENT HEALTH PLANS

To provide retirement benefits for its full-time employees, the District participates in the Public Employees' Retirement Fund of Indiana (Fund), a cost-sharing, multiple-employer public employees' retirement system. The payroll for employees covered by the Fund was \$1.3 and \$1.4 million for 2010 and 2009 respectively. All District employees not covered by Public Employees' Retirement Fund are covered by the Federal Railroad Retirement Act. The District's total payroll was \$16.6 million for 2010 and \$17.7 million for 2009.

PERF covered employees are required to contribute 3% of their compensation to the Fund and the District is required to contribute amounts, which are actuarially determined, sufficient to fund the retirement benefits. The contribution requirement, which was made by the District, was \$216 thousand for 2010 and 2009, respectively. These contributions represent 16% of covered payroll for 2010 and 15% of covered payroll for 2009. The District contributes the 3% employee's portion. To obtain more information please visit the Public Employees' Retirement Fund at www.in.gov/perf/.

GASB Statements 27 and 50 require certain additional pension disclosures, including trend information. Not all of the required information has been disclosed herein. Some of the required information is not available from the Public Employees' Retirement Fund of Indiana. Further, because only 18 employees of the District are participants in the Fund, these items are not considered to be material disclosures to the District's financial statements.

In addition, effective January 1, 1994, the District established the NICTD Supplemental Pension Plan and Trust (the Plan) for its non-contract employees. The Plan is a non-contributory defined contribution plan. All employees (other than union employees, or part-time or temporary employees) having attained age 21, with one year of service are eligible to participate. Participants are covered under two categories: Class I and Class II. Class I participants are also current participants in Federal Railroad Retirement Act Tier I and II coverage. Class II participants are also current participants in the Public Employees' Retirement Fund of Indiana. All participants' total balances are 100% vested.

The Plan requires contributions by the District to be made at the rate of 5% of Class I employees' compensation and 8% of Class II employees' compensation. Contributions for 2010 and 2009 by the District amounted to \$128 thousand and \$133 thousand (5% of covered payroll) for Class I employees and \$98 thousand and \$105 thousand (8% of covered payroll) for Class II employees.

Covered payroll for 2010 and 2009 amounted to \$2,554 thousand and \$2,652 thousand for Class I employees and \$1,283 thousand and \$1,307 thousand for Class II employees.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2010 and 2009

NOTE 7 - EMPLOYEES' RETIREMENT AND POSTRETIREMENT HEALTH PLANS (Continued)

In addition, certain contract employees, including clerks, dispatchers, collectors/conductors, and engineers were enrolled in a separate union supplemental pension plan. Full-time employees covered by the applicable collective bargain agreements are eligible to participate in the plan. All participants are 100% vested.

Contributions are made by the District as follows: \$0.50 per qualifying hour for clerks. \$1.00 per qualifying hour worked for dispatchers and \$0.50 per qualifying hour for collectors/conductors and engineers. Contributions for 2010 and 2009 by the District amounted to \$20 thousand and \$20 thousand for clerks, \$10 thousand and \$11 thousand for dispatchers and \$75 thousand and \$72 thousand for collectors/conductors and engineers. Qualifying hours for 2010 and 2009 were 41 thousand and 40 thousand for clerks, 10 thousand and 11 thousand for dispatchers and 153 thousand and 144 thousand for collectors/conductors and engineers.

There were no securities of or loans to the District or related parties in the Plan assets.

On December 30, 2003, the District adopted the postretirement health plan. On June 1, 2009, this plan was amended to change entry level age to 62 for eligible retirees with coverage ceasing at age 65. The plan covers all management employees over the age of 62 with 12 years of service. Employees contribute 60% of the Cobra rate while under the age of 65 and 50% of the premiums for Option I Medicare Supplement coverage. The District makes contributions for retired employees on a pay as you go basis. This plan is not funded, however, approximately \$600 thousand of the District's cash and cash equivalents is designated for this health plan. Approximately 58 retired and active employees are covered under this plan. Actuarial assumptions used to determine net periodic postretirement healthcare benefits costs include a discount rate of 4.00% for 2010 and 2009. The District recognized a change of \$93 thousand and \$101 thousand in postretirement health plan obligations for 2010 and 2009, respectively. The accumulated postretirement health plan liability was \$1,268 thousand and \$1,175 thousand as of December 31, 2010 and 2009, respectively.

