

**NORTHWEST INDIANA REGIONAL  
DEVELOPMENT AUTHORITY**

**FINANCIAL STATEMENTS  
WITH  
ADDITIONAL INFORMATION**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## CONTENTS

	<b>Pages</b>
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-10
FINANCIAL STATEMENTS	
Statements of Financial Position	11
Statements of Activities	12
Statements of Cash Flows	13
Notes to Financial Statements	14-29
REQUIRED ADDITIONAL INFORMATION	
Retirement Plan Schedule of Proportionate Share of Pension Liability	30
Retirement Plan Schedule of Contributions	31
ADDITIONAL INFORMATION	
Schedule of Supporting Services	32
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING	33-35



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Northwest Indiana Regional Development Authority

We have audited the accompanying financial statements of the Northwest Indiana Regional Development Authority, which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Northwest Indiana Regional Development Authority as of December 31, 2017 and 2016, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

Government Auditing Standards require that that management's discussion and analysis information on pages 4-10 and the retirement plan schedule of proportionate share of pension liability and schedule of contributions on pages 30-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required additional information in accordance with government auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Budgetary Comparison Schedule that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on financial statements that collectively comprise Northwest Indiana Regional Development Authority's basic financial statements. The additional information (page 32) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*Report on Internal Controls over Financial Reporting*

We also have examined in accordance with attestation standards established by the American Institute of Certified Public Accountants, Northwest Indiana Regional Development Authority's internal control over financial reporting as December 31, 2017 and 2016, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated April 30, 2018 expressed an unmodified opinion.

*LWG CPAs & Advisors*

LWG CPAs & Advisors  
Indianapolis, Indiana  
April 30, 2018

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended December 31, 2017, 2016 and 2015

The following discussion and analysis of Northwest Regional Development Authority's (the "Authority") financial performance provides an introduction and overview of the Authority's financial activities for the years ended December 31, 2017, 2016 and 2015. Please read this discussion in conjunction with the Authority's financial statements and the notes to financial statements immediately following this section.

### Financial Highlights

#### **2017**

- Operating revenues for 2017 increased from \$17,500,000 to \$22,930,391 due to a inclusion of the January payment in 2018 as a receivable.
- Operating expenses for 2017 increased from \$17,253,506 to \$33,827,291 due to the Authority awarding more grants in 2017.
- Non-operating revenues increased due interest income increasing from \$366,305 to \$428,812 in 2017 as well as the Authority receiving an additional \$198,336 in federal grants.

#### **2016**

- Operating revenues for 2016 decreased from \$22,500,000 to \$17,500,000 due to State of Indiana funding decreasing their contributions by \$5,000,000 in 2016.
- Operating expenses for 2016 increased from \$6,628,173 to \$17,253,506 due to the Authority awarding more grants in 2016.
- Non-operating revenues increased due interest income increasing from \$130,421 to \$366,305 in 2016 as well as the Authority receiving an additional \$323,827 in federal grants.

#### **2015**

- Operating revenues for 2015 decreased from \$27,500,000 to \$22,500,000 due to State of Indiana funding ending mid-year.
- Operating expenses for 2015 decreased to \$6,628,173 from \$30,644,268 in 2014. The decrease was due to the Authority awarding less grants in 2015.
- Non-operating revenues for 2015 decreased to \$160,062 from \$901,544 in 2014. The decrease was due to no state grants received as well as a decrease in federal grants.
- In 2015, the Authority adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*. Based on GASB No. 68, the Authority recorded deferred outflows, deferred inflows, and the net pension liability related to its participation in the Indiana Public Retirement System.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended December 31, 2017, 2016 and 2015

### Overview of the Financial Statements

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

The *Statements of Financial Position* present all the 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 position. The increase or decrease in net position 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 Activities* 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, investing, and financing 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 the Financial Statements begin on page 14.

In addition to the financial statements, this report includes Additional Information. Required additional information begins on page 30 and is related to the Authority's participating in the public Employer's Retirement Fund. The additional information continues to present the 2017 Supplemental Schedule for Supporting Services on page 32.

# **NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS** **Years Ended December 31, 2017, 2016 and 2015**

### **Financial Analysis**

The Authority 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, and 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.

The Authority is appropriated from the State of Indiana \$6,000,000 for fiscal year ending June 30, 2016 and 2017 (House Enrolled Act No. 1001). These funds will only be available at such time a plan and grant application for extending the Chicago, South Shore, and South Bend Railway is approved by the Indiana Finance Authority. As such, the Authority made a prior period adjustment of \$6,000,000 to revenue and accounts receivable as there is no plan currently approved and therefore the Authority does not consider these funds as receivable at this time. See Note 9 for more detail. In 2015 the State of Indiana provided \$5,000,000 of funding to the Authority.

