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Board of Directors
Northwest Indiana Regional Development Authority
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We have reviewed the audit report prepared by Whittaker & Company, PLLC, Independent Public Accountants, for the period January 1, 2012 to December 31, 2012. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Northwest Indiana Regional Development Authority, as of December 31, 2012 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

***Northwest Indiana Regional
Development Authority***

Financial Statements
December 31, 2011 And 2010

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, 2011 and 2010, 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, 2011 and 2010, 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 26, 2011

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009**

The following discussion and analysis of Northwest Indiana Regional Development Authority's (the "Authority") financial performance provides an introduction and overview of the Authority's financial activities for the fiscal year ended December 31, 2011. Please read this discussion in conjunction with the Authority's financial statements and the notes to financial statements immediately following this section.

FINANCIAL HIGHLIGHTS

2011

- Operating revenues for 2011 of \$27,760,970 increased by \$260,970 compared to fiscal year 2010. This increase is due to receiving a refund from the Valparaiso Express Bus grant and the RDA being the recipient of USDA Forest Service grant monies. The RDA is serving as the fiscal agent for the USDA Forest Service grant and makes payments directly to the contractor for their services related to this grant. Altogether, these statutory operating revenues continue to be affected by the growing receivables for the City of Gary, due to that unit's well documented fiscal crisis.
- Operating expenses for 2011 of \$8,310,400 decreased by \$12,133,320 compared to fiscal year 2010. This decrease is primarily due to the Authority approving fewer projects as compared to fiscal year 2010.

2010

- Operating revenues for 2010 of \$27,500,000 remained the same compared to fiscal year 2009. These statutory operating revenues continue to be affected by the growing receivables for the City of Gary, due to that unit's well documented fiscal crisis.
- Operating expenses for 2010 of \$20,443,720 decreased by \$42,446,124 (51.8 percent) compared to fiscal year 2009. This decrease is primarily due to the Authority approving fewer projects as compared to fiscal year 2009.

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 continuing to fund 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.

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009**

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 decrease 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 11.

In addition to the basic financial statements, this report includes Additional Information. The Additional Information section presents the 2011 Supplemental Schedule for Supporting Services on page 22.

FINANCIAL ANALYSIS

The RDA receives substantially all of its 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 2011 and 2010, the state of Indiana provided \$10,000,000 of funding to the Authority. Revenue is ear-marked for projects targeted for development in the RDA 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.

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009**

A comparative condensed summary of the Authority's net assets at December 31, 2011, 2010, and 2009 is as follows:

	Net Assets		
	2011	2010	2009
Current assets	<u>\$ 92,079,837</u>	<u>\$ 85,935,430</u>	<u>\$ 72,364,387</u>
Total current assets	<u>92,079,837</u>	<u>85,935,430</u>	<u>72,364,387</u>
Property and equipment			
Furniture & Fixtures, net	<u>7,885</u>	<u>11,935</u>	<u>9,999</u>
Long-term assets	<u>6,000,000</u>	<u>6,000,000</u>	<u>6,000,000</u>
Total assets	<u>98,087,722</u>	<u>91,947,365</u>	<u>78,374,386</u>
Current liabilities	<u>59,975,386</u>	<u>45,501,565</u>	<u>31,003,073</u>
Total current liabilities	<u>59,975,386</u>	<u>45,501,565</u>	<u>31,003,073</u>
Long-term liabilities			
Grants payable	<u>0</u>	<u>28,001,133</u>	<u>36,371,734</u>
Total long-term liabilities	<u>0</u>	<u>28,001,133</u>	<u>36,371,734</u>
Total liabilities	<u>59,975,386</u>	<u>73,502,698</u>	<u>67,374,807</u>
Unrestricted	<u>38,112,337</u>	<u>18,444,667</u>	<u>10,999,579</u>
Total liabilities and net assets	<u><u>\$ 98,087,722</u></u>	<u><u>\$ 91,947,365</u></u>	<u><u>\$ 78,374,386</u></u>

2011

Current assets increased by \$6,144,407 primarily due to a decrease in the overall amount of funds the Authority used on current projects. The Authority also experienced an increase of \$475,000 in the accounts receivable from the City of Gary.

