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May 11, 2009

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

We have reviewed the audit report prepared by Crowe Horwath, LLP, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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, 2008 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, 2008 and 2007

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
Chesterton, Indiana

ANNUAL REPORT  
December 31, 2008 and 2007

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Crowe Horwath LLP  
Member Horwath International

## REPORT OF INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS

Board of Trustees  
Northern Indiana Commuter  
Transportation District  
Chesterton, Indiana

We have audited the accompanying balance sheets of Northern Indiana Commuter Transportation District (the District) as of December 31, 2008 and 2007, and the related statements of revenues, expenses, and changes in net assets, and cash flows, for the years then ended, which collectively comprise the District's basic financial statements. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audits.

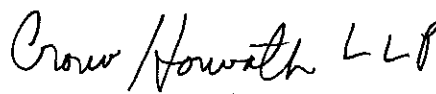
We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Guidelines for Audits of State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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated April 9, 2009 on our consideration of Northern Indiana Commuter Transportation District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary schedules of expenses, 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*, and the schedule of budgeted, actual and questioned costs by grant are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Crowe Horwath LLP

South Bend, Indiana  
April 9, 2009

**NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2008 and 2007

(In thousands of dollars)

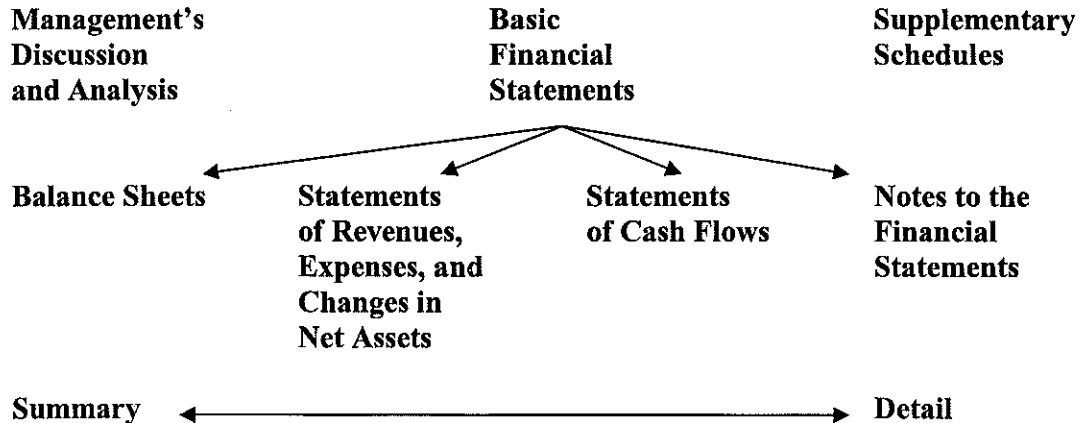
The following discussion and analysis of the Northern Indiana Commuter Transportation District's (the District's) financial performance provides an overview of the District's financial activities for the fiscal years ended December 31, 2008 and 2007.

**Overview of the Financial Statements**

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

**Figure A-1**

**Required Components of Northern Indiana Commuter Transportation District's  
Annual Financial Report**



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

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2008 and 2007

(In thousands of dollars)

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

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

**Financial Highlights**

- Total Assets increased by \$13,047 or 3.87%, from \$337,549 in 2007 to \$350,596 in 2008, primarily due to increases in capital assets. Total Assets increased by \$58,331 or 20.89%, from \$279,218 in 2006 to \$337,549 in 2007, primarily due to increases in capital assets.
- Operating Revenues increased by \$310 or 1.65% in 2008, from \$18,775 to \$19,085. Operating Revenues increased by \$790 or 4.39% in 2007, from \$17,985 to \$18,775, due to a 0.90% increase in ridership and a 2% fare increase.
- Operating Expenses increased by \$2,285 or 4.53% in 2008, from \$50,392 to \$52,677, primarily due to increases in Maintenance Expenses and Transportation Expenses. Operating Expenses increased by \$4,447 or 9.68% in 2007, from \$45,945 to \$50,392, primarily due to increases in Maintenance Expenses and Transportation Expenses.
- Income/loss before Capital Contributions decreased by \$20,368 or 242% in 2008, from \$8,414 to \$(11,954) due to an decrease in state operating assistance and other local grants. Income/loss before Capital Contributions increased by \$11,863 or 344% in 2007, from \$(3,449) to \$8,414 due to an increase in state operating assistance and other local grants.

Balance Sheet

Total Net Assets increased by \$16,513 in 2008 and \$29,321 in 2007 (see Figure A-2). The largest portion of Net Assets is Invested in Capital Assets, which increased \$6,672 in 2008 and \$4,819 in 2007 through capital improvements, net of debt. The capital improvements were funded by contributions from federal and state governmental agencies and bond proceeds. The Debt Service Fund was established with proceeds of the Indefinite Situs Tax. In 2008 and 2007, the balance in the Debt Service Fund increased by Situs Tax received and decreased by bond interest and principal payments. Debt is discussed in more detail in the section titled Capital Assets and Debt Administration.

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(Continued)

**NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2008 and 2007

(In thousands of dollars)

<b>Figure A-2a Condensed Balance Sheet</b>				
	2008	2007	Difference	Percent Change
Current Assets	\$ 41,441	\$ 39,910	\$ 1,531	3.84%
Noncurrent Assets	646	693	(47)	(6.78)%
Restricted Assets	44,441	51,636	(7,195)	(13.93)%
Capital Assets	264,068	245,310	18,758	7.64%
<b>Total Assets</b>	<b>350,596</b>	<b>337,549</b>	<b>13,047</b>	<b>3.87%</b>
Current Liabilities	10,062	10,432	(370)	(3.55)%
Long-Term Liabilities	55,944	59,040	(3,096)	(5.24)%
<b>Total Liabilities</b>	<b>66,006</b>	<b>69,472</b>	<b>(3,466)</b>	<b>(4.99)%</b>
Net Assets invested in capital assets, net of related debt	212,073	205,401	6,672	3.25%
Net Assets restricted for debt service	15,611	13,753	1,858	13.51%
Net Assets restricted for capital projects	16,473	17,520	(1,047)	(5.98)%
Unrestricted net assets	40,433	31,403	9,030	28.76%
<b>Total Net Assets</b>	<b>\$ 284,590</b>	<b>\$ 268,077</b>	<b>\$ 16,513</b>	<b>6.16%</b>

<b>Figure A-2b Condensed Balance Sheet</b>				
	2007	2006	Difference	Percent Change
Current Assets	\$ 39,910	\$ 38,872	\$ 1,038	2.67%
Noncurrent Assets	693	515	178	34.56%
Restricted Assets	51,636	27,770	23,866	85.94%
Capital Assets	245,310	212,061	33,249	15.68%
<b>Total Assets</b>	<b>337,549</b>	<b>279,218</b>	<b>58,331</b>	<b>20.89%</b>
Current Liabilities	10,432	12,038	(1,606)	(13.34)%
Long-Term Liabilities	59,040	28,424	30,616	107.71%
<b>Total Liabilities</b>	<b>69,472</b>	<b>40,462</b>	<b>29,010</b>	<b>71.70%</b>
Net Assets invested in capital assets, net of related debt	205,401	200,582	4,819	2.40%
Net Assets restricted for debt service	13,753	11,637	2,116	18.18%
Net Assets restricted for capital projects	17,520	-	17,520	N/A
Unrestricted net assets	31,403	26,537	4,866	18.34%
<b>Total Net Assets</b>	<b>\$ 268,077</b>	<b>\$ 238,756</b>	<b>\$ 29,321</b>	<b>12.28%</b>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2008 and 2007

(In thousands of dollars)

Statement of Revenues, Expenses and Changes in Net Assets

Operating Revenues increased by \$310 in 2008 (see Figure A-3a). Operating Revenues increased by \$790 in 2007 (see Figure A-3a). The increase in operating revenues is due to a 0.90% increase in ridership.

	2008	2007	2006
Operating Revenue	\$ 19,085	\$ 18,775	\$ 17,985
Commuter Ridership	2,370	2,480	2,456
Off-Peak Ridership	1,810	1,766	1,752
Total Ridership	4,180	4,246	4,208

Operating Expenses increased by \$2,285 in 2008. The key components of operating expenses are: Transportation, Maintenance and Depreciation. Transportation and Maintenance Expenses increased by \$3,078 due to increased labor wages, salary rates, as well as several significant repairs. Railroad operating expenses increased 5.1% over 2007. This reflects flows of internal labor and related charges, which get capitalized, being a greater share of the work than maintenance in a given year. Labor costs have increased 10.0% while the cost of fringe benefits have decreased 3.3%. Professional service costs decreased 27.0% in 2008 due to the decreased use of consultants in 2008. Depreciation expense increased by \$454. Non-operating income decreased by \$18,393, or 45.95%, in 2008 due to a decrease local grant funding.

