

Annual Report

Fiscal Year 2010



a catalyst to transform
the economy and quality of life
in Northwest Indiana

Message from the RDA

Greetings!

We are pleased to have the opportunity to share this annual report with you. We hope it will provide insight into the role and performance of the Northwest Indiana Regional Development Authority (RDA) during calendar year 2010.

The RDA is now entering its sixth year of operations and has reached a high water mark as a maturing organization. The RDA has built a solid foundation and is recognized as a highly credible organization, known for catalytic project investments and strong financial management practices. Together with our partners, we are changing Northwest Indiana's vision for itself and moving the region toward its economic development potential.

During 2010, several key accomplishments were achieved by the RDA:

- We committed \$25.4 million in 2010, for a total of \$211.7 million in RDA funds between 2006 and 2013.
- We leveraged \$22.4 million in 2010, for a total of \$329.9 million from federal, state, local, private, and other sources of funds to date. Therefore for every one dollar invested by the RDA, there is another \$1.56 invested from other sources.
- Our administrative overhead remains low at 3.9%, making the balance of RDA revenues available for on-the-ground projects.
- The 2009 financial and performance audits rendered "clean opinions."
- We entered into a memorandum of understanding with the Northwestern Indiana Regional Planning Commission and the Indiana Department of Natural Resources on a regional approach to implementing the Marquette Vision and staffed the Shoreline Development Coordinator position.
- We were awarded two federal grants totaling nearly \$425,000 for shoreline redevelopment.
- We managed the Porter County litigation without detriment to funding projects and received the support of five municipalities throughout Porter County in passing a resolution in favor of RDA membership.
- We welcomed two new board members: Jeff Good, a hospitality business owner appointed by Porter County to fill its vacancy, and Ed Glover, an economic developer appointed by the City of East Chicago as a replacement for Attorney Carmen Fernandez.
- We began a partnership with the Indiana Economic Development Corporation to support direct job creation in Northwest Indiana.

The RDA, in collaboration with key stakeholders, continues to advance project progress on major infrastructure investments into 2011. The RDA Board and Staff remain dedicated to delivering the highest standard of public service in fulfilling its mission to be a catalyst to transform the economy and quality of life in Northwest Indiana.



Leigh Morris
Chairman



Bill Hanna
Executive Director

Northwest Indiana Regional Development Authority

Annual Report for the Fiscal Year 2010

June 1, 2011

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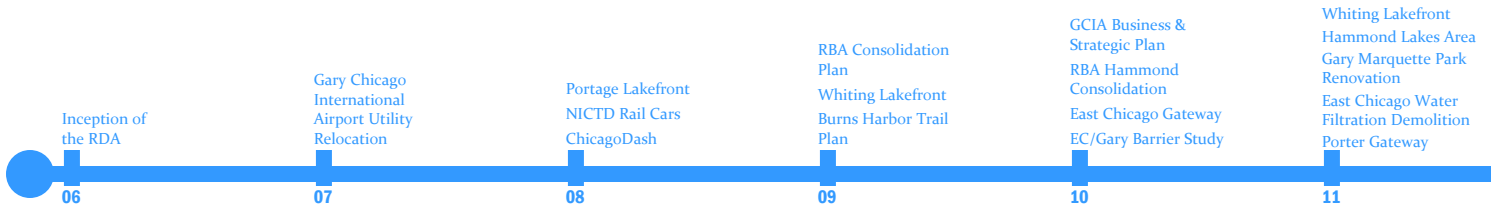
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Northwest Indiana Regional Development Authority

Who We Are

In 2005, the Northwest Indiana Regional Development Authority was created by the Indiana General Assembly through a bi-partisan effort under I.C. 36-7.5. The RDA is a quasi-governmental entity entrusted to make public investment decisions that induce private sector investment in Lake and Porter counties. The primary thrust of the RDA remains to grow the Northwest Indiana economy on par with other regions in the state as well as within the Chicago market.

The RDA investment categories under its enabling statute are:

1. Expansion of the Gary Chicago International Airport
2. Extension of the South Shore commuter rail system
3. Creation of a regionalized bus transit system
4. Restoration of the Lake Michigan shoreline
5. Support of other qualified economic development projects

The mission of the RDA is to be a catalyst for the transformation of the economy and the quality of life in Northwest Indiana. The values of the organization are to be bold, collaborative, transparent, non-partisan, efficient, accountable, and socially-equitable in its decision making and actions.

A seven-member board governs the RDA. The directors are appointed by each of the statutory revenue contributors: the cities of Hammond, East Chicago, and Gary, the counties of Lake and Porter, and the State of Indiana. Board responsibilities include fiduciary oversight of the organization and determination of grant allocations on RDA-funded projects. The board applies consensus-building throughout the decision-making process and in fostering cooperation among diverse stakeholders.

The Executive Director manages the day-to-day operations of the organization and guides strategic partnerships through complex economic development projects and cross-cutting issues. RDA staff and consultants provide administrative, project management, and technical assistance.

The RDA receives \$27.5 million in annual revenue from a combination of public sources. The State of Indiana contributes \$10 million per year from the Major Moves Fund. The five local units of government each contribute \$3.5 million, or \$17.5 million annually. Lake County and municipal contributions derive from casino revenues, while Porter County allocates a portion of its county economic development income tax to support the RDA.

The 2007 RDA Comprehensive Economic Development Plan served as the initial basis for defining the primary development visions for each of the targeted investments. The RDA intends to update the plan in 2011 as part of its review of its economic development goals.

Statutory Annual Revenue Sources of the RDA

State of Indiana, Major Moves Fund, \$10 million

Porter County, a portion of the CEDIT, \$3.5 million

Lake County, Casino Revenues, \$3.5 million

City of Hammond, Casino Revenues, \$3.5 million

City of East Chicago, Casino Revenues, \$3.5 million

City of Gary, Casino Revenues, \$3.5 million

Northwest Indiana Regional Development Authority Board of Directors



Ed Glover
*East Chicago
Appointee*



Jeff Good
*Porter County
Appointee*



Bill Joiner
Gary Appointee



Lou Martinez
*Lake County
Appointee*



Leigh Morris
*Chairman
Governor's
Appointee*



Peter Novak
*Hammond
Appointee*



Harley Snyder
*Vice-Chairman
Governor's
Appointee*

Northwest Indiana Regional Development Authority Staff



Bill Hanna
Executive Director



Sherri Ziller
Finance Manager



Jill Huber
Executive Assistant



Kathy Brown
*Shoreline
Development
Coordinator*



This plan directs us how to take historically underperforming assets and through direct investment, elevate the value of that asset to a level commensurate with comparable assets elsewhere. The RDA forecasts a significant return on investment in terms of job creation, economic growth, and personal income over a 40 year horizon (Table 1). For every RDA dollar invested, the estimated average return on investment would be \$154.36 by 2040. The benefit-cost ratios are substantial for shoreline development and airport expansion at \$421.60 and \$117.33 respectively because the capability to attract private investment on those projects is far greater than it is on the construction of mass transit systems.

