Northwest Indiana Regional Development Authority

Financial Statements

December 31, 2009 and 2008

NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
CROWN POINT, INDIANA

2009 FINANCE COMMITTEE PACKAGE

NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northwest Indiana Regional Development Authority:

We have audited the accompanying basic financial statements of the Northwest Indiana Regional Development Authority (the "RDA" or the "Authority"), as of December 31, 2009 and 2008, and the related statements of changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion. As discussed in Note 1, beginning in fiscal year 2008, the Northwest Indiana Regional Development Authority implemented Governmental Accounting Standards Board Statement No. 34.

In our opinion, such basic financial statements present fairly, in all material respects, the financial position of the Authority as of December 31, 2009 and 2008, and the results of its operations, and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 10 and Budgetary Schedule on page 27 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and we express no opinion or any other form of assurance on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the foregoing table of contents, which is also the responsibility of the Authority's management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such additional information (page 26) has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly presented, in all material respects, when considered in relation to the financial statements taken as a whole.

Whittaker & Company, PLLC

Whittaker & Company,PLLC
March 19, 2010

The following discussion and analysis of Northwest Indiana Regional Development Authority (the "Authority") financial performance provides an introduction and overview of the Authority's financial activities for the fiscal year ended December 31, 2009. Please read this discussion in conjunction with the Authority's financial statements and the notes to financial statements immediately following this section.

FINANCIAL HIGHLIGHTS

2009

- Operating revenues for 2009 of $27,500,000 remained the same compared to fiscal year 2008.
- Operating expenses for 2009 of $62,859,844 increased by $34,237,882 (54.5 percent) compared to fiscal year 2008. This increase is primarily due to the Authority continuously funding existing and newly approved projects.

2008

- Operating revenues for 2008 of $27,500,000 decreased by $15,000,000 (54.5 percent) compared to fiscal year 2007.
- Operating expenses for 2008 $28,621,962 increased by $7,281,443 (25.4 percent) compared to fiscal year 2007. This increase is primarily due to the Authority continuously funding existing and newly approved projects.

2007

- Operating revenues for 2007 $42,500,000 increased by $2,500,000 (5.8 percent) compared to fiscal year 2006.
- Operating expenses for 2007 $21,340,249 increased by $1,340,249 (6.2 percent) compared to fiscal year 2006. This increase is primarily due to increased professional services and the Authority continuously funding existing and newly approved projects.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of the Financial Statements and the Notes to Financial Statements. In addition to the basic financial statements this report also presents Additional Information after the Notes to Financial Statements.

The *Statements of Net Assets* present all Authority's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by private-sector companies. The difference between assets and liabilities is reported as net assets. The increase or decrease in net assets may serve as an indicator, over time, whether the Authority's financial position is improving or deteriorating. However, the consideration of other non-financial factors such as changes within the Northwest Indiana community may be necessary in the assessment of overall financial position and health of the Authority.

The *Statements of Revenue, Expenses, and Changes in Net Assets present* all current fiscal year revenues and expenses, regardless of when cash is received or paid, and the ensuing change in net assets.

The *Statements of Cash Flows* report how cash and cash equivalents were provided and used by the Authority's operating, capital financing and investing activities. These statements are prepared on a cash basis and present the cash received and disbursed, the net increase or decease in cash for the year and the cash balance at year end.

The *Notes to Financial Statements* are an integral part of the financial statements; accordingly, such disclosures are essential to a full understanding of the information provided in the financial statements. The Notes to Financial Statements begin on page 14.

In addition to the basic financial statements, this report includes Additional Information. The Additional Information section presents the 2009 Supplemental Schedule for Supporting Services on page 26.

FINANCIAL ANALYSIS

The RDA receives substantially all of its support revenue from state, city and county agencies. Beginning in 2006, the fiscal officer of each city and county described in IC 36-7.5-2-(b) (other than the (2) largest cities in a county described in IC 36-7.5-2-3 (b) (1) (Lake County, Porter County, East Chicago, Gary, Hammond) shall each transfer three million five hundred thousand dollars ($3,500,000) each year to the Authority for deposit in the Authority's fund.

In 2009 and 2008, the state of Indiana provided $10,000,000 of funding to the Authority. The state of Indiana provided $25 million of funding in 2007. In addition, the State provided $20 million from the toll road lease for 2006 which was restricted for use only on the Gary/Chicago Airport runway expansion project and related expenses.

Revenue is ear-marked for projects recognized with the development of a Comprehensive Strategic Development Plan. Based on this plan the following projects were identified:

- The Regional Bus Authority – To increase opportunities for senior citizens, the handicapped community and Hoosiers without their own transportation.
- The Gary/Chicago International Airport Runway Expansion and EJ&E Railroad Re-Routing Plan – To provide access to Chicago's business districts, Northwest Indiana, and surrounding Midwest states. The 715 acre site has an FAA approved expansion plan adding 320 acres ensuring long term growth for the airport and the Northwest Indiana economy.
- Commuter Rail Transportation – Plans to extend the South Shore rail line to Lowell and Valparaiso are being reviewed.
- Lake Michigan Shoreline Development – A reinvestment strategy for the Lake Michigan shoreline to provide balance between nature, industry, restoration and redevelopment while reclaiming the shoreline for public access.

A comparative condensed summary of the Authority's net assets at December 31, 2009, 2008, and 2007 is as follows:

Net Assets

	2009	2008	2007
Current assets	$ 72,364,387	$ 55,535,831	$ 42,838,050
Total current assets	72,364,387	55,535,831	42,838,050
Property and equipment			
Furntiure & Fixtures, net	9,999	16,672	23,345
Long-term assets	6,000,000	3,082,742	-
Total assets	78,374,386	58,635,245	42,861,395
Current liabilities	31,003,073	10,403,021	7,174,059
Total current liabilities	31,003,073	10,403,021	7,174,059
Long-term liabilities			
Grants payable	36,371,734	2,298,303	4,087,588
Total long-term liabilities	36,371,734	2,298,303	4,087,588
Total liabilities	67,374,807	12,701,324	11,261,647
Unrestricted	10,999,579	45,933,921	31,599,748
Total liabilities and net assets	$ 78,374,386	$ 58,635,245	$ 42,861,395

2009

Current assets increased by $16,828,556 primarily due to a decrease in the overall amount of funds the Authority used on current projects. The Authority also had an increase in accounts receivables from the City of Gary.

The 2009 increase in current liabilities of $20,600,052 was due to the Authority approving projects in the current and prior fiscal periods and payments being due within one year according to grant schedules which were approved at the time of awarding the grant.

The 2009 increase in long-term assets of $2,917,258 was due to a loan provided to the Little Calumet River Development Commission. See Note 5 of the financial statements for further details.

The 2009 increase in long-term liabilities of $34,073,431 was mainly due to the Authority funding grants in larger dollar amounts in the current fiscal year as opposed to lower dollar amount grants in the prior fiscal periods.

