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June 1, 2017

Board of Directors  
Northern Indiana Commuter Transportation District  
33 East Highway 12  
Chesterton, IN 46304

We have reviewed the audit report prepared by Crowe Horwath LLP, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Northern Indiana Commuter Transportation District, as of December 31, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**NORTHERN INDIANA COMMUTER  
TRANSPORTATION DISTRICT**

**ANNUAL REPORT**  
December 31, 2016 and 2015

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
Chesterton, Indiana

ANNUAL REPORT  
December 31, 2016 and 2015

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Northern Indiana Commuter  
Transportation District  
Chesterton, Indiana

**Report on Financial Statements**

We have audited the accompanying financial statements of the Northern Indiana Commuter Transportation District (the District) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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(Continued)

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2016 and 2015 and the changes in its financial position and its cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of the District's proportionate share of the net pension liability - PERF and schedule of the District's contributions - PERF as shown on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Report on Other Legal and Regulatory Requirements**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Crowe Horwath LLP*

Crowe Horwath LLP

South Bend, Indiana  
May 12, 2017

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 December 31, 2016 and 2015  
 (In thousands of dollars)

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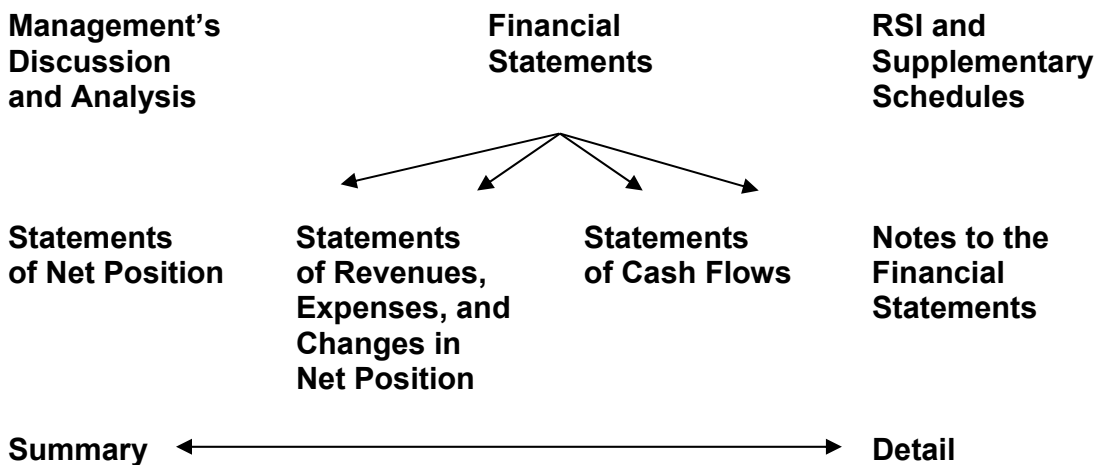
The following discussion and analysis of the Northern Indiana Commuter Transportation District's (the District's) financial performance provides an overview of the District's financial activities for the years ended December 31, 2016 and 2015.

**Overview of the Financial Statements**

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

**Figure A-1**

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



The Statements of Net Position include all of the District's assets and liabilities and deferred outflows and inflows of resources, and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

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

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

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016 and 2015  
(In thousands of dollars)

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**Financial Highlights**

- The District reported a \$12,907 increase to Net Position for 2016, up 131.35% from \$5,579 in 2015.
- In March of 2016, the District issued \$89.1 million in Series 2016 Bonds to fund the engineering and implementation of the Positive Train Control project in accordance with the Railway Safety Improvement Act of 2008 and regulation 49CFR Part 236.
- The Series 2016 Bonds are rated AA- by Standard & Poor's Rating Services.
- The District called the Series 2007 Bonds in 2016 resulting in an \$18 million decrease to bonds payable. Using Indefinite Situs Funds and Bond Reserves, the District retired the bonds a full six years early and realized \$1.3 million in interest savings.
- The District called the Series 2004 Bonds in 2015 resulting in a \$15 million decrease to bonds payable. Using Indefinite Situs Funds and Bond Reserves, the District retired the bonds a full seven years early and realized \$2.8 million in interest savings.
- Operating revenues increased by \$659 or 3.18%, from \$20,734 in 2015 to \$21,393 in 2016. The District attributes this increase to a mid-year fare increase.
- Operating expenses increased by \$2,543 or 4.07% in 2016, from \$62,523 to \$65,066 primarily due to annual contractual increases to trackage rights expenses and increased employment costs including health insurance.
- Loss before capital contributions increased by 3,028 or 41.47% in 2016, from \$7,301 to \$10,329 due to a decrease in state operating assistance accruals and increased operating expenses.
- In 2015, the District adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*.

Statements of Net Position

Total net position increased by \$12,907 in 2016 and increased by \$5,579 in 2015 (see Figures A-2a and A-2b). The largest portion of net position is net investment in capital assets, which increased \$27,557 in 2016 and increased \$11,529 in 2015 through capital improvements, which were funded by contributions from federal and state governmental agencies.

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016 and 2015  
(In thousands of dollars)

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

	<u>2016</u>	<u>2015</u>	<u>Difference</u>	<u>Percent Change</u>
Current assets	\$ 32,488	\$ 49,356	\$ (16,868)	(34.18)%
Capital assets (net)	299,188	267,804	31,384	11.72
Other noncurrent assets	<u>109,901</u>	<u>36,496</u>	<u>73,405</u>	<u>201.13</u>
Total assets	441,577	353,656	87,921	24.86
Deferred outflow of resources	459	526	(67)	(12.74)
Current liabilities	16,259	23,618	(7,359)	(31.16)
Long-term liabilities	99,502	17,250	82,252	476.82
Other liabilities	<u>1,278</u>	<u>1,230</u>	<u>48</u>	<u>3.90</u>
Total liabilities	117,039	42,098	74,941	178.02
Deferred inflow of resources	159	153	6	3.92
Net investment in capital assets	273,034	245,477	27,557	11.23
Restricted for debt service	19,345	13,373	5,972	44.66
Restricted for capital projects	5,204	6,241	(1,037)	(16.62)
Unrestricted	<u>27,255</u>	<u>46,840</u>	<u>(19,585)</u>	<u>(41.81)</u>
Total net position	<u>\$ 324,838</u>	<u>\$ 311,931</u>	<u>\$ 12,907</u>	<u>4.14%</u>

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

	<u>2015</u>	<u>2014</u>	<u>Difference</u>	<u>Change</u>
Current assets	\$ 49,356	\$ 37,827	\$ 11,529	30.48%
Capital assets (net)	267,804	269,137	(1,333)	(0.50)
Other noncurrent assets	<u>36,496</u>	<u>45,829</u>	<u>(9,333)</u>	<u>(20.36)</u>
Total assets	353,656	352,793	863	0.24
Deferred outflow of resources	526	157	369	235.03
Current liabilities	23,618	12,455	11,163	89.63
Long-term liabilities	17,250	33,143	(15,893)	(47.95)
Other liabilities	<u>1,230</u>	<u>804</u>	<u>426</u>	<u>52.99</u>
Total liabilities	42,098	46,402	(4,304)	(9.28)
Deferred inflow of resources	153	196	(43)	(21.94)
Net investment in capital assets	245,477	233,493	11,984	5.13
Restricted for debt service	13,373	21,892	(8,519)	(38.91)
Restricted for capital projects	6,241	6,239	2	0.03
Unrestricted	<u>46,840</u>	<u>44,728</u>	<u>2,112</u>	<u>4.72</u>
Total net position	<u>\$ 311,931</u>	<u>\$ 306,352</u>	<u>\$ 5,579</u>	<u>1.82%</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016 and 2015  
(In thousands of dollars)

Statements of Revenues, Expenses and Changes in Net Position

Operating revenues increased by \$1,318 in 2015 (see Figure A-3a), primarily due to a slight ridership increase and a fare increase midyear. Operating revenues increased by \$659 in 2016 due to a midyear fare increase (see Figure A-3b).

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenue	\$ 21,393	\$ 20,734	\$ 19,416
Commuter ridership	2,168	2,235	2,188
Off-peak ridership	<u>1,336</u>	<u>1,382</u>	<u>1,428</u>
Total ridership	<u><u>3,504</u></u>	<u><u>3,617</u></u>	<u><u>3,616</u></u>

Operating expenses increased by \$2,543 in 2016. The key components of operating expenses are: transportation, maintenance, and depreciation. Depreciation expense decreased by \$262 in 2016. Total non-operating revenues/expenses decreased by \$1,144 or 3.32% in 2016 due primarily to a decrease in State operating grant funds and other local funds received resulting from an increase to State capital contributions.

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

	<u>2016</u>	<u>2015</u>	<u>Difference</u>	<u>Percent Change</u>
Operating revenue	\$ 21,393	\$ 20,734	\$ 659	3.18%
Operating expenses	<u>(65,066)</u>	<u>(62,523)</u>	<u>2,543</u>	<u>4.07</u>
Operating loss	(43,673)	(41,789)	(1,884)	4.51
Non-operating revenues/expenses	<u>33,344</u>	<u>34,488</u>	<u>(1,144)</u>	<u>(3.32)</u>
Loss before contributions	(10,329)	(7,301)	(3,028)	(41.47)
Contributions	<u>23,236</u>	<u>12,880</u>	<u>10,356</u>	<u>80.40</u>
Increase in net position	12,907	5,579	7,328	131.35
Net position, beginning of year	<u>311,931</u>	<u>306,352</u>	<u>5,579</u>	<u>1.82</u>
Net position, end of year	<u><u>\$ 324,838</u></u>	<u><u>\$ 311,931</u></u>	<u><u>\$ 12,907</u></u>	<u><u>4.14%</u></u>

Operating expenses decreased by \$538 in 2015. The key components of operating expenses are: transportation, maintenance, and depreciation. Depreciation expense increased by \$429 in 2015. Total non-operating revenues/expenses increased by \$3,954 or 12.95% in 2015 due primarily to an increase in State operating grant funds and other local funds received.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016 and 2015  
(In thousands of dollars)

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

	<u>2015</u>	<u>2014</u>	<u>Percent</u> <u>Difference</u>	<u>Change</u>
Operating revenue	\$ 20,734	\$ 19,416	\$ 1,318	6.79%
Operating expenses	<u>(62,523)</u>	<u>(61,985)</u>	<u>(538)</u>	<u>0.86</u>
Operating loss	(41,789)	(42,569)	780	(1.83)
Non-operating revenues/expenses	<u>34,488</u>	<u>30,534</u>	<u>3,954</u>	<u>12.95</u>
Loss before contributions	(7,301)	(12,035)	4,734	(39.34)
Contributions	<u>12,880</u>	<u>15,467</u>	<u>(2,587)</u>	<u>(16.73)</u>
Increase in net position	5,579	3,432	2,147	62.56
Net position, beginning of year	306,352	303,763	2,589	0.85
Adjustment per GASB 68/71	<u>-</u>	<u>(843)</u>	<u>843</u>	<u>100.00</u>
Net position, end of year	<u>\$ 311,931</u>	<u>\$ 306,352</u>	<u>\$ 5,579</u>	<u>1.82%</u>

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

**Figure A-3c**  
**Schedule of Revenues and Expenses**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Operating revenues			
Passenger fares (net of refunds)	\$ 21,358	\$ 20,698	\$ 19,371
Parking lot collections	35	36	45
Total operating revenues	<u>\$ 21,393</u>	<u>\$ 20,734</u>	<u>\$ 19,416</u>
Operating expenses			
Transportation	\$ 17,811	\$ 16,958	\$ 15,937
Maintenance of way	7,237	6,400	6,689
Maintenance of equipment	12,759	12,345	12,497
Claims and insurance	1,692	1,352	1,601
General and administrative	<u>7,855</u>	<u>7,494</u>	<u>7,716</u>
	47,354	44,549	44,440
Depreciation	<u>17,712</u>	<u>17,974</u>	<u>17,545</u>
Total operating expenses	<u>\$ 65,066</u>	<u>\$ 62,523</u>	<u>\$ 61,985</u>
Nonoperating revenues (expenses)			
Maintenance grant	\$ 5,177	\$ 5,064	\$ 4,947
State operating assistance	11,288	12,951	11,820
Other local funds	5,452	6,410	5,215
Other revenue	489	735	681
Interest expense	(964)	(661)	(1,292)
Indefinite Situs tax	<u>11,902</u>	<u>9,989</u>	<u>9,163</u>
Total nonoperating revenues (expenses)	<u>\$ 33,344</u>	<u>\$ 34,488</u>	<u>\$ 30,534</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016 and 2015  
(In thousands of dollars)

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Statements of Cash Flows

Cash flow used in operating activities in 2016 decreased by \$2,040 (see Figure A-4a). Cash receipts for capital and related financing activities increased by \$55,880. Proceeds from the Series 2016 Bonds issuance offset cash used for the Series 2007 Bonds payoff. Cash used in investing activities increased by \$53,206 due to investment of temporarily remaining bond proceeds.