Funding implementation begins when a qualified applicant submits a project proposal to the RDA. The proposal is analyzed and evaluated for project merit and adherence to RDA funding criteria by staff, consultants, and the board. A working group then makes a formal recommendation to the full board. The RDA board may reject, accept, or modify a request during a public meeting. Upon award, the RDA enters into a contractual agreement with the project sponsor and monitors the grant or loan against performance metrics through project completion. The RDA supports public involvement during its decision-making process and on RDA-funded projects.

RDA’s financial capacity has enabled a number of grantees to initiate major capital projects by leveraging support from other sources. Financial leverage can either be in the form of new dollars flowing into the region or an allocation of available public or private funds. That is why the RDA presses project sponsors to seek alternative sources of project revenue and strives to be a “bank of last resort.” By using a phased approach to project implementation, the RDA and its grantees can continue to explore and respond to alternative finance options that may arise within the project life.

The RDA is statutorily required to undergo two annual independent audits to validate the integrity and internal performance of the organization. Since inception, the RDA has received “clean” audit findings for both the financial audit and the performance audit.

Table 1: RDA Return on Investment

	Gary Chicago International Airport	Commuter Rail	Regionalized Bus System	Shoreline Development
Benefit Cost Ratio	\$117.33	\$64.62	\$13.88	\$421.60
Output Ratio	\$420.09	\$56.44	\$22.42	\$1,292.41
Cost per Job	\$2,276.00	\$21,530.00	\$46,630.00	\$772.00

Source: RDA Comprehensive Strategic Plan, 2007

2010 Accomplishments

Development Successes of the RDA-Funded Projects

Since inception, the RDA has committed over \$211.7 million through calendar year 2013. Of that amount, approximately \$158.1 million has been awarded toward 23 grant projects or loans while the remainder, \$53.6 million, represents budget allocations based on anticipated funding requests expected in 2011. RDA-funded projects have leveraged over \$329.9 million from other funding sources thus far. For every one dollar of RDA funds invested, the return is an additional \$1.56 generated toward these project investments.

The development progress underway and the forecasted return on investments are predicated on regional collaboration in the implementation of major infrastructure reinvestments. The RDA, its grantees, and key stakeholders are reaching higher levels of cooperation as a more efficient and effective means for producing project results more rapidly. In 2010, applying a regional approach has yielded several accomplishments in each of the four investment areas.

Gary Chicago International Airport

- Comprehensive business and strategic plan completed
- Gained agreement to engage an independent capital program manager to oversee railroad relocation negotiations and main runway extension
- Four party railroad agreement nearly completed

Northern Indiana Transportation Commuter District

- Updated commuter rail extension feasibility studies for the Federal Transit Authority's New Starts Program underway
- 14 newly manufactured passenger railcars in service
- Schedule coordination with the RBA completed

Regional Bus Authority

- RDA deadline for terminating operational funding set for December 31, 2011
- Partnered with local and state officials to identify a permanent funding source for bus transit
- Consolidation of the Hammond Transit Authority operations into the RBA completed
- Operation of centralized customer service center and centralized dispatch center; the three regional service routes; and easygo marketing continues
- Express commuter bus between Dyer and Chicago started
- Schedule coordination with NICTD completed



Shoreline Development

- Whiting Lakefront Park Phase I project completed
- Hammond Lakes Area Phase I completed
- South Shore Lakefront Revitalization Barrier & Mitigation Report completed
- Gary's Lakefront East Marquette Park master plan completed
- RDA, NIRPC, and IDNR reached agreement on Marquette implementation strategies
- Established a shoreline industrial partnership group to provide advice on lakefront development strategies
- Received a \$324,787 federal grant in partnership with the City of Valparaiso for payment of Ecosystems Services project
- Received a \$100,000 State of Indiana grant in partnership with the City of Whiting related to boating infrastructure

Other Qualified Projects

- Negotiations for repayment of a \$6 million reimbursable loan to the Little Calumet River Basin Development Commission occurred
- Established a job creation fund in partnership with the Indiana Economic Development Corporation to secure direct business investment in Northwest Indiana

Organizational Successes of the RDA

The RDA works diligently on strengthening organizational capacity to increase its regional impact. With significant catalytic investments made and a proven track record for proper financial and operational management set, the RDA has earned credibility and standing among its key stakeholders. We are gaining the attention of new investors and are at the forefront of economic development generators. Major accomplishments in 2010 include:

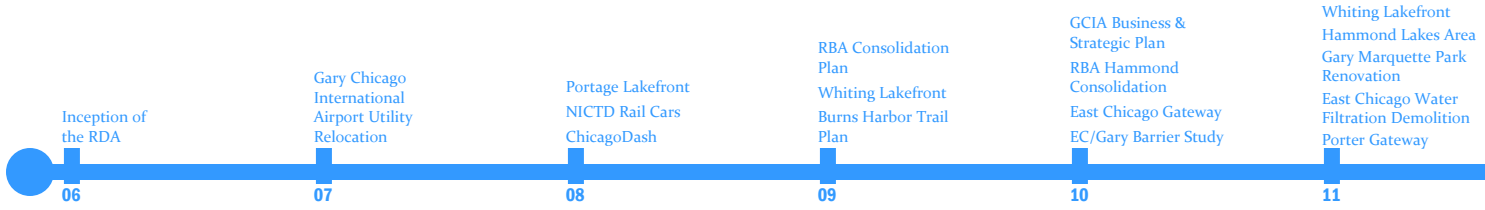
- Administrative overhead remains at 3.9% of budget expenditures
- The 2009 financial and performance audits were "clean opinions"
- Staffed the Shoreline Development Coordinator position
- Managed the Porter County litigation without detriment to funding projects and five municipalities within Porter County passed a resolution in favor of RDA membership
- Created a fiscal task force to review RDA's financial position and contingency issues on a monthly basis
- Developed contingency plans for revenue contributors in arrears
- Created a 2010 work plan based on board priorities set forth in a strategic planning process
- Strategy to pursue additional funding resulted in \$425,000 of new financial leverage

- Government relations strategy produced two grant awards totaling nearly \$425,000 in revenue for the RDA to manage as a fiscal agent
- Continuous quality improvement process for enhancing grant administration and internal controls

Key Lessons to Date

The successes and challenges of 2010 tested the efficacy and fortitude of the RDA. The complexities of regional development can seem insurmountable at times; however, by segmenting key issues into workable components, the RDA has facilitated project progress on a number of fronts.

1. **Collaboration** – The RDA recognizes a critical need to continue building relationships at all levels of government and across key constituencies. These relationships are key ingredients in leveraging funding and private sector investment.
2. **Leadership** – The RDA must demonstrate that a regional approach is more beneficial than perpetuating parochialism. The statutory obligations of the RDA and the limited financial capacity of local government present opportunity for greater cooperation through dialogue and consensus.
3. **Focus** – The RDA must stay focused on its four project priorities while exploring alternative investment options that may stimulate job creation, tax base growth, and quality of life enhancements.
4. **Innovation** – The RDA and its grantees must think creatively about how best to finance and implement catalytic projects in conjunction with input from policymakers, stakeholders, and the public. Additional expertise may be necessary to guide the RDA in its decision making.
5. **Implementation** – The RDA recognizes in pursuit of its mission that it must aggressively pursue the identification of other funding mechanisms to supplant or leverage RDA funds on projects.
6. **Communication** – The RDA must enhance two-way communications about its purpose and investment strategies with its constituencies.