2008

Current assets increased by $15,773,850 primarily due to a decrease in the amount of money the Authority had to spend funding current projects. In the prior period, the Authority funded the South Shore railroad in a significant amount; an expense that was not incurred in 2008.

The 2008 increase in current liabilities of $3,228,962 was due to the Authority approving projects in the current and prior fiscal periods and payments being due within one year.

The 2008 increase in long-term assets was due to a loan provided to the Little Calumet River Development Commission. See Note 5 of the financial statements for further details.

The 2008 decrease in long-term liabilities of $1,789,285 was mainly due to the Authority funding grants in smaller dollar amounts in the current fiscal year as opposed to higher dollar amount grants in the prior fiscal periods.

2007

Current assets increased by $2,938,504 primarily due to an increase in accounts receivable from the State of Indiana and interest income received from investments.

The 2007 increase in current liabilities of $3,228,962 was due to the Authority approving projects in the current and prior fiscal periods and payments being due within one year.

The 2007 decrease in long-term liabilities of $1,789,285 was mainly due to the Authority funding grants in smaller dollar amounts in the current fiscal year as opposed to higher dollar amount grants in the prior fiscal periods.

A comparative condensed summary of the Authority's changes in net assets for the years ended December 31, 2009, 2008 and 2007 is as follows:

Changes in Net Assets

	2009	2008	2007
Operating revenues	$ 27,500,000	$ 27,500,000	$ 42,500,000
Operating expenses	62,859,844	14,317,307	25,686,323
Operating income	(35,359,844)	13,182,693	16,813,677
Non-operating revenue	425,502	1,151,480	1,674,279
Change in net assets	$ (34,934,342)	$ 14,334,173	$ 18,487,956

2009

Operating revenues for the years 2009 and 2008 were $27,500,000 each year. Operating expenses for the years 2009, 2008, and 2007 were $62,859,844, $14,317,307, and $25,686,323, respectively. The increase from year 2009 to 2008 was primarily due to the Authority funding the City of Hammond for the Hammond Lakes Area project in the amount of $31,480,000 and the City of Gary for the Gary East Marquette Park in the amount of $28,190,000.

Non-operating revenue of $425,502 was due to investment interest income.

2008

Operating revenues for the years 2008 and 2007 were $27,500,000 and $42,500,000, respectively. This decrease of $15,000,000 in 2008 was directly due to the State of Indiana contributing $15,000,000 in year 2007 to make up for missed payments in 2006. Operating expense for the years 2008, 2007, and 2006 were $14,317,307, $25,686,323, and $718,295, respectively. The decrease was primarily due to the Authority funding the Gary/Chicago International Airport in the prior period in the amount of $17,500,000 for the airport expansion project; a cost not incurred during the current fiscal year. Non-operating revenue of $1,151,480 was due to investment interest income.

2007

Operating revenues for the years 2007 and 2006 were $42,500,000 and $20,000,000, respectively. This increase of $22,500,000 in 2007 was directly due to the increase of contributions from the State of Indiana. Prior to the passage of House Bill 1008 from 2006, the state was required to distribute between $5,000,000 and $10,000,000 to the Authority annually by IC 8-15-2-14.7. The $2,500,000 distribution in January 2006 was part of this distribution. That language was repealed in Section 13 of the HB 1008.

The $20,000,000 distribution in October 2006, $17,500,000 in April 2007, and $2,500,000 in June 2007 correspond with the $40,000,000 distribution stated in the following language of House Enrolled Act No. 1008: The following amounts to the northwest Indiana Regional Development Authority for deposit in the development authority fund established under IC 36-7.5-4-1: (A) Forty million dollars ($40,000,000) during the state fiscal year beginning July 1, 2006. During the state fiscal year beginning July 1, 2006, the regional development authority must pay at least twenty million dollars ($20,000,000) of the distribution received under this clause to an airport authority that is carrying out an airport expansion project described in IC 36-7.5-2-1(2).

Non-operating revenue of $1,674,279 was due to investment interest income.

A comparative summary of the Authority's operating expenses, as classified in the financial statements, for the years ended December 31, 2009, 2008 and 2007 is as follows:

Operating Expenses

	2009	2008	2007
Salaries and wages	$ 241,401	$ 214,090	$ 176,035
Contractual services and commodities	294,085	342,749	87,689
Program Services	62,236,500	27,993,742	21,019,125
Other	87,858	71,111	57,399
Total operating expenses	$ 62,859,844	$ 28,621,692	$ 21,340,248

2009

The increase in salaries and wages of $27,311 in 2009 is due to an additional salaried employee with an employment start date of April 1, 2009. The RDA was not paying the Executive Director salary for the months of January – March 2009. Also, the salary for the Executive Director position increased from the prior year. Contractual services in 2009 and 2008 were $294,085 and $342,749, respectively. The decrease in 2009 for contractual services of $42,664 is primarily due to decreased professional consulting services in the areas of planning consultant, investment, and accounting. Also, the RDA did not utilize a consultant for the Transit Assessment as they did in the prior year. The increase in program services of $34,242,758 is due to commitment payments made in 2008 which have been accrued and will be paid in subsequent periods.

2008

The increase in salaries and wages of $38,055 in 2008 is due to a cost of living increase for 2008 as well as salary increases for three employees. Contractual services in 2008 and 2007 were $346,200 and $87,689, respectively. The increase in 2008 for contractual services of $255,060 is primarily due to increased professional consulting services in the areas of general consulting and compliance consulting. Accounting costs also increased for year 2008 due to an increase of the number of audits performed on the Authority. The increase in program services of $6,974,617 is due to commitment payments made in 2008 which have been accrued and will be paid in subsequent periods.

2007

The increase in salaries and wages of $36,982 in 2007 is due to a cost of living increase for 2007, in addition to a staff member being added. Contractual services in 2007 and 2006 were $87,689 and $157,327, respectively. The decrease in 2007 for contractual services is primarily due to decreased professional services (general consulting, accounting, and legal). The increase in program services of $781,625 is due to commitment payments made in 2007 which have been accrued and will be paid in subsequent periods.

A comparative summary of the Authority's changes in cash flows for the years ended December 31, 2009, 2008 and 2007 is as follows:

Changes in Cash Flows

	2009	2008	2007
Cash from activites:			
Operating	$ 14,199,006	$ 8,025,349	$ 378,229
Investing	425,502	1,151,480	1,733,811
Net change in cash	14,624,508	9,176,829	2,112,040
Cash:			
Beginning of the year	51,139,879	41,963,050	39,851,010
End of the year	$ 65,764,387	$ 51,139,879	$ 41,963,050

2009

As of December 31, 2009, the Authority's available cash of $65,764,387 increased by $14,624,508 compared to $51,139,879 at December 31, 2008 due to a decrease in the outlay of cash to fund program services. Total cash at December 31, 2009 and 2008 was on deposit in interest bearing accounts among three financial institutions insured by the Federal Depository Insurance Corporation (FDIC) and Public Deposit Insurance Fund (PDIF).

