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June 10, 2014

Board of Directors
Northern Indiana Commuter Transportation District
503 N. 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, 2013 to December 31, 2013. 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, 2013 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

**NORTHERN INDIANA COMMUTER
TRANSPORTATION DISTRICT**

ANNUAL REPORT
December 31, 2013 and 2012

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
Chesterton, Indiana

ANNUAL REPORT
December 31, 2013 and 2012

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REPORT OF INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS

Board of Trustees
Northern Indiana Commuter
Transportation District
Chesterton, Indiana

Report on Financial Statements

We have audited the accompanying financial statements of the Northern Indiana Commuter Transportation District (the District) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's 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 accounting principles generally accepted in the United States of America; 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.

Auditor's 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 in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2013 and 2012 and the changes in financial position and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the District adjusted the beginning 2012 net position by approximately \$503,000 in order to implement the new accounting guidance required by GASB 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated April 1, 2014 on our consideration of the District'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 the District's internal control over financial reporting and compliance.

Crowe Horwath LLP
Crowe Horwath LLP

South Bend, Indiana
April 1, 2014

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2013 and 2012
 (In thousands of dollars)

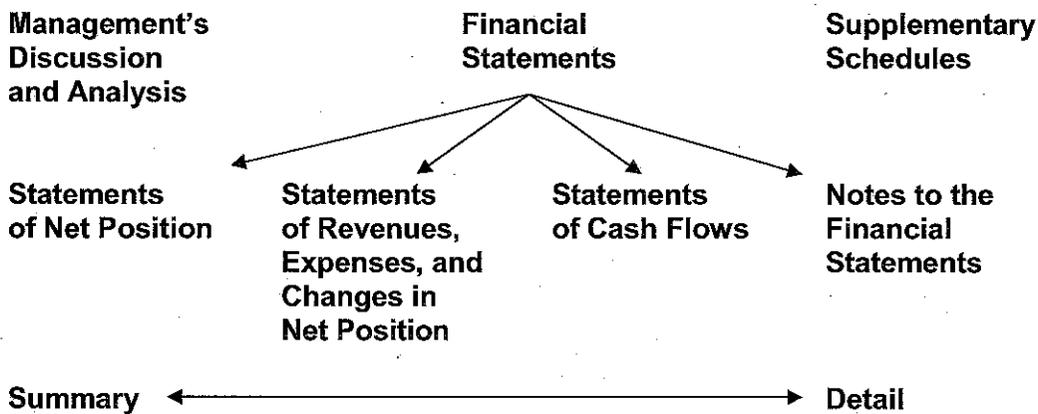
The following discussion and analysis of the Northern Indiana Commuter Transportation District's (the District's) financial performance provides an overview of the District's financial activities for the years ended December 31, 2013 and 2012.

Overview of the Financial Statements

This annual financial report consists of four parts: Management's Discussion and Analysis, Financial Statements, Supplementary Schedules, 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 position. 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 Statements of Net Position include all of the District's assets and liabilities and provide 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.

All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Change in Net Position, 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.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2013 and 2012

(In thousands of dollars)

Financial Highlights

- Total assets decreased by \$1,940 or 0.54%, from \$356,208 in 2012 to \$354,268 in 2013, primarily due to an increase in accumulated depreciation on assets capitalized in 2013. Total assets decreased by \$6,557 or 1.81%, from \$362,765 in 2011 to \$356,208 in 2012, primarily due to an increase in accumulated depreciation on capitalized assets.
- Operating revenues decreased by \$218 or 1.11% in 2013, from \$19,600 to \$19,382. Operating revenues increased by \$1,370 or 7.52% in 2012, from \$18,230 to \$19,600.
- Operating expenses decreased by \$1,441 or 2.36% in 2013, from \$61,073 to \$59,632 primarily due to slowed growth in salaries, wages and general expenses. Operating expenses increased by \$3,357 or 5.82% in 2012, from \$57,716 to \$61,073 primarily due to an increase in depreciation expense.
- Loss before capital contributions decreased by \$2,197 or 14.91% in 2013, from \$14,740 to \$12,543 due to an increase in state operating assistance. Loss before capital contributions decreased by \$3,653 or 19.86% in 2012, from \$18,393 to \$14,740 due to an increase in state operating assistance.

Statements of Net Position

Total net position increased by \$2,561 in 2013 and decreased by \$2,072 in 2012, (see Figure A-2). The largest portion of net position is net investment in capital assets, which decreased \$4,680 in 2013 and decreased by \$6,669 in 2012 through capital improvements, which were funded by contributions from federal and state governmental agencies.

**Figure A-2a
Condensed Statements of Net Position**

	<u>2013</u>	<u>2012</u>	<u>Difference</u>	<u>Percent Change</u>
Current assets	\$ 38,088	\$ 38,955	\$ (867)	(2.23)%
Noncurrent assets	316,180	317,253	(1,073)	(0.34)
Total assets	<u>354,268</u>	<u>356,208</u>	<u>(1,940)</u>	<u>(0.54)</u>
Current liabilities	13,053	13,363	(310)	(2.33)
Long-term liabilities	<u>37,452</u>	<u>41,643</u>	<u>(4,191)</u>	<u>(10.06)</u>
Total liabilities	50,505	55,006	(4,501)	(8.18)
Net investment in capital assets	234,580	239,260	(4,680)	(1.96)
Restricted for debt service	17,854	15,712	2,142	13.64
Restricted for capital projects	6,237	6,233	4	0.6
Unrestricted	<u>45,092</u>	<u>39,997</u>	<u>5,095</u>	<u>12.74</u>
Total net position	<u>\$ 303,763</u>	<u>\$ 301,202</u>	<u>\$ 2,561</u>	<u>0.85%</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013 and 2012
(In thousands of dollars)

Figure A-2b
Condensed Statements of Net Position

	<u>2012</u>	<u>2011</u>	<u>Difference</u>	<u>Percent Change</u>
Current assets	\$ 38,955	\$ 35,533	\$ 3,422	9.63%
Noncurrent assets	317,253	327,232	(9,979)	(3.05)
Total assets	<u>356,208</u>	<u>362,765</u>	<u>(6,557)</u>	<u>(1.81)</u>
Current liabilities	13,363	13,740	(377)	(2.74)
Long-term liabilities	<u>41,643</u>	<u>45,751</u>	<u>(4,108)</u>	<u>(8.98)</u>
Total liabilities	55,006	59,491	(4,485)	(7.54)
Net investments in capital assets	239,260	245,929	(6,669)	(2.71)
Restricted for debt service	15,712	14,576	1,136	7.79
Restricted for capital projects	6,233	6,230	3	0.05
Unrestricted	<u>39,997</u>	<u>36,539</u>	<u>3,458</u>	<u>9.46</u>
Total net position	<u>\$ 301,202</u>	<u>\$ 303,274</u>	<u>\$ (2,072)</u>	<u>(0.68)%</u>

Statements of Revenues, Expenses and Changes in Net Position

Operating revenues decreased by \$218 in 2013 (see Figure A-3a). Operating revenues increased by \$1,370 in 2012 (see Figure A-3b).

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenue	\$ 19,382	\$ 19,600	\$ 18,230
Commuter ridership	2,192	2,202	2,241
Off-peak ridership	1,415	1,466	1,466
Total ridership	3,607	3,668	3,707

Operating expenses decreased by \$1,441 in 2013. The key components of operating expenses are: transportation, maintenance, and depreciation. Depreciation expense decreased by \$1,229 in 2013. Railroad operating expenses decreased 2.36% over 2012. Total non-operating revenues/expenses increased by \$974 or 3.64% in 2013 due to an increase in Commuter Rail Service Fund Indefinite Situs Tax collections.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2013 and 2012
 (In thousands of dollars)

Figure A-3a
Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2013</u>	<u>2012</u>	<u>Difference</u>	<u>Percent Change</u>
Operating revenue	\$ 19,382	\$ 19,600	\$ (218)	(1.11)%
Operating expenses	<u>(59,632)</u>	<u>(61,073)</u>	<u>1,441</u>	<u>(2.36)</u>
Operating loss	(40,250)	(41,473)	1,223	(2.95)
Non-operating revenues/expenses	<u>27,707</u>	<u>26,733</u>	<u>974</u>	<u>3.64</u>
Loss before contributions	(12,543)	(14,740)	2,197	14.91
Contributions	<u>15,104</u>	<u>13,171</u>	<u>1,933</u>	<u>14.68</u>
Increase in net position	2,561	(1,569)	4,130	263.18
Adjustment per GASB 65	-	(503)	503	(100.00)
Net position, beginning of year	<u>301,202</u>	<u>303,274</u>	<u>(2,072)</u>	<u>(0.68)</u>
Net position, end of year	<u>\$ 303,763</u>	<u>\$ 301,202</u>	<u>\$ 2,561</u>	<u>0.85%</u>

Operating expenses increased by \$3,357 in 2012. The key components of operating expenses are: transportation, maintenance and depreciation. Depreciation expense increased by \$1,565 in 2012. Railroad operating expenses increased by 5.82% over 2011. Total non-operating revenues/expenses increased by \$5,640, or 26.74% in 2012 due to an increase in Commuter Rail Service Fund Sales Tax collections.