<b>Figure A-3a</b>				
<b>Condensed Statements of Revenues, Expenses and Changes in Net Assets</b>				
	2008	2007	Difference	Percent Change
Operating Revenue	\$ 19,085	\$ 18,775	\$ 310	1.65%
Operating Expenses	(52,677)	(50,392)	2,285	4.53%
Operating Loss	(33,592)	(31,617)	1,975	6.25%
Non-Operating Revenues/Expenses	21,638	40,031	(18,393)	(45.95)%
Income/(Loss) before Contributions	(11,954)	8,414	(20,368)	(242.07)%
Contributions	28,467	20,907	7,560	36.16%
Increase/(decrease) in Net Assets	16,513	29,321	(12,808)	(43.68)%
Net Assets, Beginning of Year	268,077	238,756	29,321	12.28%
Net Assets, End of Year	\$ 284,590	\$ 268,077	\$ 16,513	6.16%

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2008 and 2007

(In thousands of dollars)

Operating Expenses increased by \$4,447 in 2007. The key components of operating expenses are: Transportation, Maintenance and Depreciation. Transportation and Maintenance Expenses increased by \$2,672 due to increased labor wages, salary rates, as well as several significant repairs. Railroad operating expenses increased 9.4% over 2006. This reflects flows of internal labor and related charges, which get capitalized, being a greater share of the work than maintenance in a given year. Labor costs have increased 11.0% while the cost of fringe benefits have increased 20.4%. Professional service costs decreased 4.8% in 2007 due to the decreased use of consultants in 2007. Depreciation expense increased by \$1,371. Non-operating income increased by \$15,520, or 63.32%, in 2007 due to an increase local grant funding.

<b>Figure A-3a</b>				
<b>Condensed Statements of Revenues, Expenses and Changes in Net Assets</b>				
	2007	2006	Difference	Percent Change
Operating Revenue	\$ 18,775	\$ 17,985	\$ 790	4.39%
Operating Expenses	(50,392)	(45,945)	4,447	9.68%
Operating Loss	(31,617)	(27,960)	3,657	13.08%
Non-Operating Revenues/Expenses	40,031	24,511	15,520	63.32%
Income/(Loss) before Contributions	8,414	(3,449)	11,863	343.95%
Contributions	20,907	19,058	1,849	9.70%
Increase/(decrease) in Net Assets	29,321	15,609	13,712	87.85%
Net Assets, Beginning of Year	238,756	223,147	15,609	6.99%
Net Assets, End of Year	\$ 268,077	\$ 238,756	\$ 29,321	12.28%

Statement of Cash Flows

Cash flow from Operating Activities in 2008 decreased by \$2,059 (see Figure A-4a) due to an increase in operating expenses. Cash receipts for Capital and Related Financing Activities decreased by \$30,024 due to an increase in capital assets acquired. Cash from Investing Activities decreased by \$15,723 due to purchases of certificates of deposit. Cash flow from Operating Activities in 2007 decreased by \$3,694 (see Figure A-4b) due to an increase in operating expenses. Cash receipts for Capital and Related Financing Activities increased by \$28,881 due to an increase in capital grants received. Cash from Investing Activities decreased by \$4,193 due to sales of certificates of deposit.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2008 and 2007

(In thousands of dollars)

<b>Figure A-4a</b>				
<b>Condensed Statements of Cash Flows</b>				
	2008	2007	Difference	Percent Change
Cash from Operating Activities	\$ (19,575)	\$ (17,516)	\$ (2,059)	(11.76)%
Cash from Noncapital Financing Activities	19,846	21,384	(1,538)	(7.19)%
Cash from Capital and Financing Activities	(11,189)	18,835	(30,024)	(159.41)%
Cash from Investing Activities	(8,284)	7,439	(15,723)	(211.35)%
Change in Cash and Temporary Investments	(19,202)	30,142	(49,344)	(163.71)%
Cash and Equivalents, Beginning of Year	67,353	37,211	30,142	81.00%
Cash and Equivalents, End of Year	\$ 48,151	\$ 67,353	(19,202)	(28.51)%

<b>Figure A-4b</b>				
<b>Condensed Statements of Cash Flows</b>				
	2007	2006	Difference	Percent Change
Cash from Operating Activities	\$ (17,516)	\$ (13,822)	\$ (3,694)	(26.73)%
Cash from Noncapital Financing Activities	21,384	23,279	(1,895)	(8.14)%
Cash from Capital and Financing Activities	18,835	(10,046)	28,881	287.49%
Cash from Investing Activities	7,439	11,632	(4,193)	(36.05)%
Change in Cash and Temporary Investments	30,142	11,044	19,098	172.93%
Cash and Equivalents, Beginning of Year	37,211	26,167	11,044	42.21%
Cash and Equivalents, End of Year	\$ 67,353	\$ 37,211	\$ 30,142	81.00%

Capital Assets

The District uses a five-year Capital Improvements Program (CIP) that is updated annually. Development of the CIP is based on the District's current facilities plan and recommendations from the annual inspection of tracks, catenary, traffic signals, and bridge facilities. The District's current plan covers the years from 2003 through 2008. The District expects to invest \$87,000 in capital improvements during 2003-2008 in a major upgrade of the right of way.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2008 and 2007

(In thousands of dollars)

Debt Administration

At December 31, 2008 and 2007, the District had \$32,100 and \$32,100 principal outstanding for the Series 2007 bonds and \$25,648 and \$27,199 principal outstanding for the Series 2004 Bonds.

<b>Figure A-5 Debt Service Coverage</b>				
	2008	2007	Difference	Percent Change
Situs Tax Restricted for Debt Service	\$ 15,611	\$ 13,753	\$ 1,858	13.51%
Current Aggregate Net Debt Service – Bonds	\$ 57,748	\$ 59,299	\$ (1,551)	(2.62)%

<b>Figure A-5 Debt Service Coverage</b>				
	2007	2006	Difference	Percent Change
Situs Tax Restricted for Debt Service	\$ 13,753	\$ 11,637	\$ 2,116	18.18%
Current Aggregate Net Debt Service – Bonds	\$ 59,299	\$ 28,714	\$ 30,585	106.52%

**Economic Factors and Next Year's Business Plans and Fares**

Ridership is expected to remain constant in 2009. Commuter ridership is slightly down in response to the weakening job market, however, off-peak service demand is growing. The addition of new rolling stock in 2009 will allow the District to add off-peak service. Operation and maintenance expenses in 2009 are estimated to increase by \$1,000 or approximately 3% over 2008 expenses levels to address increased expenses and to provide funding for new initiatives. Management believes that the 2009 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, 2008 and 2007  
(In thousands of dollars)

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**Contacting the District's Financial Management**

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

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS  
 Years ended December 31, 2008 and 2007  
 (In thousands of dollars)

	<u>2008</u>	<u>2007</u>
<b>Operating revenue</b>		
Passenger fares (net of refunds)	\$ 19,053	\$ 18,735
Parking lot collections	32	40
	<u>19,085</u>	<u>18,775</u>
<b>Operating expenses</b>		
Transportation	13,514	11,848
Maintenance of way	7,170	6,973
Maintenance of equipment	9,636	8,421
Claims and insurance	1,700	2,096
General and administrative	5,570	6,421
	<u>37,590</u>	<u>35,759</u>
Depreciation	15,087	14,633
	<u>52,677</u>	<u>50,392</u>
<b>Operating loss</b>	<u>(33,592)</u>	<u>(31,617)</u>
<b>Nonoperating revenues (expenses)</b>		
Maintenance grant	4,586	4,412
State operating assistance	7,867	8,172
Other local funds (Note 8)	4,058	21,098
Other revenue (Note 8)	1,808	3,295
Interest expense	(2,304)	(2,181)
Indefinite Situs tax	5,623	5,235
	<u>21,638</u>	<u>40,031</u>
<b>Income (Loss) before capital contributions</b>	<u>(11,954)</u>	<u>8,414</u>
<b>Capital contributions</b>		
Federal	22,908	16,790
State	5,559	4,117
	<u>28,467</u>	<u>20,907</u>
<b>Increase in net assets</b>	16,513	29,321
<b>Net assets at beginning of year</b>	<u>268,077</u>	<u>238,756</u>
<b>Net assets at end of year</b>	<u>\$ 284,590</u>	<u>\$ 268,077</u>

See accompanying notes to financial statements

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
BALANCE SHEETS  
December 31, 2008 and 2007  
(In thousands of dollars)