Targeted Investment

Gary Chicago International Airport

Railroad relocation presents a major challenge to meeting the Federal Aviation Administration’s funding deadline of 2013. The preliminary memorandum of understanding on the EJE relocation was signed between the airport, Elgin Joliet & Eastern, Canadian National, Norfolk Southern, and CSX railroads. Negotiations continue regarding engineering specifications, and a final agreement and commencement of construction is anticipated in 2011. The airport’s interim executive director and a capital program manager, AECOM, are leading these discussions as a key component of the runway extension and railroad relocation projects.

The Gary Chicago International Airport, in partnership with the RDA, funded the creation of the airport’s first Comprehensive Business Plan. This plan will guide future decision making and development of the airport into a more competitive aviation facility and the primary reliever to O’Hare and Midway airports.

A summary of the principal findings of the Comprehensive Business Plan are:

- A viable aviation niche exists for charter operations at the airport as part of a broader growth strategy
- The main runway extension program needs to be completed expeditiously in order to access new business segments
- The Compact with the City of Chicago provides a strategic and financial advantage to growth within the Chicago aviation market
- The airport’s governance should be restructured to enhance regional representation in support of commercial aviation development
- The airport’s marketing strategy should be focused on rebranding its identity and core business services

Over the next 18 months, the Airport/RDA joint task force will oversee the implementation of a detailed work plan based on all the report’s recommendations. These activities include analysis of roadway access improvements and multi-modal development potential in the surrounding area. This collaborative approach and aggressive timetable will assure that the airport can address the core business requirements while simultaneously pursuing the main runway extension.

Development Snapshot

Governing Entity

Gary Chicago International Airport Authority

Managing Entity

Gary Chicago International Airport

Capital Funding Sources

FAA
State of Indiana
RDA
Airport Revenues
FHWA

Operational Funding Sources

FAA
Gary Chicago Regional Airport Authority
Airport Taxing Unit

Strategic Documents

Master Plan, 2000
Review of the Gary Chicago International Airport, 2009
Business and Strategic Plan, 2010
Staffing Review, Forthcoming

Development Activities & Estimated Costs

Phase I Railroad/Utility Relocation: \$153 million
Strategic Plans/Reports: \$450,000

RDA Investments to Date

Total Grant Award: \$20.2 million
Total Financial Leverage: \$101.6 million

Railroad/Utility Relocation:

\$20 million
Strategic Plans/Reports: \$290,000
Runway Extension: \$30 million budgeted





Targeted Investment

NICTD Commuter Rail

Tens of thousands of Hoosiers commute to downtown Chicago for employment, commerce, and leisure on a daily basis. Of those trips, thousands of passengers are using commuter rail service as the preferred mode of travel. Over a century of convenience and accessibility through the South Shore line produced a vital linkage between the Northwest Indiana and Greater Chicago marketplaces. This economic dynamic can be significantly enhanced through capital improvements and expansion of commuter rail infrastructure. The benefits of which include stronger inter-regional trade, better service quality, less congestion, cleaner air, and more efficient land use.

The Northern Indiana Commuter Transportation District continues to receive and pursue funding to support its ongoing operations and maintenance of the South Shore line from Chicago, Illinois to South Bend, Indiana. South Shore ridership drastically increased over the past decade reaching its peak in 2007 at 4.2 million passengers. The growth created overcrowding conditions on rush hour trains and unexpected service delays, therefore NICTD purchased 14 double-decker railcars at a cost of \$35 million, paid through a bond and a \$17.5 million investment by the RDA. These railcars are in service today.

In 2010, the number of passengers declined to 3.4 million, primarily due to the recession. The incentive to reduce travel times and service delays remains unchanged. NICTD has several capital improvement projects underway this year including the NICTD Catenary Modernization and the Kensington Interlocking Improvement Projects. NICTD also received an \$800,000 TIGER II grant to study alternatives to South Shore realignment in Michigan City, one of 33 projects awarded nationwide.

The feasibility of expanding commuter rail services through the Westlake Corridor Project is being further analyzed by NICTD in accordance with the Federal Transit Administration's New Starts Program. FTA requires that proposed capital projects meet funding eligibility criteria, including population density and economic benefit thresholds. Other challenges facing this pursuit are the identification of local funding to match federal funds should eligibility be met on one or both of the proposed routes and the competing Illinois interests for a parallel South East service by METRA.

Development Snapshot

Governing Entity
Northern Indiana Commuter Transportation District

Managing Entity
Northern Indiana Commuter Transportation District

Capital Funding Sources
FTA
NICTD Taxing Unit
RDA

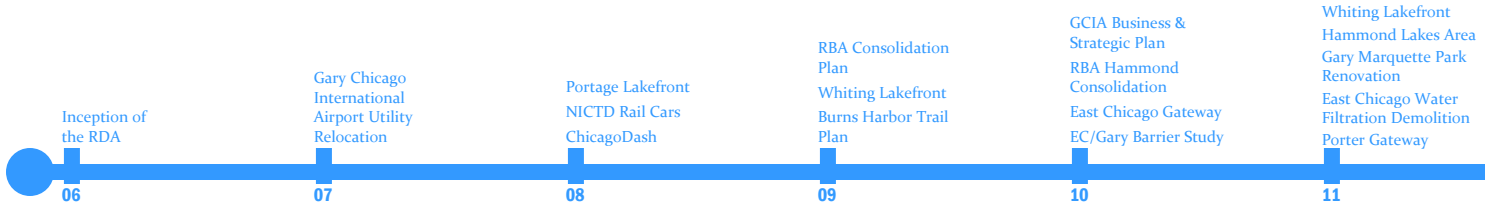
Operating Funding Sources
FTA
NICTD Taxing Unit

Strategic Documents
FTA New Starts

Development Activities & Estimated Costs
Railcar Manufacturing: \$51 million

RDA Investments to Date
Total Grant Award: \$17.5 million
Total Financial Leverage: \$33.6 million

Railcar Manufacturing: \$17.5 million





Targeted Investment
Regional Bus Authority

In 2010, the Regional Bus Authority accomplished several milestones toward the key objective of a unified, regional transit system. The RBA fully consolidated the former Hammond Transit System into the RBA structure and began expanded route service territory, Northwest Lake Transit, under the easygo moniker. An immediate success has been a 58% increase in ridership. The RBA launched “easygo Chicago” commuter bus service from Dyer to downtown, which is the Lake County counterpart to the Valparaiso-based “ChicagoDash” service. Both routes are experiencing increases in monthly ridership and are viewed as precursors for future commuter rail extensions to Lowell and to Valparaiso. Additionally, the RBA continues funding service expansion for demand-response operations in Porter County. The RBA and the RDA attempted to support the continuation of funding of GPTC’s regional route service but agreement on the terms of the preliminary memorandum of understanding was not reached.