**Figure A-4a**  
**Condensed Statements of Cash Flows**

	<u>2016</u>	<u>2015</u>	<u>Difference</u>	<u>Percent Change</u>
Net cash flows used in operating activities	\$ (24,115)	\$ (26,155)	\$ 2,040	7.80%
Net cash flows provided by noncapital financing activities	20,421	22,736	(2,315)	(10.18)
Net cash flows in capital and related financing activities	57,805	1,925	55,880	2,902.86
Net cash flows used in investing activities	<u>(56,398)</u>	<u>(3,192)</u>	<u>(53,206)</u>	<u>(1,666.85)</u>
Net increase/(decrease) in cash and cash equivalents	(2,287)	(4,686)	2,399	51.20
Cash and equivalents, beginning of year	<u>50,828</u>	<u>55,514</u>	<u>(4,686)</u>	<u>(8.44)</u>
Cash and equivalents, end of year	<u>\$ 48,541</u>	<u>\$ 50,828</u>	<u>\$ (2,287)</u>	<u>(4.50)%</u>

Cash flow from operating activities in 2015 increased by \$1,091 (see Figure A-4a). Cash receipts for capital and related financing activities decreased by \$6,171 due to the payoff of the Series 2004 Bonds. Proceeds from the Bond Anticipation Note offset cash used for the Series 2004 Bonds payoff. Cash from investing activities decreased by \$3,237 due to reinvestment of certificates of deposit.

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016 and 2015  
(In thousands of dollars)

**Figure A-4b**  
**Condensed Statements of Cash Flows**

	<u>2015</u>	<u>2014</u>	<u>Difference</u>	<u>Percent Change</u>
Net cash flows used in operating activities	\$ (26,155)	\$ (25,064)	\$ (1,091)	(4.35)%
Net cash flows provided by noncapital financing activities	22,736	22,696	40	0.18
Net cash flows in capital and related financing activities	1,925	8,096	(6,171)	(76.22)
Net cash flows used in investing activities	<u>(3,192)</u>	<u>45</u>	<u>(3,237)</u>	<u>(7,193.33)</u>
Net increase/(decrease) in cash and cash equivalents	(4,686)	5,773	(10,459)	181.17
Cash and equivalents, beginning of year	<u>55,514</u>	<u>49,741</u>	<u>5,773</u>	<u>11.61</u>
Cash and equivalents, end of year	<u>\$ 50,828</u>	<u>\$ 55,514</u>	<u>\$ (4,686)</u>	<u>(8.44)%</u>

Capital Assets

The District uses a five-year Capital Improvements Program (CIP) that is updated biannually. 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 2017 through 2021. The District expects to invest \$218,566 in capital improvements during 2017 - 2021 in major upgrades along the right of way, new equipment, railcar improvements, and the Positive Train Control (PTC) capital project. The PTC project is being funded through the Series 2016 Bond Issuance. The District expects to invest an additional \$894 million during 2017 - 2021 in the proposed Westlake expansion project and the double track capital project. These projects are under consideration with the Federal Transit Administration for Capital Investment Grant Funding. A decision should be known by 2017's year end. For more detailed information related to capital assets, see Note 3 to the financial statements.

Debt Administration

At December 31, 2016, the District had \$89,100 principal outstanding for the newly issued Series 2016 Bonds. At December 31, 2015 the District had \$18,213 principal outstanding for the Series 2007 Bonds. The Series 2007 Bonds were called in 2016. The District incurred additional debt in 2016 through the issuance of the Series 2016 \$89,100 Bonds which are required to pay for implementation of the Positive Train Control project.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2016 and 2015  
(In thousands of dollars)

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**Figure A-5**  
**Indefinite Situs Tax Received/Grant Funding Received and Debt Service Payments**

	<u>2016</u>	<u>2015</u>	<u>Difference</u>	<u>Percent Change</u>
Situs Tax Restricted for Debt Service	\$ 10,402	\$ 8,961	\$ 1,441	16.08%
Federal Grant Restricted for Debt Service	2,906	2,906	-	-
Debt Payments - Series 2004 Bonds	-	366	(366)	(100)
Debt Payments - Series 2007 Bonds	2,906	2,906	-	-

	<u>2015</u>	<u>2014</u>	<u>Difference</u>	<u>Percent Change</u>
Situs Tax Restricted for Debt Service	\$ 8,961	\$ 7,953	\$ 1,008	12.67%
Federal Grant Restricted for Debt Service	2,906	2,905	1	0.03
Debt Payments - Series 2004 Bonds	366	2,600	(2,234)	(85.92)
Debt Payments - Series 2007 Bonds	2,906	2,905	1	0.03

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

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

We carried 3.5 million passengers in 2016; a reduction of 3.12% from 2015. We experienced a strong November resulting from the Cubs World Series Championship celebration, but ridership was dampened by a two month long crossover installation, consistently low gas prices, poor weather during special events, and increased competition from regional vanpools and express bus services. In 2017 we will continue pursuing an aggressive marketing and promotional campaign targeted at attracting first time and occasional riders to boost ridership levels.

Operating revenue increased slightly by 3.18% in 2016. Operating and maintenance expenses in 2017 are expected to remain at 2016 expense levels, with continued cost saving measures already in place. Management believes that the 2017 plan adequately addresses all revenue requirements, pending stable economic conditions. If the economy worsens, management anticipates it can reduce expenses by an adequate amount to offset reduced revenues.

**Contacting the District's Financial Management**

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

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NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
STATEMENTS OF NET POSITION  
December 31, 2016 and 2015  
(In thousands of dollars)

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents, unrestricted (Note 2)	\$ 7,175	\$ 16,468
Cash and cash equivalents, restricted (Note 2)	-	9,900
Receivables:		
Federal capital and planning assistance	2,348	520
State assistance	15,302	13,806
Metra portion of operating costs	308	308
Other	<u>1,653</u>	<u>2,386</u>
Total receivables	19,611	17,020
Materials and supplies inventory	4,664	4,933
Prepaid expenses	<u>1,038</u>	<u>1,035</u>
Total current assets	<u>32,488</u>	<u>49,356</u>
Noncurrent assets		
Cash and cash equivalents, unrestricted (Note 2)	15,070	13,950
Cash and cash equivalents, restricted (Note 2)	26,296	10,510
Investments, unrestricted (Note 2)	3,232	3,350
Investments, restricted (Note 2)	65,256	8,685
Interest receivable, restricted	47	1
Capital assets not being depreciated	66,684	30,501
Capital assets being depreciated	532,949	521,412
Less accumulated depreciation	<u>(300,445)</u>	<u>(284,109)</u>
Capital assets being depreciated, net	<u>232,504</u>	<u>237,303</u>
Total capital assets, net (Note 3)	<u>299,188</u>	<u>267,804</u>
Total noncurrent assets	<u>409,089</u>	<u>304,300</u>
Total assets	441,577	353,656
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Outflows of resources related to pensions	<u>459</u>	<u>526</u>
Total deferred outflows of resources	<u>459</u>	<u>526</u>
<b>Total assets and deferred outflows</b>	<u>\$ 442,036</u>	<u>\$ 354,182</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 STATEMENTS OF NET POSITION  
 December 31, 2016 and 2015  
 (In thousands of dollars)

	<u>2016</u>	<u>2015</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable		
Trade	\$ 3,390	\$ 2,249
Capital projects	3,749	4,114
Payroll taxes and withholdings	675	637
Accrued interest	2,119	4
Unredeemed fares	308	265
Accrued injuries and damages (Note 1)	1,397	1,565
Other accrued expenses	2,711	2,413
Bond anticipation note (Note 6) (payable from restricted assets)	-	9,900
Current portion - bonds payable (Note 5) (payable from restricted assets)	<u>1,910</u>	<u>2,471</u>
Total current liabilities	<u>16,259</u>	<u>23,618</u>
Long-term debt - bonds payable (Note 5)	99,034	15,742
Accrued post-retirement health costs (Note 5)	<u>468</u>	<u>1,508</u>
Total long-term liabilities	99,502	17,250
Other liabilities		
Net pension liability (Note 7)	<u>1,278</u>	<u>1,230</u>
Total liabilities	117,039	42,098
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Inflows of resources related to pensions	<u>159</u>	<u>153</u>
Total deferred inflows of resources	<u>159</u>	<u>153</u>
<b>NET POSITION (Note 1)</b>		
Net investment in capital assets	273,034	245,477
Restricted for debt service	19,345	13,373
Restricted for capital projects	5,204	6,241
Unrestricted	<u>27,255</u>	<u>46,840</u>
Total net position	<u>324,838</u>	<u>311,931</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 442,036</u>	<u>\$ 354,182</u>

See accompanying notes to financial statements.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 Years ended December 31, 2016 and 2015  
 (In thousands of dollars)

	<u>2016</u>	<u>2015</u>
<b>Operating revenue</b>		
Passenger fares (net of refunds)	\$ 21,358	\$ 20,698
Parking lot collections	<u>35</u>	<u>36</u>
	<u>21,393</u>	<u>20,734</u>
<b>Operating expenses</b>		
Transportation	17,811	16,958
Maintenance of way	7,237	6,400
Maintenance of equipment	12,759	12,345
Claims and insurance	1,692	1,352
General and administrative	<u>7,855</u>	<u>7,494</u>
	47,354	44,549
Depreciation	<u>17,712</u>	<u>17,974</u>
	<u>65,066</u>	<u>62,523</u>
<b>Operating loss</b>	<u>(43,673)</u>	<u>(41,789)</u>
<b>Nonoperating revenues (expenses)</b>		
Federal maintenance grant	5,177	5,064
State operating assistance	11,288	12,951
Other local funds (Note 8)	5,452	6,410
Other revenue (Note 8)	489	735
Interest expense	(964)	(661)
Indefinite Situs tax	<u>11,902</u>	<u>9,989</u>
	<u>33,344</u>	<u>34,488</u>
<b>Loss before capital contributions</b>	<u>(10,329)</u>	<u>(7,301)</u>
<b>Capital contributions</b>		
Federal	19,551	10,885
State	<u>3,685</u>	<u>1,995</u>
	<u>23,236</u>	<u>12,880</u>
Change in net position	12,907	5,579
Net position at beginning of year	<u>311,931</u>	<u>306,352</u>
Net position at end of year	<u>\$ 324,838</u>	<u>\$ 311,931</u>

See accompanying notes to financial statements.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2016 and 2015  
 (In thousands of dollars)