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents (Note 2)	\$ 8,164	\$ 16,809
Short-term investments (Note 2)	12,858	6,444
Receivables		
Federal capital and planning assistance	1,832	1,041
State assistance	11,640	8,427
Metra portion of operating costs	1,406	1,217
Other	442	1,242
Total receivables	15,320	11,927
Materials and supplies inventory	4,013	3,671
Prepaid expenses	1,086	1,059
Total current assets	41,441	39,910
Restricted assets		
Cash and cash equivalents (Note 2)	39,987	50,544
Short-term investments (Note 2)	4,439	1,063
Interest receivable	15	29
Total restricted assets	44,441	51,636
Capital assets		
Capital assets not being depreciated	99,582	70,660
Capital assets being depreciated	318,910	314,730
Less accumulated depreciation	(154,424)	(140,080)
Capital assets being depreciated, net	164,486	174,650
Total capital assets, net (Note 3)	264,068	245,310
Loan fees, net of amortization	646	693
Total assets	\$ 350,596	\$ 337,549

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
BALANCE SHEETS  
December 31, 2008 and 2007  
(In thousands of dollars)

	<u>2008</u>	<u>2007</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities (payable from current assets)		
Accounts payable		
Trade	\$ 2,420	\$ 3,349
Capital projects	126	1,455
Payroll taxes and withholdings	568	483
Unredeemed fares	202	245
Accrued injuries and damages	940	916
Other accrued expenses	2,726	2,544
Current portion – bonds payable (Note 5)	3,080	1,440
Total current liabilities (payable from current assets)	<u>10,062</u>	<u>10,432</u>
Long-term debt – bonds payable (Note 5)	54,668	57,859
Accrued post retirement health costs (Note 5)	1,276	1,181
Total long-term liabilities	<u>55,944</u>	<u>59,040</u>
Total liabilities	<u>66,006</u>	<u>69,472</u>
Net assets (Note 6)		
Invested in capital assets, net of related debt	212,073	205,401
Restricted for debt service	15,611	13,753
Restricted for capital projects	16,473	17,520
Unrestricted	40,433	31,403
Total net assets	<u>284,590</u>	<u>268,077</u>
Total liabilities and net assets	<u>\$ 350,596</u>	<u>\$ 337,549</u>

See accompanying notes to financial statements.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2008 and 2007  
 (In thousands of dollars)

	<u>2008</u>	<u>2007</u>
<b>Cash flows from operating activities</b>		
Cash fares from customers	\$ 19,042	\$ 18,918
Cash payments for salaries and benefits	(24,106)	(23,556)
Cash payments for insurance	(1,608)	(1,479)
Cash paid for goods and services	(12,903)	(11,399)
Net cash flows used in operating activities	<u>(19,575)</u>	<u>(17,516)</u>
<b>Cash flows from noncapital financing activities</b>		
State assistance grant contributions	4,655	7,681
Maintenance grant	4,586	4,412
Situs tax	5,623	5,235
Other local sources	1,114	613
Metra operating subsidy	2,861	2,388
Trackage rights subsidy	1,007	1,055
Net cash flows provided by noncapital financing	<u>19,846</u>	<u>21,384</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	(35,172)	(48,880)
Proceeds from disposition of assets	115	13
Capital grants received	27,675	22,163
Local grants received	-	17,500
Interest expenses	(2,367)	(2,212)
Proceeds from bond issuance	-	32,100
Bond issuance costs	-	(263)
Bond repayment	(1,440)	(1,400)
Payments on notes payable	-	(186)
Net cash flows provided by (used in) capital and related financing activities	<u>(11,189)</u>	<u>18,835</u>
<b>Cash flows from investing activities</b>		
Net purchase of certificates of deposit	(9,790)	4,390
Interest received on cash equivalents and investments	1,506	3,049
Net cash flows provided by (used in) investing activities	<u>(8,284)</u>	<u>7,439</u>
Net increase (decrease) in cash and cash equivalents	(19,202)	30,142
Cash and cash equivalents at beginning of year	<u>67,353</u>	<u>37,211</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 48,151</u>	<u>\$ 67,353</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2008 and 2007  
 (In thousands of dollars)

	<u>2008</u>	<u>2007</u>
<b>Reconciliation of operating loss to net cash flows used in operating activities</b>		
Operating loss	\$ (33,592)	\$ (31,617)
Adjustments to reconcile loss to net cash from operating activities		
Depreciation expense	15,087	14,633
Gain on sale of fixed assets	(115)	-
Change in assets and liabilities		
Inventories	(342)	(230)
Prepaid expenses	(27)	101
Accounts payable - trade	(929)	(1,461)
Unredeemed fares	(43)	143
Accrued retirement	95	451
Accrued injuries and damages	24	71
Accrued and withheld items	<u>267</u>	<u>393</u>
Net cash flows used in operating activities	<u>\$ (19,575)</u>	<u>\$ (17,516)</u>
<b>Noncash capital and related financing activities</b>		
Capital assets included in accounts payable		
End of year	\$ 126	\$ 1,455
Beginning of year	1,455	2,441
<b>Noncash noncapital financing activities</b>		
Insurance premiums financed	1,041	1,005

See accompanying notes to financial statements.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989 to its business-type activities and the Government Accounting Standards Board (GASB).

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, NICTD recognizes revenue when all applicable eligibility requirements, including time requirements are met. Revenue from federal and state planning and operating assistance grants is recognized as earned based on eligible costs incurred.

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

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2008 and 2007 cash equivalents stated at cost, which approximates fair value, consisted of certificates of deposit.

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 market value.

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

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

Property, Plant, and Equipment: Major items of property, plant, and equipment acquired with federal, state and local funds are capitalized at cost. Expenditures for maintenance and repairs are charged to operations as incurred. The District recognizes depreciation on plant and equipment 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

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

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 five hundred dollars of loss on cars and trucks; \$2 million per occurrence on rolling stock; and the first \$50 thousand of loss on all other property.

Effective January 1, 2006, 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 \$50 million. The coverage from \$3 million to \$50 million is with several insurance carriers. During 2008 and 2007, all such layers of coverage have been subscribed. There is no guarantee that such coverage will continue to be fully subscribed in the future.

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

Reporting Entity: In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in accounting principles generally accepted in the United States of America. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise material operational control. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

oversight responsibility include, but are not limited to, the selection of governing authority, the designation of managements, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity is conducted within the geographic boundaries of the District and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusions or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, no entities have been considered to be potential components units for the purpose of defining the District's reporting entity.

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

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

**NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash and cash equivalents at December 31, 2008 and 2007 are as follows in thousands of dollars:

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2008 Amount</u>	<u>2007 Amount</u>
Cash				\$ 12,209	\$ 28,355
Government Securities				8,618	7,038
Certificate of deposit	10/21/08	01/20/09	2.770%	3,805	-
Certificate of deposit	11/12/08	02/10/09	1.000%	4,893	-
Certificate of deposit	12/12/08	02/10/09	0.890%	1,025	-
Certificate of deposit	12/23/08	02/23/09	0.340%	545	-
Certificate of deposit	12/30/08	03/30/09	1.800%	200	-
Certificate of deposit	11/03/08	02/02/09	1.800%	1,217	-
Certificate of deposit	12/05/08	03/05/09	1.450%	1,000	-
Certificate of deposit	11/30/08	02/28/09	2.025%	1,169	-
Certificate of deposit	11/30/08	02/28/09	2.025%	1,120	-
Certificate of deposit	12/12/08	03/12/09	2.025%	891	-
Certificate of deposit	12/23/08	02/23/09	1.632%	6,927	-
Certificate of deposit	10/27/08	01/26/09	2.950%	503	-
Certificate of deposit	12/08/08	02/06/09	2.200%	500	-
Certificate of deposit	12/30/08	03/30/09	0.750%	424	-
Certificate of deposit	12/30/08	03/30/09	0.750%	351	-
Certificate of deposit	10/29/08	01/27/09	1.440%	100	-

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

**NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

<u>Description</u>	<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>2008 Amount</u>	<u>2007 Amount</u>
Certificate of deposit	12/09/08	01/08/09	0.820%	\$ 2,154	\$ -
Certificate of deposit	12/15/08	01/14/09	0.150%	500	-
Certificate of deposit	10/01/07	01/02/08	4.500%	-	337
Certificate of deposit	10/29/07	01/28/08	4.500%	-	488
Certificate of deposit	10/12/07	01/10/08	4.970%	-	835
Certificate of deposit	10/09/07	01/07/08	4.970%	-	1,173
Certificate of deposit	12/26/07	03/25/08	4.570%	-	1,099
Certificate of deposit	12/08/07	03/08/08	5.000%	-	1,086
Certificate of deposit	10/30/07	01/30/08	4.950%	-	1,129
Certificate of deposit	10/30/07	01/30/08	4.950%	-	1,081
Certificate of deposit	10/31/07	01/31/08	4.950%	-	2,500
Certificate of deposit	10/12/07	01/12/08	4.950%	-	3,850
Certificate of deposit	12/28/07	03/13/08	4.570%	-	235
Certificate of deposit	12/10/07	03/10/08	4.300%	-	500
Certificate of deposit	10/12/07	01/10/08	4.970%	-	2,500
Certificate of deposit	10/12/07	01/10/08	4.970%	-	500
Certificate of deposit	10/18/07	01/16/08	4.930%	-	3,213
Certificate of deposit	11/29/07	01/28/08	4.830%	-	529
Certificate of deposit	12/17/07	02/14/08	4.750%	-	10,905
				<u>\$ 48,151</u>	<u>\$ 67,353</u>