Lack of permanent funding represents the single greatest threat to bus transit operations in Northwest Indiana. The gravity of the transit crisis worsened as the RDA set forth the termination of operational funding for all bus transit services effective December 31, 2011. The hesitancy of local transit operators to transition from a fragmented configuration to a consolidated transit model represents a major challenge to securing a permanent solution. The combination of these two factors has resulted in a reduction of core services that have direct, adverse impact on riders.

Conversely, transit experts and transit studies show the potential for cost savings and improved service delivery under a Consolidated Operator model and testify to the fact that collapses of transit systems are more costly and detrimental to riders than transitional measures. The recent merger between RBA and Hammond Transit System demonstrates how the consolidated model can work here in a more cost effective, efficient manner and the benefits of increased service quality and ridership. With the RDA’s deadline looming, possible remedies may be found through the Indiana General Assembly or local revenue options. Funding bus transit is too expensive for any one unit of local government to carry out. A sustainable outcome will only result from broad support and a regional approach to permanent funding.

Development Snapshot

Governing Entity
 Regional Bus Authority

Managing Entity
 Regional Bus Authority

Capital Funding Sources
 FTA
 RDA

Operating Funding Sources
 RDA

Strategic Documents
 Strategic Plan, 2007
 Northwest Indiana Transit Consolidation Plan, 2009
 Northwest Lake County Transit Service and Consolidation Plan, 2009

Development Activities & Estimated Costs
 Strategic Plan/Reports: \$662,000
 Administrative: \$300,000
 Capital/Operations: \$15 million
 Valparaiso Express Commuter Service & Lot: \$6.1 million
 Northwest Lake County Transit: \$11.0 million

RDA Investments to Date
 Total Grant Award: \$13.6 million
 Total Financial Leverage: \$19.4 million

Strategic Plan/Reports: \$125,000
 Administrative: \$300,000
 Capital/Operations: \$6.5 million
 Valparaiso Express Commuter Service & Lot: \$1.8 million
 Northwest Lake County Transit: \$3.5 million





Targeted Investment

Shoreline Development

Under the Marquette Vision, Northwest Indiana is reclaiming the underutilized asset of the Lake Michigan shoreline to capture new investment and make quality of life enhancements within the heavily urbanized lakefront communities. The RDA's commitment of nearly \$80 million to implement shoreline development is creating new economic anchors between the lakefront and nearby business districts. For every dollar invested by the RDA, there is an additional \$1.06 invested on the project. With public infrastructure in place, private sector investment is following. These investments are seeding the diversification and expansion of the urban tax base from which future prosperity can grow.

In 2010, several Marquette initiatives advanced. The City of Hammond completed construction of the Wolf Lake Pavilion (shown left), Forsythe Field, and Lake Michigan Trail. The City of Whiting completed the comprehensive lakefront plan, the bike trail, and installation of water and sewer infrastructure. The City of East Chicago advanced land acquisition within the community/shoreline gateway area and the preliminary demolition of the water filtration plant. The City of Gary completed the Marquette Park Lakefront East Master Plan and began the design and engineering phase. Construction is anticipated between 2011-12.

The Town of Porter completed a sub-area plan and the design and engineering of the US 49 bridge and roadway enhancements for the bike trail in partnership with INDOT. The City of Valparaiso, in partnership with the RDA, applied for and received a \$325,000 USFW grant for an innovative research on storm water management best practices within the Salt Creek watershed. The City of Whiting, in partnership with the RDA, applied for and received a \$100,000 IDEM grant for boating infrastructure planning. The Portage Park and Riverwalk at the Indiana Dunes National Lakeshore Site which opened in 2009 received over 100,000 visitors in 2010. The Town of Burns Harbor continues to discussions with partners on bike trail funding.

The RDA continues to collaborate with the Northwestern Indiana Regional Planning Commission and the Indiana Department of Natural Resources on the creation of the Marquette Advisory Council. It is also extending its partnership outreach to Chicago-based organizations that can provide technical assistance in devising redevelopment strategies and deploying resources.

Development Snapshot

Governing Entity

Municipal Unit of Government
Project Sponsor

Managing Entity

Municipal Unit of Government
Project Sponsor

Capital Funding Sources

Various Federal, State, Local and
Private Funds
RDA

Operating Funding Sources

Municipal Unit of Government

Strategic Documents

Marquette Greenway Phase 1, 2005 and
Phase II, 2008
Municipal Master, Comprehensive and
Strategic Plans

Development Activities & Estimated Costs

City of Hammond: \$54.2 million
City of Whiting: \$46.7 million
City of East Chicago: \$60.2 million
Cities of East Chicago & Gary: \$1.1
million
City of Gary: \$28.2 million
City of Portage: \$13.1 million
Town of Burns Harbor: \$200,000
Town of Porter: \$1.9 million

RDA Investments to Date

Total Grant Award: \$100.6 million
Total Financial Leverage: \$108.2 million

City of Hammond: \$31.4 million
City of Whiting: \$22.0 million
East Chicago: \$5.8 million
East Chicago & Gary: \$1.1 million
City of Gary: \$28.1 million
City of Portage: \$9.6 million
Town of Burns Harbor: \$50,000
Town of Porter: \$1.8 million



Financial Performance

2010 Financial Management Highlights

The Northwest Indiana Regional Development Authority provides financial capital to public economic development and transportation projects in Lake and Porter counties. It serves as a catalyst to leverage local, state, and federal funds through its strategic investments into region-building assets that are on the way to transforming the economy and quality of life over the long run. The RDA made significant decisions in CY 2010, which resulted in commitments of funds through the end of CY 2013. For this period, development funding actually spent by the RDA and those amounts committed total \$211,780,402 – the investment of which is leveraging another \$329,914,983 in federal, state, local, and private funding – a direct ratio of \$1.56 to \$1. That is, for every dollar invested by the RDA, there is another \$1.56 invested from other sources.

These project investments are making a positive impact on the regional economy in terms of both jobs and income. With the project funding committed by the RDA through CY 2013, the total economic activity spurred by these investments is approximately \$830 million through the initial stages of the projects (primarily “construction”). The result is that for each dollar the RDA invests, there is a \$4.02 return to the regional economy, with a total impact in jobs of 6,430 in all sectors (in the near term).

Decisions by the RDA in CY 2010 regarding several project areas will generate returns for the region and the state for years to come. The application for the Gary Chicago International Airport’s project to extend its runway, with the associated relocation of adjacent railroad lines, was being developed for a projected approval in CY 2011. It is an approximately \$153.1 million project which will take three years to complete and make a lasting impact on the region’s transportation infrastructure. Several shoreline projects are slated for construction starts in 2011. The successful and timely execution of these projects will draw down the RDA’s cash balances to a low of \$4.7 million by the end of 2012, making careful management of the available funds a priority.