The 2011 increase in current liabilities of \$14,473,821 was due to the Authority approving projects in the current and prior fiscal years and payments being due within one year according to grant schedules which were approved at the time of awarding the grant.

The 2011 long-term assets remained the same as the prior fiscal year due to the outstanding loan to the Little Calumet River Basin Development Commission not having been repaid.

The 2011 decrease in long-term liabilities of \$28,001,133 is due to a decrease in grants payable according to the schedule of draws from the grantees.

2010

Current assets increased by \$13,571,043 primarily due to a decrease in the overall amount of funds the Authority used on current projects. The Authority also experienced an increase of

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009**

\$2,500,000 in the accounts receivable from the City of Gary, which at year end stands at \$7,350,000.

The 2010 increase in current liabilities of \$14,498,492 was due to the Authority approving projects in the current and prior fiscal years and payments being due within one year according to grant schedules which were approved at the time of awarding the grant.

The 2010 long-term assets remained the same as the prior fiscal year due to the outstanding loan to the Little Calumet River Basin Development Commission not having been repaid.

The 2010 decrease in long-term liabilities of \$8,370,601 is due to a decrease in grants payable according to the schedule of draws from the grantees.

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.

A comparative condensed summary of the Authority's changes in net assets for the years ended December 31, 2011, 2010 and 2009 is as follows:

Changes in Net Assets			
	2011	2010	2009
Operating revenues	\$ 27,760,970	\$ 27,500,000	\$ 27,500,000
Operating expenses	8,310,400	20,443,720	62,859,844
Operating income	<u>19,450,570</u>	<u>7,056,280</u>	<u>(35,359,844)</u>
Non-operating revenue	<u>217,101</u>	<u>285,497</u>	<u>425,502</u>
Change in net assets	<u><u>\$ 19,667,670</u></u>	<u><u>\$ 7,341,777</u></u>	<u><u>\$ (34,934,342)</u></u>

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009**

2011

Operating revenues for year 2011 were \$27,760,970. Operating expenses for 2011 was \$8,310,400. Operating income for 2011 was \$19,450,570 resulting in an increase of \$12,394,290 from prior fiscal year 2010. This increase in operating income was primarily due to a decrease in the Authority's program services expenses.

Non-operating revenue of \$217,101 was due to investment interest income.

2010

Operating revenues for years 2010 and 2009 were \$27,500,000 each year. Operating expenses for 2010 was \$20,443,720. Operating income for 2010 was \$7,056,280 resulting in an increase of \$42,416,214 from prior fiscal year 2009. This increase in operating income was primarily due to a decrease in the Authority's program services expenses.

Non-operating revenue of \$285,497 was due to investment interest income.

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.

	Operating Expenses		
	2011	2010	2009
Salaries and wages	\$ 362,259	\$ 317,430	\$ 241,401
Contractual services and commodities	699,307	572,344	294,085
Program Services	7,165,936	19,445,000	62,236,500
Other	82,898	108,946	87,858
	<hr/>	<hr/>	<hr/>
Total operating expenses	<u>\$ 8,310,400</u>	<u>\$ 20,443,720</u>	<u>\$ 62,859,844</u>

2011

The increase in salaries and wages of \$44,829 in 2011 was due to a contract employee who began service in September 2011. Additionally, a payment to the State Budget Agency to settle a negative balance was made in June 2011.

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009**

The increase in contractual services in 2011 of \$126,963 is due to the Authority's increase of project planning and due diligence. Also, the Authority engaged consultants for federal grant writing purposed in 2011.

2010

The increase in salaries and wages of \$76,029 in 2010 was due to an additional salaried employee with an employment start date of March 8, 2010.