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities</b>		
Cash receipts from customers	\$ 22,563	\$ 19,474
Cash payments for salaries and benefits	(29,899)	(28,255)
Cash payments for insurance	(1,662)	(1,623)
Cash paid for goods and services	<u>(15,117)</u>	<u>(15,751)</u>
Net cash flows used in operating activities	<u>(24,115)</u>	<u>(26,155)</u>
<b>Cash flows from noncapital financing activities</b>		
State assistance grant contributions	9,792	11,570
Maintenance grant	5,177	5,064
Assistance from regional authorities	566	1,426
Metra operating subsidy	3,700	3,392
Trackage rights subsidy	<u>1,186</u>	<u>1,284</u>
Net cash flows provided by noncapital financing	<u>20,421</u>	<u>22,736</u>
<b>Cash flows from capital and related financing activities</b>		
Acquisition and construction of capital assets	(49,511)	(13,021)
Proceeds from disposition of assets	4	4
Capital grants received	21,408	13,446
Interest paid	1,632	(962)
Indefinite situs tax	11,902	9,989
Proceeds from bond anticipation note	-	9,900
Proceeds from bond issuance	89,100	-
Premium on bonds payable	11,844	-
Bond issuance costs	(461)	-
Payment on bonds and anticipation notes	<u>(28,113)</u>	<u>(17,431)</u>
Net cash flows used in capital and related financing activities	<u>57,805</u>	<u>1,925</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(56,453)	(3,350)
Interest received on cash equivalents and investments	<u>55</u>	<u>158</u>
Net cash flows provided by investing activities	<u>(56,398)</u>	<u>(3,192)</u>
Net increase (decrease) in cash and cash equivalents	(2,287)	(4,686)
Cash and cash equivalents at beginning of year	<u>50,828</u>	<u>55,514</u>
<b>Cash and cash equivalents at end of year</b>	<u>\$ 48,541</u>	<u>\$ 50,828</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 STATEMENTS OF CASH FLOWS  
 Years ended December 31, 2016 and 2015  
 (In thousands of dollars)

	<u>2016</u>	<u>2015</u>
<b>Reconciliation of operating loss to net cash flows used in operating activities</b>		
Operating loss	\$ (43,673)	\$ (41,789)
Adjustments to reconcile operating loss to net cash flows used in operating activities:		
Depreciation expense	17,712	17,974
Loss (gain) on sale of fixed assets	20	(4)
Change in assets and liabilities		
Accounts receivable	1,127	(1,286)
Inventories	269	(512)
Prepaid expenses	(3)	(30)
Deferred outflows related to pensions	67	(369)
Accounts payable - trade	1,141	97
Unredeemed fares	43	26
Accrued retirement	(1,040)	33
Accrued injuries and damages	(168)	(175)
Accrued and withheld items	336	(503)
Net pension liability	48	426
Deferred inflows related to pensions	<u>6</u>	<u>(43)</u>
Net cash flows used in operating activities	<u>\$ (24,115)</u>	<u>\$ (26,155)</u>
<b>Noncash capital and related financing activities</b>		
Capital assets included in accounts payable		
End of year	\$ 3,749	\$ 4,114
Beginning of year	4,114	495
<b>Noncash noncapital financing activities</b>		
Insurance premiums financed	\$ 990	\$ 989

See accompanying notes to financial statements.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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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 problem 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.

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

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

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.

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

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

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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

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

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

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

Cash Equivalents: For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2016 and 2015 cash equivalents stated at cost, which approximates fair value, consisted of certificates of deposit.

Restricted Assets: Funds deposited in the Bond Fund represent Indefinite Situs tax revenue which use is limited to the repayment of debt and bond proceeds restricted for acquisition of capital assets.

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. Further, the District elects to internally reserve funds designated as unrestricted in the accompanying financial statements.

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

Capital Assets: Capital assets include major items of property, plant, and equipment acquired with federal, state and local funds and are capitalized at cost. Capital assets include real and personal property with a cost of \$5 thousand or more and a useful life of one year or more. Capital assets also include individual expenditures of \$5 thousand or more which: extends the useful life of an existing asset or; changes or expands the use(s) of the asset or; represents cost of a major component of an asset, such that the asset could not continue in service until the end of its useful life or; is required by law. Expenditures for maintenance and repairs are charged to operations as incurred. The District recognizes depreciation on capital assets on a straight-line basis over the estimated useful lives of the assets, as follows:

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

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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

Included with the District's machinery and equipment capital assets, the District has capitalized an intangible asset, computer software. The District follows the same capitalization policy and estimated useful life for its intangible asset as it does for its machinery and equipment capital assets. The District also amortizes the intangible asset utilizing the straight-line method.

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

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

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

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.

Net Pension Liability: The District has recorded a net pension liability reflecting their proportionate share of the difference between the total pension liabilities and the fiduciary net positions of the Indiana Public Retirement System (INPRS) PERF Plan. For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of INPRS PERF Plan and additions to /deductions from the INPRS PERF Plan fiduciary net position have been determined on the same basis as they are reported by the INPRS system. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows of Resources and Deferred Inflows of Resources: Deferred outflows of resources represent a consumption of net position that applies to a future period(s). Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period. The District's activities are related to recognition of changes in its defined benefit plan's net pension liability that will be amortized in future periods.

Net Position: The District's net position is reported in three categories based on net investment in capital assets, external restrictions, and remaining unrestricted net position.

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

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

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

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

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

Unrestricted Net Position: This represents the balance of net position which use has not been restricted for debt service nor invested in capital assets. It includes amounts internally designated for accident claims and post-retirement benefits.

Insurance: The District has insurance coverage for property and casualty losses to electrical substations and related equipment. In addition, the District is responsible for the retention portion on the following insured risks: the first \$500 - \$2,000 of loss on cars and trucks; \$2 million per occurrence on rolling stock; and the first \$100 thousand of loss on all other property. It includes amounts internally designated for accident claims and postretirement benefits.

The District is responsible for catastrophic liability claims up to \$3 million. Claims in excess of \$3 million are covered by commercial insurance carriers up to a maximum of \$62 million. The coverage from \$3 million to \$62 million is with several insurance carriers. During 2016, 2015, and 2014, all such layers of coverage have been subscribed. There is no guarantee that such coverage will continue to be fully subscribed in the future. There were no significant reductions in insurance coverage during 2016 and there were no settlements that exceeded insurance coverage during 2016, 2015, or 2014 for those risks that NICTD purchased insurance.

Claims activity for the year ended December 31, 2016, 2015, and 2014 was as follows in thousands of dollars:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Unpaid claims, beginning of year	\$ 1,565	\$ 1,740	\$ 1,700
Incurred claims and changes in claim estimates	(97)	(118)	141
Claim payments	<u>(71)</u>	<u>(57)</u>	<u>(101)</u>
Unpaid claims, end of year	<u>\$ 1,397</u>	<u>\$ 1,565</u>	<u>\$ 1,740</u>

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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

Cash and cash equivalents at December 31, 2016 and 2015 are as follows in thousands of dollars:

<u>Description</u>	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>
Cash	\$ 48,541	\$ 43,501
Certificates of deposit	<u>-</u>	<u>7,327</u>
	<u>\$ 48,541</u>	<u>\$ 50,828</u>

As of December 31, 2015 the certificate of deposits had maturity dates ranging from January 12, 2016 through February 11, 2016, with interest rates ranging from 0.10% to 0.25%.

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

	<u>2016</u>	<u>2015</u>
Unrestricted		
General fund	\$ 2,173	\$ 4,330
Accident claims reserve	3,079	3,227
Capital asset reserve	16,993	21,177
Westlake Corridor contributions reserve	<u>-</u>	<u>1,684</u>
Total unrestricted	\$ 22,245	\$ 30,418
Restricted		
Bond proceeds/local grants restricted for acquisition of capital assets	8,965	13,268
Indefinite Situs tax restricted for debt repayment	<u>17,331</u>	<u>7,142</u>
Total restricted	<u>26,296</u>	<u>20,410</u>
	<u>\$ 48,541</u>	<u>\$ 50,828</u>

Investments at December 31, 2016 and 2015 are as follows in thousands of dollars:

<u>Description</u>	<u>2016</u> <u>Amount</u>	<u>2015</u> <u>Amount</u>
Certificates of deposit, unrestricted	\$ 3,232	\$ 3,350
Certificates of deposit, restricted	23,690	-
Taxable Money Market Funds, restricted	4,934	-
U.S. Treasury securities, restricted	13,464	-
Government agency securities, restricted	<u>23,168</u>	<u>8,685</u>
	<u>\$ 68,488</u>	<u>\$ 12,035</u>

As of December 31, 2016, all investment maturities are less than one year. Investments have maturity dates ranging from January 28, 2017 through November 30, 2017, with interest rates ranging from 0.3% to 1.11%. As of December 31, 2015, investments have maturity dates ranging from May 3, 2016 through June 30, 2016, with interest rates ranging from 0.25% to 0.53%. U.S. Treasury securities and Government agency securities are measured at cost which approximates fair value based on observable inputs and classified as Level 2 investments.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

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

Investments are allocated as follows in thousands of dollars:

	<u>2016</u>	<u>2015</u>
<b>Unrestricted</b>		
Accident claims reserve	\$ 2,504	\$ 2,600
Capital asset reserve	728	-
Postretirement health care plan obligations reserve	-	750
Total unrestricted	3,232	3,350
<b>Restricted</b>		
Bond proceeds/local grants restricted for acquisition of capital assets	65,256	2,873
Indefinite Situs tax restricted for debt repayment	-	5,812
Total restricted	65,256	8,685
	<u>\$ 68,488</u>	<u>\$ 12,035</u>

**Cash and Investment Deposits:** The District maintains deposits with six area financial institutions. A summary of these deposits as of December 31, 2016 and 2015 is as follows in thousands of dollars:

	2016		2015	
	Carrying Amount	Balance Per Bank	Carrying Amount	Balance Per Bank
On hand	\$ 1	\$ -	\$ 1	\$ -
On deposit				
Insured by FDIC	1,500	1,500	1,503	1,503
Insured by IPDIF	58,730	59,600	52,674	52,861
Held in US Treasury/Gov't Agency	56,798	56,796	8,685	8,685
	<u>\$ 117,029</u>	<u>\$ 117,896</u>	<u>\$ 62,863</u>	<u>\$ 63,049</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, 2016 and 2015

**NOTE 3 - CAPITAL ASSETS**

Construction in progress includes activities for the development and placement of capital assets into service. Some CIP activity may be analyzed and expensed during the year, which would cause current year reductions in CIP to exceed total additions of capital assets placed into service.

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

	Balance January 1, <u>2016</u>	<u>Changes During Year</u>		Balance December 31, <u>2016</u>
		<u>Additions</u>	<u>Reductions</u>	
Capital assets not being depreciated:				
Land	\$ 7,072	\$ 405	\$ -	\$ 7,477
Construction in progress	<u>23,429</u>	<u>49,464</u>	<u>(13,686)</u>	<u>59,207</u>
Total capital assets not being depreciated	<u>30,501</u>	<u>49,869</u>	<u>(13,686)</u>	<u>66,684</u>
Capital assets being depreciated:				
Rolling stock (including capital spare parts)	206,599	607	(189)	207,017
Buildings and improvements	200,708	2,161	-	202,869
Track work and substations	50,471	5,391	-	55,862
Bridges and crossings	48,320	3,819	(194)	51,945
Machinery and equipment	10,745	863	(1,098)	10,510
Information system and office equipment	781	20	(1)	800
Autos and trucks	<u>3,788</u>	<u>292</u>	<u>(134)</u>	<u>3,946</u>
Total capital assets being depreciated	521,412	13,153	(1,616)	532,949
Less accumulated depreciation:				
Rolling stock (including capital spare parts)	133,638	4,209	(188)	137,659
Buildings and improvements	116,805	10,776	-	127,581
Track work and substations	681	159	-	840
Bridges and crossings	22,999	1,603	-	24,602
Machinery and equipment	7,221	638	(1,100)	6,759
Information system and office equipment	602	17	(1)	618
Autos and trucks	<u>2,163</u>	<u>310</u>	<u>(87)</u>	<u>2,386</u>
Total accumulated depreciation	<u>284,109</u>	<u>17,712</u>	<u>(1,376)</u>	<u>300,445</u>
Total capital assets being depreciated, net	<u>237,303</u>	<u>(4,559)</u>	<u>(240)</u>	<u>232,504</u>
Total capital assets, net	<u>\$ 267,804</u>	<u>\$ 45,310</u>	<u>\$ (13,926)</u>	<u>\$ 299,188</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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