As the RDA makes more investments in projects throughout the region, the task of managing its own fiscal resources becomes tougher. Prior grant commitments are projected to draw down the RDA’s balances by \$79.5 million in CY 2011. The challenge of making sure that funds are available when needed by projects is an important part of keeping the infrastructure development of the region moving. Several other issues challenge the RDA’s ability to maintain its fiscal stability and aggressively pursue regional investments. The City of Gary continues to face financial hardships. It appealed to the State’s Distressed Unit Appeals Board for the third and final time for taxes payable in CY 2011. It received some property tax cap relief, however by 2012 it

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Table 2: Statement of RDA Sources & Uses
Unaudited, Actual Cash Basis for CY 2006-2010
and Budgeted Projections for CY 2011-2013

	Actuals					Projections		
	2006	2007	2008	2009	2010	2011	2012	2013
Beginning Balance	\$ -	\$ 39,851,010	\$ 41,963,049	\$ 51,139,879	\$ 65,764,418	\$ 77,707,846	\$ 24,703,933	\$ 4,740,629
Sources								
State of Indiana	22,500,000	25,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Local Units of Government ¹	17,500,000	16,625,000	14,000,000	15,275,000	15,875,000	17,100,000	14,000,000	14,000,000
Grant Income						324,878		
Interest Income	662,378	1,733,811	1,151,480	425,502	285,507	388,539	123,520	52,147
Total CY Sources	40,662,378	43,358,811	25,151,480	25,700,502	26,160,507	27,813,417	24,123,520	24,052,147
Less: RDA Admin Expenditures	337,340	310,825	588,329	605,843	1,002,872	1,352,240	1,419,852	1,490,845
Total Development Sources	40,325,038	43,047,986	24,563,151	25,094,659	25,157,635	26,461,177	22,703,668	22,561,302
Uses								
Gary/Chicago Int'l Airport	83,178	19,916,822			225,434	11,540,000	18,500,000	
NICTD Commuter Rail		17,500,000						
Shoreline Development	153,350	3,201,625	8,234,187	3,711,037	12,214,405	53,101,297	17,445,722	2,531,595
Regional Bus Authority	237,500	187,500	4,069,392	3,841,825	774,368	4,563,915		
Other Qualified Projects ²		130,000	3,082,742	2,917,258				
Grant Pass-Thru Projects						344,878		
Unbudgeted Poss. Projects ³						3,915,000	6,721,250	6,961,000
Economic Development ⁴						6,000,000		
Total Development Uses	474,028	40,935,947	15,386,321	10,470,120	13,214,207	79,465,090	42,666,972	9,492,595
Annual Operating Balance	39,851,010	2,112,039	9,176,830	14,624,539	11,943,428	(53,003,913)	(19,963,304)	13,068,707
End of Year Balance	\$ 39,851,010	\$ 41,963,049	\$ 51,139,879	\$ 65,764,418	\$ 77,707,846	\$ 24,703,933	\$ 4,740,629	\$ 17,809,336

1. The City of Gary is in arrears for its statutorily required payments to the RDA by \$7.35 million as of December 31, 2010.

2. The RDA has an outstanding loan to the Little Calumet River Basin Commission in the amount of \$6.0 million.

3. The RDA is in discussions with prior grantees for follow-on grants in the amount of \$17.6 million for CY's 2011, 2012, 2013.

4. Per RDA Board budgeted commitment of funds toward EDGE credits for qualified economic development projects in Northwest Indiana.



will no longer be able to avoid the full impact of the tax caps. As of the end of CY 2010, the City of Gary is in arrears to the RDA for its quarterly required payments for a total of \$7.35 million. Gary believes that with a settlement in the Barden bankruptcy case, which appears imminent, it will be able to make some progress against that accumulated debt.

The RDA continues to wait for a promised solution to the repayment of a \$6 million loan to the Little Calumet River Basin Commission. While the regional need for the loan was great and the project has essentially been completed, no consensus on the method and timetable for repayment to the RDA has been reached.

Finally, the RDA awaits a determination by the Indiana Court of Appeals in response to the suit brought by Porter County to withdraw from the regional entity. The County was unsuccessful in its argument at the trial court. With litigation pending, the RDA is holding the Porter County revenue contributions in a capital reserve fund as part of its conservative financial management practices. That fund is equal to the dollar amount of Porter County contributions to be made while under litigation.

Part of the longer term objective of the RDA is to find opportunities to leverage its funds by finding grant dollars from the federal government and private foundations to which it can provide a local match. Small initial successes in that regard – a federal grant for improving storm water management and expanding boating infrastructure on Lake Michigan – provide some promise that this will be a fruitful future strategy for extending the reach of the RDA’s resources.

The final result of the RDA’s impact won’t be known for at least a decade and perhaps longer, but it seems clear that even if the magnitude is unknown, these investments will have improved the economic welfare, the environmental benefits, and the quality of life for Northwest Indiana’s citizens for generations to come.

Chart 1: RDA Financial Leverage by Revenue Source

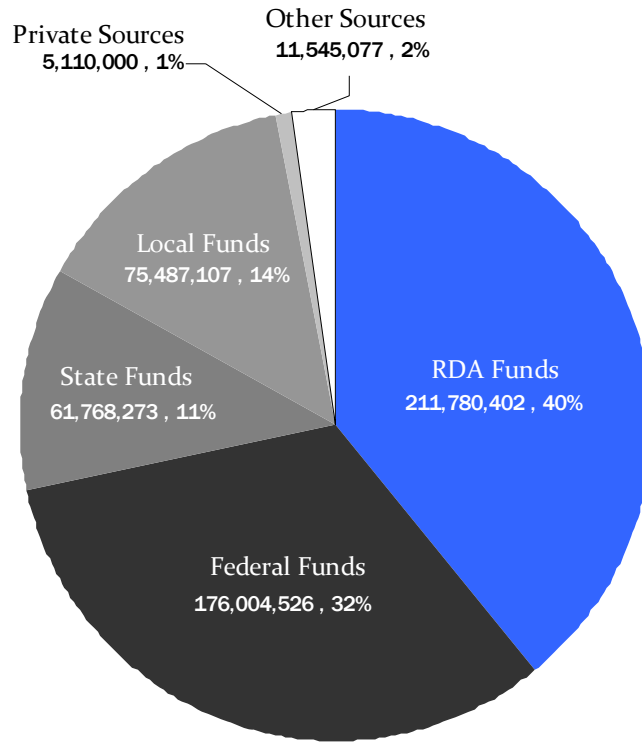


Chart 2: RDA Financial Leverage Ratio by Targeted Investment, in Dollars

Note: For every \$1 RDA invests, the amount shown is invested from other sources.