GASB Statement 45 requires certain additional postretirement health plan disclosures, including trend information. These items are not considered to be material disclosures to the District's financial statements.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
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 December 31, 2010 and 2009

NOTE 8 - OTHER NONOPERATING REVENUE

Other local funds and other revenue at December 31, 2010 and 2009 consist of the following in thousands of dollars:

	<u>2010</u>	<u>2009</u>
Other local funds		
Local subsidies	\$ 3,723	\$ 3,780
 Total other local funds	 <u>\$ 3,723</u>	 <u>\$ 3,780</u>
 Other revenue		
Interest – unreserved	\$ 106	\$ 355
Interest – reserved for accident claims	14	35
Rental income	109	92
Sale of maintenance services	2	1
Sale of scrap material	95	67
Advertising activities	85	57
Lawsuit settlement	-	420
Miscellaneous	<u>7</u>	<u>4</u>
 Total other revenue	 <u>\$ 418</u>	 <u>\$ 1,031</u>

NOTE 9 - METRA TRANSACTIONS

The District and Metra have agreed to a purchase of service agreement, whereby Metra reimburses the District for a portion (21% for 2009 and 2010) of certain qualifying expenses resulting from the provision of passenger service along the former CSS line. In the event that the passenger operations generate a surplus, Metra would participate in that same proportion as it does for losses. The operating subsidy for 2010 and 2009 amounted to \$2.9 million and \$2.8 million, respectively. A portion of this subsidy is included in "other local funds" with the remaining amount as an offset to "transportation" operating expenses in the accompanying statement of revenue, expenses and changes in net assets.

During 2008, the District renegotiated the agreement, the terms and conditions of the agreements are substantially the same. The agreement is for five (5) years made retroactive to January 1, 2007 and is to expire on December 31, 2011.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2010 and 2009

NOTE 9 - METRA TRANSACTIONS (Continued)

Additionally, the District and Metra have a Trackage Right Agreement whereby the District pays an amount to Metra for operating over their tracks and other services between Kensington and Millennium Station. This consists of the Base Compensation amount which has two components: 1) Electrical Energy Expense and 2) General Operating Expenses. The District shall make current year electrical energy expense payments on a monthly basis to Metra using one-twelfth (1/12) of the prior year's actual energy bill. At the end of each year, a reconciliation bill to the current year power charges will be calculated by Metra and billed to the District. The General Operating Expense (Base Payment) component is based upon the District's allocation share of actual expenses incurred by Metra for the operation and maintenance of the corridor between Kensington and Millennium Station. The Base Payment shall be adjusted each January 1 by the change (if any) from the prior calendar year in the Association of American Railroad's (AAR) Railroad Cost Index: Table A West-material prices, wage rates and supplements combined (excluding fuel). The District recognized \$5.0 million and \$4.4 million in total Trackage Rights Expense for 2010 and 2009, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

The following summarizes the significant commitments and contingencies at December 31, 2010 and 2009:

- (a) During the course of its operations, the District is involved in incidents which could result in claims for personal injury. Estimated losses as a result of such incidents have been provided for in the accompanying financial statements.
- (b) The District has a self-funded insurance plan for its management employees. Benefits Administrative Systems, LLC provides certain administrative services for the plan. An insurance company provides specific and aggregate stop loss coverage. The District is responsible for the funding of all claims up to \$70 thousand (aggregate specific deductible) per individual per policy year and up to approximately \$1,092 thousand (attachment point/minimum aggregate deductible) per year for the group as a whole. A liability of \$178 thousand and \$209 thousand has been recorded by the District at December 31, 2010 and 2009 to estimate payment of claims pending on that date. Group insurance expense related to this plan totaled \$748 thousand and \$709 thousand for the years ended December 31, 2010 and 2009. Approximately 250 union employees are covered under a separate plan. Total health insurance expenses for the years ended December 31, 2010 and 2009 totaled \$5,643 thousand and \$5,117 thousand.
- (c) The District has received Federal and State financial assistance in the form of grants that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agency for expenditures disallowed under terms and conditions specified in the grant agreements. In the opinion of District management, such disallowances, if any, will not be significant.
- (d) The District had the following contractual commitments as of December 31:

<u>Project</u>	<u>2010</u>	<u>2009</u>
Catenary Phase II	\$ 4,304,685	\$ 15,849,334
Signal Phase III	5,229,277	13,830,531
Kensington	1,167,187	1,807,360
Others	1,931,863	3,127,406
Total	<u>\$ 12,633,012</u>	<u>\$ 34,614,631</u>