Figure A-3b
Condensed Statements of Revenues, Expenses and Changes in Net Position

	<u>2012</u>	<u>2011</u>	<u>Difference</u>	<u>Percent Change</u>
Operating revenue	\$ 19,600	\$ 18,230	\$ 1,370	7.52%
Operating expenses	<u>(61,073)</u>	<u>(57,716)</u>	<u>3,357</u>	<u>5.82</u>
Operating loss	(41,473)	(39,486)	1,987	5.03
Non-operating revenues/expenses	<u>26,733</u>	<u>21,093</u>	<u>5,640</u>	<u>26.74</u>
Loss before contributions	(14,740)	(18,393)	3,653	19.86
Contributions	<u>13,171</u>	<u>26,461</u>	<u>(13,290)</u>	<u>(50.22)</u>
Increase in net position	(1,569)	8,068	(9,637)	(119.45)
Adjustment per GASB 65	(503)	-	(503)	(100.00)
Net position, beginning of year	<u>303,274</u>	<u>295,206</u>	<u>8,068</u>	<u>2.73</u>
Net position, end of year	<u>\$ 301,202</u>	<u>\$ 303,274</u>	<u>\$ (2,072)</u>	<u>(0.68)%</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013 and 2012
(In thousands of dollars)

Figure A-3c, which follows, provides a more detailed look at operating revenues and expenses, as well as nonoperating revenues and expenses. This provides a comparison of the most recent three years of financial data.

Figure A-3c
Schedule of Revenues and Expenses

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Operating revenues			
Passenger fares (net of refunds)	\$ 19,341	\$ 19,556	\$ 18,184
Parking lot collections	41	44	46
Total operating revenues	<u>\$ 19,382</u>	<u>\$ 19,600</u>	<u>\$ 18,230</u>
Operating expenses			
Transportation	15,835	16,229	13,130
Maintenance of way	5,611	5,633	7,524
Maintenance of equipment	10,077	9,755	9,709
Claims and insurance	1,639	1,682	1,691
General and administrative	6,392	6,467	5,920
	<u>39,554</u>	<u>39,766</u>	<u>37,974</u>
Depreciation	20,078	21,307	19,742
Total operating expenses	<u>\$ 59,632</u>	<u>\$ 61,073</u>	<u>\$ 57,716</u>
Nonoperating revenues (expenses)			
Maintenance grant	4,586	4,586	4,293
State operating assistance	11,666	12,331	8,286
Other local funds	4,891	4,748	3,958
Other revenue	383	455	604
Interest expense	(1,409)	(2,108)	(2,130)
Indefinite Situs tax	7,590	6,721	6,082
Total nonoperating revenues (expenses)	<u>\$ 27,707</u>	<u>\$ 26,733</u>	<u>\$ 21,093</u>

Statements of Cash Flows

Cash flow from operating activities in 2013 increased by \$1,906 (see Figure A-4a) due to an increase in reimbursements for indirect costs on operating labor charged to grant projects. Cash receipts for capital and related financing activities decreased by \$2,268 due to an increase in acquisition and construction of capital assets. Cash from investing activities increased by \$3,046 due to sales of certificates of deposit. Cash flow from operating activities in 2012 increased by \$2,155 (see Figure A-4b) due to a decrease in payments made for trade accounts payable. Cash receipts for capital and related financing activities decreased by \$1,109 due to a decrease in capital grants received. Cash from investing activities decreased by \$810 due to purchases of certificates of deposit.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013 and 2012
(In thousands of dollars)

Figure A-4a
Condensed Statements of Cash Flows

	<u>2013</u>	<u>2012</u>	<u>Difference</u>	<u>Percent Change</u>
Net cash flows used in operating activities	\$ (19,587)	\$ (21,493)	\$ 1,906	8.87%
Net cash flows provided by noncapital financing activities	25,694	28,432	(2,738)	(9.63)
Net cash flows used in capital and related financing activities	(3,963)	(1,695)	(2,268)	(133.81)
Net cash flows provided by investing activities	<u>2,265</u>	<u>(781)</u>	<u>3,046</u>	<u>390.01</u>
Net increase in cash and cash equivalents	4,409	4,463	(54)	(1.21)
Cash and equivalents, beginning of year	<u>45,332</u>	<u>40,869</u>	<u>4,463</u>	<u>10.92</u>
Cash and equivalents, end of year	<u>\$ 49,741</u>	<u>\$ 45,332</u>	<u>\$ 4,409</u>	<u>9.73%</u>

Figure A-4b
Condensed Statements of Cash Flows

	<u>2012</u>	<u>2011</u>	<u>Difference</u>	<u>Percent Change</u>
Net cash flows used in operating activities	\$ (21,493)	\$ (23,648)	\$ 2,155	9.11%
Net cash flows provided by noncapital financing activities	28,432	22,734	5,698	25.06
Net cash flows used in capital and related financing activities	(1,695)	(586)	(1,109)	(189.25)
Net cash flows provided by investing activities	<u>(781)</u>	<u>29</u>	<u>(810)</u>	<u>(2,793.10)</u>
Net increase (decrease) in cash and cash equivalents	4,463	(1,471)	5,934	403.40
Cash and equivalents, beginning of year	<u>40,869</u>	<u>42,340</u>	<u>(1,471)</u>	<u>(3.47)</u>
Cash and equivalents, end of year	<u>\$ 45,332</u>	<u>\$ 40,869</u>	<u>\$ 4,463</u>	<u>10.92%</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 December 31, 2013 and 2012
 (In thousands of dollars)

Capital Assets

The District uses a four-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 2014 through 2017. The District expects to invest \$90,576 in capital improvements during 2014 - 2017 in a major upgrade of the right of way. For more detailed information related to capital assets, see Note 3 to the financial statements.

Debt Administration

At December 31, 2013 and 2012, the District had \$22,976 and \$25,270 principal outstanding for the Series 2007 bonds and \$16,820 and \$18,555 principal outstanding for the Series 2004 Bonds.

**Figure A-5
Debt Service Coverage**

	<u>2013</u>	<u>2012</u>	<u>Difference</u>	<u>Percent Change</u>
Situs Tax Restricted for Debt Service	\$ 17,854	\$ 15,712	\$ 2,142	13.63%
Aggregate Net Debt Service Principal - Bonds	\$ 39,796	\$ 43,825	\$ (4,029)	(9.20)%

**Figure A-5
Debt Service Coverage**

	<u>2012</u>	<u>2011</u>	<u>Difference</u>	<u>Percent Change</u>
Situs Tax Restricted for Debt Service	\$ 15,712	\$ 14,576	\$ 1,136	7.79%
Aggregate Net Debt Service Principal - Bonds	\$ 43,825	\$ 47,323	\$ (3,498)	(7.39)%

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

We remain optimistic that ridership will begin to reverse its downward trend over the last several years. Operating revenue decreased slightly by 1.11% in 2013. Operation and maintenance expenses in 2014 are estimated to remain at 2013 expense levels, with continued cost saving measures already in place. Management believes that the 2014 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.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013 and 2012
(In thousands of dollars)

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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 Years ended December 31, 2013 and 2012
 (In thousands of dollars)