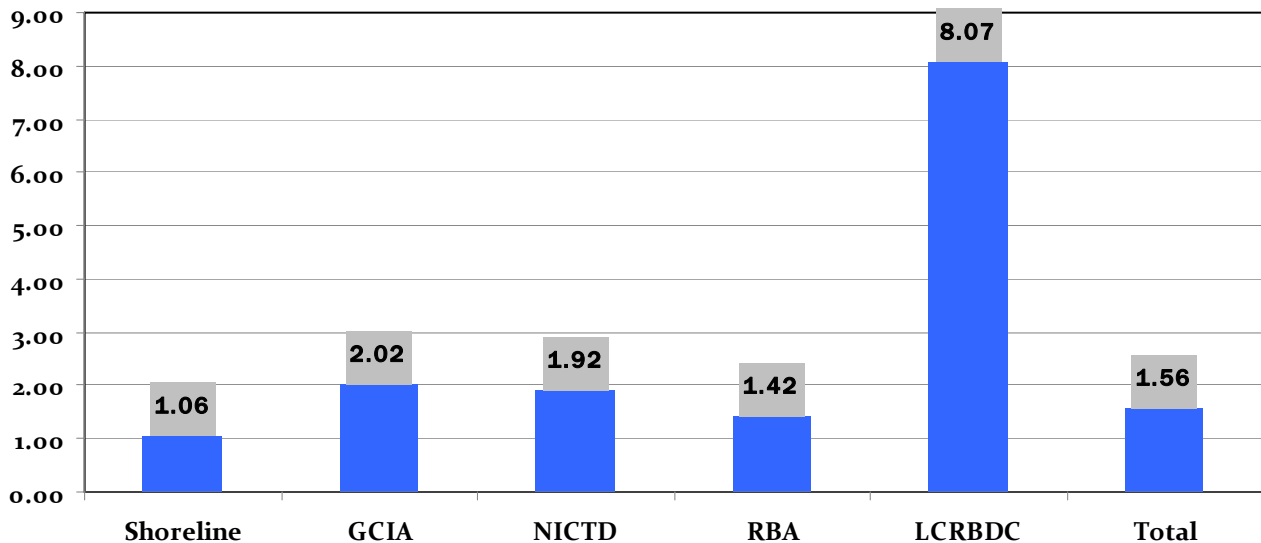




Chart 3: RDA and Non-RDA Funds as a Percentage of Total Project Investment by All Sources

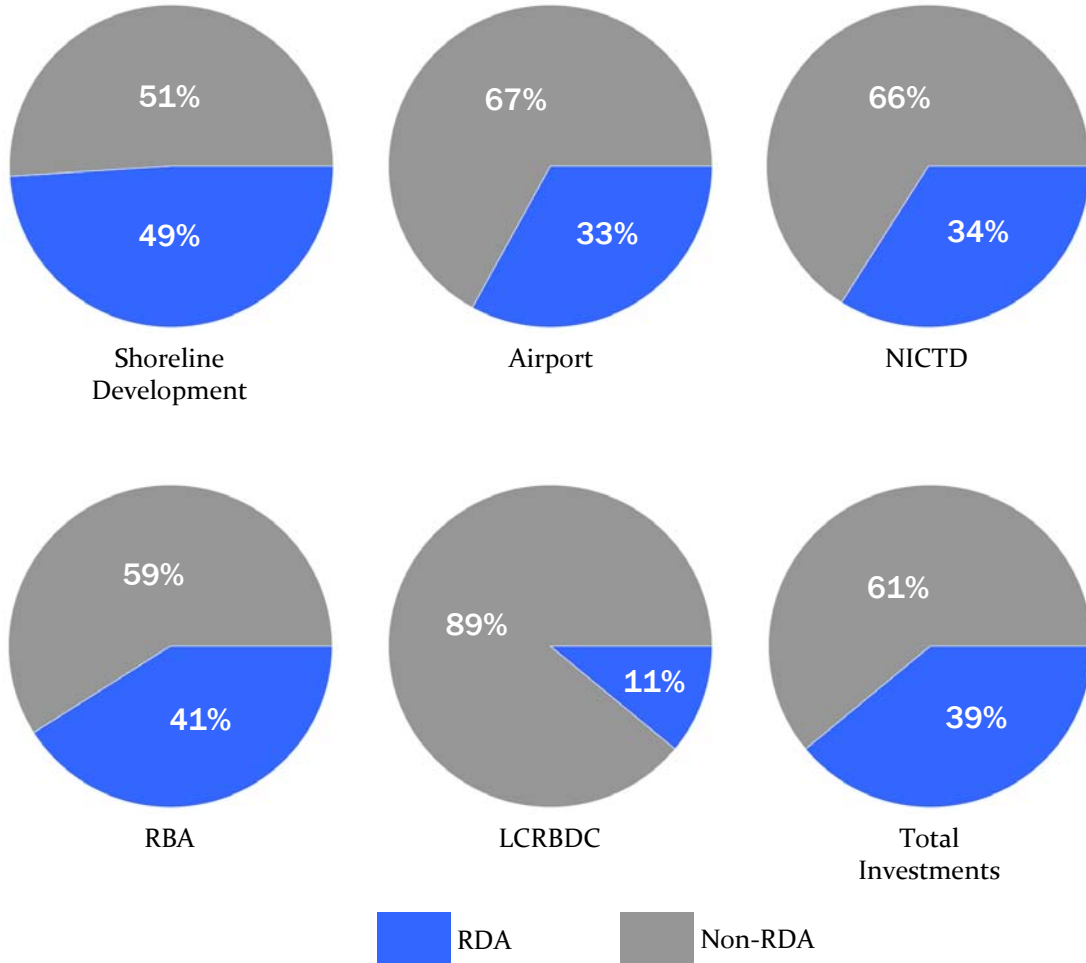
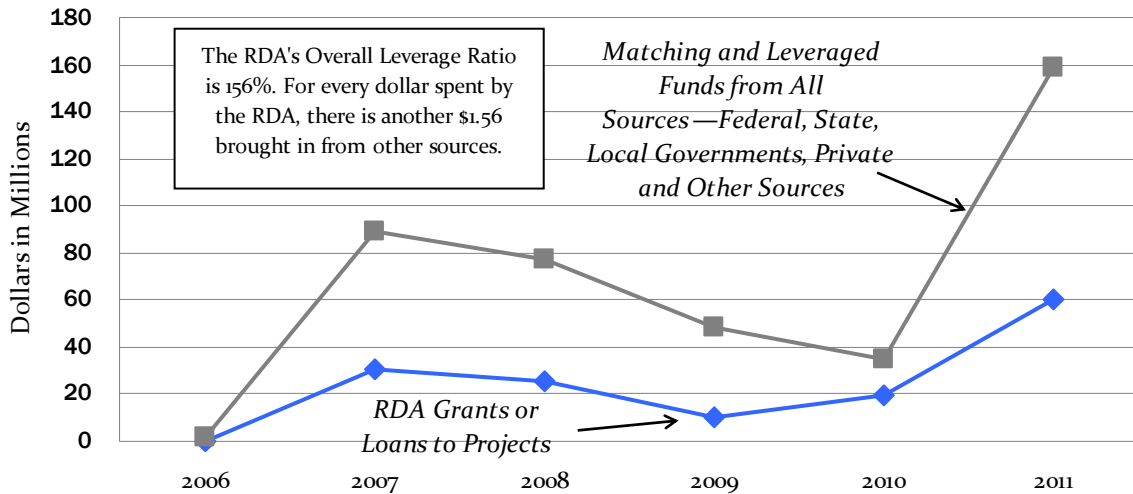