2008

As of December 31, 2008, the Authority's available cash of $51,139,879 increased by $9,176,829 compared to $41,963,050 at December 31, 2007 due to inflows of cash from the contributions from the cities of Gary, Hammond, East Chicago and Lake and Porter County. Total cash at December 31, 2008 and 2007 was on deposit in interest bearing accounts among three financial institutions insured by the Federal Depository Insurance Corporation (FDIC) and Public Deposit Insurance Fund (PDIF).

2007

As of December 31, 2007, the Authority's available cash of $41,963,050 increased by $2,112,040 compared to $39,851,010 at December 31, 2006 due to inflows of cash from the contributions from the cities of Gary, Hammond, East Chicago and Lake and Porter County. Total cash at December 31, 2007 and 2006 was on deposit in interest bearing accounts among three financial institutions insured by the Federal Depository Insurance Corporation (FDIC) and Public Deposit Insurance Fund (PDIF).

FACTORS BEARING ON THE FUTURE

The Authority will continue to entertain funding applications from their four targeted investment areas as well as any other project considered economic development. The Authority currently has two outstanding funding applications from the City of Whiting, City of East Chicago, and the Regional Bus Authority that will be considered for funding in fiscal year 2010.

The contract for the compliance consultant expires in fiscal year 2010. Contracts will be awarded in fiscal year 2010; therefore, the contract amount may increase/decrease depending on the firm(s) chosen. A full-time salaried staff position will become available in fiscal year 2010 for the Marquette Implementation Coordinator.

Until the litigation concludes and a decision is made in the case against the RDA, Porter County's contribution of $3,500,000 a year will be held in escrow.

REQUESTS FOR INFORMATION

This financial report is designed to provide the reader with a general overview of the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Northwest Indiana Regional Development Authority's Office.

NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
STATEMENT OF FINANCIAL POSITION
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	$ 65,764,387	$ 51,139,879
Accounts receivable (Note 1)	6,600,000	4,375,000
Prepaid expenses	-	20,952
Total current assets	72,364,387	55,535,831
Property and equipment		
Furniture & fixtures (Note 3)	33,354	33,354
Total property and equipment	33,354	33,354
Accumulated depreciation	(23,355)	(16,682)
Total property and equipment (net)	9,999	16,672
Long-term assets		
Note receivable (Note 5)	6,000,000	3,082,742
Total long-term assets	6,000,000	3,082,742
Total assets	78,374,386	58,635,245
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	67,492	77,647
Other related accruals	495,130	1,116,574
Grants payable -Due within one year	30,440,451	9,105,074
Total current liabilities	31,003,073	10,299,295
Long-term liabilities		
Grants payable	36,371,734	2,402,029
Total long-term liabilities	36,371,734	2,402,029
Total liabilities	67,374,807	12,701,324
Net assets		
Unrestricted	10,999,579	45,933,921
Total net assets	10,999,579	45,933,921
Total liabilities and net assets	$ 78,374,386	$ 58,635,245

See accompanying notes to the basic financial statements

NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Unrestricted Net Assets		
Support		
Indiana Finance Authority	$ 10,000,000	$ 10,000,000
City of East Chicago	3,500,000	3,500,000
Lake County	3,500,000	3,500,000
City of Gary	3,500,000	3,500,000
City of Hammond	3,500,000	3,500,000
Porter County	3,500,000	3,500,000
Total Support	27,500,000	27,500,000
Expenses		
Program Services		
Town of Porter	1,816,500	-
Gary East Marquette Park	28,190,000	-
Gary/Chicago Int'l Airport	250,000	-
Regional Bus Authority	500,000	-
City of Hammond	31,480,000	-
Portage Northside Park Project	-	103,726
Portage Northshore Park Phase II	-	2,865,406
Whiting Lakefront Park - Phase I	-	2,563,225
Shoreline Park Gateway & Community Gateway	-	3,900,000
Water Filtration Plant Demolition	-	1,980,000
Marquette Greenway Plan: Existing water plant	-	50,000
Portage 26 Acres	-	365,000
Valparaiso Redevelopment Commission Bus Acquisition	-	1,862,000
Total Program Services	62,236,500	13,689,357
Supporting Services		
Salaries & professional services	535,486	556,839
Operating expenses	87,858	71,111
Total Supporting Services	623,344	627,950
Total Expenses	62,859,844	14,317,307
Non-operating revenue (expense)		
Interest Income	425,502	1,151,480
Total non-operating revenue (expense)	425,502	1,151,480
Change in Net Assets	(34,934,342)	14,334,173
Net Unrestricted Assets - Beginning of Year	45,933,921	31,599,748
Net Unrestricted Assets - End of Year	$ 10,999,579	$ 45,933,921

See accompanying notes to the basic financial statements

NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Cash flows from operating activities		
Fee revenue	$ 25,275,000	$ 24,000,000
Payments to employees for services	(211,449)	(242,130)
Payments to grantees for awarded contracts	(10,470,150)	(15,386,321)
Payments to other suppliers for goods and services	(394,395)	(346,200)
Cash flows from operating activities	14,199,006	8,025,349
Cash flows from investing activities		
Investment interest income	425,502	1,151,480
Net cash from investing activities	425,502	1,151,480
Net change in cash and cash equivalents	14,624,508	9,176,829
Cash and cash equivalents at beginning of year	51,139,879	41,963,050
Cash and cash equivalents at end of year	$ 65,764,387	$ 51,139,879

RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:

	2009	2008
Operating income	$ (34,934,342)	$ 14,334,173
Interest Income	(425,502)	(1,151,480)
Depreciation expense	6,673	6,673
Changes in assets and liabilities		
(Increase) in accounts receivable	(2,225,000)	(3,500,000)
(Increase) in notes receivable	(2,917,258)	(3,082,742)
Decrease/(Increase) in prepaid expenses	20,952	(20,952)
(Decrease)/Increase in accounts payable and other accruals	(631,599)	1,274,199
Increase in grants payable	55,305,082	165,478
Cash flows from operating activities	$ 14,199,006	$ 8,025,349

See accompanying notes to the basic financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Northwest Indiana Regional Development Authority (the "RDA" or the "Authority") was established as a separate body corporate and politic by House Bill 1120 which identifies the board selection process, powers, duties and sources of funding.

If the RDA issues bonds they are to create two funds, a general fund and a lease rental account. It specifies that the lease rental account shall always maintain a balance that is higher than the highest annual debt service and lease payment.