	<u>2013</u>	<u>2012</u>
Operating revenue		
Passenger fares (net of refunds)	\$ 19,341	\$ 19,556
Parking lot collections	41	44
	<u>19,382</u>	<u>19,600</u>
Operating expenses		
Transportation	15,835	16,229
Maintenance of way	5,611	5,633
Maintenance of equipment	10,077	9,755
Claims and insurance	1,639	1,682
General and administrative	6,392	6,467
	<u>39,554</u>	<u>39,766</u>
Depreciation	20,078	21,307
	<u>59,632</u>	<u>61,073</u>
Operating loss	<u>(40,250)</u>	<u>(41,473)</u>
Nonoperating revenues (expenses)		
Maintenance grant	4,586	4,586
State operating assistance	11,666	12,331
Other local funds (Note 8)	4,891	4,748
Other revenue (Note 8)	383	455
Interest expense	(1,409)	(2,108)
Indefinite Situs tax	7,590	6,721
	<u>27,707</u>	<u>26,733</u>
Loss before capital contributions	<u>(12,543)</u>	<u>(14,740)</u>
Capital contributions		
Federal	12,886	11,367
State	2,218	1,804
	<u>15,104</u>	<u>13,171</u>
Change in net position	2,561	(1,569)
Adjustment per GASB 65 (Note 1)	-	(503)
Net position at beginning of year	<u>301,202</u>	<u>303,274</u>
Net position at end of year	<u>\$ 303,763</u>	<u>\$ 301,202</u>

See accompanying notes to financial statements.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 STATEMENTS OF NET POSITION
 December 31, 2013 and 2012
 (In thousands of dollars)

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 16,622	\$ 19,847
Short-term investments (Note 2)	-	2,212
Receivables		
Federal capital and planning assistance	1,455	563
Federal operating assistance	1,586	-
State assistance	12,247	10,057
Metra portion of operating costs	308	616
Other	<u>468</u>	<u>568</u>
Total receivables	16,064	11,804
Materials and supplies inventory	4,368	4,082
Prepaid expenses	<u>1,034</u>	<u>1,010</u>
Total current assets	<u>38,088</u>	<u>38,955</u>
Noncurrent assets		
Cash and cash equivalents, restricted (Note 2)	33,119	25,485
Short-term investments, restricted (Note 2)	8,684	8,683
Capital assets not being depreciated	21,631	12,036
Capital assets being depreciated	502,383	500,923
Less accumulated depreciation	<u>(249,637)</u>	<u>(229,874)</u>
Capital assets being depreciated, net	<u>252,746</u>	<u>271,049</u>
Total capital assets, net (Note 3)	<u>274,377</u>	<u>283,085</u>
Total noncurrent assets	<u>316,180</u>	<u>317,253</u>
Total assets	<u>\$ 354,268</u>	<u>\$ 356,208</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 STATEMENTS OF NET POSITION
 December 31, 2013 and 2012
 (In thousands of dollars)

	<u>2013</u>	<u>2012</u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable		
Trade	\$ 2,416	\$ 1,669
Capital projects	1,160	2,445
Payroll taxes and withholdings	597	613
Unredeemed fares	254	264
Accrued injuries and damages	1,700	1,500
Other accrued expenses	2,774	2,843
Current portion - bonds payable (Note 5) (payable from restricted assets)	<u>4,152</u>	<u>4,029</u>
Total current liabilities	<u>13,053</u>	<u>13,363</u>
Long-term debt - bonds payable (Note 5)	36,020	40,255
Accrued post retirement health costs (Note 5)	<u>1,432</u>	<u>1,388</u>
Total long-term liabilities	<u>37,452</u>	<u>41,643</u>
Total liabilities	<u>50,505</u>	<u>55,006</u>
Net position (Note 6)		
Net investment in capital assets	234,580	239,260
Restricted for debt service	17,854	15,712
Restricted for capital projects	6,237	6,233
Unrestricted	<u>45,092</u>	<u>39,997</u>
Total net position	<u>303,763</u>	<u>301,202</u>
Total liabilities and net position	<u>\$ 354,268</u>	<u>\$ 356,208</u>

See accompanying notes to financial statements.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 2013 and 2012
 (In thousands of dollars)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Cash fares from customers	\$ 19,372	\$ 19,657
Cash payments for salaries and benefits	(25,406)	(26,131)
Cash payments for insurance	(1,414)	(1,339)
Cash paid for goods and services	<u>(12,139)</u>	<u>(13,680)</u>
Net cash flows used in operating activities	<u>(19,587)</u>	<u>(21,493)</u>
Cash flows from noncapital financing activities		
State assistance grant contributions	9,476	11,238
Maintenance grant	3,000	4,586
Situs tax	7,590	6,721
Other local sources	429	825
Metra operating subsidy	4,008	4,014
Trackage rights subsidy	<u>1,191</u>	<u>1,048</u>
Net cash flows provided by noncapital financing	<u>25,694</u>	<u>28,432</u>
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(12,654)	(10,924)
Capital grants received	14,212	14,926
Interest expenses	(1,492)	(2,010)
Bond repayment	(4,029)	(3,498)
Bond issuance costs	-	(189)
Net cash flows used in capital and related financing activities	<u>(3,963)</u>	<u>(1,695)</u>
Cash flows from investing activities		
Purchases of investments	-	(2,212)
Sales of investments	2,211	1,376
Interest received on cash equivalents and investments	<u>54</u>	<u>55</u>
Net cash flows provided by investing activities	<u>2,265</u>	<u>(781)</u>
Net increase in cash and cash equivalents	4,409	4,463
Cash and cash equivalents at beginning of year	<u>45,332</u>	<u>40,869</u>
Cash and cash equivalents at end of year	<u>\$ 49,741</u>	<u>\$ 45,332</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 STATEMENTS OF CASH FLOWS
 Years ended December 31, 2013 and 2012
 (In thousands of dollars)

	<u>2013</u>	<u>2012</u>
Reconciliation of operating loss to net cash flows used in operating activities		
Operating loss	\$ (40,250)	\$ (41,473)
Adjustments to reconcile operating loss to net cash flows used in operating activities:		
Depreciation expense	20,078	21,307
(Gain) loss on sale of fixed assets	-	5
Change in assets and liabilities		
Inventories	(287)	(248)
Prepaid expenses	(24)	31
Accounts payable - trade	747	(1,689)
Unredeemed fares	(10)	56
Accrued retirement	44	62
Accrued injuries and damages	200	270
Accrued and withheld items	<u>(85)</u>	<u>186</u>
Net cash flows used in operating activities	<u>\$ (19,587)</u>	<u>\$ (21,493)</u>
Noncash capital and related financing activities		
Capital assets included in accounts payable		
End of year	\$ 1,160	\$ 2,445
Beginning of year	2,445	2,224
Noncash noncapital financing activities		
Insurance premiums financed	989	964

See accompanying notes to financial statements.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 statements of net position. 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.

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 revenues, expenses, and changes in net position.

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, 2013 and 2012 cash equivalents stated at cost, which approximates fair value, consisted of certificates of deposit.

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.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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.

Capital Assets: Capital assets include major items of property, plant, and equipment acquired with federal, state and local funds and are capitalized at cost. Capital assets include real and personal property with a cost of \$5 thousand or more and a useful life of one year or more. Capital assets also include individual expenditures of \$5 thousand or more which: extends the useful life of an existing asset or; changes or expands the use(s) of the asset or; represents cost of a major component of an asset, such that the asset could not continue in service until the end of its useful life or; is required by law. 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

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.

During the year ended December 31, 2013 and 2012 the District recognized the Ford City Bridge easement as an intangible asset.

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 position.

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.

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.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 2013 and 2012, all such layers of coverage have been subscribed. There is no guarantee that such coverage will continue to be fully subscribed in the future.

Reporting Entity: The accompanying financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. The statement requires that financial statements of the reporting entity include all of the organizations activities, functions and component units for which the reporting entity is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the reporting entity's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the reporting entity. Based upon the application of these criteria, no entities have been considered to be potential component 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.

Reclassifications: Certain amounts from the prior year have been reclassified to conform to the current year presentation. The reclassifications had no effect on net position or change in net position.

New Accounting Pronouncements: For the year ended December 31, 2012, the District implemented GASB 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* and GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The financial statements and accompanying footnotes reflect these pronouncements.

For the year ended December 31, 2013, the District implemented GASB 65, *Items Previously Reported as Assets and Liabilities* and GASB 66, *Technical Corrections - 2012*. The financial statements and accompanying footnotes have been updated to reflect these pronouncements. Specifically, GASB 65 states that debt issuance costs, other than prepaid insurance, do not meet the definition of a deferred outflow of resources because the costs are not applicable to a future period. Therefore, the District adjusted the beginning 2012 net position by \$503,000 in order to remove the unamortized bond issuance costs that were previously reported as an asset.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013 and 2012

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents at December 31, 2013 and 2012 are as follows in thousands of dollars:

<u>Description</u>	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>
Cash	\$ 47,926	\$ 37,536
Certificate of deposit	1,815	7,796
	<u>\$ 49,741</u>	<u>\$ 45,332</u>

As of December 31, 2013 the certificate of deposits have maturity dates ranging from January 21, 2014 through January 31, 2014, with an interest rate of 0.150%.