	Balance January 1, <u>2015</u>	<u>Changes During Year</u>		Balance December 31, <u>2015</u>
		<u>Additions</u>	<u>Reductions</u>	
Capital assets not being depreciated:				
Land	\$ 6,995	\$ 77	\$ -	\$ 7,072
Construction in progress	<u>15,217</u>	<u>16,691</u>	<u>(8,479)</u>	<u>23,429</u>
Total capital assets not being depreciated	<u>22,212</u>	<u>16,768</u>	<u>(8,479)</u>	<u>30,501</u>
Capital assets being depreciated:				
Rolling stock (including capital spare parts)	204,073	2,526	-	206,599
Buildings and improvements	199,864	844	-	200,708
Track work and substations	49,926	545	-	50,471
Bridges and crossings	45,620	2,700	-	48,320
Machinery and equipment	10,316	756	(327)	10,745
Information system and office equipment	747	38	(4)	781
Autos and trucks	<u>3,373</u>	<u>941</u>	<u>(526)</u>	<u>3,788</u>
Total capital assets being depreciated	513,919	8,350	(857)	521,412
Less accumulated depreciation:				
Rolling stock (including capital spare parts)	128,814	4,824	-	133,638
Buildings and improvements	106,185	10,620	-	116,805
Track work and substations	569	112	-	681
Bridges and crossings	21,527	1,472	-	22,999
Machinery and equipment	6,927	621	(327)	7,221
Information system and office equipment	591	15	(4)	602
Autos and trucks	<u>2,381</u>	<u>308</u>	<u>(526)</u>	<u>2,163</u>
Total accumulated depreciation	<u>266,994</u>	<u>17,972</u>	<u>(857)</u>	<u>284,109</u>
Total capital assets being depreciated, net	<u>246,925</u>	<u>(9,622)</u>	<u>-</u>	<u>237,303</u>
Total capital assets, net	<u>\$ 269,137</u>	<u>\$ 7,146</u>	<u>\$ (8,479)</u>	<u>\$ 267,804</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

**NOTE 4 - TRACKAGE RIGHTS**

Beginning in 1991, as a result of the District's acquisition of the "Joint Assets," including all track, ties, ballast, switches, real estate, and other similar items, the District is to receive an "annual fee" for the use of its track. This annual fee has two components: (1) a reimbursement of maintenance of way costs (the MOW fee) and (2) a payment for the right to use the track (the ROI fee). Both components of the annual fee are calculated in accordance with formulas incorporated in the purchase agreement between the District and the South Shore Acquisition Company (SSA). The District recognized \$2.04 million and \$2.27 million in MOW fees in 2016 and 2015, 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 net position. For 2016 and 2015, \$1,186 thousand and \$1,284 thousand, respectively, in ROI fees were recognized and reported as part of "other local funds" in the accompanying statement of revenue and expense and change in net position.

**NOTE 5 - LONG-TERM LIABILITIES**

Long-term liability activity for the year ended December 31, 2016 and 2015 is as follows (in thousands of dollars):

	January 1, <u>2016</u>	<u>Additions</u>	<u>Reductions</u>	December 31, <u>2016</u>	Due Within <u>One Year</u>	Long-Term <u>Portion</u>
Bonds payable:						
Bonds payable - 2007	\$ 18,213	\$ -	\$ 18,213	\$ -	\$ -	\$ -
Bonds payable - 2016	-	89,100	-	89,100	1,910	87,190
Premium on bonds payable	-	12,076	232	11,844	-	11,844
Total bonds payable	<u>18,213</u>	<u>101,176</u>	<u>18,445</u>	<u>100,944</u>	<u>1,910</u>	<u>99,034</u>
Accrued postretirement health costs (Note 7)	<u>1,508</u>	-	<u>1,040</u>	<u>468</u>	-	<u>468</u>
Total	<u>\$ 19,721</u>	<u>\$ 101,176</u>	<u>\$ 19,485</u>	<u>\$ 101,412</u>	<u>\$ 1,910</u>	<u>\$ 99,502</u>
	January 1, <u>2015</u>	<u>Additions</u>	<u>Reductions</u>	December 31, <u>2015</u>	Due Within <u>One Year</u>	Long-Term <u>Portion</u>
Bonds payable:						
Bonds payable - 2004	\$ 15,020	\$ -	\$ 15,020	\$ -	\$ -	\$ -
Bonds payable - 2007	20,624	-	2,411	18,213	2,471	15,742
Premium on bonds payable	300	-	300	-	-	-
Total bonds payable	<u>35,944</u>	-	<u>17,731</u>	<u>18,213</u>	<u>2,471</u>	<u>15,742</u>
Accrued postretirement health costs (Note 7)	<u>1,475</u>	<u>33</u>	-	<u>1,508</u>	-	<u>1,508</u>
Total	<u>\$ 37,419</u>	<u>\$ 33</u>	<u>\$ 17,731</u>	<u>\$ 19,721</u>	<u>\$ 2,471</u>	<u>\$ 17,250</u>

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

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

On April 4, 2007, the District issued \$32.1 million worth of Limited Obligation Capital Grant Receipts Revenue Bonds, Series 2007 to Chase Equipment Leasing, Inc. The funds generated were used to purchase commuter rail cars. The Bonds were set to be repaid annually on June 30 and December 30 for principal and interest starting June 30, 2009. On November 30, 2012, the District amended the interest rate of the 2007 Bond Issuance from 4.028% to 2.4706%. The Bond will continue to be repaid semi-annually on June 30 and December 30, with the final maturity date on December 30, 2022. The Bonds will be subject to optional redemption on December 30, 2014, December 30, 2016, or December 30, 2019 at the redemption price of 100% of the principal amount of the Bonds to be redeemed plus accrued interest, if any, to the date fixed for redemption. The Bonds are also subject to optional redemption on any payment date on or after June 30, 2008 in whole at a redemption price of 100% of the principal amount of the Bonds to be redeemed plus accrued interest to the redemption, plus premium. During 2016 the 2007 bonds were paid in full.

On March 14, 2016, the District issued \$101 million, \$89 million par value and \$12 million premium, in Limited Obligation Revenue Bonds, Series 2016, for the purpose of procuring funds to finance the cost of implementing a PTC system and any property related thereto in accordance with the Railway Safety Improvement Act of 2008 and regulation 49CFR Part 236. PTC uses GPS technology to monitor and even control train movement in the event of human error or a natural disaster. The Bonds bear a true interest rate of 3.57% and interest will be paid semiannually, January 1 and July 1. The Bonds are set to mature on July 1, 2041. With this 2016 Bond Issuance, the 2015 Bond Anticipation Note of \$9.9 million was paid in full including interest.

The Series 2016 Bonds were issued on March 14, 2016. This issuance required a Principal and Interest payment account and a Reserve account. Both of these accounts are at Bank of New York Mellon, which is acting as the Paying Agent for all principal and interest payments. The 2016 P&I account was funded through 2016 bond proceeds. This represented the July 1, 2016 scheduled payment. Subsequent funding of the P&I account each year will occur upon the receipt of NICTD's Indefinite Situs Tax funds. The amount to be funded represents amounts due within the next calendar year. The Reserve account represents 50% of the required maximum annual debt service payment. This was funded through the 2016 Bond proceeds. Those funds will remain in the Reserve account until debt retirement.

The bond debt service requirements to maturity for the 2016 Bonds are as follows (in thousands of dollars):

<u>Year Ending December 31</u>	2016 Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,910	\$ 4,239	\$ 6,149
2018	2,030	4,118	6,148
2019	2,135	4,015	6,150
2020	2,240	3,907	6,147
2021	2,355	3,794	6,149
2022-2041	78,430	44,539	122,969
	\$ 89,100	\$ 64,612	\$ 153,712

Interest expense was \$483 thousand and \$617 thousand at December 31, 2016 and 2015 respectively.

Upon completion of the Positive Train Control Project, related accumulated interest paid will be capitalized as part of the project costs. The amount of interest included in non-depreciable assets was \$3,341 thousand in 2016.

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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

Pledged Revenues: The District receives Indefinite Situs Tax funding from the State of Indiana. These funds are restricted for debt service and capital match of federally funded projects. This is pursuant to IC 6-1.1; IC 8-3, "Commuter rail service fund provides that a commuter transportation district may use money deposited in the commuter rail fund that is revenue derived from the taxation of indefinite-situs distributable property of railroad companies to (1) satisfy any debt service; and (2) provide state matching funds for federal transportation capital grants." Additionally, the District receives a Sales Tax portion of Commuter Rail Service funding (CRSF) and Electric Rail Service funding from the State of Indiana. These funds have been pledged for the payment of the Series 2016 Bonds principal and interest. As of December 31, 2016 and 2015, NICTD has \$91.6 million and \$29.1 million in cash and investments restricted for debt service and capital projects.

The Series 2007 Bonds were called and paid in full on December 21, 2016 using Indefinite Situs Tax funds and bond reserves. The Series 2004 Bonds were called and paid in full on July 14, 2015 using Indefinite Situs Tax funds and bond reserves.

Annual Funds Pledged and received include the following (in thousands of dollars):

	<u>2016</u>	<u>2015</u>
CRSF – Indefinite Situs Tax Funds Received	\$ 10,402	\$ 8,961
CRSF – Sales Tax Funds Received	9,495	8,944
Electric Rail Service Funds Received	152	373

Pledged funds used include the following (in thousands of dollars):

	<u>2016</u>	<u>2015</u>
Debt Service Payments	\$ 2,906	\$ 366
Total Redemption of Series 2007 Bond	15,742	-
Total Redemption of Series 2004 Bond	-	15,051

**NOTE 6 - SHORT TERM DEBT**

On December 17, 2015, the District obtained short term financing in the form of a limited obligation revenue note, series 2015 in the amount of \$9.9 million which carried an interest rate of 1.09% and had a maturity date of March 15, 2016. The purpose of this funding was related to the acquisition of capital assets until the bond issuance was finalized on March 14, 2016. With the 2016 Bond Issuance, the 2015 Bond Anticipation Note of \$9.9 million was paid in full including interest.

A summary of short term debt for the years ended December 31, 2016 and 2015 as follows (in thousands of dollars):

	<u>2016</u>	<u>2015</u>
Short-term debt – beginning of year	\$ 9,900	\$ -
Debt incurred	-	9,900
Principal paid on debt	<u>9,900</u>	<u>-</u>
Short-term debt – end of year	<u>\$ -</u>	<u>\$ 9,900</u>

(Continued)

**NOTE 7 - EMPLOYEES' RETIREMENT AND POSTRETIREMENT HEALTH PLANS**

**Public Employees' Retirement Fund (PERF):**

Plan Description: The District contributes to the Public Employees' Retirement Fund (PERF), which is administered by the Indiana Public Retirement System (INPRS). As part of the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB No. 25* (GASB No. 67), PERF changed from an agent to a cost sharing, multiple-employer defined benefit plan effective July 1, 2013, based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public utility of a county, city, town, township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two (2) tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' Annuity Savings Account Only Plan (PERF ASA Only Plan).

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with IC 5-10.2, IC 5-10.3 and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings account (ASA) that supplements the defined benefit at retirement.

The PERF ASA Only Plan was established by the Indiana Legislature in 2011, and is governed by the INPRS Board of Trustees in accordance with IC 5-10.3-12 and IC 5-10.5. This plan is funded by an employer and a member for the use of the member, or the member's beneficiaries or survivors, after the member's retirement. The PERF ASA Only Plan members are full-time employees of the State (as defined in IC 5-10.3-7-1(d)), who are in a position eligible for membership in the PERF Hybrid Plan and who elect to become members of the PERF ASA Only Plan. The PERF ASA Only Plan membership does not include individuals who: (1) before March 1, 2013; were members of the PERF Hybrid Plan or (2) on or after March 1, 2013, do not elect to participate in the PERF ASA Only Plan. Any government agency that pays employees through the Auditor of the State is a mandatory participant in the PERF ASA Only Plan and must offer eligible employees the PERF ASA Only Plan option. Quasi-government agencies and State educational institutions may choose to offer the PERF ASA Only Plan as an option to their employees.

Members are required to participate in the ASA. The ASA consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, under certain conditions, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their ASA. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision.

Investments in the members' ASA are individually directed and controlled by plan participants who direct the investment of their account balances among eight (8) investment options, with varying degrees of risk and return potential. All contributions made to a member's account (member contribution subaccount and employer contribution subaccount) are invested as a combined total according to the member's investment elections. Members may make changes to their investment directions daily and investments are reported at fair value.