The increase in contractual services in 2010 of \$278,259 is partly due to an increase in legal services related to the Porter County litigation. Also, the Authority broadened the scope of services for the compliance and special consultants resulting in an increase in the contract amount.

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.

A comparative summary of the Authority's changes in cash flows for the years ended December 31, 2011, 2010 and 2009 is as follows:

	Changes in Cash Flows		
	2011	2010	2009
Cash from activities:			
Operating	\$ 7,263,924	\$ 11,670,601	\$ 14,199,006
Investing	217,175	285,508	425,502
	<hr/>	<hr/>	<hr/>
Net change in cash	7,481,099	11,943,430	14,624,508
Cash:			
Beginning of the year	77,707,817	65,764,387	51,139,879
	<hr/>	<hr/>	<hr/>
End of the year	<u>\$ 85,188,916</u>	<u>\$ 77,707,817</u>	<u>\$ 65,764,387</u>

2011

As of December 31, 2011, the Authority's available cash of \$85,188,916 increased by \$7,481,099 compared to December 31, 2010. This increase in cash is due to a decrease in the outlay of cash to fund program services.

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2011, 2010, AND 2009**

2010

As of December 31, 2010, the Authority's available cash of \$77,707,817 increased by \$11,943,484 compared to December 31, 2009. This increase in cash is due to a decrease in the outlay of cash to fund program services.

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).

FACTORS BEARING ON THE FUTURE

The Authority will continue to entertain funding applications from its four targeted investment areas as well as other qualifying economic development projects. The Authority expects to receive funding applications from the Town of Porter, City of East Chicago, and the Town of Porter in 2012.

Contracts will be awarded in fiscal year 2012; therefore, the contract amount may increase/decrease depending on the firm(s) chosen.

During its 2012 legislative session, the Indiana General Assembly passed and the Governor signed on March 16, 2012, Public Law 106 – 2012 which established a revenue mechanism for the Little Calumet River Basin Development Commission and a repayment schedule for the Commission's \$6 million, "no interest" loan currently outstanding from the RDA. Providing that no "fiscal emergency" [as defined in IC 14-13-2-18.6 (g)] exists for the Commission, the repayment schedule is as follows: on July 1, 2013, \$2,430,000; on July 1, 2014, \$1,460,000; on July 1, 2015, \$920,000; on July 1, 2016, \$690,000; and on July 1, 2017, \$500,000."

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, 2011 AND 2010

	2011	2010
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	\$ 85,188,916	\$ 77,707,817
Accounts receivable (Note 1)	6,875,000	8,225,000
Prepaid expenses	15,921	2,613
Total current assets	92,079,837	85,935,430
Property and equipment		
Furniture, fixtures & leasehold improvements (Note 3)	46,033	46,033
Total property and equipment	46,033	46,033
Accumulated depreciation	(38,148)	(34,098)
Total property and equipment (net)	7,885	11,935
Long-term assets		
Note receivable (Note 5)	6,000,000	6,000,000
Total long-term assets	6,000,000	6,000,000
Total assets	98,087,722	91,947,365
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	79,291	1,437,651
Grants payable -Due within one year	59,896,094	44,063,914
Total current liabilities	59,975,386	45,501,565
Long-term liabilities		
Grants payable	-	28,001,133
Total long-term liabilities	-	28,001,133
Total liabilities	59,975,386	73,502,698
Net assets		
Unrestricted	38,112,337	18,444,667
Total net assets	38,112,337	18,444,667
Total liabilities and net assets	\$ 98,087,722	\$ 91,947,365