As of December 31, 2012 the certificate of deposits have maturity dates ranging from January 22, 2013 through February 11, 2013, with interest rates ranging from 0.100% to 0.200%.

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

	<u>2013</u>	<u>2012</u>
General fund	\$ 16,622	\$ 19,847
Restricted		
Accident claims reserve	3,812	2,011
Capital assets reserve	11,434	8,384
Bond proceeds/local grants restricted for acquisition of capital assets	3,364	3,360
Westlake corridor contributions	1,679	1,677
Indefinite Situs tax restricted for debt repayment	12,830	10,053
Total restricted	<u>33,119</u>	<u>25,485</u>
	<u>\$ 49,741</u>	<u>\$ 45,332</u>

Short-term investments at December 31, 2013 and 2012 are as follows in thousands of dollars:

<u>Description</u>	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>
Government Securities	\$ 8,684	\$ 8,683
Certificate of deposit	-	2,212
	<u>\$ 8,684</u>	<u>\$ 10,895</u>

As of December 31, 2013, short-term investments mature on July 31, 2014 with an interest rate of 0.800%.

As of December 31, 2012, short-term investments have maturity dates ranging from January 12, 2013 through January 22, 2013, with interest rates ranging from 0.150% to 0.200%.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013 and 2012

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

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

	<u>2013</u>	<u>2012</u>
General fund	\$ -	\$ 2,212
Restricted		
Bond proceeds/local grants restricted for acquisition of capital assets	2,873	2,873
Indefinite Situs tax restricted for debt repayment	<u>5,811</u>	<u>5,810</u>
Total restricted	<u>8,684</u>	<u>8,683</u>
	<u>\$ 8,684</u>	<u>\$ 10,895</u>

Cash and Investment Deposits: The District maintains deposits with nine area financial institutions. A summary of these deposits as of December 31, 2013 and 2012 is as follows in thousands of dollars:

	2013		2012	
	<u>Carrying Amount</u>	<u>Balance Per Bank</u>	<u>Carrying Amount</u>	<u>Balance Per Bank</u>
On hand	\$ 1	\$ -	\$ 1	\$ -
On deposit				
Insured by FDIC	2,003	2,003	1,811	1,806
Insured by IPDIF	47,737	47,831	45,732	46,214
Held by U.S. Treasury	<u>8,684</u>	<u>8,684</u>	<u>8,683</u>	<u>8,683</u>
	<u>\$ 58,425</u>	<u>\$ 58,518</u>	<u>\$ 56,227</u>	<u>\$ 56,703</u>

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, 2013 and 2012

NOTE 3 – CAPITAL ASSETS

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

	Balance January 1, 2013	Changes During Year		Balance December 31, 2013
		Additions	Reductions	
Capital assets not being depreciated:				
Land	\$ 6,995	\$ -	\$ -	\$ 6,995
Construction in progress	5,041	13,253	(3,658)	14,636
Total capital assets not being depreciated	<u>12,036</u>	<u>13,253</u>	<u>(3,658)</u>	<u>21,631</u>
Capital assets being depreciated:				
Rolling stock (including capital spare parts)	204,073	-	-	204,073
Buildings and improvements	199,394	2,281	(1,883)	199,792
Track work and substations	43,363	530	-	43,893
Bridges and crossings	40,831	22	-	40,853
Machinery and equipment	9,168	727	(107)	9,788
Information system and office equipment	777	22	(52)	747
Autos and trucks	3,317	76	(156)	3,237
Total capital assets being depreciated	500,923	3,658	(2,198)	502,383
Less accumulated depreciation:				
Rolling stock (including capital spare parts)	117,020	7,249	-	124,269
Buildings and improvements	84,550	10,798	-	95,348
Track work and substations	377	89	-	466
Bridges and crossings	18,976	1,228	-	20,204
Machinery and equipment	6,175	415	(107)	6,483
Information system and office equipment	591	30	(52)	569
Autos and trucks	2,185	269	(156)	2,298
Total accumulated depreciation	<u>229,874</u>	<u>20,078</u>	<u>(315)</u>	<u>249,637</u>
Total capital assets being depreciated, net	<u>271,049</u>	<u>(16,420)</u>	<u>(1,883)</u>	<u>252,746</u>
Total capital assets, net	<u>\$ 283,085</u>	<u>\$ (3,167)</u>	<u>\$ (5,541)</u>	<u>\$ 274,377</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 3 - CAPITAL ASSETS (Continued)

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

	Balance January 1, <u>2012</u>	<u>Changes During Year</u>		Balance December 31, <u>2012</u>
		<u>Additions</u>	<u>Reductions</u>	
Capital assets not being depreciated:				
Land	\$ 6,995	\$ -	\$ -	\$ 6,995
Construction in progress	<u>60,644</u>	<u>11,173</u>	<u>(66,776)</u>	<u>5,041</u>
Total capital assets not being depreciated	<u>67,639</u>	<u>11,173</u>	<u>(66,776)</u>	<u>12,036</u>
Capital assets being depreciated:				
Rolling stock (including capital spare parts)	204,073	-	-	204,073
Buildings and improvements	136,877	62,517	-	199,394
Track work and substations	43,363	-	-	43,363
Bridges and crossings	37,104	3,727	-	40,831
Machinery and equipment	9,163	182	(177)	9,168
Information system and office equipment	598	179	-	777
Autos and trucks	<u>3,519</u>	<u>143</u>	<u>(345)</u>	<u>3,317</u>
Total capital assets being depreciated	434,697	66,748	(522)	500,923
Less accumulated depreciation:				
Rolling stock (including capital spare parts)	107,078	9,942	-	117,020
Buildings and improvements	75,265	9,285	-	84,550
Track work and substations	294	83	-	377
Bridges and crossings	17,748	1,228	-	18,976
Machinery and equipment	5,950	402	(177)	6,175
Information system and office equipment	561	30	-	591
Autos and trucks	<u>2,188</u>	<u>337</u>	<u>(340)</u>	<u>2,185</u>
Total accumulated depreciation	<u>209,084</u>	<u>21,307</u>	<u>(517)</u>	<u>229,874</u>
 Total capital assets being depreciated, net	 <u>225,613</u>	 <u>45,441</u>	 <u>(5)</u>	 <u>271,049</u>
 Total capital assets, net	 <u>\$ 293,252</u>	 <u>\$ 56,614</u>	 <u>\$ (66,781)</u>	 <u>\$ 283,085</u>

Depreciation at December 31, 2013 and 2012 consists of the following in thousands of dollars:

	<u>2013</u>	<u>2012</u>
Depreciation on assets acquired with federal funds	\$ 13,188	\$ 13,753
Depreciation on assets acquired with state and local funds	<u>6,890</u>	<u>7,554</u>
	<u>\$ 20,078</u>	<u>\$ 21,307</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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 \$2.15 million and \$1.86 million in MOW fees in 2013 and 2012, 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. \$1,191 thousand and \$1,046 thousand in ROI fees are recognized in 2013 and 2012, respectively, and reported as part of "other local funds" in the accompanying statement of revenue and expense and change in net position.