Mission

The RDA operates with the highest ethical principals to stimulate a significant rebirth in Northwest Indiana and is a catalyst in transforming the economy and quality of the life in northwest Indiana. They are guided by a set of principles directing them to be:

- **BOLD** in their thinking
- **COLLABORATIVE** when working with many groups and organizations without regards to political affiliation, race, or social status
- **TRANSPARENT** to the public and press as work is done
- **NON-PARTISAN** as we reach out to all affected parties
- **EFFICIENT** in use of the public's resources
- **ACCOUNTABLE** for their actions, now and in the future
- **SOCIALLY EQUITABLE** as we conduct business (internal and external) and direct the use of our resources in ways that respect the diversity of our region

The Legislative vision for the RDA from House Bill 1120 is summarized as follows:

Lake and Porter counties face unique and distinct challenges and opportunities related to transportation and economic development. A unique approach is required to fully take advantage of the economic potential of the South Shore, Gary/Chicago Airport, and Lake Michigan shoreline. Powers and responsibilities of the RDA are appropriate and necessary to carry out the public purposes of encouraging economic development and further facilitating the provision of air, rail, and bus transportation services, project, and facilities, shoreline development projects, and economic development projects in eligible counties.

Power and Duties

- Assist in the coordination of local efforts concerning projects
- Assist a commuter district, airport authority, shoreline development commission and regional bus authority in coordinating regional transportation and economic development
- Fund projects identified in the article
- Fund bus services and projects related to bus services (facilities)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- May issue grants, make loans and loan guarantees, issue bonds or enter into a lease of a project
- Developed a Comprehensive Strategic Development Plan which identified the following:
  - Projects to be funded
  - Timeline and budget
  - Return on investment
  - Need for ongoing subsidy
  - Expected federal matching funds

Financing

The following identifies the sources of funding for the RDA:

- Riverboat admission, wagering, or incentive payments received by Lake County, Hammond, East Chicago, or Gary
- County economic development income tax received by a county or city
- Amounts from the Toll Road Authority
- Food and beverage tax (the RDA does not have the authority to impose any tax only the right to receive income in accordance with legislation.)
- Federal Funds
- Appropriations from the general assembly
- Other revenue appropriated to the fund by a political subdivision
- Gifts, Donations or Grants
- Private Equity

Reporting Entity

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange Transactions

Governmental Accounting Standards Board ("GASB") No. 33 defines a nonexchange transaction, as a governmental unit that gives (or receives) value without directly receiving (or giving) equal value in return. Because the RDA distributes money to local governmental units without directly receiving equal value in return, it qualifies as a nonexchange transaction. On an accrual basis, expenses to grantees are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the monies are required to be used or the fiscal year when use is first permitted, and revenue requirements, in which the monies are provided to the qualified agencies on a reimbursement basis. Monies requested by year end but not reimbursed until the following fiscal year are considered grants payable.

Measurement Focus and Basis of Accounting

The accounting policies of the Authority are based upon accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board (GASB). For the year ended December 31, 2008, the Authority adopted GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis—for State and Local Governments,* GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Disclosures.* The primary impact of adopting these GASB statements is the presentation of net assets, which replaces the previous fund equity section of contributed capital and retained earnings, the presentation of Management's Discussion and Analysis (MD&A) as required supplementary information, and the addition of a statement of cash flows. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The accounts of the Authority are reported using the flow of economic resources measurement focus.

The accounting policies of the Authority are based upon accounting principles generally accepted in the United States of America, as prescribed by the Government Accounting Standards Board ("GASB"). The Authority uses the accrual basis of accounting, under which revenues are recognized when earned and expenses are recognized when incurred. Enterprise funds may elect to apply Financial Accounting Standards Board ("FASB") pronouncements issued after November 30, 1989, provided that such standards are not in conflict with standards issued by the GASB. The Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the estimates.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue

The RDA receives substantially all of its support revenue from state, city and county agencies. Beginning in 2006, the fiscal officer of each city and county described in IC 36-7.5-2-(b) (other than the (2) largest cities in a county described in IC 36-7.5-2-3 (b) (1) (Lake County, Porter County, East Chicago, Gary, Hammond) shall each transfer three million five hundred thousand dollars ($3,500,000) each year to the development authority for deposit in the development authority fund. The State of Indiana will provide $110 million over ten years. A specific amount of $20 million was specifically designated for the Gary/Chicago International Airport and was paid during fiscal year 2007.

The IC 8-15-2-14.7 provides that an appropriation made by the general assembly to the Authority may be distributed to the Authority only if all transfers required from cities and counties to the Authority under IC 36-7.5-4-2 have been made.

Revenue is ear-marked for projects recognized with the development of a Comprehensive Strategic Development Plan. Based on this plan the following projects were identified:

- The Regional Bus Authority – To increase opportunities for senior citizens, the handicapped community and Hoosiers without their own transportation.
- The Gary/Chicago International Airport Runway Expansion and EJ&E Railroad Re-Routing Plan – To provide access to Chicago's business districts, Northwest Indiana, and surrounding Midwest states. The 715 acre site has an FAA approved expansion plan adding 320 acres ensuring long term growth for the airport and the Northwest Indiana economy.
- Commuter Rail Transportation – Plans to extend the South Shore rail line to Lowell and Valparaiso are being reviewed.
- Lake Michigan Shoreline Development – A reinvestment strategy for the Lake Michigan shoreline to provide balance between nature, industry, restoration and redevelopment while reclaiming the shoreline for public access.

Accounts Receivable

At December 31, 2009 the RDA had outstanding receivables in the amount of $6,600,000 which comprised of the City of Gary and Porter County being delinquent on installments in the amounts of $4,850,000 and $1,750,000, respectively. The outstanding receivable due from Porter County is currently being placed in an interest bearing saving account due to litigations with Porter County as further discussed in Note 7 below.

In accordance with IC 8-15-2-14.7 and IC 36-7.5-4-2, the City of Gary delinquency could affect the distribution from the State of Indiana. At the time of the issuance of the financial statements, there were no indications that the State of Indiana had such intention.

At December 31, 2008 the City of Gary, the City of Hammond, and Porter County were delinquent on installments in the amounts of $1,750,000, $875,000 and $1,750,000, respectively.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In January 2009, the City of Hammond and Porter County made outstanding receivable payments to the RDA.

Prepaid Expenses

Prepaid expenses represent payments to vendors, which will reflect costs applicable to subsequent accounting periods.

Accounts payable

The December 31st accounts payable balance relates to materials, supplies, taxes or services provided to the Foundation during one calendar year, and not paid until the following calendar year. At December 31, 2009 and 2008, the Authority had accounts payable in the amounts of $67,492 and $77,647, respectively.

Grants Payable and other related accruals

The Authority is committed to various governmental organizations for reimbursement-based grants in which the organization had fulfilled the terms of the grant and submitted for reimbursement from the Authority. At December 31, 2009 and 2008, the total grants payable and other related accrual amounts were $66,812,185 and $11,403,377, respectively.

Non-Operating, Operating Revenue and Operating Expenses

The principal operating revenue of the Authority is fee revenue. Operating expenses for the Authority include contractual and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Income Tax Status

The RDA is a not-for-profit organization that operates as a separate body corporate and politic. An opinion from the Attorney General has been requested regarding the RDA's tax exempt status and Federal and State filing requirements.