The revenue is ear-marked for projects targeted for development in the Authority Comprehensive Strategic Development Plan. Based on this plan the following projects were identified:

- 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. IC 36-7.5-2-1 identifies the types of projects eligible for RDA funding.
- Town of Porter – Indiana 49 lakeshore gateway corridor area between Interstate 94 to the Indiana Dunes State Park.

### **Factors Bearing on the Future**

The Authority approved grants at the board meeting on April 19, 2018 to the City of East Chicago for \$8,545,000 and the City of Hammond for \$100,000.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended December 31, 2017, 2016 and 2015

A comparative condensed summary of the Authority's net assets at December 31, 2017, 2016, and 2015 is as follows:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Current assets	\$ 81,099,195	\$ 83,990,741	\$ 87,856,140
Property and equipment			
Furniture & fixtures, net	26,235	1,250	1,929
Long-term assets	<u>10,105,000</u>	<u>11,325,000</u>	<u>500,000</u>
Total assets	<u>91,230,430</u>	<u>95,316,991</u>	<u>88,358,069</u>
Deferred outflows of resources	<u>173,927</u>	<u>152,784</u>	<u>56,704</u>
Current liabilities	24,694,856	20,517,413	14,561,811
Long-term liabilities	<u>405,737</u>	<u>342,124</u>	<u>224,426</u>
Total liabilities	<u>25,100,593</u>	<u>20,859,537</u>	<u>14,786,237</u>
Deferred inflow of resources	<u>1,645,803</u>	<u>35,993</u>	<u>44,623</u>
Net position	<u>\$ 64,657,961</u>	<u>\$ 74,574,245</u>	<u>\$ 73,583,913</u>

### 2017

Long-term assets decreased by \$1,220,000 due to the Authority receiving payments from a bond anticipation note to the City of Gary.

Current liabilities increased by \$4,177,443 from 2016 primarily due to an increase in grants payable. The Authority awarded more grants than paid down in 2017.

### 2016

Long-term assets increased by \$10,825,000 due to the Authority issuing a bond anticipation note to the City of Gary. The note will be paid in semi-annual payments over a 10 year period.

Current liabilities increased by \$5,955,602 from 2015 primarily due to an increase in grants payable. The Authority awarded more grants than paid down in 2016.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended December 31, 2017, 2016 and 2015

### 2015

Current assets increased by \$4,306,641 primarily due to an increase in cash and decrease in accounts receivable. In addition, notes receivable decreased due to scheduled collections.

Current liabilities decreased by \$12,426,649 compared to 2014 due to a decrease in grants payable. The Authority paid down grants awards while not awarding as many grants as 2014.

Deferred outflows, deferred inflows, and net pension liability were added in 2015 due to the implementation of GASB No. 68.

	2017	2016	2015
Operative revenues	\$ 22,930,391	\$ 17,500,000	\$ 22,500,000
Operating expenses	<u>33,827,291</u>	<u>17,253,506</u>	<u>6,628,173</u>
Operating income	(10,896,900)	246,494	15,871,827
Non-operating revenue	980,616	743,838	160,062
Period restatement	<u>-</u>	<u>-</u>	<u>17</u>
Change in net assets	\$ <u>(9,916,284)</u>	\$ <u>990,332</u>	\$ <u>16,031,906</u>

### 2017

Operating revenues for 2017 increased by \$5,430,391 resulting from recording accounts receivable due for the fourth quarter of 2017.

Operating expenses for 2017 increased from by \$16,573,785 due to the Authority awarding more grants in 2017.

Non-operating revenue increased in 2017 due to an increase interest income and the Authority receiving more federal grants.

### 2016

Operating revenues for 2016 decreased by \$5,000,000 due to a decrease in funding from the State of Indiana.

Operating expenses for 2016 increased from by \$10,625,333 due to the Authority awarding more grants in 2016.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended December 31, 2017, 2016 and 2015

### 2016

Non-operating revenue increased in 2016 due to an increase interest income from a loan with the City of Gary and the Authority receiving more federal grants.

### 2015

Operating revenues for 2015 decreased \$5,000,000 due to funding from the State of Indiana ending June 30, 2015. Operating expenses decreased \$24,016,095 due to the Authority awarding less grants during 2015.

Non-operating revenue decreased in 2015 due to a decrease in federal and state reimbursement based grants.