NOTE 5 - LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2013 and 2012 is as follows (in thousands of dollars):

	January 1, 2013	Additions	Reductions	December 31, 2013	Due Within One Year	Long-Term Portion
Bonds payable:						
Bonds payable - 2004	\$ 18,555	\$ -	\$ 1,735	\$ 16,820	\$ 1,800	\$ 15,020
Bonds payable - 2007	25,270	-	2,294	22,976	2,352	20,624
Premium on bonds payable	459	-	83	376	-	376
Total bonds payable	<u>44,284</u>	<u>-</u>	<u>4,112</u>	<u>40,172</u>	<u>4,152</u>	<u>36,020</u>
Accrued postretirement health costs (Note 7)	1,388	44	-	1,432	-	1,432
Total	<u>\$ 45,672</u>	<u>\$ 44</u>	<u>\$ 4,112</u>	<u>\$ 41,604</u>	<u>\$ 4,152</u>	<u>\$ 37,452</u>

	January 1, 2012	Additions	Reductions	December 31, 2012	Due Within One Year	Long-Term Portion
Bonds payable:						
Bonds payable - 2004	\$ 20,205	\$ -	\$ 1,650	\$ 18,555	\$ 1,735	\$ 16,820
Bonds payable - 2007	27,118	-	1,848	25,270	2,294	22,976
Premium on bonds payable	550	-	91	459	-	459
Total bonds payable	<u>47,873</u>	<u>-</u>	<u>3,589</u>	<u>44,284</u>	<u>4,029</u>	<u>40,255</u>
Accrued postretirement health costs (Note 7)	1,326	62	-	1,388	-	1,388
Total	<u>\$ 49,199</u>	<u>\$ 62</u>	<u>\$ 3,589</u>	<u>\$ 45,672</u>	<u>\$ 4,029</u>	<u>\$ 41,643</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013 and 2012

NOTE 5 - LONG-TERM LIABILITIES (Continued)

On November 16, 2004, the District issued \$29.275 million 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 \$32.1 million 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 are set to be repaid annually on June 30 and December 30 for principal and interest starting June 30, 2009. On November 30, 2012, the District amended the interest rate of the 2007 Bond Issuance from 4.028% to 2.4706%. The Bond will continue to be repaid semi-annually on June 30 and December 30, with the final maturity date on December 30, 2022. The Bonds will be subject to optional redemption on December 30, 2014, December 30, 2016, or December 30, 2019 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.

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 \$2.6 million in escrow.

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

Year Ending December 31	2004 Bond			2007 Bond			Total
	Principal	Interest	Total	Principal	Interest	Total	
2014	\$ 1,800	\$ 800	\$ 2,600	\$ 2,352	\$ 553	\$ 2,905	\$ 5,505
2015	1,865	732	2,597	2,411	495	2,906	5,503
2016	1,940	658	2,598	2,471	435	2,906	5,504
2017	2,035	560	2,595	2,532	373	2,905	5,500
2018	2,140	459	2,599	2,594	310	2,904	5,503
2019-2022	7,040	714	7,754	10,616	581	11,197	18,951
	<u>\$ 16,820</u>	<u>\$ 3,923</u>	<u>\$ 20,743</u>	<u>\$ 22,976</u>	<u>\$ 2,747</u>	<u>\$ 25,723</u>	<u>\$ 46,466</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

NOTE 5 - LONG-TERM LIABILITIES (Continued)

Pledged Revenues: The District receives Indefinite Situs Tax funding from the State of Indiana. These funds are restricted for the repayment of our 2004 Bond Issuance. This is pursuant to IC 6-1.1; IC 8-3, "Commuter rail service fund provides that a commuter transportation district may use money deposited in the commuter rail fund that is revenue derived from the taxation of indefinite-situs distributable property of railroad companies to (1) satisfy any debt service; and (2) provide state matching funds for federal transportation capital grants." As of December 31, 2013 and 2012, NICTD has \$18.6 million and \$15.9 million in cash and investments restricted for debt service.

The last bond payment is scheduled to be made on or before December 30, 2021.

Annual Indefinite Situs Tax Funds Pledged (in thousands of dollars):

	<u>2013</u>	<u>2012</u>
Indefinite Situs Tax Funds Received	\$ 6,761	\$ 5,948
Debt Service Payments	2,598	2,596

NOTE 6 - NET POSITION CLASSIFICATIONS

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

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 \$1.5 million and \$1.5 million for 2013 and 2012 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 \$17.1 million for 2013 and \$17.4 million for 2012.

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 \$237 and \$269 thousand for 2013 and 2012, respectively. These contributions represent 16% of covered payroll for 2013 and 18% of covered payroll for 2012. The District contributes the 3% employee's portion. To obtain more information please visit the Public Employees' Retirement Fund at www.in.gov/perf/.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012

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

The following represents the District's annual required contributions (in thousands of dollars) for the last three years:

<u>Year Ended</u> <u>December 31</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
2013	\$ 237	100%
2012	269	100%
2011	233	100%

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 (excluding some non-participating union employees and 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 2013 and 2012 by the District amounted to \$117 thousand and \$122 thousand (5% of covered payroll) for Class I employees and \$123 thousand and \$122 thousand (8% of covered payroll) for Class II employees.

Covered payroll for 2013 and 2012 amounted to \$2,374 thousand and \$2,443 thousand for Class I employees and \$1,533 thousand and \$1,531 thousand for Class II employees.

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 2013 and 2012 by the District amounted to \$19 thousand and \$19 thousand for clerks, \$9 thousand and \$10 thousand for dispatchers and \$66 thousand and \$70 thousand for collectors/conductors and engineers. Qualifying hours for 2013 and 2012 were 38 thousand and 38 thousand for clerks, 11 thousand and 10 thousand for dispatchers and 141 thousand and 145 thousand for collectors/conductors and engineers.

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

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013 and 2012

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

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 \$500 thousand of the District's cash and cash equivalents is designated for this health plan. Approximately 52 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 2013 and 2012. The District recognized a change of \$44 thousand and \$62 thousand in postretirement health plan obligations for 2013 and 2012, respectively. The accumulated postretirement health plan liability was \$1,432 thousand and \$1,388 thousand as of December 31, 2013 and 2012, 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.

NOTE 8 - OTHER NONOPERATING REVENUE

Other local funds and other revenue at December 31, 2013 and 2012 consist of the following in thousands of dollars:

	<u>2013</u>	<u>2012</u>
Other local funds		
Local subsidies	\$ 4,891	\$ 4,748
Total other local funds	<u>\$ 4,891</u>	<u>\$ 4,748</u>
Other revenue		
Interest – unreserved	\$ 48	\$ 48
Interest – reserved for accident claims	6	7
Rental income	133	199
Sale of maintenance services	3	4
Sale of scrap material	44	66
Advertising activities	143	129
Miscellaneous	<u>6</u>	<u>2</u>
Total other revenue	<u>\$ 383</u>	<u>\$ 455</u>

NOTE 9 - METRA TRANSACTIONS

During 2012, the District and Metra agreed to a new Purchase of Service Agreement, whereby Metra reimburses the District \$3.7 million annually for the provision of passenger service along a certain section of the former CSS line. This agreement changes the way in which the operating subsidy is calculated from a percentage of operating costs to a flat annual amount. The agreement was signed on July 23, 2012 and is retroactive to January 1, 2012 expiring on December 31, 2016. The operating subsidy for 2013 and 2012 amounted to \$3.7 million and \$3.7 million, respectively. For 2013 and 2012, this amount is reported in "other local funds."

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2013 and 2012

NOTE 9 - METRA TRANSACTIONS (Continued)

Additionally, during 2012, the District and Metra agreed to a new Trackage Rights Agreement whereby the District pays a flat annual amount to Metra for operating over their tracks and other services between Kensington and Millennium Station. The agreement was signed on July 23, 2012 and is retroactive to January 1, 2012 expiring on December 31, 2016. The District recognized \$6.4 million and \$6.3 million in total Trackage Rights Expense for 2013 and 2012, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

The following summarizes the significant commitments and contingencies at December 31, 2013 and 2012:

- (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 \$144 thousand and \$131 thousand has been recorded by the District at December 31, 2013 and 2012 to estimate payment of claims pending on that date. Group insurance expense related to this plan totaled \$941 thousand and \$932 thousand for the years ended December 31, 2013 and 2012. Approximately 250 union employees are covered under a separate plan. Total health insurance expenses for the years ended December 31, 2013 and 2012 totaled \$5,757 thousand and \$5,691 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>2013</u>	<u>2012</u>
Catenary Phase III	\$ 21	\$ 51
Signal Phase III	-	1,134
Kensington	-	1,079
Bridges	2,620	2,856
Positive Train Control	2,617	-
Others	<u>1,676</u>	<u>1,098</u>
Total	\$ 6,934	\$ 6,218

SUPPLEMENTARY SCHEDULES

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

Board of Trustees
Northern Indiana Commuter
Transportation District
Chesterton, Indiana

We have audited the financial statements of Northern Indiana Commuter Transportation District (the District) as of and for the years ended December 31, 2013 and 2012, and our report thereon dated April 1, 2014, which contained an unmodified opinion on those financial statements, appears on pages 1 - 2. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of expenses on pages 30 and 31, schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for the year ended December 31, 2013 on page 32, and the schedules of budgeted, actual and questioned costs by grant for the periods ending December 31, 2013 on pages 34, 35, 42 and 43 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We previously audited the financial statements of the District as of and for the years ended December 31, 2006 through December 31, 2011, and our reports dated April 23, 2008, April 30, 2010 and April 23, 2012, contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules budgeted, actual and questioned costs by grant for the periods ending December 31, 2013 on pages 36-41 and 44 - 47 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Crowe Horwath LLP
Crowe Horwath LLP