Cash and Cash Equivalents

The RDA considers all investments with maturities of three months or less, when purchased, to be cash equivalents. Cash and cash equivalents are stated at fair value and consist of cash bank accounts and Certificates of Deposits.

Furniture and Equipment

Furniture and equipment are recorded at cost less accumulated depreciation computed on the straight-line method over the estimated useful life of five years.

Temporarily Restricted Net Assets

At December 31, 2009 and 2008, there were no restricted assets as all assets are unrestricted.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net Assets are comprised of the net earnings from operating and non-operating revenues, expenses and capital contributions. Net assets are displayed in three components – invested in capital assets, net of related debt; restricted for debt service, capital projects, passenger facility charges, airport use agreement and other requirements; and unrestricted. Invested in capital assets, net of related debt consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt net of debt service reserve and unspent proceeds.

Restricted net assets consist of net assets for which constraints are placed thereon by external parties (such as lenders and grantors) and laws, regulations and enabling legislation. Unrestricted net assets consist of all other net assets not categorized as either of the above.

Budgetary Information

Each year, the budget is prepared on or before the first day of December on a basis consistent with generally accepted accounting principles. The budget is adopted by the Board annually and submitted to the state finance committee in January of each year for approval. The legal level of budgetary control is at the total fund expenses level.

Staff and Payroll

Staff salaries, other compensation, and related expenses are paid by the state budget agency and reimbursed by the RDA.

Tuition Expense

The agency offers an incentive for employees to further their education with a tuition expense reimbursement program.

Leases

The agency has a 1-year rental agreement for office space and supply reimbursement. This agreement is renewable. The amount to be paid in fiscal year 2010 is approximately $24,066.

Deposits and Investments

State statutes authorize the RDA to invest in obligations of the U.S. agency, U.S. government securities, U.S. instrumentality obligations, certain highly-rated commercial paper, institutional money market mutual funds, corporate bonds, and repurchase agreements. Changes in fair value of investments are recorded as investment income.

NOTE 2 - CONCENTRATIONS

At December 31, 2009, $750,000 of the RDA's cash and cash equivalents was insured by the Federal Depository Insurance Corporation ("FDIC"), and therefore classified under Risk Category 1. On October 3, 2008, the FDIC limits were increased from $100,000 to $250,000 through December 31, 2013.

At December 31, 2008, $750,000 of the RDA's cash and cash equivalents was insured by the Federal Depository Insurance Corporation ("FDIC"), and therefore classified under Risk Category 1. On October 3, 2008, the FDIC limits were increased from $100,000 to $250,000 through December 31, 2009.

The Public Deposit Insurance Fund ("PDIF") was created by the Acts of 1937 in the state of Indiana to protect the public funds of the state and its political subdivisions deposited in approved financial institutions. The PDIF insures those public funds deposited in approved financial institutions which exceed the limits of coverage provided by any FDIC. The RDA has funds deposited in PDIF approved financial institutions. At December 31, 2009 and 2008, respectively, the remaining portion of $65,764,387 and $50,389,879 is covered by the PDIF and is also considered to be classified in Risk Category 1.

NOTE 3 – PROPERTY AND EQUIPMENT

All furniture & equipment is depreciated using the 5-year straight line method. Depreciation expense at December 31, 2008 was $6,673. Property and Equipment at December 31st consist of the following:

		2009	2008
Furniture & Fixtures		$ 33,354	$ 33,354
Less: Accumulated Depreciation		(23,355)	(16,682)
Net Furniture & Fixtures		$ 9,999	$ 16,672

NOTE 4 – PUBLICE EMPLOYEES' RETIREMENT FUND

To provide retirement benefits for its full-time employees, the Authority participates in the Public Employees' Retirement Fund of Indiana (PERF), cost-sharing, multiple employer public employees' retirement system. The payroll for employees covered by the PERF was $163,579. PERF covered employees are required to and did contribute 3% of their compensation to the PERF and the Authority is required to contribute amounts, which are actuarially determined, sufficient to fund the retirement benefits. The contribution requirement, which was made by the Authority, was $10,465. These contributions represent 5.5% of covered payroll for 2009. To obtain more information please visit the Pubic Employees' Retirement Fund at www.in.gov/perf/

NOTE 5 – NOTE RECEIVABLE

The Authority received a letter from Governor Daniels and Congressman Visclosky asking the RDA to grant a loan for the purpose of completing the Little Calumet River Basin project, which would remove a large number of homes and businesses from the flood plan. The funding is considered an advance, to be repaid over the next several years through state appropriations contained in the biennial state budget for the project.

The RDA agreed to loan $6 million to the Little Calumet River Basin Development Commission. During fiscal year 2009, a total of $2,917,258 was provided to the Little Calumet River Basin Development Commission. The amount due to the Authority from the Little Calumet River Basin Development Commission at December 31, 2009 and 2008 was $6,000,000 and $3,082,742, respectively.

NOTE 6 - COMMITMENTS

Since the inception of the RDA, there have been contracts awarded for approved projects within Northwest Indiana. Because not all awarded contracts have been completed, the RDA has remaining commitments of $66,812,185 at December 31, 2009 as follows:

Project Name:	Lake Michigan Shoreline Restoration
Nature of Project	Whiting Lakefront Park – Phase I
Date Awarded:	03/25/2008
Initial Total Project Cost:	2,563,225
Add-ons or Change Orders:	N/A
Cost Through 12-31-2009:	$2,490,825
Percent (%) Complete as of 12-31-2009:	97%
Expected Completion Date:	June 2009

Project Name:	Portage Northshore Park
Nature of Project:	Year 2 – Phase I Construction
Date Awarded:	03/20/2007
Initial Total Project Cost:	$6,375,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2009:	$6,211,274
Percent (%) Complete as of 12-31-2009:	97%
Expected Completion Date:	June 2008

NOTE 6 – COMMITMENTS (Continued)

Project Name:	Shoreline Park Gateway & Community Gateway
Nature of Project:	Marquette Greenway Plan: Shoreline Restoration
Date Awarded:	03/25/2008
Initial Total Project Cost:	$3,900,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2009:	$701,316,23
Percent (%) Complete as of 12-31-2009:	18%
Expected Completion Date:	June 2010

Project Name:	Water Filtration Plant Demolition
Nature of Project:	Marquette Greenway Plan: Existing water plant facilities demolition
Date Awarded:	11/13/2008
Initial Total Project Cost:	$1,980,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2009:	$225,000.00
Percent (%) Complete as of 12-31-2009:	11%
Expected Completion Date:	June 2011

Project Name:	Portage 26 Acres
Nature of Project:	Marquette Greenway Plan: Acquisition of 26 acres of land
Date Awarded:	11/27/2008
Initial Total Project Cost:	$365,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2009:	$350,000.00
Percent (%) Complete as of 12-31-2009:	96%
Expected Completion Date:	Unknown