See accompanying notes to the basic financial statements

NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
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
USDA Forest Service (PES Grant)	250,936	-
Other	10,034	-
Total Support	27,760,970	27,500,000
Expenses		
Program Services		
Town of Porter	3,915,000	-
USDA Forest Service (PES Grant)	250,936	-
Regional Bus Authority	3,000,000	-
Whiting Lakefront Park - Phase I	-	19,445,000
Total Program Services	7,165,936	19,445,000
Supporting Services		
Salaries & professional services	1,061,566	889,774
Operating expenses	82,898	108,946
Total Supporting Services	1,144,465	998,720
Total Expenses	8,310,400	20,443,720
Non-operating revenue (expense)		
Interest expense	(74)	(11)
Interest Income	217,175	285,508
Total non-operating revenue (expense)	217,101	285,497
Change in Net Assets	19,667,670	7,341,777
Net Unrestricted Assets - Beginning of Year	18,444,667	11,102,890
Net Unrestricted Assets - End of Year	\$ 38,112,337	\$ 18,444,667

See accompanying notes to the basic financial statements

NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Cash flows from operating activities		
Fee revenue	\$ 29,110,970	\$ 25,875,000
Payments to employees for services	(362,259)	(292,958)
Payments to grantees for awarded contracts	(20,704,950)	(13,214,207)
Payments to other suppliers for goods and services	(779,837)	(697,234)
Cash flows from operating activities	7,263,924	11,670,601
Cash flows from investing activities		
Investment interest income	217,175	285,508
Net cash from investing activities	217,175	285,508
Cash flows from financing activities		
Purchase of fixed assets and leasehold improvements	-	(12,679)
Net cash from investing activities	-	(12,679)
Net change in cash and cash equivalents	7,481,099	11,943,430
Cash and cash equivalents at beginning of year	77,707,817	65,764,387
Cash and cash equivalents at end of year	\$ 85,188,916	\$ 77,707,817
 RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 19,667,670	\$ 7,341,777
Interest Income	(217,175)	(285,508)
Depreciation expense	4,050	10,743
Changes in assets and liabilities		
Decrease/(Increase) in accounts receivable	1,350,000	(1,625,000)
(Increase) in prepaid expenses	(13,308)	(2,613)
(Decrease)/Increase in accounts payable and other accruals	(1,358,361)	1,370,159
(Decrease)/Increase in grants payable	(12,168,953)	4,861,043
Cash flows from operating activities	\$ 7,263,924	\$ 11,670,601

See accompanying notes to the basic financial statements

NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED December 31, 2011 AND 2010

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)

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED December 31, 2011 AND 2010**

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.

NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED December 31, 2011 AND 2010

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, the transactions qualify 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.

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED December 31, 2011 AND 2010**

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 two 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 and projects related to the Lake Michigan Marina and Shoreline Development Commission. IC36-7.5-2-1 identifies the types of projects eligible for RDA funding.

During 2011, the RDA was the fiscal agent and recipient of federal funds under the Urban and Community Forestry program sponsored by the United States Department of Agriculture. The funded project is considered a Great Lakes Restoration Initiative (GLRI). The overall grant award is \$324,878 which leveraged local matches from the RDA in the amount of \$20,000, City of Valparaiso in the amount of \$20,000 and Cardno JFNew om the amount of \$10,000, which was an in-kind match. The grant period is expected to end October 2012.

Accounts Receivable

At December 31, 2011 the RDA had outstanding receivables in the amount of \$6,875,000 which related to the city of Gary being delinquent on installments.

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED December 31, 2011 AND 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

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.

In accordance with IC 8-15-2-14.7 and IC 36-7.5-4-2, the City of Gary’s 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.

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, 2011 and 2010, the Authority had accounts payable in the amounts of \$79,291 and \$1,437,651, 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, 2011 and 2010, the total grants payable amounts were \$59,896,094 and 73,434,497 respectively.

Beginning Balance	Increase	(Decrease)	Ending Balance	Due within one year
\$ 73,434,497	\$ 6,915,000	\$ (20,453,403)	\$ 59,896,094	\$59,896,094

Operating Revenue, Operating Expenses, and Non-Operating Revenue and 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.

NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED December 31, 2011 AND 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

At December 31, 2011 and 2010, there were no restricted assets as all assets are unrestricted.

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.

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED December 31, 2011 AND 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The amount to be paid in fiscal year 2012 is approximately \$24,570.