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Salaries and wages	\$ 679,038	\$ 662,949	\$ 726,917
Professional fees	2,577,486	1,296,441	626,598
Program services	30,410,502	15,200,955	5,118,791
Other	<u>160,265</u>	<u>93,161</u>	<u>155,867</u>
 Total operating expenses	 <u>\$ 33,827,291</u>	 <u>\$ 17,253,506</u>	 <u>\$ 6,628,173</u>

### 2017

The increase in professional fees was due to increased legal and special consultant work in 2017. There was an increase in the amount of grants awarded in 2017 causing total operating expenses to increase by \$16,573,785.

### 2016

The increase in professional fees was due to increased legal and special consultant work in 2016. There was an increase in the amount of grants awarded in 2016 causing total operating expenses to increase by \$10,625,333.

### 2015

The increase in salaries and wages was mainly due to staff salary increases. The increase in other operating expenses was due to an increase in insurance costs and travel expenditures.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS Years Ended December 31, 2017, 2016 and 2015

	2017	2016	2015
Cash from activities:			
Operating	\$ (8,939,412)	\$ 8,828,369	\$ 5,542,496
Investing	1,219,207	(11,506,757)	1,050,421
Financing	-	-	-
	(7,720,205)	(2,678,388)	6,592,917
Cash:			
Beginning of the year	79,449,286	82,127,674	75,534,757
End of the year	\$ 71,729,081	\$ 79,449,286	\$ 82,127,674

### 2017

The Authority's available cash decreased by \$6,842,430 as of December 31, 2017. The decrease is primarily due to payments to grantees during 2017.

### 2016

The Authority's available cash decreased by \$2,678,389 as of December 31, 2016. The decrease is primarily due to the Authority issuing a bond anticipation note to the City of Gary. The note will be paid in semi-annual payments over a 10 year period.

### 2015

As of December 31, 2015, the Authority's available cash increased \$6,592,917. The increase in cash is due to collection of outstanding accounts receivable, note receivable, and collecting more in revenues than were spent on grants.

### 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

## STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>Restated 2016</u>
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 71,729,081	\$ 79,449,286
Restricted cash	877,775	-
Accounts receivable	7,218,921	2,794,679
Interest receivable	43,492	48,062
Note receivable - due within one year	-	500,000
Prepaid expenses	9,926	8,714
Current portion of bond receivable	1,220,000	1,190,000
TOTAL CURRENT ASSETS	<u>81,099,195</u>	<u>83,990,741</u>
Property and equipment		
Furniture, fixtures & leasehold improvements	75,557	49,157
Accumulated depreciation	(49,322)	(47,907)
TOTAL PROPERTY AND EQUIPMENT (NET)	<u>26,235</u>	<u>1,250</u>
Long-term assets		
Bond receivable	10,105,000	11,325,000
TOTAL LONG-TERM ASSETS	<u>10,105,000</u>	<u>11,325,000</u>
TOTAL ASSETS	<u>91,230,430</u>	<u>95,316,991</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension costs	173,927	152,784
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>173,927</u>	<u>152,784</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued expenses	398,795	169,010
Accrued vacation	47,699	49,044
Grants payable	24,248,362	20,299,359
TOTAL CURRENT LIABILITIES	<u>24,694,856</u>	<u>20,517,413</u>
Non-current liabilities		
Net pension liability	405,737	342,124
TOTAL LIABILITIES	<u>25,100,593</u>	<u>20,859,537</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred revenue	1,615,693	-
Pension costs	30,110	35,993
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,645,803</u>	<u>35,993</u>
<b>NET POSITION</b>		
Net position - unrestricted	<u>64,657,961</u>	<u>74,574,245</u>
TOTAL NET POSITION	<u>\$ 64,657,961</u>	<u>\$ 74,574,245</u>

The accompanying notes are an integral part of these statements.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## STATEMENTS OF ACTIVITIES Years Ended December 31, 2017 and 2016