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

	<u>2008</u>	<u>2007</u>
General fund	\$ 8,164	\$ 16,809
Restricted		
Accident claims reserve	2,217	3,357
Bond proceeds/local grants restricted for acquisition of capital assets	22,722	35,940
Westlake corridor contributions	1,661	1,638
Indefinite Situs tax restricted for debt repayment	13,387	9,609
Total Restricted	<u>39,987</u>	<u>50,544</u>
	<u>\$ 48,151</u>	<u>\$ 67,353</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2008 and 2007

**NOTE 2 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

Short-term investments as of December 31, 2008 and 2007 consist of certificates of deposit and are allocated as follows in thousands of dollars:

	<u>2008</u>	<u>2007</u>
General fund	\$ 12,858	\$ 6,444
Restricted		
Accident claims reserve	<u>4,439</u>	<u>1,063</u>
 Total short-term investments	 <u>\$ 17,297</u>	 <u>\$ 7,507</u>

Cash and Investment Deposits: The District maintains deposits with seven area financial institutions. A summary of these deposits as of December 31, 2008 and 2007 is as follows in thousands of dollars:

	<u>2008</u>		<u>2007</u>	
	<u>Carrying Amount</u>	<u>Balance Per Bank</u>	<u>Carrying Amount</u>	<u>Balance Per Bank</u>
On hand	\$ 1	\$ -	\$ 2	\$ -
On deposit				
Insured by FDIC	1,420	1,418	603	603
Insured by IPDIF	55,409	56,419	67,217	70,036
Held by U.S. Treasury	<u>8,618</u>	<u>8,618</u>	<u>7,038</u>	<u>7,038</u>
	<u>\$ 65,448</u>	<u>\$ 66,455</u>	<u>\$ 74,860</u>	<u>\$ 77,677</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, 2008 and 2007

**NOTE 3 – CAPITAL ASSETS**

Depreciation at December 31, 2008 and 2007 consists of the following in thousands of dollars:

	<u>2008</u>	<u>2007</u>
Depreciation on assets acquired with federal funds	\$ 10,355	\$ 9,964
Depreciation on assets acquired with state and local funds	<u>4,732</u>	<u>4,669</u>
	<u>\$ 15,087</u>	<u>\$ 14,633</u>

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

	Balance January 1 <u>2008</u>	<u>Changes During Year</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2008</u>
Capital assets not being depreciated					
Land	\$ 6,995	\$ -	\$ -	\$ -	\$ 6,995
Construction in progress	<u>63,665</u>	<u>33,964</u>	<u>(5,042)</u>	<u>(5,042)</u>	<u>92,587</u>
Total capital assets not being depreciated	<u>70,660</u>	<u>33,964</u>	<u>(5,042)</u>	<u>(5,042)</u>	<u>99,582</u>
Capital assets being depreciated:					
Rolling stock (including capital spare parts)	147,006	1,905	-	-	148,911
Buildings and improvements	84,237	367	-	-	84,604
Track work and substations	42,341	836	-	-	43,177
Bridges and crossings	29,666	112	-	-	29,778
Machinery and equipment	6,823	1,213	(267)	-	7,769
Information system and office equipment	1,052	77	-	-	1,129
Autos and trucks	<u>3,605</u>	<u>413</u>	<u>(476)</u>	<u>(476)</u>	<u>3,542</u>
Total capital assets being depreciated	<u>314,730</u>	<u>4,923</u>	<u>(743)</u>	<u>(743)</u>	<u>318,910</u>
Less accumulated depreciation	<u>140,080</u>	<u>15,087</u>	<u>(743)</u>	<u>(743)</u>	<u>154,424</u>
Total capital assets being depreciated, net	<u>174,650</u>	<u>(10,164)</u>	<u>-</u>	<u>-</u>	<u>164,486</u>
Total capital assets, net	<u>\$ 245,310</u>	<u>\$ 23,800</u>	<u>\$ (5,042)</u>	<u>\$ (5,042)</u>	<u>\$ 264,068</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

**NOTE 3 – CAPITAL ASSETS (Continued)**

	Balance	Changes During Year		Balance
	January 1 2007	Additions	Reductions	December 31, 2007
<b>Capital assets not being depreciated</b>				
Land	\$ 6,995	\$ -	\$ -	\$ 6,995
Construction in progress	25,703	48,053	(10,091)	63,665
Total capital assets not being depreciated	<u>32,698</u>	<u>48,053</u>	<u>(10,091)</u>	<u>70,660</u>
<b>Capital assets being depreciated:</b>				
Rolling stock (including capital spare parts)	144,754	2,252	-	147,006
Buildings and improvements	83,611	634	(8)	84,237
Track work and substations	35,930	6,552	(141)	42,341
Bridges and crossings	29,666	-	-	29,666
Machinery and equipment	6,684	166	(27)	6,823
Information system and office equipment	1,091	-	(39)	1,052
Autos and trucks	3,303	316	(14)	3,605
Total capital assets being depreciated	<u>305,039</u>	<u>9,920</u>	<u>(229)</u>	<u>314,730</u>
Less accumulated depreciation	<u>125,676</u>	<u>14,633</u>	<u>(229)</u>	<u>140,080</u>
Total capital assets being depreciated, net	<u>179,363</u>	<u>(4,713)</u>	<u>-</u>	<u>174,650</u>
Total capital assets, net	<u>\$ 212,061</u>	<u>\$ 43,340</u>	<u>\$ (10,091)</u>	<u>\$ 245,310</u>

**NOTE 4 – TRACKAGE RIGHTS**

Beginning in 1991, as a result of the District's acquisition of the "Joint Assets," including all track, ties, ballast, switches, real estate, and other similar items, the District is to receive an "annual fee" for the use of its track. This annual fee has two components: (1) a reimbursement of maintenance of way costs (the MOW fee) and (2) a payment for the right to use the track (the ROI fee). Both components of the annual fee are calculated in accordance with formulas incorporated in the purchase agreement between the District and the South Shore Acquisition Company (SSA). The District recognized \$1.60 million and \$1.61 million in MOW fees in 2008 and 2007 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. \$986 thousand and \$1.05 million in ROI fees are recognized in 2008 and 2007, respectively, and reported as part of "other local funds" in the accompanying statement of revenue and expense and change in net assets.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

**NOTE 5 – LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2008 and 2007 is as follows (in thousands of dollars):

	January 1, 2008	Additions	Reductions	December 31, 2008	Due Within One Year	Long-Term Portion
Bonds payable:						
Bonds payable - 2004	\$ 26,230	\$ -	\$ 1,440	\$ 24,790	\$ 1,485	\$ 23,305
Bonds payable - 2007	32,100	-	-	32,100	1,595	30,505
Premium on bonds payable	969	-	111	858	-	858
Total bonds payable	<u>59,299</u>	<u>-</u>	<u>1,551</u>	<u>57,748</u>	<u>3,080</u>	<u>54,668</u>
Accrued postretirement health costs (Note 7)	1,181	95	-	1,276	-	1,276
Total	<u>\$ 60,480</u>	<u>\$ 95</u>	<u>\$ 1,551</u>	<u>\$ 59,024</u>	<u>\$ 3,080</u>	<u>\$ 55,944</u>

	January 1, 2007	Additions	Reductions	December 31, 2007	Due Within One Year	Long-Term Portion
Note payable	\$ 186	\$ -	\$ 186	\$ -	\$ -	\$ -
Bonds payable:						
Bonds payable - 2004	27,630	-	1,400	26,230	1,440	24,790
Bonds payable - 2007	-	32,100	-	32,100	-	32,100
Premium on bonds payable	1,084	-	115	969	-	969
Total bonds payable	<u>28,714</u>	<u>32,100</u>	<u>1,515</u>	<u>59,299</u>	<u>1,440</u>	<u>57,859</u>
Accrued postretirement health costs (Note 7)	1,110	71	-	1,181	-	1,181
Total	<u>\$ 30,010</u>	<u>\$ 32,171</u>	<u>\$ 1,701</u>	<u>\$ 60,480</u>	<u>\$ 1,440</u>	<u>\$ 59,040</u>

In October 2000, NICTD entered into an agreement with Banc One Leasing Corporation to borrow up to \$1.5 million to purchase equipment. Pursuant to this agreement, NICTD financed a \$1.5 million equipment purchase at a 2.73% interest rate. The note matured during October 2007.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

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**NOTE 5 – LONG-TERM LIABILITIES (Continued)**

On November 16, 2004, NICTD issued \$29,275,000 worth of Limited Obligation Revenue Bonds, Series 2004 to the Indiana Bond Bank. NICTD is planning on using the funds generated 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 over the course of the next seventeen years with payments commencing on December 30, 2005. The bonds bear an interest rate ranging from 2.0% to 5.0%.