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, 2011 and 2010, \$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. 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, 2011 and 2010, respectively, the remaining portion of \$84,431,190 and \$76,707,817 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, 2011 and 2010 was \$4,050 and \$10,743, respectively. Property and Equipment at December 31st consist of the following:

	2011	2010
Furniture & Fixtures	\$ 34,531	\$ 34,531
Leasehold Improvements	11,502	11,502
Less: Accumulated Depreciation	<u>(38,148)</u>	<u>(38,148)</u>
Net Furniture & Fixtures	<u>\$ 7,885</u>	<u>\$ 11,935</u>

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE YEARS ENDED December 31, 2011 AND 2010**

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 \$344,279. The contribution requirement, which was made by the Authority, was \$20,691. These contributions represent 6% of covered payroll for 2011. To obtain more information please visit the Public Employees’ Retirement Fund at www.in.gov/perf/.

NOTE 5 – NOTE RECEIVABLE

The RDA agreed to loan \$6 million 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, 2011 and 2010 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 \$59,896,094 at December 31, 2011 as follows:

Project Name:	Shoreline Park Gateway & Community Gateway
Nature of Project:	Shoreline Restoration
Date Awarded:	03/25/2008
Initial Total Project Cost:	\$3,900,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2011:	\$1,438,604.10
Remaining balance at 12-31-2011:	\$2,416,395.90
Percent (%) Complete as of 12-31-2011:	38%
Expected Completion Date:	June 2010

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED December 31, 2011 AND 2010**

NOTE 6 – COMMITMENTS (Continued)

Project Name:	Water Filtration Plant Demolition
Nature of Project:	Shoreline Restoration
Date Awarded:	11/13/2008
Initial Total Project Cost:	\$1,980,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2011:	\$ 225,000
Remaining balance at 12-31-2011:	\$1,755,000
Percent (%) Complete as of 12-31-2011:	11%
Expected Completion Date:	June 2011

Project Name:	Hammond Lakes Area
Nature of Project:	Shoreline Restoration
Date Awarded:	January 8, 2009
Initial Total Project Cost:	\$31,480,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2011:	\$19,005,738.27
Remaining balance at 12-31-2011:	\$12,474,261.73
Percent (%) Complete as of 12-31-2011:	60%
Expected Completion Date:	December 2011

Project Name:	Marquette Park Lakefront East
Nature of Project:	Shoreline Restoration
Date Awarded:	June 23, 2009
Initial Total Project Cost:	\$28,190,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2011:	\$ 7,715,850.42
Remaining balance at 12-31-2011:	\$20,454,149.58
Percent (%) Complete as of 12-31-2011:	37%
Expected Completion Date:	August 2012

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED December 31, 2011 AND 2010**

NOTE 6 – COMMITMENTS (Continued)

Project Name:	Porter Gateway to the Dunes
Nature of Project:	Shoreline Restoration
Date Awarded:	November 17, 2009
Initial Total Project Cost:	\$1,816,500
Add-ons or Change Orders:	N/A
Cost Through 12-31-2011:	\$1,384,769.71
Remaining balance at 12-31-2011:	\$ 431,730.29
Percent (%) Complete as of 12-31-2011:	76%
Expected Completion Date:	August 2011

Project Name:	Porter Gateway to the Dunes (Grant 2)
Nature of Project:	Shoreline Restoration
Date Awarded:	July 7, 2011
Initial Total Project Cost:	\$3,915,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2010:	\$ 47,830.60
Remaining balance at 12-31-2011:	\$3,867,169.40
Percent (%) Complete as of 12-31-2011:	1%
Expected Completion Date:	August 2012

Project Name:	Whiting Lakefront Park
Nature of Project:	Shoreline Restoration
Date Awarded:	April 20, 2010
Initial Total Project Cost:	\$19,445,000
Add-ons or Change Orders:	N/A
Cost Through 12-31-2011:	\$ 984,019.93
Remaining balance at 12-31-2011:	\$18,460,980.07
Percent (%) Complete as of 12-31-2010:	5%
Expected Completion Date:	October 2012