	Amount	
	2017	Restated 2016
<b>UNRESTRICTED NET ASSETS</b>		
Support		
Indiana Finance Authority	\$ 1,055,391	\$ -
City of East Chicago	4,375,000	3,500,000
Lake County	4,375,000	3,500,000
City of Gary	4,375,000	3,500,000
City of Hammond	4,375,000	3,500,000
Porter County	4,375,000	3,500,000
TOTAL SUPPORT	22,930,391	17,500,000
<b>EXPENSES</b>		
Program services		
Brownsfield Assessment	445,185	-
Brownsfield RLF Loan	-	388,000
City of East Chicago	317,917	12,935,000
Dunes Learning Center	75,000	-
Legacy Foundation	75,000	-
NICTD - DEIS Study	512,272	323,608
NICTD DT PE & EA	1,600,000	-
NICTD WLE FEIS	20,000,000	-
North Township	250,325	-
Pratt Paper	-	1,400,000
TOD Investment Strategies	150,000	-
Valpo Chicago Dash Phase II	6,847,000	-
West Lake TOD Planning	137,803	154,347
TOTAL PROGRAM SERVICES	30,410,502	15,200,955
Supporting services		
Salaries & professional services	3,256,524	1,959,390
Operating expenses	158,850	92,482
TOTAL SUPPORTING SERVICES	3,415,374	2,051,872
Depreciation expense	1,415	679
TOTAL EXPENSES	33,827,291	17,253,506
<b>NON-OPERATING REVENUE</b>		
Federal grants	551,804	353,468
Brownsfield assessment	-	24,065
Interest income	428,812	366,305
TOTAL NON-OPERATING REVENUE	980,616	743,838
CHANGE IN NET POSITION	(9,916,284)	990,332
NET POSITION - BEGINNING OF YEAR (RESTATED)	74,574,245	73,583,913
NET POSITION - END OF YEAR	\$ 64,657,961	\$ 74,574,245

The accompanying notes are an integral part of these statements.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2017 and 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Fee revenue	\$ 20,673,646	\$ 20,097,048
Payments to grantees	(26,461,499)	(9,335,749)
Payments to suppliers and employees	(3,151,559)	(1,932,930)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(8,939,412)	8,828,369
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of leasehold improvements	(26,400)	-
Change in restricted cash, net	(877,775)	-
Long term bonds issued	-	(13,100,000)
Bond payment proceeds	1,190,000	585,000
Note receivable payment proceeds	500,000	690,000
Investment interest income	433,382	318,243
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,219,207	(11,506,757)
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(7,720,205)	(2,678,388)
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	79,449,286	82,127,674
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 71,729,081	\$ 79,449,286
 <b>RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in net position	\$ (9,916,284)	\$ 990,332
Interest income	(428,812)	(366,305)
Depreciation expense	1,415	679
Decrease (increase) in assets		
Accounts receivable	(4,424,242)	2,219,515
Prepaid expenses	(1,212)	15,558
Increase (decrease) in liabilities		
Deferred revenue	1,615,693	-
Net pension liability	36,587	12,988
Accounts payable and other accruals	228,440	90,396
Grants payable	3,949,003	5,865,206
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (8,939,412)	\$ 8,828,369

The accompanying notes are an integral part of these statements.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS Years Ended December 31, 2017 and 2016

### (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 principles to stimulate a significant rebirth in Northwest Indiana and is a catalyst in transforming the economy and quality of 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 FINANCIAL STATEMENTS Years Ended December 31, 2017 and 2016

### (1) Summary of significant accounting policies (cont.)

- 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 the 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 RDA 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 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 RDA and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the RDA 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 RDA’s reporting entity.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

### (1) Summary of significant accounting policies (cont.)

Non-Exchange Transactions – Governmental Accounting Standards Board (“GASB”) No. 33 defines a non-exchange 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 non-exchange 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 principles of the Authority are based upon accounting principles generally accepted in the United States of America, as prescribed by the GASB. 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 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 FINANCIAL STATEMENTS Years Ended December 31, 2017 and 2016

### (1) Summary of significant accounting policies (cont.)

Revenue – The RDA receives substantially all of its support revenue from state, city and county agencies. Beginning in 2016, the State of Indiana distributes to the Authority admissions tax collected from Lake County, East Chicago, Gary, and Hammond. The amount to be collected from each entity is \$3,500,000 per fiscal year. As of December 31, there could be shortfalls in admissions tax collected which is collected in the subsequent year. Porter County distributes funds to the RDA in the amount of \$3,500,000 per year.

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:

- 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. IC 36-7.5-2-1 identifies the types of projects eligible for RDA funding.
- Town of Porter – Indiana 49 lakeshore gateway corridor area between Interstate 94 to the Indiana Dunes State Park.

Federal Grant Funds – The RDA is the recipient and fiscal agent of a Brownfield Revolving Loan Fund (“RLF”) grant sponsored by the US Environmental Protection Agency (EPA). The grant award is \$1,400,000. The reporting requirements for this grant include quarterly progress reports which are due four times a year, within 30 days of the end of each quarter: January 31, April 30, July 31, and October 31. An annual financial report is due at the end of the year and by January 31. Once all data is assembled, the Authority’s project manager submits the quarterly progress report and the annual financial report to the designated EPA project officer.