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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

Financial Report: INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing [questions@inprs.in.gov](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://www.in.gov/inprs).

Retirement Benefits – Defined Benefit Pension: The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's ASA. Pension benefits (non ASA) vest after 10 years of creditable service. The vesting period is eight (8) years for certain elected officials. Members are immediately vested in their ASA. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's ASA, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their ASA and will not forfeit creditable service or a full retirement benefit. However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the ASA. A non-vested member who terminates employment prior to retirement may withdraw his/her ASA after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups. For PERF members who serve as an elected official, the highest one (1) year (total of four (4) consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to \$2,000 are included as part of the member's annual compensation.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent.

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA). Such increases are not guaranteed by statute and have historically been provided on an "ad hoc" basis and can only be granted by the Indiana General Assembly. There was no COLA for the year ended June 30, 2016 or June 30, 2015; however, eligible members received a one-time check (a.k.a. 13th check) in September 2015 and September 2014. The amount of the one-time check ranged from \$150 to \$450, depending upon a member's years of service. The September 2015 one-time check was for a member who retired or was disabled on or before December 1, 2014, and who was entitled to receive a monthly benefit on July 1, 2015. The September 2014 one-time check was for a member who retired or was disabled on or before December 1, 2013, and who was entitled to receive a monthly benefit on July 1, 2014.

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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

The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five (5) years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer-provided disability insurance benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is \$180 per month, or the actuarial equivalent.

Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two (2) or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service.

Funding Policy: Members are obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers.

During fiscal year 2016, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 11.19 percent was required from employers during the period of July 1 – December 31, 2015, and an average contribution rate of 11.2 percent was required for the period of January 1 – June 30, 2016. For the PERF ASA Only Plan, all participating employers were also required to contribute 11.2 percent of covered payroll. In accordance to IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less than 3 percent and not be greater than the normal cost of the fund which was 4.6 percent for fiscal year 2016, and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan.

During fiscal year 2015, all participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State. For political subdivisions, an average contribution rate of 11.03 percent was required from employers during the period of July 1 – December 31, 2014, and an average contribution rate of 11.9 percent was required for the period of January 1 – June 30, 2015. For the PERF ASA Only Plan, all participating employers were also required to contribute 11.2 percent of covered payroll. In accordance to IC 5-10.3-12-24, the amount credited from the employer's contribution rate to the member's account shall not be less than 3 percent and not be greater than the normal cost of the fund which was 4.6 percent for fiscal year 2015, and any amount not credited to the member's account shall be applied to the pooled assets of the PERF Hybrid Plan.

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

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

The PERF Hybrid Plan or the PERF ASA Only Plan members contribute three (3) percent of covered payroll to their ASA, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. The employer shall pay the member's contributions on behalf of the member for the PERF ASA Only Plan. In addition, members of the PERF Hybrid Plan (effective July 1, 2014, the PERF ASA Only Plan may also participate) may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their ASA.

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 District contributes the 3% employee's portion. In addition, some employees elect to make additional voluntary contributions to their PERF ASA Only Plans. The contribution requirement, which was made by the District, was \$159 thousand and \$147 thousand for 2016 and 2015, respectively. These total contributions represent 11.2% of covered payroll for 2016 and 2015.

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

<u>Year Ended December 31</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2016	\$ 159	100%
2015	147	100%
2014	171	100%

Significant Actuarial Assumptions: The total pension liability is determined by INPRS actuaries in accordance with GASB No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

- Asset valuation date – June 30, 2016
- Liability valuation date – June 30, 2015 – Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2015 to the June 30, 2016 measurement date.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 4 years ended June 30, 2014
- Investment rate of return – 6.75%
- COLA – 1.0%
- Future salary increases, including inflation – 2.5% - 4.25%
- Inflation – 2.25%
- Mortality – RP-2014 (with MP-2014 improvement removed) Total Data Set mortality table, with Social Security Administration generational improvement scale from 2006.

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
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**NOTE 7 - EMPLOYEES' RETIREMENT AND POSTRETIREMENT HEALTH PLANS (Continued)**

The long-term return expectation for the defined benefit retirement plan has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

	<u>Target</u>		<u>Geometric Basis</u>	
	<u>Asset Allocation</u>		<u>Long-Term Expected</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Public Equity	22.0%	22.5%	5.7%	5.3%
Private Equity	10.0%	10.0%	6.2%	5.6%
Fixed Income – ExInflation-Linked	24.0%	22.0%	2.7%	2.1%
Fixed Income – Inflation-Linked	7.0%	10.0%	0.7%	0.7%
Commodities	8.0%	8.0%	2.0%	2.0%
Real Estate	7.0%	7.5%	2.7%	3.0%
Absolute Return	10.0%	10.0%	4.0%	3.9%
Risk Parity	12.0%	10.0%	5.0%	5.0%

Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on those assumptions, each defined benefit pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability of each defined benefit pension plan calculated using the discount rate of 6.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
	(5.75%)	(6.75%)	(7.75%)
2016	\$ 1,836,200	\$ 1,278,480	\$ 814,930
2015	\$ 1,814,380	\$ 1,230,016	\$ 744,888

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in a stand-alone financial report of INPRS that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing [questions@inprs.in.gov](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://www.in.gov/inprs).

Investment Valuation and Benefit Payment Policies: The pooled and non-pooled investments are reported at fair value by INPRS. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Short-term investments consist primarily of cash, money market funds, certificates of deposits and fixed income instruments with maturities of less than one year. Short-term investments are reported at cost, which approximates fair value or, for fixed income instruments, valued using similar methodologies as other fixed income securities described below.

Fixed income securities consist primarily of the U.S. government, U.S. government-sponsored agencies, publicly traded debt and commingled investment debt instruments. Equity securities consist primarily of domestic and international stocks in addition to commingled equity instruments. Fixed income and equity securities are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Securities that are not traded on a national security exchange are valued using modeling techniques that include market observable inputs required to develop a fair value. Commingled funds are valued using the net asset value (NAV) of the entity.

Alternative investments include limited partnership interests in private equity, absolute return, private real estate and risk parity investment strategies. Publicly traded alternative investments are valued based on quoted market prices. In the absence of readily determinable public market values, alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Moreover, holdings are generally valued by a general partner or investment manager on a quarterly or semi-annual basis. Valuation assumptions are based upon the nature of the investment and the underlying business.

Additionally, valuation techniques will vary by investment type and involve a certain degree of expert judgment. Alternative investments, such as investments in private equity or real estate, are generally considered to be illiquid long-term investments. Due to the inherent uncertainty that exists in the valuation of alternative investments, the realized value upon the sale of an asset may differ from the fair value.

Derivative instruments are marked to market daily with changes in fair value recognized as part of investments and investment income.

Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest are distributions from inactive, non-vested members' ASAs. These distributions may be requested by members or auto-distributed by the fund when certain criteria are met.

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At December 31, 2016, the District reported a liability of \$1,278,480 for its proportionate share of the net pension liability. The District's proportionate share of the net pension liability was based on the District's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2016 measurement date was 0.02817%.

At December 31, 2015, the District reported a liability of \$1,230,016 for its proportionate share of the net pension liability. The District's proportionate share of the net pension liability was based on the District's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2015 measurement date was 0.03020%.

For the year ended December 31, 2016, the District recognized pension expense of \$197,893, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$(43,723). At December 31, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 28,643	\$ 2,360
Net difference between projected and actual earnings on pension plan investments	281,196	71,935
Changes in assumptions	56,408	-
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>135</u>	<u>84,636</u>
Total that will be recognized in pension expense (income) based on table below	366,382	158,931
Pension contributions subsequent to measurement date	<u>92,617</u>	<u>-</u>
Total	<u>\$ 458,999</u>	<u>\$ 158,931</u>

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

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

For the year ended December 31, 2015, the District recognized pension expense of \$180,310, which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$(14,001). At December 31, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 52,798	\$ 2,544
Net difference between projected and actual earnings on pension plan investments	207,396	115,678
Changes in assumptions	103,978	-
Changes in proportion and differences between District contributions and proportionate share of contributions	<u>233</u>	<u>34,827</u>
Total that will be recognized in pension expense (income) based on table below	364,405	153,049
Pension contributions subsequent to measurement date	<u>162,011</u>	<u>-</u>
Total	<u>\$ 526,416</u>	<u>\$ 153,049</u>

Deferred outflows of resources resulting from employer contributions subsequent to the June 30, 2016 and 2015 measurement dates are recognized as a reduction of net pension liability in the year ending December 31, 2017 and 2016, respectively. Deferred inflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5 year period. A change in an employer's proportionate share: represents the change as of the current year measurement date versus the prior year measurement date, and is amortized over the average expected remaining service lives of the plan. The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan. Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 62,501
2018	33,057
2019	77,866
2020	<u>34,027</u>
	<u>\$ 207,451</u>

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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

**Federal Railroad Retirement Act:**

All District employees, not covered by Public Employees' Retirement Fund, are covered by the Federal Railroad Retirement Act. Retirement benefits are funded through the Railroad Retirement Board. The RRB is an independent agency in the executive branch of the Federal Government. The agency's mission is to administer retirement/survivor and unemployment/sickness insurance benefit programs for the railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. Jurisdiction over the payment of retirement and survivor benefits is shared by the RRB and the Social Security Administration. Payroll taxes paid by railroad employers and their employee are the primary source of funding for the benefit programs. The program is considered a social support program that is not considered an exchange transaction; therefore not meeting the definition of a pension plan as required under GASB 68. For additional information about the Act visit [www.rrb.gov](http://www.rrb.gov).

**NICTD Supplemental Pension Plans and Trusts:**

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

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 2016 and 2015 by the District amounted to \$161 thousand and \$125 thousand (5% of covered payroll) for Class I employees and \$95 thousand and \$102 thousand (8% of covered payroll) for Class II employees.

Covered payroll for 2016 and 2015 amounted to \$3,212 thousand and \$2,507 thousand for Class I employees and \$1,190 thousand and \$1,278 thousand for Class II employees.

In addition, certain contract employees, including clerks, dispatchers, collectors/conductors, engineers, carmen, cleaners, and machinists were enrolled in a separate union supplemental pension plan, NICTD Supplemental Pension Plan and Trust for Union Employees. Full-time employees covered by the applicable collective bargain agreements are eligible to participate in the plan. All participants are 100% vested upon plan entry.

Contributions are made by the District as follows: \$0.50 per qualifying hour for clerks, \$1.00 per qualifying hour worked for dispatchers, \$0.50 per qualifying hour for collectors/conductors and engineers, and beginning July 1, 2015, \$0.15 per qualifying hour worked for carmen, cleaners, and machinists. Contributions for 2016 and 2015 by the District amounted to \$17 thousand and \$18 thousand for clerks, \$11 thousand and \$12 thousand for dispatchers, \$73 and \$70 thousand for collectors/ conductors and engineers, and \$21 thousand and \$10 thousand for carmen, cleaners, and machinists. Qualifying hours for 2016 and 2015 were 35 thousand and 35 thousand for clerks, 11 thousand and 12 thousand for dispatchers, 146 thousand and 140 thousand for collectors/ conductors and engineers, and 145 thousand and 66 thousand for carmen, cleaners, and machinists.

Both plans are administered by the District. Benefit terms are established or amended by the plans' trustees. There were no securities of or loans to the District or related parties in the Plan assets.

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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

**Postretirement Health Plan:**

On December 30, 2003, the District adopted the postretirement health plan. In January 2016, this plan was amended to change entry level age to 60 for eligible retirees and dependents with coverage ceasing at age 65. The plan covers all management employees over the age of 60 with 15 years of service. Employees contribute 30 - 60%, based on years of qualifying service, of the Cobra rate while under the age of 65. The District makes contributions for retired employees on a pay as you go basis. This plan is not funded, however, approximately \$17 thousand of the District's cash and cash equivalents is designated for this health plan. Approximately 67 retired and active employees are covered under this plan.

Actuarial assumptions used to determine net periodic postretirement healthcare benefits costs include a discount rate of 4.00% for 2016 and 2015. The District recognized a change of \$(1,040) thousand and \$33 thousand in postretirement health plan obligations for 2016 and 2015, respectively. The accumulated postretirement health plan liability was \$468 thousand and \$1,508 thousand as of December 31, 2016 and 2015, respectively.