Project Name:	Valparaiso Redevelopment Commission Bus Acquisition
Nature of Project:	Buses: Local match of 4 buses and parking lot
Date Awarded:	02/12/2008
Initial Total Project Cost:	$1,862,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2009:	$1,503,716.70
Percent (%) Complete as of 12-31-2009:	81%
Expected Completion Date:	June 2009

NOTE 6 – COMMITMENTS (Continued)

Project Name:	Operating Costs
Nature of Project:	Operating Costs – 2 year plan
Date Awarded:	06/19/2007
Initial Total Project Cost:	$6,500,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2009:	$6,370,000.00
Percent (%) Complete as of 12-31-2009:	98%
Expected Completion Date:	September 2009

Project Name:	East Chicago/Gary Joint Shoreline Project
Nature of Project:	Marquette Greenway Plan: Gary and East Chicago
Date Awarded:	12/27/2007
Initial Total Project Cost:	$1,150,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2009:	$1,050,239.54
Percent (%) Complete as of 12-31-2009:	91%
Expected Completion Date:	June 2009

Project Name:	City of Hammond
Nature of Project:	Lakefront Project
Date Awarded:	January 8, 2009
Initial Total Project Cost:	$31,480,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2009:	$662,037.66
Percent (%) Complete as of 12-31-2009:	2%
Expected Completion Date:	December 2011

Project Name:	City of Gary
Nature of Project:	Marquette East Project
Date Awarded:	June 23, 2009
Initial Total Project Cost:	$28,190,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2009:	$104,403.00
Percent (%) Complete as of 12-31-2009:	0%
Expected Completion Date:	May 2010

NOTE 6 – COMMITMENTS (Continued)

Project Name:	Town of Porter
Nature of Project:	Porter Gateway to the Dunes
Date Awarded:	November 17, 2009
Initial Total Project Cost:	$1,816,500
Add-ons or Change Orders:	N/A
Cost Through 12-31-2009:	$0.00
Percent (%) Complete as of 12-31-2009:	0%
Expected Completion Date:	August 2011

Project Name:	Gary Chicago International Airport
Nature of Project:	GCIA – Business Plan
Date Awarded:	June 23, 2009
Initial Total Project Cost:	$250,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2009:	$0
Percent (%) Complete as of 12-31-2009:	0%
Expected Completion Date:	June 2010

Project Name:	Regional Bus Authority
Nature of Project:	Hammond Transit
Date Awarded:	November 17, 2009
Initial Total Project Cost:	$500,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2009:	$
Percent (%) Complete as of 12-31-2009:	0%
Expected Completion Date:	November 2010

NOTE 7 – OTHER MATTERS

In March 2009, the Porter County Council voted to withdraw its membership from the Regional Development Authority and to recall its representative on the governing board. In August 2009, the Porter County Council sued the Regional Development Authority seeking withdrawal of its membership. Pursuant to a Court Order, the Porter County annual contribution of 3.5 Million Dollars ($3,500,000) has been placed in an interest bearing savings account administered by the Clerk of the Porter Circuit Court.

NOTE 7 – OTHER MATTERS (Continued)

The Indiana Attorney General has rendered a legal opinion that the RDA Enabling Legislation prevents Porter County from unilaterally withdrawing membership. Furthermore, Porter County can not withdraw its membership in the RDA absent the Indiana General Assembly amending the Enabling Legislation. This matter was venued to Jasper Circuit Court. Cross motions for summary judgment have been filed and oral argument occurred on January 25, 2010. It is anticipated that the Jasper Circuit Court Judge will rule on the matter within sixty ("60") days. It is anticipatable that regardless of the Jasper Circuit Court decision, the non-prevailing party will appeal to the Indiana Court of Appeals.

The City of Gary is delinquent in payment of its membership assessment to the RDA. The City of Gary has been designated a "distressed unit" under IC 6-1.1-20.3 and the distressed unit appeals board order of May 20, 2009 shows the delinquent RDA payment as an "outstanding obligation". The distressed monies appeals board has made suggestions to the city of Gary on handling all of its outstanding obligations including the payment to the Authority. Gary's status as a "distressed unit" may mitigate the provisions of IC 8-15-2-14.7.

NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
SUPPLEMENTAL SCHEDULE OF SUPPORTING SERVICES
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

Salaries & Professional Services

	2009	2008
Professional Fees		
Salaries and related personnel costs	$ 241,401	$ 214,090
Investment consultants	750	2,875
Legal	63,331	41,021
Accounting	26,451	35,288
Airport consultant	17,500	-
Organizational consultant	21,400	-
Miscellaneous consultant	11,893	-
Compliance consultant	21,847	13,753
NWI RDA Transit Assessment	-	26,940
Planning consultant	130,913	222,872
Total Salaries & Professional Services	$ 535,486	$ 556,839

Operating Expenses

	2009	2008
Bank charges	$ 251	$ 174
Furniture & equipment	-	1,031
Office supplies	5,108	9,152
Membership dues	-	1,000
Repairs & maintenance	1,430	1,193
Depreciation expense	6,673	6,673
Conferences	178	1,130
Job postings	549	-
Postage	1,752	71
Professional development	1,200	-
Legal notice - newspaper	1,834	515
Meals & entertainment	-	1,506
Meeting expense	22,398	3,879
Rent, Telephone, & Technical Support	32,280	29,117
Travel	8,205	10,468
Tuition reimbursement	6,000	5,202
	$ 87,858	$ 71,111

See accompanying notes to basic financial statements

The Board of Directors of
Northwest Indiana Regional Development Authority

Dear Members of the Board of Directors:

We have audited the financial statements of the Northwest Indiana Regional Development Authority (the "RDA" or the "Authority") for the year ended December 31, 2009, and have issued our report thereon dated March 19, 2010. Professional standards require that we provided you with information about our responsibilities under general accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. In planning and performing our audit of the financial statements of the RDA we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We have not considered internal control since the date of our report.

RDA's managing staff is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by managing staff are required to assess the expected benefits and related costs of internal control policies and procedures. The objective of internal control is to provide managing staff with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and transactions are executed in accordance with managing staff's authorization and are recorded properly to permit the preparation of financial statements in accordance with accounting principles generally accepted in the United States of America.

Because of inherent limitations in any internal control, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal controls to future periods is subject to the risk procedures and may become inadequate because of changes in conditions or the effectiveness of the design and operation of policies and procedures may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of specific internal control components does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect RDA's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

During our audit we noted certain matters involving internal control and other operational matters that are presented for your consideration in the accompanying memorandum. These comments and recommendations are offered as constructive suggestions for the consideration of managing staff as part of the ongoing process of modifying and improving accounting procedures and internal controls, as well as other financial, operational and administrative practices and procedures. These comments have been discussed with the appropriate members of managing staff and some may have already been given corrective attention. In addition, we have provided certain disclosures we are required by professional standards to make to you in connection with our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements of the RDA are free of material misstatement. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform detailed examination of all transactions, there is a risk that material errors, fraud, or other illegal acts may exist and not be detected by us.