The RDA is the recipient and fiscal agent of TOD planning on the West Lake extension corridor sponsored by Federal Transit Administration (FTA). The grant award is \$260,000. The reporting requirements for this grant include quarterly progress reports which are due four times a year, within 30 days of the end of each quarter: January 31, April 30, July 31, and October 31. An annual financial report is due at the end of the year and by January 31. Once all data is assembled, the Authority’s project manager submits the quarterly progress report and the annual financial report to the designated FTA project officer.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

### (1) Summary of significant accounting policies (cont.)

At times, the RDA receives money from federal agencies and acts as the fiscal agent responsible for distributing funds to local municipalities to leverage local matches from the RDA. The funds are drawn-down from the federal agencies only upon the grantee spending the money and requesting reimbursement. The RDA monitors the grant and the grantee and ensures that the grantee is in compliance with the eligibility on how the monies are spent. The RDA submits quarterly reports to the federal agencies. During 2017 and 2016, the RDA received \$551,804 and \$353,468 of federal funds related to Brownfield and West Lake.

Accounts Receivable – Accounts receivable represent payments due to the RDA in January 2018 for amounts collected for fourth quarter of 2017. In addition, any shortfalls in admissions tax distributions during the year are included in accounts receivable. All amounts are expected to be collected.

Prepaid Expenses – Prepaid expenses represent payments to vendors during the current period, which will reflect costs applicable to subsequent accounting periods.

Accounts Payable and Accrued Expenses – The December 31 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. Expenses that have occurred but not invoiced through the financial statement date are considered accrued expenses.

Accrued Vacation – It is the policy of the Authority that unused vacation time can be carried forward. Vacation time earned but not taken is considered accrued vacation and should be paid the employee at the time services are terminated.

Grants Payable and Other Related Accruals – The Authority is committed to various organizations via reimbursement based grants. These payments are made when the organization has fulfilled the terms of the grant and submitted for reimbursement from the Authority. See Note 7 for further detail.

Deferred Revenue – Deferred revenue represents amounts received as a supplemental distribution from State of Indiana admission tax. These amounts are to assist with commuter rail transportation, specifically the West Lake Line. These funds will be recognized as revenue at such time a project is approved.

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 FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

### (1) Summary of significant accounting policies (cont.)

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. See Note 2 for further detail.

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

Net Position – Net position is comprised of the net earnings from operating and non-operating revenues, expenses and capital contributions. Net position is considered unrestricted and is available for the use of the Authority.

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 expense 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 reimbursement program.

Operating Leases – The agency has a twelve (12) month rental agreement for office space and supply reimbursement with a two year option to renew. The lease expense for the year ended December 31, 2017 was \$48,205. The RDA has chosen to renew the lease term which will expire June 30, 2018. The monthly lease amount, which is due at the beginning of each month, is \$3,876. The remaining obligation due for the rental agreement is \$23,256.

Restricted Cash – The agency has received funding related to a rail improvement project to be done in Lake County that will not be completed until 2020 and beyond. The cash received is considered restricted in use for this project.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS Years Ended December 31, 2017 and 2016

### (2) Concentrations

At December 31, 2017 and 2016, \$800,000 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, 2017 and 2016, the remaining portion of cash respectively, was covered by the PDIF and classified in Risk Category 1.

### (3) Property and equipment

All furniture and equipment is depreciated using the straight-line method. Depreciation expense at December 31, 2017 and 2016 was \$1,415 and \$679, respectively. Property and equipment at year end consist of the following:

	2017	2016
Furniture and fixtures	\$ 37,655	\$ 37,655
Leasehold improvements	37,902	11,502
Accumulated depreciation	<u>(49,322)</u>	<u>(47,907)</u>
Total property and equipment, net	<u>\$ 26,235</u>	<u>\$ 1,250</u>

### (4) Pension plan

The Authority is a participating employer in the Indiana Public Retirement System (INPRS). INPRS resulted from legislation passed in 2010 that merged the Public Employers' Retirement Fund (PERF) and the Teacher's Retirement Fund (TRF), with the merger of the funds being effective July 1, 2011. The Authority contributes to the INPRS, a cost-sharing multiple-employer public employee retirement system, which acts as a common investment and administrative agent for units of state and local government in Indiana. INPRS is governed by state statutes I.C.S. 5-10.2 and 5-10.3, effective July 1, 1995. As such, it is INPRS's responsibility to administer the law in accordance with the expressed intent of the Indiana General Assembly. INPRS is a qualified plan under the Internal Revenue Code Section 401(a) and is tax exempt. INPRS is a contributory defined benefit plan that covers substantially all of the Authority's employees.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

### (4) Pension plan (cont.)

INPRS retirement benefits vest after 10 years of service. Senate Bill 74 enabled INPRS participants to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. A participant may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the participant's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions is met, a participant may retire with 100% of the pension benefit at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years and months of INPRS-covered employment. The average annual salary used for calculating the pension benefit is an average of the participant's highest five years of employment earning within the 10 years preceding retirement.