On April 4, 2007, NICTD issued \$32,100,000 worth of Limited Obligation Capital Grant Receipts Revenue Bonds, Series 2007 to Chase Equipment Leasing, Inc. NICTD is planning on using the funds generated to fund the purchase of commuter rail cars. The Bonds shall be subject to optional redemption on December 30, 2012, December 30, 2014, or December 30, 2016 at the redemption price of 100% of the principal amount of the Bonds to be redeemed plus accrued interest, if any, to the date fixed for redemption. The Bonds are also subject to optional redemption on any payment date on or after June 30, 2008 in whole at a redemption price of 100% of the principle amount of the Bonds to be redeemed plus accrued interest to the redemption, plus premium. The Bonds are set to be repaid annually on June 30 and December 30 for principal and interest starting June 30, 2029 until December 30, 2023. Interest only will be paid every June 30 and December 30 until June 30, 2009. The bonds bear an interest rate of 4.028%

To comply with covenants outlined in the 2004 and 2007 bonds agreements, NICTD has established several accounts which are required to hold all principal and interest payments on the bonds becoming due over the next 12 months. This account is classified as restricted cash. This reserve account 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.

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2008 and 2007

**NOTE 5 – LONG-TERM LIABILITIES (Continued)**

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

Year Ending December 31	2004 Bond			2007 Bond			Total
	Principal	Interest	Total	Principal	Interest	Total	
2009	\$ 1,485	\$ 1,115	\$ 2,600	\$ 1,595	\$ 1,277	\$ 2,872	\$ 5,472
2010	1,525	1,070	2,595	1,660	1,212	2,872	5,467
2011	1,575	1,024	2,599	1,727	1,145	2,872	5,471
2012	1,650	945	2,595	1,798	1,074	2,872	5,467
2013	1,735	863	2,598	1,871	1,001	2,872	5,470
2014-2018	9,780	3,210	12,990	10,559	3,801	14,360	27,350
2019-2023	7,040	714	7,754	12,890	1,471	14,361	22,115
	<u>\$ 24,790</u>	<u>\$ 8,941</u>	<u>\$ 33,731</u>	<u>\$ 32,100</u>	<u>\$ 10,981</u>	<u>\$ 43,081</u>	<u>\$ 76,812</u>

**NOTE 6 – NET ASSET CLASSIFICATIONS**

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

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

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

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

**NOTE 7 – EMPLOYEES’ RETIREMENT AND POSTRETIREMENT HEALTH PLANS**

To provide retirement benefits for its full-time employees, the District participates in the Public Employees’ Retirement Fund of Indiana (Fund), a cost-sharing, multiple-employer public employees’ retirement system. The payroll for employees covered by the Fund was \$1.3 and \$1.2 million for 2008 and 2007 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 \$17.3 million for 2008 and \$16.5 million for 2007.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

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**NOTE 7 – EMPLOYEES’ RETIREMENT AND POSTRETIREMENT HEALTH PLANS**  
(Continued)

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 \$192 thousand and \$183 thousand for 2008 and 2007. These contributions represent 15% of covered payroll for 2008 and 2007. The District contributes the 3% employee’s portion. To obtain more information please visit the Public Employees’ Retirement Fund at [www.in.gov/perf/](http://www.in.gov/perf/).

GASB Statement 27 requires 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 19 employees of the District are participants in the Fund, these items are not considered to be material disclosures to the District’s financial statements.

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

The Plan requires contributions by the District to be made at the rate of 5% of Class I employees’ compensation and 8% of Class II employees’ compensation. Contributions for 2008 and 2007 by the District amounted to \$127 thousand and \$120 thousand (5% of covered payroll) for Class I employees and \$95 thousand and \$90 thousand (8% of covered payroll) for Class II employees.

Covered payroll for 2008 and 2007 amounted to \$2,534 thousand and \$2,408 thousand for Class I employees and \$1,184 thousand and \$1,122 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.

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

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**NOTE 7 – EMPLOYEES’ RETIREMENT AND POSTRETIREMENT HEALTH PLANS**  
(Continued)

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 2008 and 2007 by the District amounted to \$19 thousand and \$20.5 thousand for clerks, \$12 thousand and \$11 thousand for dispatchers and \$70 thousand and \$74 thousand for collectors/ conductors and engineers. Qualifying hours for 2008 and 2007 were 38 thousand and 41 thousand for clerks, 12 thousand and 11 thousand for dispatchers and 139 thousand and 148 thousand for collectors/ conductors and engineers.

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

On December 30, 2003, the District adopted the postretirement health plan. The plan covers all management employees over the age of 55 with 5 years of service. Employees contribute 50% 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 \$876 thousand of the District’s cash and cash equivalents is designated for this health plan. Approximately 59 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 7.00% for 2008 and 6.00% for 2007. The District recognized \$95 thousand and \$71 thousand of postretirement health plan obligations for 2008 and 2007, respectively. The accumulated postretirement health plan liability was \$1,276 thousand and \$1,181 thousand as of December 31, 2008 and 2007, 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.

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

**NOTE 8 – OTHER NONOPERATING REVENUE**

Other local funds and other revenue at December 31, 2008 and 2007 consist of the following in thousands of dollars:

	<u>2008</u>	<u>2007</u>
Other local funds		
Local grants	\$ -	\$ 17,500
Local subsidies	<u>4,058</u>	<u>3,598</u>
 Total other local funds	 <u>\$ 4,058</u>	 <u>\$ 21,098</u>
 Other revenue		
Interest - unreserved	\$ 1,374	\$ 2,833
Interest – reserved for accident claims	118	217
Rental income	81	75
Sale of maintenance services	2	2
Sale of scrap material	118	72
Advertising activities	76	83
Miscellaneous	<u>39</u>	<u>13</u>
 Total other revenue	 <u>\$ 1,808</u>	 <u>\$ 3,295</u>

**NOTE 9 – METRA TRANSACTIONS**

The District and Metra have agreed to a purchase of service agreement, whereby Metra reimburses the District for a portion (21% for 2008) of certain qualifying expenses resulting from the provision of passenger service along the former CSS line. In the event that the passenger operations generate a surplus, Metra would participate in that same proportion as it does for losses. The operating subsidy for 2008 and 2007 amounted to \$3 million and \$2.5 million, respectively. A portion of this subsidy is included in “other local funds” with the remaining amount as an offset to “transportation” operating expenses in the accompanying statement of revenue, expenses and changes in net assets. The agreement, originally due to expire December 31, 1995, was extended under substantially the same terms and conditions through December 31, 2006.

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

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2008 and 2007

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**NOTE 9 – METRA TRANSACTIONS (Continued)**

Additionally, the District and Metra have a trackage right agreement whereby the District pays \$4.9 million annually to Metra for operating over their tracks and other services between 115<sup>th</sup> Street and Millennium Station.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

The following summarizes the significant commitments and contingencies at December 31, 2008 and 2007:

- (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. Q3 Business Technology Corporation provides certain administrative services for the plan. An insurance company provides specific and aggregate stop loss coverage. NICTD is responsible for the funding of all claims up to \$50,000 per individual per policy year and up to approximately \$939,500 per year for the group as a whole. A liability of \$191,000 and \$391,000 has been recorded by NICTD at December 31, 2008 and 2007 to estimate payment of claims pending on that date. Group insurance expense related to this plan totaled \$335,200 and \$1,063,700 for the years ended December 31, 2008 and 2007. Approximately 300 union employees are covered under a separate plan. Total health insurance expenses for the years ended December 31, 2008 and 2007 totaled \$4,483,200 and \$5,256,100.