In planning and performing our audit, we considered the RDA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Significant Accounting Policies

The managing staff has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise managing staff about the appropriateness of accounting policies and their application. No new accounting policies were adopted and the application of the existing policies was not changed during the year. We noted no transactions entered into by the RDA during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you or transactions for which there is a lack of authoritative guidance or consensus.

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by managing staff and are based on managing staff's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

We believe managing staff's estimate of expenses represents such an estimate. We have performed tests of the expenses to satisfy ourselves that the estimate is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For the purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the RDA's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed, and management recorded, the adjustments that are attached to this document.

Uncorrected Financial Statement Misstatements

We are also responsible for informing those charged with governance about uncorrected financial statement misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There were no uncorrected financials statement misstatements during 2009.

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or to the auditors' report. We are pleased to report that no such disagreements arose during our audit.

Consultation with Other Accountants

In some cases, managing staff may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the RDA's financial statements or a determination of the type of auditor's opinion that may be expected on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there are no such consultations with other accountants.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the internal use of the RDA's Board of Director's and managing staff and is not intended to be and should not be used by anyone other than these specified parties.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 19, 2010.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Preparation of Financial Statements

The RDA has requested our assistance in preparing the financial statements and related disclosures for the year ended December 31, 2009. Management has provided sufficient oversight and review of the preparation of the financial statements and related disclosures that we do not consider this to be a significant deficiency.

Letter Communicating Significant Deficiencies and Material Weakness

Statement on Auditing Standards No. 112 "*Communicating Internal Control Related Matters Identified in an Audit*" requires us to communicate certain matters relating to the Organization's internal control that are observed by us in the conduct of our financial statement audit. These matters represent significant deficiencies in the design or operation of the internal control system, which could adversely affect the organization's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

We have separately communicated the significant deficiencies and material weakness, if any, identified during our audit of the financial statements and this communication is attached as Exhibit C, if any.

Illegal Acts

We are required to inform the Finance Committee of any illegal acts that come to our attention during the audit including a description of the illegal act, the circumstances of its occurrence, and the effect on the financial statements. Illegal Acts, as defined by the Statement on Auditing Standards No. 54 "*Illegal Acts by Clients,*" includes violations of laws or governmental regulations attributable to the entity, or acts by management or employees on behalf of the entity. Illegal acts do not include personal misconduct by the entity's personnel unrelated to their business activities.

Northwest Indiana Regional Development Authority

Required Communications

Year ended December 31, 2009

Fraud

We are required to bring any evidence of fraud to the attention of the appropriate level of management, even in the case of an inconsequential fraud, such as minor defalcation by a lower-level employee. Fraud involving senior management and any fraud that causes a material misstatement of the financial statements is required to be communicated to the Finance Committee.

We are not aware of any evidence of fraud involving senior management or any other employee of the Organization, as required to be reported under Statement of Auditing Standards No. 99, "*Consideration of Fraud in a Financial Statement Audit*".

This report is intended solely for the internal use of the RDA's Board of Directors and managing staff and is not intended to be and should not be used by anyone other than these specified parties. We wish to thank the Executive Director and his staff for their support and assistance during the audit.

Sincerely,

Whittaker & Company, PLLC

Whittaker & Company, PLLC
Gary, Indiana

March 19, 2010

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Communication of Significant Deficiencies

Northwest Indiana Regional Development Authority
Board of Directors and Management

In planning and performing our audit of the financial statements of Northwest Indiana Regional Development Authority (the "RDA" or the "Authority") as of and for the year ended December 31, 2009, in accordance with standards generally accepted in the United States of America, we considered the RDA's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more that a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute significant deficiencies:

1. The RDA should establish and implement policies and procedures to protect and preserve the organization's important documents and business records (Document Retention Policy).
   - A written document-retention policy consistently monitored over time, is essential for protecting the organization's records of its governance and administration, as well as business records that are required to demonstrate legal compliance. Such a policy also helps to protect against allegations of wrongdoing by the organization or its directors and managers.
   - Board members, staff and volunteers should be made thoroughly familiar with the policy and informed of their responsibilities in carrying in it out. The policy should address the length of time specific types of documents must be retained, as well as when it is permissible or required to destroy specific types of documents.

RDA's Response: The RDA currently has a written document retention policy in draft form awaiting the Executive Director's approval. Once approved, RDA staff will forward the policy to Whittaker & Company.

2. The RDA should have a capitalization and disposal policy in place which describes the threshold levels of considering what determines an asset and the useful lives' of assets by asset class. When fixed asset items are purchased, cash should be decreased while the fixed asset is increased. Currently the cash is properly decreased but an expense account is increased which is improper accounting practice.

   W&C recommends preparing a capitalization policy which would include by asset type (i.e. furniture, fixture, equipment) the amount of money should be spent before the item is considered a fixed asset as well as the number of years the assets' life which would be based on the asset type. W&C further recommends the RDA utilize the technical expertise of the external accountant currently performing the bookkeeping of the RDA to assist in the accounting functions of properly recording fixed assets. This would allow the financial statements to accurately reflect the balances at year end.

RDA's Response: The RDA currently has a fixed asset policy in draft form awaiting the Executive Director's approval. Language regarding the formal procedures of removing fixed assets from operation will be added to the policy. RDA staff will check with the State of Indiana to see if there is already a policy in place. If so, the RDA's policy will mirror the State's policy.

3. An individual within the RDA should review monthly bank reconciliations as they are completed by a third party accountant.

   W&C recommends RDA personnel timely reviewing bank reconciliation, at least monthly, to ensure amounts clearing our accurate and timely and to ensure ending cash balances are proper.

RDA's Response: RDA staff has requested the bank reconciliations from McMahon & Associates on a monthly basis. The RDA has received the bank reconciliations for the month of January 2010 and will continue to receive and review this on a monthly basis. If questions arise and/or adjustments need to be made, the RDA staff will contact McMahon & Associates immediately.

4. Upon reviewing the expenditures of the RDA, W&C noted there was no error and omissions insurance coverage of board members.

   W&C recommends all board members be adequately licensed and bonded. This policy ensures that members will suffer no loss if the organization or two signers collude to commit fraud.

RDA's Response: The RDA staff is currently researching quotes at various insurance companies. Once all quotes are gathered, the staff will present to Executive Director for approval. If/when approval is granted, RDA staff will forward official information to Whittaker & Company.

5. It was noted during the audit that during the month of August 2009, payment in the amount of $128,186 due to the City of Hammond was paid to the City of Hammond but booked to Lakefront Revitalization project. Though the proper payments were made to the correct grantees, the amount booked to the financial statements was materially misstated.

W&C recommends the RDA monitor monthly financial statements received from McMahon & Associates to ensure accuracy of financial statements throughout the year.