Participants who retire between the ages of 50 and 55 with 15 or more years of service receive a pension benefit that is reduced by various percentages according to the participant's age.

In addition, the participants are required to contribute to an annuity savings account. Legislation permits an INPRS employer to make the participant's contributions on behalf of the participants. Participants may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described above. The participant's balance in the annuity savings account may be withdrawn at any time with interest should a participant terminate employment.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to INPRS, One North Capitol Avenue, Suite 001, Indianapolis, Indiana, 46204.

The Authority is required to contribute to the Plan at an actuarially determined rate. The current rate is 11.2% of annual covered payroll. The Authority contributed 3% of the participant's annual salary to the annuity savings account. The contribution requirements of participants are determined by State statute.

The Authority reported a liability of \$405,737 and \$342,124 at December 31, 2017 and 2016, respectively for its proportionate share of the net pension liability. The Authority's proportion of the net pension liability was based on a projection of long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016 and 2015, the Authority's proportion was 0.0000894 and 0.0000840, respectively.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

**(4) Pension plan (cont.)**

For the years ended December 31, 2017 and 2016, the Authority recognized pension expense of \$89,142 and \$63,121, respectively. At December 31, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 27,567	\$ 6,532
Differences between expected and actual experience	9,090	749
Net difference of projected and actual investment earnings	89,240	22,829
Changes in assumption	17,901	-
Contribution subsequent to the measurement date	<u>30,129</u>	<u>-</u>
Total	<u>\$ 173,927</u>	<u>\$ 30,110</u>

At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 25,932	\$ 3,110
Differences between expected and actual experience	14,686	708
Net difference of projected and actual investment earnings	57,686	32,175
Changes in assumption	28,921	-
Contribution subsequent to the measurement date	<u>25,559</u>	<u>-</u>
Total	<u>\$ 152,784</u>	<u>\$ 35,993</u>

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

### (4) Pension plan (cont.)

As of December 31, 2017 and 2016, \$30,129 and \$25,559 was reported as deferred outflows of resources resulting from Authority contributions subsequent to the measurement date will be recognized with next year's calculation as provided by INPRS. Other amounts reported as deferred outflows/(inflows) of resources related to pension will be recognized in pension expense as follows:

#### Year Ending December 31:

2017	\$	46,174
2018		30,080
2019		26,635
2020		10,799
Total	\$	<u>113,688</u>

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.25%
Salary increases	2.5% - 4.5%, based on projected salary increases based on INPRS experience from 2005 to 2010
Investment rate of return	6.75%
Cost of living adjustment	1.00%

Mortality rates were based on the 2013 IRS Static Mortality Tables projected five years with Scale AA. Disability assumptions were based on 2000-2005 experience for males and 1995-2000 for females.

The long-term expected rate of return on pension plan investments is based on an estimated long-term investment yield for the plan, with consideration given to the nature and mix of current and expected plan investments. INPRS' management and Board continually monitor the investment rate of return assumption and the Board formally reviews the assumption and makes changes as appropriate.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS Years Ended December 31, 2017 and 2016

**(4) Pension plan (cont.)**

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions would be made at the actuarially calculated rate computed in accordance with the current funding policy adopted by the INPRS Board, which requires payment of the normal cost and amortization of the unfunded actuarially accrued liability in level dollar installments over 30 years utilizing a closed period approach. Since the current funding policy was adopted, the employer contribution rate has been set by the INPRS Board at a level equal to or exceeding the actuarially calculated rate. Based on this assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%)	Current (6.75%)	1% Increase (7.75%)
Board's proportionate share of the net pension liability	\$ 582,734	\$ 405,737	\$ 258,625

Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS Report on Allocation of Pension Amounts.

**(5) Note receivable**

In 2006, the RDA agreed to loan \$6,000,000 to the Little Calumet River Basin Development Commission. The Indiana General Assembly passed and the Governor signed, 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 \$6,000,000, "no interest" loan currently outstanding from the RDA. This loan was paid in full as of December 31, 2017.

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS Years Ended December 31, 2017 and 2016

**(6) Bond receivable**

In 2016, the RDA agreed to loan \$13,100,000 to the City of Gary, Indiana. The amount due to the Authority from the City of Gary at December 31, 2017 and 2016 was \$11,325,000 and \$12,515,000 respectively.