**SUPPLEMENTARY SCHEDULES**

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 SCHEDULES OF EXPENSES  
 Years ended December 31, 2008 and 2007  
 (In thousands of dollars)

	<u>2008</u>	<u>2007</u>
<b>TRANSPORTATION</b>		
Salaries and wages	\$ 4,824	\$ 4,514
Fringe benefits and payroll taxes	3,715	3,503
Equipment expense	13	3
Repairs and maintenance materials	1	1
Operating costs	4,521	3,383
Utilities	188	168
Other services	123	122
Office supplies	12	44
Administration	104	104
Rents and leases	13	6
	<u>13,514</u>	<u>11,848</u>
<b>MAINTENANCE OF WAY EXPENSES</b>		
Salaries and wages	2,653	2,310
Fringe benefit and payroll taxes	2,308	2,311
Equipment expense	43	49
Repairs and maintenance materials	1,584	1,247
Traction power	1,978	2,092
Operating costs	(1,212)	(1,375)
Professional services	29	-
Utilities	204	144
Other services	593	1,157
Office supplies	22	12
Administration	(1,043)	(984)
Rents and leases	11	10
	<u>7,170</u>	<u>6,973</u>
<b>MAINTENANCE OF EQUIPMENT EXPENSES</b>		
Salaries and wages	4,154	3,739
Fringe benefit and payroll taxes	3,288	3,200
Equipment expense	32	37
Repairs and maintenance materials	2,268	1,734
Operating costs	67	19
Utilities	182	176
Other services	388	407
Office supplies	99	90
Administration	(858)	(99)
Rents and leases	16	10
	<u>9,636</u>	<u>8,421</u>
<b>CLAIMS AND INSURANCE</b>	1,700	2,096
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries and wages	2,110	1,936
Fringe benefit and payroll taxes	1,616	2,284
Equipment expense	12	7
Repairs and maintenance materials	40	28
Operating costs	65	50
Utilities	131	112

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULES OF EXPENSES  
Years ended December 31, 2008 and 2007  
(In thousands of dollars)

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	<u>2008</u>	<u>2007</u>
Professional services	\$ 789	\$ 1,120
Other services	214	314
Office supplies	120	95
Administration	415	424
Rents and leases	<u>58</u>	<u>51</u>
	5,570	6,421
DEPRECIATION		
Depreciation on assets acquired with federal funds	10,355	9,964
Depreciation on assets acquired with state and local funds	<u>4,732</u>	<u>4,669</u>
	<u>15,087</u>	<u>14,633</u>
	<u>\$ 52,677</u>	<u>\$ 50,392</u>

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**NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended December 31, 2008**

Federal Grantor/Grant No.	Federal CFDA Number	Qualifying Expenditures in Excess of (Less Than) Reimbursements, Beginning of 2008	Reimbursements		Total	Qualifying Expenditures		Total	Qualifying Expenditures In Excess of (Less Than) Reimbursements, End of 2008
			Federal Share	Local Share		Federal Share	Local Share		
U.S. Department of Transportation Federal Transit Administration	20.507	\$ -	\$ 4,586,053	\$ 12,219,646	\$ 16,805,699	\$ 4,586,053	\$ 12,219,646	\$ 16,805,699	\$ -
Capital Assistance									
IN-03-0113	20.500	4,558	288,697	71,895	360,592	287,579	71,895	359,474	3,440
IN-03-0121	20.500	55,279	400,615	86,334	486,949	345,336	86,334	431,670	-
IN-03-0126	20.500	102,679	1,675,020	415,676	2,090,696	1,662,704	415,676	2,078,380	90,363
IN-03-0128	20.500	-	36,766	17,525	54,291	70,099	17,525	87,624	33,333
IN-03-0141	20.500	-	4,900,000	1,225,000	6,125,000	4,900,000	1,225,000	6,125,000	-
IN-05-065	20.500	142,595	779,151	244,535	1,023,686	978,140	244,535	1,222,675	341,584
IN-05-066	20.500	608,308	5,936,834	1,480,902	7,417,736	5,901,886	1,480,902	7,382,788	573,360
IN-05-067	20.500	-	2,149,958	567,611	2,717,569	2,208,510	567,611	2,776,121	58,552
IN-95-X001	20.507	-	5,706,960	1,426,740	7,133,700	5,706,960	1,426,740	7,133,700	-
IN-90-X447	20.507	-	26,054	6,514	32,568	26,054	6,514	32,568	-
IN-90-X545	20.507	-	25,324	6,331	31,655	25,324	6,331	31,655	-
IN-90-X555	20.507	-	39,777	9,944	49,721	39,777	9,944	49,721	-
FTA Subtotal		913,419	26,551,209	17,778,653	44,329,862	26,738,422	17,778,653	44,517,075	1,100,632
U.S. Department of Homeland Security Passed through State of Illinois									
IN-90-X102 (Homeland Security)	97.008	106,960	151,405	-	151,405	45,345	-	45,345	-
IN-90-X103 (Homeland Security)	97.008	21,483	-	-	-	710,356	-	710,356	731,839
		\$ 1,040,962	\$ 26,702,614	\$ 17,778,653	\$ 44,481,267	\$ 27,494,123	\$ 17,778,653	\$ 45,272,776	\$ 1,832,471
Summary by Federal CFDA Number									
20.500		\$ 913,419	\$ 16,167,041	\$ 4,109,478	\$ 20,276,519	\$ 16,354,254	\$ 4,109,478	\$ 20,463,732	\$ 1,100,632
20.507		-	10,384,168	13,669,175	24,053,343	10,384,168	13,669,175	24,053,343	-
97.008		127,543	151,405	-	151,405	755,701	-	755,701	731,839
		\$ 1,040,962	\$ 26,702,614	\$ 17,778,653	\$ 44,481,267	\$ 27,494,123	\$ 17,778,653	\$ 45,272,776	\$ 1,832,471

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 2008

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**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.

**NOTE 2 - PRIOR YEAR GRANT EXPENDITURES**

During 2008, the District was awarded grant IN-05-067 and grant IN-03-0141 from the Federal Transit Administration (FTA). Grant IN-03-0141 and a portion of grant IN-05-067 were for the replacement of the South Shore Line catenary systems and signal. These grant funds received in 2008 were used to offset expenditures that were incurred related to these projects in prior years. The District obtained a *Letter of No Prejudice* from the FTA in 2004 which allowed the District "to incur costs for the project described above and retains the project's eligibility for future FTA grant assistance." Since these grants were awarded during the current year, the prior year expenditures which are now funded by these federal grants, are included in the current schedule of expenditures of federal awards (SEFA).

	<u>Federal Expenditures Incurred</u>		<u>Total as presented</u>
	<u>Prior to 2008</u>	<u>During 2008</u>	<u>on the SEFA</u>
U.S. Dept. of Transportation			
Federal Transit Administration			
Capital Assistance			
IN-03-0141	\$ 4,900,000	\$ -	\$ 4,900,000
IN-05-067	2,000,000	208,510	2,208,510

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-X565  
 CAPITAL/MAINTENANCE ASSISTANCE  
 January 1, 2008 through December 31, 2008

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.7A.00	Preventive Maintenance (Rail)	\$ 5,732,566	\$ 16,805,699	\$ (11,073,133)
	Net project costs	<u>\$ 5,732,566</u>	<u>\$ 16,805,699</u>	<u>\$ (11,073,133)</u>
	Federal share	\$ 4,586,053	\$ 4,586,053	\$ -
	Local share	<u>1,146,513</u>	<u>12,219,646</u>	<u>(11,073,133)</u>
	Net project costs	<u>\$ 5,732,566</u>	<u>\$ 16,805,699</u>	<u>\$ (11,073,133)</u>
	Total grant payable (maximum \$4,586,053)		\$ 4,586,053	
	Grant receipts through December 31, 2008		<u>4,586,053</u>	
	Balance due from FTA at December 31, 2008		<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-03-0113  
CAPITAL ASSISTANCE  
May 1, 2004 through December 31, 2008

<u>Line Item Code</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual (Over)Under Budget</u>
12.15.22	Mid-life rail car overhaul	\$ 1,100,000	\$ 1,309,166	\$ (209,166)(1)
12.21.05	Engineering/design – Bridge MP 63.37	140,000	477,838	(337,838)(1)
12.23.05	Construct bridges	2,500,000	2,492,568	7,432
12.23.03	Rebuild trackage – Kensington Junction	2,175,532	-	2,175,532
12.42.11	Rail support vehicles	390,000	415,818	(25,818)(1)
12.42.20	Purchase – miscellaneous equipment	390,000	469,056	(79,056)(1)
12.51.01	Engineering/design – traction power	100,000	-	100,000
12.54.01	Rehabilitation/Renovation – traction power equipment	120,000	54,076	65,924
12.72.08	Force account – construction	520,000	612,886	(92,886)(1)
12.72.09	Force account vehicle rehabilitation	4,200,000	3,599,570	600,430
12.79.00	Force account project administration	<u>290,000</u>	<u>138,735</u>	<u>151,265</u>
	Net project costs	<u>\$ 11,925,532</u>	<u>\$ 9,569,713</u>	<u>\$ 2,355,819</u>
	Federal share (80%)	\$ 9,540,426	\$ 7,655,770	\$ 1,884,655
	Local share (20%)	<u>2,385,106</u>	<u>1,913,943</u>	<u>471,164</u>
	Net project costs	<u>\$ 11,925,532</u>	<u>\$ 9,569,713</u>	<u>\$ 2,355,819</u>
	Total grant payable (maximum \$9,540,426)		\$ 7,655,770	
	Grant receipts through December 31, 2008		<u>7,652,330</u>	
	Balance due from FTA at December 31, 2008		<u>\$ 3,440</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-03-0121  
CAPITAL ASSISTANCE  
May 1, 2004 through December 31, 2008