South Bend, Indiana
April 1, 2014

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
SCHEDULES OF EXPENSES
Years ended December 31, 2013 and 2012
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>
TRANSPORTATION		
Salaries and wages	\$ 4,937	\$ 5,295
Fringe benefits and payroll taxes	3,843	4,048
Equipment expense	12	-
Repairs and maintenance materials	3	6
Operating costs	6,559	6,501
Utilities	170	175
Professional Services	70	-
Other services	154	97
Office supplies	9	18
Administration	72	86
Rents and leases	6	3
	<u>15,835</u>	<u>16,229</u>
MAINTENANCE OF WAY EXPENSES		
Salaries and wages	2,391	2,469
Fringe benefit and payroll taxes	2,199	2,154
Equipment expense	18	18
Repairs and maintenance materials	1,520	1,215
Traction power	2,095	1,942
Operating costs	(1,743)	(1,515)
Utilities	227	197
Professional services	4	-
Other services	356	257
Office supplies	8	8
Administration	(1,495)	(1,157)
Rents and leases	31	45
	<u>5,611</u>	<u>5,633</u>
MAINTENANCE OF EQUIPMENT EXPENSES		
Salaries and wages	4,224	4,439
Fringe benefit and payroll taxes	3,223	3,318
Equipment expense	17	17
Repairs and maintenance materials	1,816	1,419
Operating costs	20	21
Utilities	165	160
Professional services	5	-
Other services	519	351
Office supplies	61	82
Administration	27	(52)
Rents and leases	-	-
	<u>10,077</u>	<u>9,755</u>
CLAIMS AND INSURANCE	1,639	1,682

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
SCHEDULES OF EXPENSES
Years ended December 31, 2013 and 2012
(In thousands of dollars)

	<u>2013</u>	<u>2012</u>
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and wages	\$ 2,250	\$ 2,239
Fringe benefit and payroll taxes	2,284	2,389
Equipment expense	5	13
Repairs and maintenance materials	29	28
Operating costs	57	54
Utilities	119	105
Professional services	652	661
Other services	197	221
Office supplies	203	96
Administration	581	630
Rents and leases	<u>15</u>	<u>31</u>
	6,392	6,467
 DEPRECIATION		
Depreciation on assets acquired with federal funds	13,188	13,753
Depreciation on assets acquired with state and local funds	<u>6,890</u>	<u>7,554</u>
	<u>20,078</u>	<u>21,307</u>
	<u>\$ 59,632</u>	<u>\$ 61,073</u>

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended December 31, 2013

Federal Grantor/Grant No.	Federal CFDA Number	Qualifying Expenditures In Excess of (Less Than) Reimbursements, Beginning of 2013	Reimbursements		Total	Qualifying Expenditures		Total	Qualifying Expenditures In Excess of (Less Than) Reimbursements, End of 2013
			Federal Share	Local Share		Federal Share	Local Share		
U.S. Department of Transportation Federal Transit Administration	20.507	\$ -	\$ 3,000,000	\$ 11,101,852	\$ 14,101,852	\$ 4,585,954	\$ 11,101,852	\$ 15,687,806	\$ 1,585,954
Capital/ Maintenance Assistance IN-90-X656 (Operating Maint.)	20.500	11,309	31,374	5,035	36,409	20,065	5,035	25,100	-
	20.500	5,767	449,593	114,207	563,800	444,368	114,207	568,575	542
	20.500	163	219,921	108,400	328,321	433,600	108,400	542,000	213,842
	20.500	314,060	4,171,889	633,594	4,805,483	4,002,614	633,594	4,636,208	144,785
	20.500	80,899	5,120,423	1,086,670	6,207,093	5,782,682	1,086,670	6,869,352	743,158
	20.507	216	41,817	10,400	52,217	41,601	10,400	52,001	-
	20.507	-	60,000	15,000	75,000	60,000	15,000	75,000	-
	20.507	71,525	1,209,698	-	1,209,698	1,138,173	-	1,138,173	-
	20.507	5,479	14,789	2,330	17,129	9,320	2,330	11,650	-
	20.525	-	493,292	202,607	695,899	810,427	202,607	1,013,034	317,135
	20.933	73,188	181,612	39,714	221,326	143,436	39,714	183,150	35,012
FTA Subtotal		562,606	14,994,418	13,319,809	28,314,227	17,472,240	13,319,809	30,792,049	3,040,428
Summary by Federal CFDA Number		\$	\$	\$	\$	\$	\$	\$	\$
	20.500	412,198	9,993,200	1,947,906	11,941,106	10,683,329	1,947,906	12,631,235	1,102,327
	20.507	77,220	4,326,314	11,129,582	15,455,896	5,835,048	11,129,582	16,984,630	1,585,954
	20.525	-	493,292	202,607	695,899	810,427	202,607	1,013,034	317,135
		489,418	14,812,806	13,280,095	28,092,901	17,328,804	13,280,095	30,608,899	3,005,416
Subtotal - FTA Cluster *									
	20.933	73,188	181,612	39,714	221,326	143,436	39,714	183,150	35,012
*Major Program		\$	\$	\$	\$	\$	\$	\$	\$
		562,606	14,994,418	13,319,809	28,314,227	17,472,240	13,319,809	30,792,049	3,040,428

See accompanying note to schedule of expenditures of federal awards.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the District. The District's reporting entity is defined in Note 1 to the District's financial statements.

Basis of Accounting: The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the District's financial statements.

Subrecipients: Of the Federal expenditures presented in the schedule, the District did not provide any Federal awards to subrecipients.

Non-Cash and Federal Insurance: The District did not receive non-cash assistance or have Federal insurance in effect during the fiscal year.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.507
 FTA GRANT NO. IN-90-X635
 CAPITAL/MAINTENANCE ASSISTANCE
 January 1, 2012 through December 31, 2013

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.7A.00	Preventive Maintenance (Rail)	\$ 5,732,443	\$ 15,387,681	\$ (9,655,238)
44.26.14	Rider Survey	<u>75,000</u>	<u>75,000</u>	<u>-</u>
	Net project costs	<u>\$ 5,807,443</u>	<u>\$ 15,462,681</u>	<u>\$ (9,655,238)</u>
	Federal share	\$ 4,645,954	\$ 4,645,954	\$ -
	Local share	<u>1,161,489</u>	<u>10,816,727</u>	<u>(9,655,238)</u>
	Net project costs	<u>\$ 5,807,443</u>	<u>\$ 15,462,681</u>	<u>\$ (9,655,238)</u>
Total grant payable (maximum \$4,645,954)			\$ 4,645,954	
Grant receipts through December 31, 2013			<u>4,645,954</u>	
Balance due from FTA at December 31, 2013			<u>\$ -</u>	

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.507
 FTA GRANT NO. IN-90-X656
 CAPITAL ASSISTANCE
 January 1, 2013 through December 31, 2013

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.7A.00	Preventive Maintenance	\$ 5,941,507	\$ 15,687,806	\$ (9,746,299)
	Net project costs	<u>\$ 5,941,507</u>	<u>\$ 15,687,806</u>	<u>\$ (9,746,299)</u>
	Federal share (80%)	\$ 4,753,206	\$ 4,585,954	\$ 167,252
	Local share (20%)	<u>1,188,301</u>	<u>11,101,852</u>	<u>(9,913,551)</u>
	Net project costs	<u>\$ 5,941,507</u>	<u>\$ 15,687,806</u>	<u>\$ (9,746,299)</u>
	Total grant payable (maximum \$4,585,954)		\$ 4,585,954	
	Grant receipts through December 31, 2013		<u>3,000,000</u>	
	Balance due from FTA at December 31, 2013		<u>\$ 1,585,954</u>	

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.500
 FTA GRANT NO. IN-03-0143
 CAPITAL ASSISTANCE
 October 1, 2010 through December 31, 2013