Maturities of long-term bonds receivable and interest are as follows:

<b>Year Ending December 31:</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2018	1,220,000	219,850
2019	1,250,000	195,050
2020	1,280,000	169,750
2021	1,305,000	144,000
2022	1,340,000	117,700
Thereafter	<u>4,930,000</u>	<u>197,021</u>
Total	<u><u>11,325,000</u></u>	<u><u>1,043,371</u></u>

**(7) 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 \$24,248,362 at December 31, 2017 as follows:

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 12-31-2017:	\$225,000
Remaining Balance at 12-31-2017:	\$1,755,000
Percent (%) Complete as of 12-31-2017:	11%

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS Years Ended December 31, 2017 and 2016

### (7) Commitments (cont.)

Project Name:	Hammond Lakes Area
Nature of Project:	Shoreline Restoration
Date Awarded:	1/8/2009
Initial Total Project Cost:	\$31,480,000
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$31,423,728
Remaining Balance at 12-31-2017:	\$56,272
Percent (%) Complete as of 12-31-2017:	100%

Project Name:	Porter Gateway to the Dunes (Grant 2)
Nature of Project:	Shoreline Restoration
Date Awarded:	7/7/2011
Initial Total Project Cost:	\$3,915,000
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$3,345,332
Remaining Balance at 12-31-2017:	\$569,668
Percent (%) Complete as of 12-31-2017:	85%

Project Name:	NICTD
Nature of Project:	Surface Transportation - Commuter Rail
Date Awarded:	5/7/2013
Initial Total Project Cost:	\$275,000
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$262,621
Remaining Balance at 12-31-2017:	\$12,379
Percent (%) Complete as of 12-31-2017:	95%

Project Name:	Modern Forge
Nature of Project:	Other - Deal Closing
Date Awarded:	9/18/2014
Initial Total Project Cost:	\$2,000,000
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$1,968,750
Remaining Balance at 12-31-2017:	\$31,250
Percent (%) Complete as of 12-31-2017:	98%

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS Years Ended December 31, 2017 and 2016

### (7) Commitments (cont.)

Project Name:	Tec Air
Nature of Project:	Other - Deal Closing
Date Awarded:	4/3/2014
Initial Total Project Cost:	\$2,450,000
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$2,446,700
Remaining Balance at 12-31-2017:	\$3,300
Percent (%) Complete as of 12-31-2017:	100%

Project Name:	Shoreline and Demolition
Nature of Project:	Shoreline
Date Awarded:	7/18/2014
Initial Total Project Cost:	\$17,495,000
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$15,618,649
Remaining Balance at 12-31-2017:	\$1,876,351
Percent (%) Complete as of 12-31-2017:	89%

Project Name:	Southlake County Community Service
Nature of Project:	Public Transportation
Date Awarded:	1/15/2014
Initial Total Project Cost:	\$318,791
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$195,328
Remaining Balance at 12-31-2017:	\$123,463
Percent (%) Complete as of 12-31-2017:	61%

Project Name:	Shoreline and Demolition Phase II
Nature of Project:	Shoreline
Date Awarded:	9/22/2016
Initial Total Project Cost:	\$12,935,000
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$7,248,533
Remaining Balance at 12-31-2017:	\$5,686,467
Percent (%) Complete as of 12-31-2017:	56%

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

### (7) Commitments (cont.)

Project Name:	RLF Loan
Nature of Project:	Other - Deal Closing
Date Awarded:	12/22/2014
Initial Total Project Cost:	\$160,000
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$40,436
Remaining Balance at 12-31-2017:	\$119,564
Percent (%) Complete as of 12-31-2017:	25%

Project Name:	Legacy Foundation
Nature of Project:	Neighborhood Spotlight Initiative
Date Awarded:	12/14/2016
Initial Total Project Cost:	\$75,000
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$57,177
Remaining Balance at 12-31-2017:	\$17,823
Percent (%) Complete as of 12-31-2017:	76%

Project Name:	North Township
Nature of Project:	Dial-A-Ride Expansion
Date Awarded:	5/15/2016
Initial Total Project Cost:	\$250,325
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$213,812
Remaining Balance at 12-31-2017:	\$36,513
Percent (%) Complete as of 12-31-2017:	85%

Project Name:	NICTD WLE FEIS
Nature of Project:	Surface Transportation - Commuter Rail
Date Awarded:	3/15/2017
Initial Total Project Cost:	\$20,000,000
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$13,108,010
Remaining Balance at 12-31-2017:	\$6,891,990
Percent (%) Complete as of 12-31-2017:	66%