<u>Line Item Code</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual (Over)Under Budget</u>
13.63.20	Mid-life rail car overhaul	\$ 600,000	\$ 1,622,789	\$ (1,022,789)(1)
12.23.05	Construct bridges	2,350,000	52,826	2,297,174
12.23.03	Construct line equip/structure	2,080,008	-	2,080,008
12.42.11	Rail support vehicles	390,000	707,147	(317,147)(1)
12.42.20	Purchase – miscellaneous equipment	390,000	15,420	374,580
12.54.01	Rehabilitation/Renovation – traction power equipment	220,000	146,055	73,945
12.72.08	Force account – construction	885,000	410,285	474,715
12.72.09	Force account vehicle rehabilitation	4,700,000	3,338,063	1,361,937
12.79.00	Force account project administration	<u>215,000</u>	<u>24,413</u>	<u>190,587</u>
	Net project costs	<u>\$ 11,830,008</u>	<u>\$ 6,316,998</u>	<u>\$ 5,513,010</u>
	Federal share (80%)	\$ 9,464,006	\$ 5,053,598	\$ 4,410,408
	Local share (20%)	<u>2,366,002</u>	<u>1,263,400</u>	<u>1,102,602</u>
	Net project costs	<u>\$ 11,830,008</u>	<u>\$ 6,316,998</u>	<u>\$ 5,513,010</u>
	Total grant payable (maximum \$9,464,006)		\$ 5,053,598	
	Grant receipts through December 31, 2008		<u>5,053,598</u>	
	Balance due from FTA at December 31, 2008		<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-03-0126  
CAPITAL ASSISTANCE  
May 1, 2004 through December 31, 2008

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.15.22	Mid-life rail car overhaul	\$ 940,000	\$ 1,076,176	\$ (136,176)(1)
12.23.05	Construct bridges	1,975,000	985,158	989,842
12.31.02	Engineering/design rail station	160,000	348,687	(188,687)(1)
12.33.02	Construct rail station	1,000,000	1,297,154	(297,154)(1)
12.42.11	Rail support vehicle	365,000	370,678	(5,678)(1)
12.42.20	Purchase – miscellaneous equipment	415,000	235,506	179,494
12.54.01	Rehabilitation/Renovation – traction power equipment	1,766,885	1,930,938	(164,053)(1)
12.72.08	Force account construction	2,225,000	2,823,513	(598,513)(1)
12.72.09	Force account vehicle rehabilitation	2,600,000	-	2,600,000
12.79.00	Force account project administration	<u>370,000</u>	<u>53,983</u>	<u>316,017</u>
	Net project costs	<u>\$ 11,816,885</u>	<u>\$ 9,121,793</u>	<u>\$ 2,695,092</u>
	Federal share (80%)	\$ 9,453,507	\$ 7,297,434	\$ 2,156,073
	Local share (20%)	<u>2,363,378</u>	<u>1,824,359</u>	<u>539,019</u>
	Net project costs	<u>\$ 11,816,885</u>	<u>\$ 9,121,793</u>	<u>\$ 2,695,092</u>
Total grant payable (maximum \$9,453,507)			\$ 7,297,434	
Grant receipts through December 31, 2008			<u>7,207,071</u>	
Balance due from FTA at December 31, 2008			<u>\$ 90,363</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-03-0128  
 CAPITAL ASSISTANCE  
 July 1, 2005 through December 31, 2008

<u>Line Item Code</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual (Over)Under Budget</u>
13.71.11	West Lake study	\$ 1,875,000	\$ 990,035	\$ 884,965
13.63.20	Signals/ communication – signal modernization	<u>1,225,000</u>	<u>1,225,000</u>	<u>-</u>
	Net project costs	<u>\$ 3,100,000</u>	<u>\$ 2,215,035</u>	<u>\$ 884,965</u>
	Federal share (80%)	\$ 2,480,000	\$ 1,772,028	\$ 707,972
	Local share (20%)	<u>620,000</u>	<u>443,007</u>	<u>176,993</u>
	Net project costs	<u>\$ 3,100,000</u>	<u>\$ 2,215,035</u>	<u>\$ 884,965</u>
	Total grant payable (maximum \$2,480,000)		\$ 1,772,028	
	Grant receipts through December 31, 2008		<u>1,738,695</u>	
	Balance due from FTA at December 31, 2008		<u>\$ 33,333</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-03-0141  
 CAPITAL ASSISTANCE  
 July 1, 2008 through December 31, 2008

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Line Item Code	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	Actual (Over)Under <u>Budget</u>
12.63.01	Signals/Catenary	\$ 6,125,000	\$ 6,125,000	\$ -
	Net project costs	<u>\$ 6,125,000</u>	<u>\$ 6,125,000</u>	<u>\$ -</u>
	Federal share (80%)	\$ 4,900,000	\$ 4,900,000	\$ -
	Local share (20%)	<u>1,225,000</u>	<u>1,225,000</u>	<u>-</u>
	Net project costs	<u>\$ 6,125,000</u>	<u>\$ 6,125,000</u>	<u>\$ -</u>
Total grant payable (maximum \$4,900,000)			\$ 4,900,000	
Grant receipts through December 31, 2008			<u>4,900,000</u>	
Balance due from FTA at December 31, 2008			<u>\$ -</u>	

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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-05-065  
CAPITAL ASSISTANCE  
July 1, 2006 through December 31, 2008

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.23.05	Construct bridges	\$ 1,400,000	\$ 738,232	\$ 661,768
12.33.02	Construct rail station	1,950,000	3,954,006	(2,004,006)(1)
12.42.06	Purchase – shop equipment	240,000	185,322	54,678
12.42.11	Rail support vehicle	385,000	263,378	121,622
12.42.20	Purchase – miscellaneous equipment	435,000	164,284	270,716
12.54.01	Rehabilitation/Renovation – traction power equipment	5,067,478	5,223,589	(156,111)(1)
12.71.02	Final design – third party	1,325,000	63,556	1,261,444
12.72.08	Force account construction	1,450,000	873,464	576,536
12.79.00	Force account project administration	<u>415,000</u>	<u>266,048</u>	<u>148,952</u>
	Net project costs	<u>\$ 12,667,478</u>	<u>\$ 11,731,879</u>	<u>\$ 935,599</u>
	Federal share (80%)	\$ 10,133,981	\$ 9,385,503	\$ 748,478
	Local share (20%)	<u>2,533,497</u>	<u>2,346,376</u>	<u>187,121</u>
	Net project costs	<u>\$ 12,667,478</u>	<u>\$ 11,731,879</u>	<u>\$ 935,599</u>
	Total grant payable (maximum \$10,133,981)		\$ 9,385,503	
	Grant receipts through December 31, 2008		<u>9,043,919</u>	
	Balance due from FTA at December 31, 2008		<u>\$ 341,584</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-05-066  
CAPITAL ASSISTANCE  
July 1, 2006 through December 31, 2008

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.15.22	Mid-life 1992 rail cars overhaul	\$ 375,000	\$ 75,469	\$ 299,531
12.23.05	Construct bridges	864,804	717,880	146,924
12.42.11	Rail support vehicle	485,000	79,836	405,164
12.42.20	Purchase track equipment	485,000	500,000	(15,000)(1)
12.54.01	Catenary	7,850,000	6,699,913	1,150,087
12.43.05	Yard trackage	200,000	818,730	(618,730)(1)
12.54.03	Substations	190,000	95,109	94,891
12.41.05	Engineering/Design – Yard & Shops	200,000	-	200,000
12.72.08	Force account construction	1,675,000	1,121,432	553,568
12.72.09	Force account vehicle rehabilitation	850,000	28,195	821,805
12.79.00	Force account project administration	<u>420,000</u>	<u>447,352</u>	<u>(27,352)(1)</u>
	Net project costs	<u>\$ 13,594,804</u>	<u>\$ 10,583,916</u>	<u>\$ 3,010,888</u>
	Federal share (80%)	\$ 10,867,842	\$ 8,460,904	\$ 2,406,938
	Local share (20%)	<u>2,726,962</u>	<u>2,123,012</u>	<u>603,950</u>
	Net project costs	<u>\$ 13,594,804</u>	<u>\$ 10,583,916</u>	<u>\$ 3,010,888</u>
	Total grant payable (maximum \$10,867,842)		\$ 8,460,904	
	Grant receipts through December 31, 2008		<u>7,887,544</u>	
	Balance due from FTA at December 31, 2008		<u>\$ 573,360</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-05-067  
CAPITAL ASSISTANCE  
July 1, 2008 through December 31, 2008