RDA's Response: RDA staff will monitor the monthly financial statements prepared by McMahon & Associates to make sure items are properly booked. If an adjustment is needed, RDA staff will contact McMahon & Associates to make the correction and request an updated statement.

6. Per review of the expenses of the Authority, it was determined that the actual office space of the organization should have adequate liability and renter's insurance coverage for the assets of the RDA and other documents.

W&C recommends the RDA obtaining renter's insurance for the purpose of creating a potential safeguard of assets and documents physically located in the rental space.

RDA's Response: RDA staff has reviewed the current lease with Purdue Research Foundation. It was clear that the landlord does not provide insurance coverage for the RDA's assets. RDA staff is in the process of obtaining quotes from various insurance companies and will share with the Executive Director. As soon as a decision is made, RDA staff will share with Whittaker & Company.

This communication is intended solely for the information and use of the RDA's management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Whittaker & Company,PLLC

Whittaker & Company, PLLC

Gary, IN
March 19, 2010

Northwest Indiana Regional Development Authority
Summary of Proposed Adjusting Journal Entries
12/31/2009

		Debit	Credit
a	State Budget Agency	20,952.00	
	Prepaid Expenses		20,952.00
	(To properly reverse prior period prepaid items per prior year workpapers)		
b	Revenue - City of Hammond	875,000.00	
	Accounts Receivable		875,000.00
	(To properly reverse prior year accounts receivable from the City of Hammond per prior period workpapers)		
c	Accounts payable	77,647.00	
	Repairs & Maintenance		130.00
	Investment consultant		1,500.00
	Organizational consultant		660.00
	Miscellaneous consultant		26,939.70
	Legal notice - newspaper		27.09
	Legal		10,316.40
	Accounting		12,287.50
	Planning consultant		22,614.55
	Compliance consultant		2,683.75
	Tuition reimbursment		488.01
	(To properly reverse prior period accounts payable per prior period workpapers)		
d	Accrued expenses	1,116,574.00	
	RBA - Administrative costs		908,524.00
	Marquette plan		208,050.00
	(To properly reverse accrued expenses per prior period workpapers)		
1	Depreciation expense	6,672.50	
	Accumulated depreciation		6,672.50
	(To properly record depreciation expense at 12/31/2009 per K - 4 - 1)		
2	Bank charges	30.00	
	Little Calumet River Basin		30.00
	(To properly reclass retainage payable to grant payable. Obtained amounts from prior period workpapers)		
3	Accounts receivable - City of Gary	3,100,000.00	
	Revenue - City of Gary		3,100,000.00
	(To properly record accounts receivable for City of Gary per M - 1 & K - 3 - 1)		

Northwest Indiana Regional Development Authority
Summary of Proposed Adjusting Journal Entries
12/31/2009

	Debit	Credit
4 Accounts receivable - LCRBDC	2,917,258.00	
Little Calumet River Basin		2,917,258.00
(To properly reclass LCRBDC expense to accounts receivable per K - 3)		
5 Town of Porter	1,816,500.00	
City of Gary/Gary East Marquette Park	28,190,000.00	
Gary/Chicago Int'l Airport	250,000.00	
Regional Bus Authority	500,000.00	
City of Hammond	31,480,000.00	
Grants payable		62,236,500.00
(To properly record 2009 awarded grants at grants payable in accordance with GASB No. 33 per N - 3)		
6 Grants payable	6,436,287.94	
Marquette Plan		2,176,671.00
Valpo Redevelopment Commission		340,530.71
RBA - Capital		1,658,621.00
RBA - Administrative costs		934,149.00
Town of Burns Harbor		50,000.00
Shoreline Park Gateway & Community		701,316.23
Water Filtration Plant Demolition		225,000.00
Portage Northside Project		350,000.00
(To properly reclass paid grantees to reduce grants payable @ 12/31/2009 per N - 3)		
7 Bank charges	25.00	
Auto expenses		25.00
(To properly classify bank charges at 12/31/2009)		
8 Organizational consultants	12,500.00	
Legal	19,100.00	
Planning consultant	35,850.21	
Travel	41.80	
Accounts payable		67,492.01
(To properly record accounts payable at 12/31/2009 per L - 1 - 1)		
9 Grants payable	495,130.27	
Accrued expenses		495,130.27
(To properly record accrued expenses and reduce grants payable @12/31/2009 per L - 1 - 1)		
10 Retainage payable	103,726.00	
Grants payable		103,726.00
(To properly reclass retainage payable to grant payable. Obtained amounts from prior period workpapers)		
	77,453,294.72	77,453,294.72

March 19, 2010

Whittaker & Company PLLC
487 Broadway, Suite 207
Gary, IN 46402

We are providing this letter in connection with your audit of the statement of financial position of the Northwest Indiana Regional Development Authority (the "RDA"). as of December 31, 2009 and the related statements of revenue, expenses, and changes in net assets, and cash flows for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the statements of financial position, changes in net assets, and cash flows of the RDA in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation in the financial statements of the statements of financial position, changes in net assets, and cash flows in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of January 21, 2010, the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all assets and liabilities under the Organization's control.

2. We have made available to you all –

   a. Financial records and related data.

   b. Minutes of the meetings of the Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.

3. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

5. We acknowledge our responsibility of the design and implementation of programs and controls to prevent and detect fraud.

6. We have no knowledge of fraud or suspected fraud affecting the Organization involving -

   a. Management,

   b. Employees who have significant roles in internal controls or,

   c. Others where the fraud could have a material effect on the financial statements.

7. We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others.

8. The Organization has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net asset balances.

9. The following, if any, have been properly recorded or disclosed in the financial statements:

   a. Related party transactions, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

   b. Guarantees, whether written or oral, under which the Organization is contingently liable.

   c. All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

10. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that *near term* means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the organization vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

11. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.

12. There are no –

    a. Violations or possible violations of laws and regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the financial statements or as a basis of recording a loss contingency, or for reporting on noncompliance.

    b. Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5, "Accounting for Contingencies."

    c. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.

    d. Designations of net assets disclosed to you that were not properly authorized and approved, or reclassifications of net assets that have not been properly reflected in the financial statements.

13. The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged, except as made known to you.

14. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

15. We have made a good faith effort to classify all net assets as unrestricted, temporarily restricted or permanently restricted based on our assessment of the donor's intention. We have made these classifications based on the intent of the donor as specified in original donor correspondence where available. Where not available, we used other corroborating evidentiary matters including minutes of the Board of Directors, accounting records and financial statements.

    To the extent that we were unable to review original donor correspondence to determine the amount of the original gift and donor additions, our determination of such amount was based on our best estimate considering the relevant facts and circumstances, and we believe amounts classified as permanently restricted are subject to donor-imposed or statutory restrictions which require these amounts to be held in perpetuity. In addition, we have classified appreciation related to such donations in accordance with any relevant donor or statutory restrictions.

To the best of our knowledge and belief, no events have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed:		
Title:	Executive Director	Board President
Date:	March 19, 2010	March 19, 2010