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.54.01	Catenary	\$ 2,500,000	\$ 1,863,785	\$ 636,215
	Net project costs	<u>\$ 2,500,000</u>	<u>\$ 1,863,785</u>	<u>\$ 636,215</u>
	Federal share (80%)	\$ 2,000,000	\$ 1,491,028	\$ 508,972
	Local share (20%)	<u>500,000</u>	<u>372,757</u>	<u>127,243</u>
	Net project costs	<u>\$ 2,500,000</u>	<u>\$ 1,863,785</u>	<u>\$ 636,215</u>
	Total grant payable (maximum \$2,000,000)		\$ 1,491,028	
	Grant receipts through December 31, 2013		<u>1,491,028</u>	
	Balance due from FTA at December 31, 2013		<u>\$ -</u>	

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.500
 FTA GRANT NO. IN-04-0014
 CAPITAL ASSISTANCE
 July 1, 2008 through December 31, 2013

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
11.31.03	Gary-Chicago Airport	\$ 2,120,625	\$ 152,614	\$ 1,968,011
	Net project costs	<u>\$ 2,120,625</u>	<u>\$ 152,614</u>	<u>\$ 1,968,011</u>
	Federal share (80%)	\$ 1,696,500	\$ 122,091	\$ 1,574,409
	Local share (20%)	<u>424,125</u>	<u>30,523</u>	<u>393,602</u>
	Net project costs	<u>\$ 2,120,625</u>	<u>\$ 152,614</u>	<u>\$ 1,968,011</u>
	Total grant payable (maximum \$1,696,500)		\$ 122,091	
	Grant receipts through December 31, 2013		<u>122,091</u>	
	Balance due from FTA at December 31, 2013		<u>\$ -</u>	

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.500
 FTA GRANT NO. IN-05-0066
 CAPITAL ASSISTANCE
 July 1, 2006 through December 31, 2013

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.15.22	Mid-life 1992 Railcars Overhaul	\$ 375,000	\$ 1,238,752	\$ (863,752) (1)
12.23.05	Construct Bridges	864,804	961,105	(96,301) (1)
12.42.11	Rail Support Vehicle	485,000	517,182	(32,182) (1)
12.42.20	Purchase Track Equipment	485,000	500,000	(15,000) (1)
12.54.01	Catenary	7,850,000	7,327,470	522,530
12.43.05	Yard Trackage	200,000	844,346	(644,346) (1)
12.54.03	Substations	190,000	134,710	55,290
12.41.05	Engineering/Design- Yard & Shops	200,000	-	200,000
12.72.08	Force Account Construction	1,675,000	1,570,736	104,264
12.72.09	Force Account Vehicle Rehabilitation	850,000	34,451	815,549
12.79.00	Force Account Project Administration	420,000	466,052	(46,052) (1)
	Net project costs	<u>\$ 13,594,804</u>	<u>\$ 13,594,804</u>	<u>\$ -</u>
	Federal share (80%)	\$ 10,867,842	\$ 10,867,842	\$ -
	Local share (20%)	<u>2,726,962</u>	<u>2,726,962</u>	<u>-</u>
	Net project costs	<u>\$ 13,594,804</u>	<u>\$ 13,594,804</u>	<u>\$ -</u>
Total grant payable (maximum \$10,867,842)			\$ 10,867,842	
Grant receipts through December 31, 2013			<u>10,867,842</u>	
Balance due from FTA at December 31, 2013			<u>\$ -</u>	

(1) Overbudget amount is within the 20% budget control and monitoring allowed under the grant agreement.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.500
 FTA GRANT NO. IN-05-0067
 CAPITAL ASSISTANCE
 June 1, 2008 through December 31, 2013

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.23.05	Bridges	\$ 1,625,000	\$ 1,468,020	\$ 156,980
12.42.11	Purchase Support Vehicle	485,000	505,249	(20,249) (1)
12.42.20	Purchase Track Equipment	485,000	483,188	1,812
12.54.01	Catenary	2,000,000	2,500,000	(500,000) (1)
12.43.05	Yard Trackage	650,000	918,545	(268,545) (1)
12.54.03	Substations	73,044	142,281	(69,237) (1)
12.23.03	Kensington Engineering	7,500,000	7,539,114	(39,114) (1)
12.11.22	New Railcars	312,500	312,500	-
12.72.08	Force Account Construction	950,000	357,759	592,241
12.79.00	Force Account Project Administration	<u>327,500</u>	<u>25,109</u>	<u>302,391</u>
	Net project costs	<u>\$ 14,408,044</u>	<u>\$ 14,251,765</u>	<u>\$ 156,279</u>
	Federal share (80%)	\$ 11,462,147	\$ 11,337,821	\$ 124,326
	Local share (20%)	<u>2,945,897</u>	<u>2,913,944</u>	<u>31,953</u>
	Net project costs	<u>\$ 14,408,044</u>	<u>\$ 14,251,765</u>	<u>\$ 156,279</u>
Total grant payable (maximum \$11,462,147)			\$ 11,337,821	
Grant receipts through December 31, 2013			<u>11,337,279</u>	
Balance due from FTA at December 31, 2013			<u>\$ 542</u>	

(1) Overbudget amount is within the 20% budget control and monitoring allowed under the grant agreement.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.500
 FTA GRANT NO. IN-05-0068
 CAPITAL ASSISTANCE
 June 1, 2009 through December 31, 2013

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.13.22	Railcars (100% Federal)	\$ 2,872,000	\$ 2,872,186	\$ (186) (1)
12.23.05	Bridges	1,125,000	836,161	288,839
12.42.20	Misc Equipment	850,394	871,874	(21,480) (1)
12.43.04	Construct Storage Facility	112,500	105,756	6,744
12.54.01	Rehab Traction Power Equip	9,250,000	9,258,310	(8,310) (1)
12.72.08	Force Account Construction	100,000	-	100,000
12.79.00	Force Acct. Project Admin.	<u>50,000</u>	<u>1,722</u>	<u>48,278</u>
	Net project costs	<u>\$ 14,359,894</u>	<u>\$ 13,946,009</u>	<u>\$ 413,885</u>
	Federal share (100%)	\$ 2,872,000	\$ 2,872,186	\$ (186) (1)
	Federal share (80%)	9,190,315	8,859,058	331,257
	Local share (20%)	<u>2,297,579</u>	<u>2,214,765</u>	<u>82,814</u>
	Net project costs	<u>\$ 14,359,894</u>	<u>\$ 13,946,009</u>	<u>\$ 413,885</u>
Total grant payable (maximum \$12,062,315)			\$ 11,731,244	
Grant receipts through December 31, 2013			<u>11,517,402</u>	
Balance due from FTA at December 31, 2013			<u>\$ 213,842</u>	

(1) Overbudget amount is within the 20% budget control and monitoring allowed under the grant agreement.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.500
 FTA GRANT NO. IN-05-0069
 CAPITAL ASSISTANCE
 January 1, 2010 through December 31, 2013

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.13.22	Railcars (100% Federal)	\$ 4,979,548	\$ 4,963,243	\$ 16,305
12.23.05	Bridges	4,132,550	2,548,161	1,584,389
12.24.05	Dune Park Platform	1,250,000	1,475,487	(225,487) (1)
12.42.20	Vehicles	800,000	204,388	595,612
12.43.04	Track Equipment	500,000	190,805	309,195
12.54.01	Gary Metro Center	750,000	768,749	(18,749) (1)
12.42.06	Shop Equipment	250,000	257,064	(7,064) (1)
12.54.01	Catenary Phase II	7,854,610	7,854,610	-
12.23.03	Kensington	7,705,567	8,142,148	(436,581) (1)
12.79.00	Track Material	<u>625,000</u>	<u>529,515</u>	<u>95,485</u>
	Net project costs	<u>\$ 28,847,275</u>	<u>\$ 26,934,170</u>	<u>\$ 1,913,105</u>
	Federal share (100%)	4,979,548	4,963,243	16,305
	Federal share (80%)	19,094,182	17,576,742	1,517,440
	Local share (20%)	<u>4,773,545</u>	<u>4,394,185</u>	<u>379,360</u>
	Net project costs	<u>\$ 28,847,275</u>	<u>\$ 26,934,170</u>	<u>\$ 1,913,105</u>
Total grant payable (maximum \$24,073,730)			\$ 22,539,985	
Grant receipts through December 31, 2013			<u>22,395,200</u>	
Balance due from FTA at December 31, 2013			<u>\$ 144,785</u>	

(1) Overbudget amount is within the 20% budget control and monitoring allowed under the grant agreement.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.500
 FTA GRANT NO. IN-05-0070
 CAPITAL ASSISTANCE
 September 14, 2012 through December 31, 2013