Chart 4: Leveraged Investments, CY2006-2011, Actual and Committed



2011 RDA Outlook

The RDA proved its worth in 2010 by staying principled in its approach. Over the coming year, we will continue to aggressively pursue a complex development agenda and the necessary strategic partnerships. Project activities related to airport expansion, commuter rail extension, regional bus transit consolidation, and shoreline redevelopment, each at their respective stage of development. Priority objectives of the RDA in 2011 are:

Gary Chicago International Airport

- Execution of the Four Party Agreement by the Airport with Class I Railroads to initiate the runway extension capital program.
- Approval of a \$30 million grant from the RDA to the Airport for runway extension development.
- Strengthen the partnership between the RDA, Gary Chicago International Airport Authority, and the Gary Chicago Regional Authority (“Compact”) in pursuit of rapid implementation of the Comprehensive Strategic Business Plan.
- Gain agreement with the Indiana Department of Transportation and key airport stakeholders to assure that enhanced highway access is planned and provided.

Regional Bus Authority

- Maintain essential regional bus services through December 31, 2011.
- Strengthen legislative, regional, and community support to find a permanent funding solution for bus transit operations in Northwest Indiana.

NICTD Commuter Rail

- Receive NICTD’s Preliminary Analysis report on Westlake Corridor extension and gain consensus on a development plan inclusive of project timetable and financial investment strategy by the year’s end.

Shoreline Development

- Seek expanded opportunities to stimulate private investment directly linked to lakefront project investments.
- Seek additional sources of financial leverage from either public or private sources to augment or replace RDA funding on approved multi-year projects.
- Form the Marquette Advisory Council in partnership with the Northwestern Indiana Regional Planning Commission and Indiana Department of Natural Resources.

RDA Administration

- Collaborate with others to evolve a plan for funding enhanced public transportation in Northwest Indiana that merits legislative, regional, and community support.
- Continue to identify other public and private sources of funding to leverage or supplant RDA funds on committed and proposed projects.

- Delineate and track scope of work on projects for strongest alignment to RDA's mission.
- Enhance two-way communications with all constituencies on the RDA's mission, investment impacts, and partnerships, leading to transformational development across Lake and Porter counties.
- Maintain an ongoing quality management program to optimize the value of RDA's internal financial and performance processes.

We look forward to these anticipated achievements in 2011. The RDA remains steadfast in its commitment to making wise public investment decisions resulting in the maximum benefit to Northwest Indiana today and over time. We serve as a catalyst, accelerating the pace of progress on key initiatives in Northwest Indiana. We can point to progress, take moments to celebrate success, and resume the task of "heavy lifting."

Appendix

2010 Independent Auditors' Report

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Suite 207
Gary, IN 46402
P: (219) 880-0850
F: (219) 880-0858



Chicago Office
150 N. Michigan Avenue
Suite 2800
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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, 2010 and 2009, 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, 2010 and 2009, and the results of its operations, and its cash flows, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3 through 9 and Budgetary Schedule on page 25 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 24) 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 25, 2011

Northwest Indiana Regional Development Authority
Statement of Financial Position
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 77,707,817	\$ 65,764,387
Accounts receivable (Note 1)	8,225,000	6,600,000
Prepaid expenses	<u>2,613</u>	<u>-</u>
Total current assets	85,935,430	72,364,387
Property and equipment		
Furniture, fixtures & leasehold improvements (Note 3)	<u>46,033</u>	<u>33,354</u>
Total property and equipment	46,033	33,354
Accumulated depreciation	<u>(34,098)</u>	<u>(23,355)</u>
Total property and equipment (net)	11,935	9,999
Long-term assets		
Note receivable (Note 5)	<u>6,000,000</u>	<u>6,000,000</u>
Total long-term assets	6,000,000	6,000,000
Total assets	<u><u>91,947,365</u></u>	<u><u>78,374,386</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	1,437,651	67,492
Grants payable - Due within one year	<u>44,063,914</u>	<u>30,935,581</u>
Total current liabilities	45,501,565	31,003,073
Long-term liabilities		
Grants payable	<u>28,001,133</u>	<u>36,371,734</u>
Total long-term liabilities	28,001,133	36,371,734
Total liabilities	<u><u>73,502,698</u></u>	<u><u>67,374,807</u></u>
Net assets		
Unrestricted	<u>18,444,667</u>	<u>10,999,579</u>
Total net assets	<u><u>18,444,667</u></u>	<u><u>10,999,579</u></u>
Total liabilities and net assets	<u><u>\$ 91,947,365</u></u>	<u><u>\$ 78,374,386</u></u>

*See accompanying notes to the basic financial statements
which are an integral part of the financials*

Northwest Indiana Regional Development Authority
Statement of Activities
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
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	<u>3,500,000</u>	<u>3,500,000</u>
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	-	290,000
City of Hammond	-	31,480,000
Regional Bus Authority	-	500,000
Whiting Lakefront Park - Phase I	<u>19,445,000</u>	-
Total Program Services	19,445,000	62,276,500
Supporting Services		
Salaries & professional services	889,774	535,486
Operating expenses	<u>108,946</u>	<u>87,858</u>
Total Supporting Services	998,720	623,344
Total Expenses	<u>20,443,720</u>	<u>62,899,844</u>
Non-operating revenue (expense)		
Interest expense	(11)	-
Interest Income	<u>285,508</u>	<u>425,502</u>
Total non-operating revenue (expense)	285,497	425,502
Change in Net Assets	7,341,777	(34,974,342)
Net Unrestricted Assets - Beginning of Year	<u>10,999,579</u>	<u>45,933,921</u>
Period Restatement (Note 7)	<u>103,311</u>	-
Net Unrestricted Assets - End of Year	<u>\$ 18,444,667</u>	<u>\$ 10,999,579</u>

*See accompanying notes to the basic financial statements
which are an integral part of the financials*

Northwest Indiana Regional Development Authority
Statement of Cash Flows
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Fee revenue	\$ 25,875,000	\$ 25,275,000
Payments to employees for services	(292,958)	(211,449)
Payments to grantees for awarded contracts	(13,214,207)	(10,470,150)
Payments to other suppliers for goods and services	<u>(697,234)</u>	<u>(394,395)</u>
Cash flows from operating activities	<u>11,670,601</u>	<u>14,199,006</u>
Cash flows from investing activities		
Investment interest income	<u>285,508</u>	<u>425,502</u>
Net cash from investing activities	285,508	425,502
Cash flows from financing activities		
Purchase of fixed assets and leasehold improvements	<u>(12,679)</u>	<u>-</u>
Net cash from investing activities	<u>(12,679)</u>	<u>-</u>
Net change in cash and cash equivalents	11,943,430	14,624,508
Cash and cash equivalents at beginning of year	<u>65,764,387</u>	<u>51,139,879</u>
Cash and cash equivalents at end of year	<u>\$ 77,707,817</u>	<u>\$ 65,764,387</u>