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

**NOTE 8 - OTHER NONOPERATING REVENUE**

Other local funds and other revenue at December 31, 2016 and 2015 consist of the following in thousands of dollars:

	<u>2016</u>	<u>2015</u>
Other local funds		
Northwest Indiana Regional Development Authority	\$ 423	\$ 1,426
Metra Purchase of Service Fee	3,700	3,700
Metra Electric District Study	143	-
Chicago South Shore and South Bend Railroad	<u>1,186</u>	<u>1,284</u>
Total other local funds	<u>\$ 5,452</u>	<u>\$ 6,410</u>
Other revenue		
Interest – unreserved	\$ 91	\$ 155
Interest – reserved for accident claims	-	4
Rental income	191	196
Sale of maintenance services	4	7
Sale of scrap material	59	281
Advertising activities	128	83
Miscellaneous	<u>16</u>	<u>9</u>
Total other revenue	<u>\$ 489</u>	<u>\$ 735</u>

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2016 and 2015

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**NOTE 9 - METRA TRANSACTIONS**

During 2012, the District and Metra agreed to a Purchase of Service Agreement, whereby Metra reimburses the District \$3.7 million annually for the provision of passenger service along a certain section of the former CSS line. This agreement changes the way in which the operating subsidy is calculated from a percentage of operating costs to a flat annual amount. The agreement was signed on July 23, 2012 and is retroactive to January 1, 2012 expiring on December 31, 2016. The operating subsidy for 2016 and 2015 amounted to \$3.7 million and \$3.7 million, respectively. For 2016 and 2015, this amount is reported in "other local funds." The existing Purchase of Service Agreement has been extended through June 30, 2017.

Additionally, during 2012, the District and Metra agreed to a new Trackage Rights Agreement whereby the District pays a flat annual amount to Metra for operating over their tracks and other services between Kensington and Millennium Station. The agreement was signed on July 23, 2012 and is retroactive to January 1, 2012 expiring on December 31, 2016. An amendment to this agreement was enacted in 2015 to increase the District's Base Level of Train Service to include two express trains. The trackage rights were increased accordingly. The District recognized \$7.4 million and \$6.9 million in total trackage rights expense for 2016 and 2015, respectively. The existing Trackage Rights Agreement has been extended through June 30, 2017.

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(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2016 and 2015

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**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

The following summarizes the significant commitments and contingencies at December 31, 2016 and 2015:

- (a) During the course of its operations, the District is involved in incidents which could result in claims for personal injury. Estimated losses as a result of such incidents have been provided for in the accompanying financial statements.
- (b) The District has a self-funded insurance plan for its management employees. Benefits Administrative Systems, LLC provides certain administrative services for the plan. An insurance company provides specific and aggregate stop loss coverage. The District is responsible for the funding of all claims up to \$80 thousand (aggregate specific deductible) per individual per policy year and up to approximately \$1,110 thousand (attachment point/minimum aggregate deductible) per year for the group as a whole. A liability of \$85 thousand and \$70 thousand has been recorded by the District at December 31, 2016 and 2015 to estimate payment of claims pending on that date. Group insurance expense related to this plan totaled \$1,504 thousand and \$1,056 thousand for the years ended December 31, 2016 and 2015. Approximately 260 union employees are covered under a separate national multi-employer railroad plan. Total health insurance expenses for the years ended December 31, 2016 and 2015 totaled \$6,874 thousand and \$5,695 thousand.
- (c) The District has received Federal and State financial assistance in the form of grants that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agency for expenditures disallowed under terms and conditions specified in the grant agreements. In the opinion of District management, such disallowances, if any, will not be significant.
- (d) The District had the following contractual capital commitments as of December 31 (in thousands of dollars):

<u>Project</u>	<u>2016</u>	<u>2015</u>
Track Equipment	\$ 109	\$ -
Station & Facility Improvements	165	-
Vehicles	139	-
Westlake TOD Study	186	-
Catenary Phase III	193	58
Bridges	662	497
Positive Train Control	61,872	3,940
Substations	1,794	1,489
Others	<u>62</u>	<u>918</u>
Total	<u>\$ 65,182</u>	<u>\$ 6,902</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
 NET PENSION LIABILITY – PERF (in thousands)  
 December 31, 2016

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	<u>2016</u>	<u>2015</u>	<u>2014</u>
The District's proportion of the net pension liability	0.0282%	0.0302%	0.0306%
The District's proportionate share of the net pension liability	\$ 1,278	\$ 1,230	\$ 804
The District's covered employee payroll	\$ 1,299	\$ 1,447	\$ 1,495
The District's proportion of the net pension liability as a percentage of its covered employee payroll	88.3%	82.3%	55.6%
Plan fiduciary net position as a percentage of the total pension liability	75.3%	77.3%	84.3%

Notes: The amounts presented for each calendar year were determined as of the June 30 fiscal year-end that occurred within the calendar year.

- Asset valuation date – June 30, 2016
- Liability valuation date – June 30, 2015 – Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2015 to the June 30, 2016 measurement date.
- Actuarial cost method (accounting) – Entry age normal (level percent of payroll)
- Experience study date – Period of 4 years ended June 30, 2014
- Investment rate of return – 6.75%
- COLA – 1.0%
- Future salary increases, including inflation – 2.5% - 4.25%
- Inflation – 2.25%
- Mortality – RP-2014 (with MP-2014 improvement removed) Total Data Set mortality table, with Social Security Administration generational improvement scale from 2006.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

*Measurement date:* Actuarial valuation reports from the prior fiscal year.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS – PERF (in thousands)  
 December 31, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 159	\$ 147	\$ 171
Contributions in relation to the statutorily required contribution	<u>(159)</u>	<u>(147)</u>	<u>(171)</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The District's contributions as a percentage of statutorily required contribution for pension	100%	100%	100%
The District's covered employee payroll	\$ 1,416	\$ 1,309	\$ 1,528
Contributions as a percentage of its covered employee payroll	11.2%	11.2%	11.2%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

*Valuation date:* June 30, 2016

*Actuarial cost method:* Entry age normal (Level Percent of Payroll)

*Amortization method:* Level dollar

*Remaining amortization period:* 20 years, closed

*Asset valuation method:* 5 year smoothing of gains and losses on the market value of assets subject to a 20% corridor.

*Inflation:* 2.25%

*Salary increases:* 2.50% - 4.25%

*Investment rate of return:* 6.75%

*Mortality:* RP-2014 Total Data Set Mortality Table, with Social Security Administration generational improvement scale from 2006

*Other information:*

The INPRS Board sets, at its discretion, the State's employer contribution rate upon considering the results of the actuarial valuation and other analysis as appropriate. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/15 was 10.55%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actuarially determined contribution rate for the State for the fiscal year ended 6/30/16 was 9.80%; however, the INPRS Board approved a State employer contribution rate of 11.20%. The actual dollar amount of the State's contributions depends on the actual payroll for the fiscal year.

Member census data as of June 30, 2015 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2015 and June 30, 2016. Standard actuarial roll forward techniques were then used to project the liabilities computed as of June 30, 2015 to June 30, 2016.


**SUPPLEMENTARY SCHEDULES**

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees  
Northern Indiana Commuter  
Transportation District  
Chesterton, Indiana

We have audited the financial statements of Northern Indiana Commuter Transportation District (the District) as of and for the years ended December 31, 2016 and 2015, and our report thereon dated May 12, 2017, which contained an unmodified opinion on those financial statements, appears on pages 1 - 2. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of expenses on pages 43 and 44, schedule of expenditures of federal awards required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards for the year ended December 31, 2016 on page 45, and the schedules of budgeted and actual costs by grant for the periods ending December 31, 2016 on pages 47, 48, 53, 54 and 57 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We previously audited the financial statements of the District as of and for the years ended December 31, 2008 through December 31, 2015, and our reports dated April 30, 2010, April 23, 2012, April 1, 2014 and April 1, 2016 contained an unmodified opinion on those financial statements. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedules of budgeted and actual costs by grant for the periods ending December 31, 2016 on pages 49-52 and 55-56 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

  
Crowe Horwath LLP

South Bend, Indiana  
May 12, 2017

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULES OF EXPENSES  
Years ended December 31, 2016 and 2015  
(In thousands of dollars)

	<u>2016</u>	<u>2015</u>
<b>TRANSPORTATION</b>		
Salaries and wages	\$ 5,520	\$ 5,346
Fringe benefits and payroll taxes	4,335	4,014
Equipment expense	2	1
Repairs and maintenance materials	4	4
Operating costs	7,565	7,181
Utilities	202	203
Professional Services	1	-
Other services	110	104
Office supplies	17	14
Administration	50	85
Rents and leases	<u>5</u>	<u>6</u>
	17,811	16,958
<b>MAINTENANCE OF WAY EXPENSES</b>		
Salaries and wages	3,101	2,533
Fringe benefit and payroll taxes	2,892	2,342
Equipment expense	26	38
Repairs and maintenance materials	1,685	1,818
Traction power	2,054	2,086
Operating costs	(1,928)	(2,062)
Utilities	234	223
Professional services	7	24
Other services	653	537
Office supplies	11	38
Administration	(1,596)	(1,209)
Rents and leases	<u>98</u>	<u>32</u>
	7,237	6,400
<b>MAINTENANCE OF EQUIPMENT EXPENSES</b>		
Salaries and wages	5,118	5,211
Fringe benefit and payroll taxes	3,904	3,765
Equipment expense	16	31
Repairs and maintenance materials	2,696	2,345
Operating costs	11	20
Utilities	168	182
Professional services	-	27
Other services	758	652
Office supplies	98	96
Administration	<u>(10)</u>	<u>16</u>
	12,759	12,345
<b>CLAIMS AND INSURANCE</b>		
	1,692	1,352

(Continued)

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULES OF EXPENSES  
Years ended December 31, 2016 and 2015  
(In thousands of dollars)

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	<u>2016</u>	<u>2015</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Salaries and wages	\$ 2,665	\$ 2,429
Fringe benefit and payroll taxes	1,766	2,233
Equipment expense	16	34
Repairs and maintenance materials	32	37
Operating costs	38	39
Utilities	157	144
Professional services	1,657	1,067
Other services	323	227
Office supplies	156	219
Administration	1,020	1,041
Rents and leases	<u>25</u>	<u>24</u>
	7,855	7,494
<b>DEPRECIATION</b>		
Depreciation on assets acquired with federal funds	11,586	11,846
Depreciation on assets acquired with state and local funds	<u>6,126</u>	<u>6,128</u>
	<u>17,712</u>	<u>17,974</u>
	<u>\$ 65,066</u>	<u>\$ 62,523</u>