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.13.22	Railcars (100% Federal)	2,872,000	1,436,000	1,436,000
12.24.05	Bridges	3,750,000	1,222,887	2,527,113
12.34.02	Dune Park Platform	4,000,000	2,776,225	1,223,775
12.42.05	Shop Equipment	160,000	-	160,000
12.42.11	Vehicles	397,638	66,488	331,150
12.42.20	Track Equipment	500,000	403	499,597
12.54.01	Catenary Phase III	2,000,000	1,976,565	23,435
12.61.01	Positive Train Control	<u>500,000</u>	<u>554,658</u>	<u>(54,658) (1)</u>
	Net project costs	<u>\$ 14,179,638</u>	<u>\$ 8,033,225</u>	<u>\$ 6,146,413</u>
	Federal share (100%)	2,872,000	1,436,000	1,436,000
	Federal share (80%)	9,046,110	5,277,780	3,768,330
	Local share (20%)	<u>2,261,528</u>	<u>1,319,445</u>	<u>942,083</u>
	Net project costs	<u>\$ 14,179,638</u>	<u>\$ 8,033,225</u>	<u>\$ 6,146,413</u>
Total grant payable (maximum \$11,918,110)			\$ 6,713,780	
Grant receipts through December 31, 2013			<u>5,970,622</u>	
Balance due from FTA at December 31, 2013			<u>\$ 743,158</u>	

(1) Overbudget amount is within the 20% budget control and monitoring allowed under the grant agreement.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.525
 FTA GRANT NO. IN-54-0001
 CAPITAL ASSISTANCE
 September 1, 2013 through December 31, 2013

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.13.22	Railcars (100% Federal)	2,904,382	-	2,904,382
12.23.03	Construct Line Equipment	490,000	-	490,000
12.23.05	Bridge MP.14.93	2,900,000	-	2,900,000
12.31.02	Engineering/Design Rail Station	300,000	-	300,000
12.42.11	Vehicles	390,000	-	390,000
12.42.20	Track Equipment	390,000	7,090	382,910
12.53.01	Catenary Phase III	2,050,000	574,207	1,475,793
12.54.03	Rehab/Renovate Substation	390,000	-	390,000
12.61.01	Engr/Design Positive Train Control	300,000	-	300,000
12.62.01	Positive Train Control Signals	296,949	-	296,949
12.71.04	Construction Management	3,000,000	-	3,000,000
12.72.08	Force Account Construction	1,300,000	431,737	868,263
12.79.00	Force Account Project Admin	<u>390,000</u>	<u>-</u>	<u>390,000</u>
	Net project costs	<u>\$ 15,101,331</u>	<u>\$ 1,013,034</u>	<u>\$ 14,088,297</u>
	Federal share (100%)	2,904,382	-	2,904,382
	Federal share (80%)	9,757,559	810,427	8,947,132
	Local share (20%)	<u>2,439,390</u>	<u>202,607</u>	<u>2,236,783</u>
	Net project costs	<u>\$ 15,101,331</u>	<u>\$ 1,013,034</u>	<u>\$ 14,088,297</u>
	Total grant payable (maximum \$12,661,941)		\$ 810,427	
	Grant receipts through December 31, 2013		<u>493,292</u>	
	Balance due from FTA at December 31, 2013		<u>\$ 317,135</u>	

(1) Overbudget amount is within the 20% budget control and monitoring allowed under the grant agreement.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.507
 AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)
 FTA GRANT NO. IN-96-X009
 CAPITAL/MAINTENANCE ASSISTANCE
 August 1, 2009 through December 31, 2013

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.63.01	Signal	\$ 7,442,864	\$ 7,426,081	\$ 16,783
12.92.08	New Signage	<u>59,600</u>	<u>76,383</u>	<u>(16,783) (1)</u>
	Net project costs	<u>\$ 7,502,464</u>	<u>\$ 7,502,464</u>	<u>\$ -</u>
	Federal share (100%)	<u>\$ 7,502,464</u>	<u>\$ 7,502,464</u>	<u>\$ -</u>
	Net project costs	<u>\$ 7,502,464</u>	<u>\$ 7,502,464</u>	<u>\$ -</u>
Total grant payable (maximum \$7,502,464)			\$ 7,502,464	
Grant receipts through December 31, 2013			<u>7,502,464</u>	
Balance due from FTA at December 31, 2013			<u>\$ -</u>	

(1) Overbudget amount is within the 20% budget control and monitoring allowed under the grant agreement.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.507
 FTA GRANT NO. IN-90-X606
 CAPITAL/MAINTENANCE ASSISTANCE
 January 1, 2010 through December 31, 2013

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.92.08	New Signage-Millenium Station	175,000	125,540	49,460
12.93.03	Landscaping	65,000	12,068	52,932
12.93.03	Walkways	10,000	285	9,715
12.93.03	Passenger Shelter-Carroll Avenue	50,000	4,747	45,253
	Net project costs	<u>\$ 300,000</u>	<u>\$ 142,640</u>	<u>\$ 157,360</u>
	Federal share (80%)	240,000	114,112	125,888
	Local share (20%)	<u>60,000</u>	<u>28,528</u>	<u>31,472</u>
	Net project costs	<u>\$ 300,000</u>	<u>\$ 142,640</u>	<u>\$ 157,360</u>
Total grant payable (maximum \$240,000)			\$ 114,112	
Grant receipts through December 31, 2013			<u>114,112</u>	
Balance due from FTA at December 31, 2013			<u>\$ -</u>	

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.507
 FTA GRANT NO. IN-90-X617
 CAPITAL/MAINTENANCE ASSISTANCE
 August 31, 2011 through December 31, 2013

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
44.26.14	Ridership Survey	\$ 75,000	\$ 52,270	\$ 22,730
	Net project costs	\$ 75,000	\$ 52,270	\$ 22,730
	Federal share (80%)	60,000	41,816	18,184
	Local share (20%)	15,000	10,454	4,546
	Net project costs	\$ 75,000	\$ 52,270	\$ 22,730
Total grant payable (maximum \$60,000)			\$ 41,816	
Grant receipts through December 31, 2013			41,816	
Balance due from FTA at December 31, 2013			\$ -	

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.933
 FTA GRANT NO. IN-79-1000
 CAPITAL ASSISTANCE
 March 10, 2011 through December 31, 2013

<u>Line Item Code</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual (Over)Under Budget</u>
44.24.00	Michigan City Realignment Study	\$ 1,021,500	\$ 987,347	\$ 34,153
	Net project costs	<u>\$ 1,021,500</u>	<u>\$ 987,347</u>	<u>\$ 34,153</u>
	Federal share (78%)	\$ 800,000	\$ 773,253	\$ 26,747
	Local share (22%)	<u>221,500</u>	<u>214,094</u>	<u>7,406</u>
	Net project costs	<u>\$ 1,021,500</u>	<u>\$ 987,347</u>	<u>\$ 34,153</u>
	Total grant payable (maximum \$800,000)		\$ 773,253	
	Grant receipts through December 31, 2013		<u>738,241</u>	
	Balance due from FTA at December 31, 2013		<u>\$ 35,012</u>	

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Northern Indiana Commuter
Transportation District
Chesterton, Indiana

We have audited, in accordance with the 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, the financial statements of the Northern Indiana Commuter Transportation District as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 1, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northern Indiana Commuter Transportation District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northern Indiana Commuter Transportation District's internal control. Accordingly, we do not express an opinion on the effectiveness of Northern Indiana Commuter Transportation District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern Indiana Commuter Transportation District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

South Bend, Indiana
April 1, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROLS OVER COMPLIANCE

Board of Trustees
Northern Indiana Commuter
Transportation District
Chesterton, Indiana

Report on Compliance for Each Major Federal Program

We have audited Northern Indiana Commuter Transportation District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

(Continued)

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal controls over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

South Bend, Indiana
April 1, 2014

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 December 31, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

The type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified not considered to be material weaknesses? Yes None Reported

Type of auditors' report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	Department of Transportation Cluster:
20.500	Federal Transit Capital Investment Grants
20.507	Federal Transit Formula Grants
20.507 – ARRA	Federal Transit Formula Grants – ARRA
20.525	State of Good Repair Grants

Dollar threshold used to distinguish between type A and type B programs: \$ 524,167

Auditee qualified as low-risk auditee? Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
December 31, 2013

There were no prior year findings.