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

Operating income	\$ 7,341,777	\$ (34,934,342)
Interest Income	(285,508)	(425,502)
Depreciation expense	10,743	6,673
Changes in assets and liabilities		
(Increase) in accounts receivable	(1,625,000)	(2,225,000)
(Increase) in notes receivable	-	(2,917,258)
Decrease/(Increase) in prepaid expenses	(2,613)	20,952
(Decrease)/Increase in accounts payable and other accruals	1,370,159	(631,599)
Increase in grants payable	<u>4,861,043</u>	<u>55,305,082</u>
Cash flows from operating activities	<u>\$ 11,670,601</u>	<u>\$ 14,199,006</u>

*See accompanying notes to the basic financial statements
which are an integral part of the financials*

Northwest Indiana Regional Development Authority
Notes to the Basic Financial Statements
For the Years Ended December 31, 2010 and 2009

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)
- 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.

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.

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) (i) (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 \$10 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, 2010 the RDA had outstanding receivables in the amount of \$8,225,000 which comprised of the Cities of Gary and East Chicago being delinquent on installments in the amounts of \$7,350,000 and \$875,000, respectively. The outstanding receivable due from Porter County is currently being placed in an interest bearing savings 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 is delinquency could result in the State of Indiana no longer making payments to the RDA. 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, 2009 the City of Gary and Porter County were delinquent on installments in the amounts of \$4,850,000 and \$1,750,000, respectively.

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 Authority

during one calendar year, and not paid until the following calendar year. At December 31, 2010 and 2009, the Authority had accounts payable in the amounts of \$1,437,651 and \$67,492, 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, 2010 and 2009, the total grants payable amounts were \$72,065,047 and \$66,812,185, respectively.

Beginning Balance	Increase	(Decrease)	Ending Balance	Due within one year
\$ 66,812,185	\$ 19,445,000	\$ (14,192,138)	\$ 72,065,047	\$44,063,914

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 quasi-government 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. Leasehold improvements are computed on the straight-line method over the estimated useful life of three years.

Temporarily Restricted Net Assets

At December 31, 2010 and 2009, there were no restricted assets as all assets are unrestricted.

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.

Operating Leases

The agency has a 1-year rental agreement for office space and supply reimbursement with a two year option to renew. This agreement is renewable. The amount to be paid in fiscal year 2011 is approximately \$24,714.

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, 2010 and 2009, \$1,000,000 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. 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, 2010 and 2009, respectively, the remaining portion of \$76,707,817 and \$65,014,387 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, 2010 and 2009 was \$10,743 and \$6,673, respectively. Property and Equipment at December 31st consist of the following:

	<u>2010</u>	<u>2009</u>
Furniture & Fixtures	\$ 34,531	\$ 33,354
Leasehold Improvements	11,502	-
Less: Accumulated Depreciation	(34,098)	(23,355)
Net Furniture & Fixtures	<u>\$ 11,935</u>	<u>\$ 9,999</u>

NOTE 4 - PUBLIC 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 PERF benefit has two parts: an Annuity Savings Account (3% contributions and accumulated interest) and an employer financed pension. All PERF-covered state employees have 3% of their gross wages (regular and overtime) contributed by their employer-the State of Indiana-to an individual Annuity Savings Account.

The payroll for employees covered by the PERF was \$176,988. The contribution requirement, which was made by the Authority, was \$16,150. These contributions represent 9.1% of covered payroll for 2010. To obtain more information please visit the Public 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, 2010 and 2009 was \$6,000,000.

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 \$75,065,047 at December 31, 2010 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 12-31-2010:	\$2,490,825
Percent (%) Complete as of 12-31-2010:	97%
Expected Completion Date:	Unknown

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 12-31-2010:	\$1,059,728
Percent (%) Complete as of 12-31-2010:	27%
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 12-31-2010:	\$225,000
Percent (%) Complete as of 12-31-2010:	11%
Expected Completion Date:	June 2011

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 12-31-2010:	\$1,778,085
Percent (%) Complete as of 12-31-2010:	95%
Expected Completion Date:	Unknown

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 12-31-2010:	\$6,370,000
Percent (%) Complete as of 12-31-2010:	98%
Expected Completion Date:	Unknown

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 12-31-2010:	\$11,616,250
Percent (%) Complete as of 12-31-2010:	37%
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 12-31-2010:	\$1,075,165
Percent (%) Complete as of 12-31-2010:	24%
Expected Completion Date:	Unknown

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 12-31-2010:	\$1,121,191
Percent (%) Complete as of 12-31-2010:	57%
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:	\$290,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2010:	\$225,434
Percent (%) Complete as of 12-31-2010:	78%
Expected Completion Date:	Unknown

Project Name:	City of Whiting
Nature of Project:	Hammond Transit
Date Awarded:	April 20, 2010
Initial Total Project Cost:	\$19,445,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2010:	\$0
Percent (%) Complete as of 12-31-2010:	0%
Expected Completion Date:	September 2012

NOTE 7 – PERIOD RESTATEMENT

During 2010, several projects were completed. As a result of the completed projects, some grants had not been fully expended but had remaining funds. The funds were, in previous periods, recorded as grants payable. Because the grants are “closed” and will no longer require payment, the committed dollars have been reclassified from grants payable to unrestricted net assets at December 31, 2010 in the amount of \$103,311.

NOTE 8 – OTHER MATTERS

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 membership 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.

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 were filed and oral argument occurred on January 25, 2010. The Jasper Circuit Court rendered an opinion on April 9, 2010 favorable to the Regional Development Authority disallowing withdrawal by Porter County. The Court also ordered Porter County to make its annual membership contribution of 3.5 Million Dollars immediately. That payment has occurred and Porter County has been continuing to make current payments. Porter County has appealed the Jasper Circuit Court decision and the matter has been fully briefed and oral arguments before the Indiana Court of Appeals on January 20, 2011. It is anticipated that the Indiana Court of Appeals will rule within sixty (60) days.

The City of Gary remains 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 City Governing Board has required Gary to employ an outside monitor to assist in resolving the city’s ongoing financial problems. The monies owed to the RDA are included in the overall financial plan for alleviating Gary’s financial problems. A “workout” plan for incremental payment of the delinquent membership assessment has been adopted and is being implemented.

NOTE 9 – SUBSEQUENT EVENTS

In January 2011, the RDA awarded a grant to the Regional Bus Authority in the amount of \$3 million.

Project Name:	Regional Bus Authority
Nature of Project:	Northwest Lake County Transit
Date Awarded:	November 17, 2010
Initial Total Project Cost:	\$3,000,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2010:	\$
Percent (%) Complete as of 12-31-2010:	0%
Expected Completion Date:	September 2011



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