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended December 31, 2016

Federal Grantor/Grant No.	Federal CFDA Number	Qualifying Expenditures in Excess of Reimbursements, Beginning of 2016	-----Reimbursements-----			-----Qualifying Expenditures-----			Qualifying Expenditures In Excess of Reimbursements, End of 2016
			Federal Share	Local Share	Total	Federal Share	Local Share	Total	
U.S. Department of Transportation Federal Transit Administration Cluster									
Capital/ Maintenance Assistance									
IN-2016-020-00 (Operating Maint.)	20.507	\$ -	\$ 5,177,099	\$ 1,294,275	\$ 6,471,374	5,177,099	\$ 1,294,275	\$ 6,471,374	\$ -
Capital Assistance									
IN-2016-023-00	20.500	-	52,275	28,587	80,862	114,347	28,587	142,934	62,072
IN-05-0069	20.500	-	51,355	12,839	64,194	51,355	12,839	64,194	-
IN-05-0070	20.500	140,019	289,039	37,255	326,294	149,020	37,255	186,275	-
IN-04-0014	20.500	-	62,421	16,545	78,966	66,181	16,545	82,726	3,760
IN-90-X606	20.507	6,172	22,329	4,178	26,507	16,710	4,178	20,888	553
IN-95-X055	20.507	-	453,903	-	453,903	453,903	-	453,903	-
IN-2016-020-00	20.525	-	4,968,286	625,036	5,593,322	5,404,527	625,036	6,029,563	436,241
IN-54-0001	20.525	119,068	693,463	329,751	1,023,214	1,319,006	329,751	1,648,757	744,611
IN-54-0002	20.525	132,789	6,417,843	1,246,025	7,663,868	6,435,512	1,246,025	7,681,537	150,458
IN-54-0003	20.525	<u>122,312</u>	<u>4,711,610</u>	<u>1,385,030</u>	<u>6,096,640</u>	<u>5,540,118</u>	<u>1,385,030</u>	<u>6,925,148</u>	<u>950,820</u>
FTA Subtotal		<u>520,360</u>	<u>22,899,623</u>	<u>4,979,521</u>	<u>27,879,144</u>	<u>24,727,778</u>	<u>4,979,521</u>	<u>29,707,300</u>	<u>2,348,515</u>
Summary by Federal CFDA Number									
	20.500 <sup>1</sup>	\$ 140,019	\$ 455,090	\$ 95,226	\$ 550,316	\$ 380,903	\$ 95,226	\$ 476,129	\$ 65,832
	20.507 <sup>2</sup>	6,172	5,653,331	1,298,453	6,951,784	5,647,712	1,298,453	6,946,165	553
	20.525 <sup>3</sup>	<u>374,169</u>	<u>16,791,202</u>	<u>3,585,842</u>	<u>20,377,044</u>	<u>18,699,163</u>	<u>3,585,842</u>	<u>22,285,005</u>	<u>2,282,130</u>
		<u>\$ 520,360</u>	<u>\$ 22,899,623</u>	<u>\$ 4,979,521</u>	<u>\$ 27,879,144</u>	<u>\$ 24,727,778</u>	<u>\$ 4,979,521</u>	<u>\$ 29,707,300</u>	<u>\$ 2,348,515</u>

<sup>1</sup>CFDA 20.500 Federal Transit – Capital Investment Grants (Fixed Guideway Capital Investment Grants)

<sup>2</sup>CFDA 20.507 Federal Transit – Formula Grants (Urbanized Area Formula Program)

<sup>3</sup>CFDA 20.525 State of Good Repair Grants

See accompanying note to schedule of expenditures of federal awards.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
December 31, 2016

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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 Presentation: The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the District under programs of the federal government for the year ended December 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the statements of net position, statements of revenues, expenses and changes in net position, or statements of cash flows of the District.

Basis of Accounting and Cost Principles: Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State and Local Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The District has not elected to use the 10-percent de-minimis indirect cost rate as allowed under the Uniform Guidance.

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

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

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 SCHEDULE OF BUDGETED AND ACTUAL COSTS BY GRANT  
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.507  
 FTA GRANT NO. IN-2016-020-00  
 CAPITAL/MAINTENANCE ASSISTANCE  
 May 16, 2016 through December 31, 2016

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<u>Line Item Code</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual (Over)Under Budget</u>
12.7A.00	Preventative Maintenance	\$ 6,471,374	\$ 6,471,374	\$ -
12.62.02	Gallery Car Cameras – capital assistance	<u>300,000</u>	<u>-</u>	<u>300,000</u>
	Net project costs	<u>\$ 6,771,374</u>	<u>\$ 6,471,374</u>	<u>\$ 300,000</u>
	Federal share (80%)	\$ 5,417,099	\$ 5,177,099	\$ 240,000
	Local share (20%)	<u>1,354,275</u>	<u>1,294,275</u>	<u>60,000</u>
	Net project costs	<u>\$ 6,771,374</u>	<u>\$ 6,471,374</u>	<u>\$ 300,000</u>
Total grant payable (maximum \$5,417,099)			\$ 5,177,099	
Grant receipts through December 31, 2016			<u>5,177,099</u>	
Balance due from FTA at December 31, 2016			<u>\$ -</u>	

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NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 SCHEDULE OF BUDGETED AND ACTUAL COSTS BY GRANT  
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.500  
 FTA GRANT NO. IN-2016-023-00  
 CAPITAL ASSISTANCE  
 June 21, 2016 through December 31, 2016

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<u>Line Item Code</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual (Over)Under Budget</u>
44.26.14	Westlake TOD study	\$ 375,000	\$ 142,933	\$ 232,067
	Net project costs	<u>\$ 375,000</u>	<u>\$ 142,933</u>	<u>\$ 233,067</u>
	Federal share (80%)	\$ 300,000	\$ 114,347	\$ 185,653
	Local share (20%)	<u>75,000</u>	<u>28,587</u>	<u>46,413</u>
	Net project costs	<u>\$ 375,000</u>	<u>\$ 142,934</u>	<u>\$ 232,066</u>
Total grant payable (maximum \$300,000)			\$ 114,347	
Grant receipts through December 31, 2016			<u>52,275</u>	
Balance due from FTA at December 31, 2016			<u>\$ 62,072</u>	

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NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULE OF BUDGETED AND ACTUAL COSTS BY GRANT  
CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.500  
FTA GRANT NO. IN-05-0069  
CAPITAL ASSISTANCE  
January 1, 2010 through December 31, 2016

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.13.22	Railcars (100% Federal)	\$ 4,979,548	\$ 4,980,065	\$ (517) (1)
12.23.05	Bridges	4,132,550	4,185,012	(52,462) (1)
12.24.05	Dune Park Platform	1,250,000	1,475,487	(225,487) (1)
12.42.20	Vehicles	800,000	252,049	547,951
12.43.04	Track Equipment	500,000	207,337	292,663
12.54.01	Gary Metro Center	750,000	768,749	(18,749) (1)
12.42.06	Shop Equipment	250,000	257,064	(7,064) (1)
12.54.01	Catenary Phase II	7,854,610	7,854,610	-
12.23.03	Kensington	7,704,687	8,142,148	(437,461) (1)
12.79.00	Track Material	<u>625,000</u>	<u>723,874</u>	<u>(98,874) (1)</u>
	Net project costs	<u>\$ 28,846,395</u>	<u>\$ 28,846,395</u>	<u>\$ -</u>
	Federal share (100%)	\$ 4,979,548	\$ 4,980,065	\$ (517)
	Federal share (80%)	19,093,478	19,093,064	414
	Local share (20%)	<u>4,773,369</u>	<u>4,773,266</u>	<u>103</u>
	Net project costs	<u>\$ 28,846,395</u>	<u>\$ 28,846,395</u>	<u>\$ -</u>
Total grant payable (maximum \$24,073,026)			\$ 24,073,130	
Grant receipts through December 31, 2016			<u>24,073,130</u>	
Balance due from FTA at December 31, 2016			<u>\$ -</u>	

(1) Overbudget amount is within the 20% budget control and monitoring allowed under the grant agreement. The sum of all budget overages and shortages within a grant cannot exceed 20% of the overall grant budget per FTA Circular 5010.ID.

\*Grant closed as of December 31, 2016.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULE OF BUDGETED AND ACTUAL COSTS BY GRANT  
CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.500  
FTA GRANT NO. IN-05-0070  
CAPITAL ASSISTANCE  
September 14, 2012 through December 31, 2016

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.13.22	Railcars (100% Federal)	\$ 2,872,000	\$ 2,872,000	\$ -
12.24.05	Bridges	3,750,000	2,259,133	1,490,867
12.34.02	Dune Park Station	4,000,000	3,724,264	275,736
12.42.05	Shop Equipment	160,000	106,163	53,837
12.42.11	Vehicles	397,638	383,015	14,623
12.42.20	Track Equipment	500,000	496,418	3,582
12.54.01	Catenary Phase III	2,000,000	1,997,565	2,435
12.61.01	Positive Train Control	<u>500,000</u>	<u>554,658</u>	<u>(54,658) (1)</u>
	Net project costs	<u>\$ 14,179,638</u>	<u>\$ 12,393,216</u>	<u>\$ 1,786,422</u>
	Federal share (100%)	\$ 2,872,000	2,872,000	-
	Federal share (80%)	9,046,110	7,616,973	1,429,137
	Local share (20%)	<u>2,261,528</u>	<u>1,904,243</u>	<u>357,285</u>
	Net project costs	<u>\$ 14,179,638</u>	<u>\$ 12,393,216</u>	<u>\$ 1,786,422</u>
Total grant payable (maximum \$11,918,110)			\$ 10,488,973	
Grant receipts through December 31, 2016			<u>10,488,973</u>	
Balance due from FTA at December 31, 2016			<u>\$ -</u>	

(1) Overbudget amount is within the 20% budget control and monitoring allowed under the grant agreement. The sum of all budget overages and shortages within a grant cannot exceed 20% of the overall grant budget per FTA Circular 5010.ID.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 SCHEDULE OF BUDGETED AND ACTUAL COSTS BY GRANT  
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.500  
 FTA GRANT NO. IN-04-0014  
 CAPITAL ASSISTANCE  
 July 01, 2008 through December 31, 2016

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<u>Line Item Code</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual (Over)Under Budget</u>
12.11.22	Gary – Chicago Airport	\$ 256,840	\$ 235,341	\$ 21,499
	Net project costs	<u>\$ 256,840</u>	<u>\$ 235,341</u>	<u>\$ 21,499</u>
	Federal share (80%)	\$ 205,472	\$ 188,272	\$ 17,200
	Local share (20%)	<u>51,368</u>	<u>47,068</u>	<u>4,300</u>
	Net project costs	<u>\$ 256,840</u>	<u>\$ 235,340</u>	<u>\$ 21,500</u>
Total grant payable (maximum \$205,472)			\$ 188,272	
Grant receipts through December 31, 2016			<u>184,512</u>	
Balance due from FTA at December 31, 2016			<u>\$ 3,760</u>	

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NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULE OF BUDGETED AND ACTUAL COSTS BY GRANT  
CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.507  
FTA GRANT NO. IN-90-X606  
CAPITAL/MAINTENANCE ASSISTANCE  
January 1, 2010 through December 31, 2016

<u>Line Item Code</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual (Over)Under Budget</u>
12.92.08	New Signage-Millennium Station	\$ 175,000	\$ 177,595	\$ (2,595)
12.93.03	Landscaping	65,000	59,828	5,172
12.93.03	Walkways	10,000	4,897	5,103
12.79.00	Passenger Shelter-Carroll Avenue	<u>50,000</u>	<u>55,363</u>	<u>(5,363) (1)</u>
	Net project costs	<u>\$ 300,000</u>	<u>\$ 297,683</u>	<u>\$ 2,317</u>
	Federal share (80%)	\$ 240,000	\$ 238,146	\$ 1,854
	Local share (20%)	<u>60,000</u>	<u>59,537</u>	<u>463</u>
	Net project costs	<u>\$ 300,000</u>	<u>\$ 297,683</u>	<u>\$ 2,317</u>
Total grant payable (maximum \$240,000)			\$ 238,146	
Grant receipts through December 31, 2016			<u>237,593</u>	
Balance due from FTA at December 31, 2016			<u>\$ 553</u>	

(1) Overbudget amount is within the 20% budget control and monitoring allowed under the grant agreement. The sum of all budget overages and shortages within a grant cannot exceed 20% of the overall grant budget per FTA Circular 5010.ID.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 SCHEDULE OF BUDGETED AND ACTUAL COSTS BY GRANT  
 CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.507  
 FTA GRANT NO. IN-95-X055  
 CAPITAL ASSISTANCE  
 September 15, 2015 through December 31, 2016

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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	Railcar Bond Payments	\$ 453,903	\$ 453,903	\$ -
	Net project costs	<u>\$ 453,903</u>	<u>\$ 453,903</u>	<u>\$ -</u>
	Federal share (100%)	<u>\$ 453,903</u>	<u>\$ 453,903</u>	<u>\$ -</u>
	Net project costs	<u>\$ 453,903</u>	<u>\$ 453,903</u>	<u>\$ -</u>
Total grant payable (maximum \$453,903)			\$ 453,903	
Grant receipts through December 31, 2016			<u>453,903</u>	
Balance due from FTA at December 31, 2016			<u>\$ -</u>	

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NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULE OF BUDGETED AND ACTUAL COSTS BY GRANT  
CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.507  
FTA GRANT NO. IN-2016-020-00  
CAPITAL ASSISTANCE  
May 16, 2016 through December 31, 2016