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEARS ENDED December 31, 2011 AND 2010**

NOTE 7 – OTHER MATTERS

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 8 – SUBSEQUENT EVENTS

During its 2012 legislative session, the Indiana General Assembly passed and the Governor signed on March 16, 2012, Public Law 106 – 2012 which established a revenue mechanism for the Little Calumet River Basin Development Commission and a repayment schedule for the Commission’s \$6 million, “no interest” loan currently outstanding from the RDA. Providing that no “fiscal emergency” [as defined in IC 14-13-2-18.6 (g)] exists for the Commission, the repayment schedule is as follows: on July 1, 2013, \$2,430,000; on July 1, 2014, \$1,460,000; on July 1, 2015, \$920,000; on July 1, 2016, \$690,000; and on July 1, 2017, \$500,000.

NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY
SUPPLEMENTAL SCHEDULE OF SUPPORTING SERVICES
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

Salaries & Professional Services

	<u>2011</u>	<u>2010</u>
Professional Fees		
Salaries and related personnel costs	\$ 362,259	\$ 317,430
Investment consultants		
Legal	65,812	81,598
Accounting	28,916	27,350
Special consultants	566,479	415,160
Compliance consultant	38,100	48,236
Total Salaries & Professional Services	<u>\$ 1,061,566</u>	<u>\$ 889,774</u>

Operating Expenses

Bank charges	\$ 98	\$ 75
Office supplies	8,451	9,635
Membership dues	500	70
Cleaning	-	1,170
Advertising	-	85
Fees and licenses	-	78
Conferences	-	11,423
Insurance	-	11,418
Background check	-	491
Meals and entertainment	7,830	7,500
Depreciation expense	4,050	10,743
Rent, Telephone, & Technical Support	38,864	32,027
Travel	13,430	10,100
Tuition reimbursement	9,675	14,131
	<u>\$ 82,898</u>	<u>\$ 108,946</u>

See accompanying notes to basic financial statements

Northwest Indiana Regional Development Authority
BUDGETARY COMPARISON SCHEDULE - BUDGET TO ACTUAL
For the Year Ended December 31, 2011

	Budget	Actual	Variance
<u>Revenue by Source</u>			
State	\$ 10,000,000	\$ 10,000,000	\$ -
City of East Chicago	3,500,000	3,500,000	-
City of Hammond	3,500,000	3,500,000	-
City of Gary	3,500,000	4,375,000	875,000
Lake County	3,500,000	3,500,000	-
Porter County	3,500,000	3,500,000	-
Total Revenue by Source	<u>27,500,000</u>	<u>28,375,000</u>	<u>875,000</u>
<u>Program Expenses</u>			
Town of Porter	3,915,000	3,915,000	-
Regional Bus Authority	3,000,000	3,000,000	-
Total Program Expenses	<u>6,915,000</u>	<u>6,915,000</u>	<u>-</u>
<u>Administrative Expenses</u>			
Professional Services	726,000	699,307	(26,693)
Salaries and Benefits	405,000	362,259	(42,741)
Rent	47,000	38,864	(8,136)
Tuition Reimbursement	12,000	9,675	(2,325)
Travel/Meals	25,000	21,261	(3,739)
Office Supplies and Equipment	8,500	8,451	(49)
Insurance	13,000	-	(13,000)
Other administrative expenses	16,000	598	(15,402)
Total Administrative Expenses	<u>\$ 1,252,500</u>	<u>\$ 1,140,415</u>	<u>\$ (112,085)</u>

RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS:

Depreciation Expense	\$ (4,050)
Interest Income	217,101
Note receivable	6,000,000
Accounts receivable	6,875,000
Grantee awards/payments, net	<u>6,579,619</u>
Change in Net Assets - GAAP basis	<u>\$ 19,667,670</u>