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.23.05	Bridges	\$ 1,625,000	\$ -	\$ 1,625,000
12.42.11	Purchase support vehicle	485,000	-	485,000
12.42.20	Purchase track equipment	485,000	-	485,000
12.63.01	Catenary	2,000,000	2,500,000	(500,000)(1)
12.43.05	Yard trackage	650,000	-	650,000
12.54.03	Substations	73,044	-	73,044
12.23.03	Kensington engineering	7,500,000	-	7,500,000
12.11.22	New railcars	312,500	275,635	36,865
12.72.08	Force account construction	950,000	486	949,514
12.79.00	Force account project administration	<u>327,500</u>	<u>-</u>	<u>327,500</u>
	Net project costs	<u>\$ 14,408,044</u>	<u>\$ 2,776,121</u>	<u>\$ 11,631,923</u>
	Federal share (80%)	\$ 11,517,955	\$ 2,208,510	\$ 9,309,445
	Local share (20%)	<u>2,890,089</u>	<u>567,611</u>	<u>2,322,478</u>
	Net project costs	<u>\$ 13,594,804</u>	<u>\$ 2,776,121</u>	<u>\$ 11,631,923</u>
	Total grant payable (maximum \$11,517,955)		\$ 2,208,510	
	Grant receipts through December 31, 2008		<u>2,149,958</u>	
	Balance due from FTA at December 31, 2008		<u>\$ 58,552</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-95-X001  
 CAPITAL/MAINTENANCE ASSISTANCE  
 July 13, 2007 through December 31, 2008

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<u>Line Item Code</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual (Over)Under Budget</u>
12.13.22	New railcars	\$ 10,000,000	\$ 9,511,600	\$ 488,400
	Net project costs	\$ 10,000,000	\$ 9,511,600	\$ 488,400
	Federal share (80%)	\$ 8,000,000	\$ 7,609,280	\$ 390,720
	Local share (20%)	<u>2,000,000</u>	<u>1,902,320</u>	<u>97,680</u>
	Net project costs	<u>\$ 10,000,000</u>	<u>\$ 9,511,600</u>	<u>\$ 488,400</u>
	Total grant payable (maximum \$8,000,000)		\$ 7,609,280	
	Grant receipts through December 31, 2008		<u>7,609,280</u>	
	Balance due from FTA at December 31, 2008		<u>\$ -</u>	

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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-X447  
 CAPITAL/MAINTENANCE ASSISTANCE  
 July 1, 2003 through December 31, 2008

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.93.03	Construct landscaping/scenic beautification	\$ 86,915	\$ 86,915	\$ -
	Net project costs	<u>\$ 86,915</u>	<u>\$ 86,915</u>	<u>\$ -</u>
	Federal share (80%)	\$ 69,532	\$ 69,532	\$ -
	Local share (20%)	<u>17,383</u>	<u>17,383</u>	<u>-</u>
	Net project costs	<u>\$ 86,915</u>	<u>\$ 86,915</u>	<u>\$ -</u>
	Total grant payable (maximum \$69,532)		\$ 69,532	
	Grant receipts through December 31, 2008		<u>69,532</u>	
	Balance due from FTA at December 31, 2008		<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-X545  
 CAPITAL/MAINTENANCE ASSISTANCE  
 August 22, 2007 through December 31, 2008

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.42.11	Police vehicle	\$ 42,995	\$ -	\$ 42,995
12.13.11	Construct landscaping/scenic beautification	<u>42,995</u>	<u>42,995</u>	<u>-</u>
	Net project costs	<u>\$ 85,990</u>	<u>\$ 42,995</u>	<u>\$ 42,995</u>
	Federal share (80%)	\$ 68,792	\$ 34,396	\$ 34,396
	Local share (20%)	<u>17,198</u>	<u>8,599</u>	<u>8,599</u>
	Net project costs	<u>\$ 85,990</u>	<u>\$ 42,995</u>	<u>\$ 42,995</u>
Total grant payable (maximum \$68,792)			\$ 34,396	
Grant receipts through December 31, 2008			<u>34,396</u>	
Balance due from FTA at December 31, 2008			<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-X555  
 CAPITAL/MAINTENANCE ASSISTANCE  
 July 1, 2008 through December 31, 2008

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<u>Line Item Code</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual (Over)Under Budget</u>
12.93.03	Construct landscaping/scenic beautification	\$ 136,299	\$ 49,721	\$ 86,578
	Net project costs	<u>\$ 136,299</u>	<u>\$ 49,721</u>	<u>\$ 86,578</u>
	Federal share (80%)	\$ 109,039	\$ 39,777	\$ 69,262
	Local share (20%)	<u>27,260</u>	<u>9,944</u>	<u>17,316</u>
	Net project costs	<u>\$ 136,299</u>	<u>\$ 49,721</u>	<u>\$ 86,578</u>
	Total grant payable (maximum \$109,039)		\$ 39,777	
	Grant receipts through December 31, 2008		<u>39,777</u>	
	Balance due from FTA at December 31, 2008		<u>\$ -</u>	

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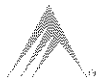
NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT  
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 97.008  
 HOMELAND SECURITY GRANT NO. (CFDA #97.008 – NICTD #02-0102)  
 November 3, 2005 through December 31, 2008

<u>Line Item Code</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual (Over)Under Budget</u>
97.008	Homeland Security – installation of CCTV System	\$ 800,000	\$ 832,317	\$ (32,317)(1)
97.008	Homeland Security – video system	117,000	97,079	19,921
97.008	Homeland Security – access control	<u>33,000</u>	<u>20,604</u>	<u>12,396</u>
	Net project costs	<u>\$ 950,000</u>	<u>\$ 950,000</u>	<u>\$ -</u>
	Federal share (100%)	\$ 950,000	\$ 950,000	\$ -
	Local share (0%)	<u>-</u>	<u>-</u>	<u>-</u>
	Net project costs	<u>\$ 950,000</u>	<u>\$ 950,000</u>	<u>\$ -</u>
Total grant payable (maximum \$950,000)			\$ 950,000	
Grant receipts through December 31, 2008			<u>950,000</u>	
Balance due from FTA at December 31, 2008			<u>\$ -</u>	

(1) Overbudget line item has been approved by the Department of Homeland Security.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 SCHEDULE OF BUDGETED, ACTUAL, AND QUESTIONED COSTS BY GRANT  
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 97.008  
 HOMELAND SECURITY GRANT NO. (CFDA #97.008 – NICTD #02-0103)  
 November 3, 2005 through December 31, 2008

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
97.008	Homeland Security – camera	\$ 800,000	\$ 682,648	\$ 117,352
97.008	Homeland Security – police equipment	41,000	27,708	13,292
97.008	Homeland Security – fiber optic	120,000	-	120,000
97.008	Homeland Security – PA system	<u>23,000</u>	<u>21,483</u>	<u>1,517</u>
	Net project costs	<u>\$ 984,000</u>	<u>\$ 731,839</u>	<u>\$ 252,161</u>
	Federal share (100%)	\$ 984,000	\$ 731,839	\$ 252,161
	Local share (0%)	<u>-</u>	<u>-</u>	<u>-</u>
	Net project costs	<u>\$ 984,000</u>	<u>\$ 731,839</u>	<u>\$ 252,161</u>
	Total grant payable (maximum \$984,000)		\$ 731,839	
	Grant receipts through December 31, 2008		<u>-</u>	
	Balance due from FTA at December 31, 2008		<u>\$ 731,839</u>	



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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 the financial statements of Northern Indiana Commuter Transportation District as of and for the year ended December 31, 2008, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northern Indiana Commuter Transportation District internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Northern Indiana Commuter Transportation District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Northern Indiana Commuter Transportation District's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

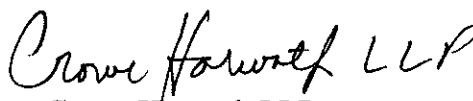
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted certain matters that are reported to management of Northern Indiana Commuter Transportation District in a separate letter dated April 9, 2009.

#### 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*.

This report is intended solely for the information and use of Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe Horwath LLP

South Bend, Indiana  
April 9, 2009



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REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees  
Northern Indiana Commuter  
Transportation District  
Chesterton, Indiana

Compliance

We have audited the compliance of Northern Indiana Commuter Transportation District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Northern Indiana Commuter Transportation District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Northern Indiana Commuter Transportation District's management. Our responsibility is to express an opinion on Northern Indiana Commuter Transportation District's compliance based on our audit.

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 Northern Indiana Commuter Transportation 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. Our audit does not provide a legal determination of Northern Indiana Commuter Transportation District's compliance with those requirements.

In our opinion, Northern Indiana Commuter Transportation District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

## Internal Control Over Compliance

The management of Northern Indiana Commuter Transportation District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Northern Indiana Commuter Transportation District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Northern Indiana Commuter Transportation District's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe Horwath LLP

South Bend, Indiana  
April 9, 2009

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2008

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

Financial Statements:

The type of report issued on the financial statements: *Unqualified*

Internal control over financial reporting:

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

Type of auditor's report issued on compliance for major programs: *Unqualified*

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

Dollar threshold used to distinguish between type A and type B programs: \$824,824

Auditee qualified as low-risk auditee?  Yes  No

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2008

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**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, 2008

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There were no prior year findings.