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.13.22	Railcars (100% Federal)	\$ 2,904,382	\$ 2,904,382	\$ -
12.14.22	Commuter Rail Self Propelled Elec End of Life	425,000	-	425,000
12.15.22	Commuter Rail Self Propelled Elec Midlife	625,000	-	625,000
12.21.03	Engr/Design- Line Equip/Structures	250,000	-	250,000
12.23.03	Construct Line Equip/Structure Turnouts	2,500,000	2,470,898	29,102
12.24.03	Rehab/Renovate Line Equip/ Structures Track Maintenance	750,000	40,715	709,285
12.24.03	Rehab/Renovate Line Equip/ Rail Replacement	659,989	-	659,989
12.31.02	Engr/Design Rail Station	500,000	18,500	481,500
12.34.02	Rehab/Renovate Rail Station	2,150,000	-	2,150,000
12.41.02	Engr/Design- Maint Facility	290,000	-	290,000
12.42.11	Purchase Rail Support Vehicles	500,000	49,470	450,530
12.42.20	Track Equipment	600,000	545,373	54,627
12.42.20	Accounting Software	500,000	-	500,000
12.44.12	Rehab/Renovate-Work Trains	150,000	-	150,000
12.54.01	Rehab/Renovate Traction Power Equipment	1,370,000	-	1,370,000
12.54.03	Rehab/Renovate Substation	1,400,000	-	1,400,000
12.62.20	Purchase Misc Signal/ Communication Equip	500,000	-	500,000
12.71.03	Project Management	2,350,000	-	2,350,000
12.72.08	Force Acct. Construction-Turnouts	1,230,000	225	1,229,775
12.72.09	Force Acct Vehicle Rehab	500,000	-	500,000
12.79.00	Project Administration-Rail	520,000	-	520,000
	Net project costs	<u>\$ 20,674,371</u>	<u>\$ 6,029,563</u>	<u>\$ 14,644,808</u>
	Federal share (100%)	\$ 2,904,382	\$ 2,904,382	\$ -
	Federal share (80%)	14,215,991	2,500,145	11,715,846
	Local share (20%)	<u>3,553,998</u>	<u>625,036</u>	<u>2,928,962</u>
	Net project costs	<u>\$ 20,674,371</u>	<u>\$ 6,029,563</u>	<u>\$ 14,644,808</u>
	Total grant payable (maximum \$17,120,383)		\$ 5,404,527	
	Grant receipts through December 31, 2016		<u>4,968,286</u>	
	Balance due from FTA at December 31, 2016		<u>\$ 436,241</u>	

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULE OF BUDGETED AND ACTUAL COSTS BY GRANT  
CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.525  
FTA GRANT NO. IN-54-0001  
CAPITAL ASSISTANCE  
September 1, 2013 through December 31, 2016

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.13.22	Railcars (100% Federal)	\$ 2,904,382	\$ 2,905,150	\$ (768) (1)
12.23.03	Construct Line Equipment	490,000	601,025	(111,025) (1)
12.23.05	Bridge MP.14.93	2,900,000	2,646,886	253,114
12.31.02	Engineering/Design Rail Station	300,000	106,904	193,096
12.42.11	Vehicles	390,000	384,933	5,067
12.42.20	Track Equipment	390,000	347,409	42,591
12.53.01	Catenary Phase III	2,050,000	2,703,992	(653,992) (1)
12.54.03	Rehab/Renovate Substation	390,000	408,032	(18,032) (1)
12.61.01	Engr/Design Positive Train Control	300,000	138,254	161,746
12.62.01	Positive Train Control Signals	296,949	124,738	172,211
12.71.04	Construction Management	3,000,000	2,656,310	343,690
12.72.08	Force Account Construction	1,300,000	559,568	740,432
12.79.00	Project Administration	<u>390,000</u>	<u>148,250</u>	<u>241,750</u>
	Net project costs	<u>\$ 15,101,331</u>	<u>\$ 13,731,451</u>	<u>\$ 1,369,880</u>
	Federal share (100%)	\$ 2,904,382	\$ 2,905,150	\$ (768)
	Federal share (80%)	9,757,559	8,661,040	1,096,519
	Local share (20%)	<u>2,439,390</u>	<u>2,165,260</u>	<u>274,130</u>
	Net project costs	<u>\$ 15,101,331</u>	<u>\$ 13,731,451</u>	<u>\$ 1,369,880</u>
Total grant payable (maximum \$12,661,941)			\$ 11,566,191	
Grant receipts through December 31, 2016			<u>10,821,580</u>	
Balance due from FTA at December 31, 2016			<u>\$ 744,611</u>	

(1) Overbudget amount is within the 20% budget control and monitoring allowed under the grant agreement. The sum of all budget overages and shortages within a grant cannot exceed 20% of the overall grant budget per FTA Circular 5010.ID.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULE OF BUDGETED AND ACTUAL COSTS BY GRANT  
CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.525  
FTA GRANT NO. IN-54-0002  
CAPITAL ASSISTANCE  
June 1, 2014 through December 31, 2016

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.13.22	Railcars (100% Federal)	\$ 2,904,382	\$ 2,904,382	\$ -
12.14.22	AC Propulsion 1982-83 Railcars	798,523	794,524	3,999
12.15.22	AC Propulsion 2000 Railcars	500,000	185,722	314,278
12.21.05	Bridge-Engr/Design	300,000	175,497	124,503
12.24.03	Rehab/Renovate Rail East of Shops	740,000	808,549	(68,549) (1)
12.24.05	Rehab/Renovate Bridges	2,300,000	2,827,651	(527,651) (1)
12.34.02	Rehab/Renovate Rail Station	300,000	182,231	117,769
12.42.11	Vehicles	390,000	445,138	(55,138) (1)
12.42.20	Track Equipment	390,000	355,460	34,540
12.43.03	Construction Training Facility	250,000	284,232	(34,232) (1)
12.51.03	Rehab/Renovate Substation	100,000	113,494	(13,494) (1)
12.53.01	Catenary Phase III	1,525,000	2,211,915	(686,915) (1)
12.54.03	Rehab/Renovate Substation	1,600,000	1,428,063	171,937
12.56.20	Lease Vehicles	25,000	-	25,000
12.61.01	Engr/Design Positive Train Control	300,000	-	300,000
12.62.01	Positive Train Control Signals	544,523	85,612	458,911
12.71.04	Construction Management	3,000,000	1,664,293	1,335,707
12.72.08	Force Account Construction	1,250,000	905,051	344,949
12.72.09	Force Account Vehicle Rehab	450,000	46,834	403,166
12.79.00	Force Account Project Admin	<u>455,000</u>	<u>141,088</u>	<u>313,912</u>
	Net project costs	<u>\$ 18,122,428</u>	<u>\$ 15,559,736</u>	<u>\$ 2,562,692</u>
	Federal share (100%)	\$ 2,904,382	\$ 2,904,382	\$ -
	Federal share (80%)	12,174,437	10,124,283	2,050,153
	Local share (20%)	<u>3,043,609</u>	<u>2,531,071</u>	<u>512,538</u>
	Net project costs	<u>\$ 18,122,428</u>	<u>\$ 15,559,736</u>	<u>\$ 2,562,692</u>
Total grant payable (maximum \$15,078,819)			\$ 13,028,665	
Grant receipts through December 31, 2016			<u>12,878,207</u>	
Balance due from FTA at December 31, 2016			<u>\$ 150,458</u>	

(1) Overbudget amount is within the 20% budget control and monitoring allowed under the grant agreement. The sum of all budget overages and shortages within a grant cannot exceed 20% of the overall grant budget per FTA Circular 5010.ID.

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULE OF BUDGETED AND ACTUAL COSTS BY GRANT  
CATALOG OF FEDERAL DOMESTIC ASSISTANCE NO. 20.525  
FTA GRANT NO. IN-54-0003  
CAPITAL ASSISTANCE  
September 21, 2015 through December 31, 2016

Line Item Code	Description	Budget	Actual	Actual (Over)Under Budget
12.14.22	AC Propulsion 1982-83 Railcars	\$ 425,000	\$ 591,081	\$ (166,081) (1)
12.15.22	AC Propulsion 2000 Railcars	625,000	869,236	(244,236) (1)
12.23.03	Replace Track Switches	2,525,000	2,003,193	521,807
12.24.03	Rehab/Renovate Rail East of Shops	440,000	423,360	16,640
12.24.05	Rehab/Renovate Bridges	1,500,000	1,199,058	300,942
12.34.02	Rehab/Renovate Rail Station	850,000	34,661	815,339
12.42.11	Vehicles	305,955	174,267	131,688
12.42.20	Track Equipment	586,063	523,231	62,832
12.44.03	Rehab/Renovate Shop Facilities	725,000	153,324	571,676
12.41.02	Engr/Design Maintenance Facility	500,000	-	500,000
12.41.05	Engr/Design Yards/Shop Facilities	900,000	24,406	875,594
12.54.01	Rehab/Renovate Equipment	1,550,000	603,122	946,878
12.51.03	Engr/Design Substation	1,250,000	-	1,250,000
12.53.03	Replace Substation Electronics	475,000	-	475,000
12.63.01	Positive Train Control Signals	2,250,000	342,086	1,907,914
12.71.03	Construction Management	1,250,000	682,895	567,105
12.72.08	Force Account Construction	1,450,000	1,233,533	216,467
12.72.09	Force Account Vehicle Rehab	525,000	-	525,000
12.79.00	Project Administration	<u>605,000</u>	<u>36,576</u>	<u>568,424</u>
	Net project costs	<u>\$ 18,737,018</u>	<u>\$ 8,894,029</u>	<u>\$ 9,842,989</u>
	Federal share (80%)	\$ 14,989,614	\$ 7,115,223	\$ 7,874,391
	Local share (20%)	<u>3,747,404</u>	<u>1,778,806</u>	<u>1,968,598</u>
	Net project costs	<u>\$ 18,737,018</u>	<u>\$ 8,894,029</u>	<u>\$ 9,842,989</u>
Total grant payable (maximum \$14,989,614)			\$ 7,115,223	
Grant receipts through December 31, 2016			<u>6,164,403</u>	
Balance due from FTA at December 31, 2016			<u>\$ 950,820</u>	

(1) Overbudget amount is within the 20% budget control and monitoring allowed under the grant agreement. The sum of all budget overages and shortages within a grant cannot exceed 20% of the overall grant budget per FTA Circular 5010.ID.

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

Board of Trustees  
Northern Indiana Commuter  
Transportation District  
Chesterton, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Northern Indiana Commuter Transportation District as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2017.

### **Internal Control Over Financial Reporting**

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

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

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

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(Continued)

### ***Compliance and Other Matters***

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

### **Purpose of this Report**

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

Crowe Horwath LLP

Crowe Horwath LLP

South Bend, Indiana  
May 12, 2017

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

Board of Trustees  
Northern Indiana Commuter  
Transportation District  
Chesterton, Indiana

**Report on Compliance for Each Major Federal Program**

We have audited Northern Indiana Commuter Transportation District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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(Continued)

## Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

## Report on Internal Control Over Compliance

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

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

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

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

Crowe Horwath LLP

Crowe Horwath LLP

South Bend, Indiana  
May 12, 2017

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 December 31, 2016

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

<i>Financial Statements</i>		
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	_____ yes	___ X ___ no
Significant deficiency(ies) identified?	_____ yes	___ X ___ none reported
Noncompliance material to financial statements noted?	_____ yes	___ X ___ no
<i>Federal Awards</i>		
Internal control over major federal programs:		
Material weakness(es) identified?	_____ yes	___ X ___ no
Significant deficiency(ies) identified?	_____ yes	___ X ___ none reported
Type of auditor's report issued on compliance for major federal programs:	unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes	___ X ___ no
Identification of major federal programs:	Name of Federal Program or Cluster:  Federal Transit Cluster	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000	
Auditee qualified as low-risk auditee?	___ X ___ yes	_____ no

NORTHERN INDIANA COMMUTER TRANSPORTATION DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2016

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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, 2016

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There were no prior year findings.