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

Years Ended December 31, 2017 and 2016

### (7) Commitments (cont.)

Project Name:	Valpo Chicago Dash Phase II
Nature of Project:	ChicaGo Dash - Commuter Bus Service
Date Awarded:	8/1/2017
Initial Total Project Cost:	\$6,847,000
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$96,595
Remaining Balance at 12-31-2017:	\$6,750,405
Percent (%) Complete as of 12-31-2017:	1%

Project Name:	Porter County Airport
Nature of Project:	Taxiway Connector Pavements
Date Awarded:	2/21/2017
Initial Total Project Cost:	\$317,917
Add-ons or Change Orders:	N/A
Cost through 12-31-2017:	\$0
Remaining Balance at 12-31-2017:	\$317,917
Percent (%) Complete as of 12-31-2017:	0%

### (8) No interest security forgivable loan

The contingent security interest acquired by the RDA under the forgivable loan program is incrementally released as the grantor complies with the grant requirements. There is no reasonable way to predict future conduct by grantees. Although there is a potential likelihood that the RDA could obtain some form of an asset at some date in the future if grantee noncompliance occurs, there is no way to predict if or when that will occur.

### (9) Prior period adjustment

The RDA restated the Statement of Activities for the period ending December 31, 2016. An amount of \$6,000,000 was previously recorded as support revenue. During the year ended December 31, 2017 the RDA determined this amount should not be considered support revenue. These funds were appropriated by the State of Indiana however are not distributed or available until such time the RDA meets the requirements of IC 36-7.5-3-5(c) which requires Indiana Finance Authority approval of a plan related to construction projects extending the Chicago, South Shore, and South Bend Railway.

This change decreased the change in net position by \$6,000,000 for the year ended December 31, 2016.

**REQUIRED  
ADDITIONAL INFORMATION**

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## Retirement Plan Schedule of Proportionate Share of Pension Liability Last 10 Fiscal Years\*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability	0.0000894	0.0000840	0.0000854
Board's proportionate share of the net pension liability	405,737	342,124	224,426
Authority's covered-employee payroll	428,435	402,211	416,765
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	94.7%	85.1%	53.8%
Plan fiduciary net position as a percentage of the total pension liability	77.3%	77.3%	84.3%

\* The effort and cost to re-create financial information for 10 years was not practical. The amounts presented for each fiscal were determined as of the previous June 30 year end.

**NORTHWEST INDIANA REGIONAL  
DEVELOPMENT AUTHORITY**  
**Retirement Plan Schedule of Contributions**  
**Last 10 Fiscal Years\***

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 47,985	\$ 45,048	\$ 46,678
Contributions in relation to the statutorily required contribution	<u>47,985</u>	<u>45,048</u>	<u>46,678</u>
Deficit (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Authority's covered-employee payroll	 428,435	 402,211	 416,765
 Contributions as a percentage of covered-employee payroll	 11.2%	 11.2%	 11.2%

\* The effort and cost to re-create financial information for 10 years was not practical.  
The amounts presented for each fiscal were determined as of the previous June 30 year end.

## **ADDITIONAL INFORMATION**

# NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## Supplemental Schedule for Supporting Services

**For the Years Ended December 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
Accounting	\$ 26,910	\$ 29,890
Federal/State/Compliance consultant	319,025	294,281
Financial advisor	167,564	102,614
Human resources consultant	9,945	6,000
Legal	96,959	337,928
Public awareness and education	39,644	40,031
Salaries and related personnel costs	679,038	662,949
Special consultant	1,917,439	485,697
<b>Total Salaries and Professional Services</b>	<b>3,256,524</b>	<b>1,959,390</b>

### Operating Expenses

Bank charges	779	645
Furniture and equipment	6,067	-
Insurance	49,323	-
Meals and entertainment	5,833	6,200
Office supplies	6,573	10,379
Postage	14	110
Professional development	-	15
Rent	48,205	46,987
Telephone and fax services	3,777	4,761
Travel	27,401	9,997
Tuition reimbursement	10,878	13,388
<b>Total Operating Expenses</b>	<b>158,850</b>	<b>92,482</b>
<b>Total Supporting Services Expenses</b>	<b>\$ 3,415,374</b>	<b>\$ 2,051,872</b>



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Northwest Indiana Regional Development Authority

### *Report on Internal Control over Financial Reporting*

We have audited Northwest Indiana Regional Development Authority's internal control over financial reporting as of December 31, 2017, based on criteria established in the Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

### *Management's Responsibility for Internal Control over Financial Reporting*

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting included in the accompanying effectiveness of the internal controls report.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the entity's internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgement, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

### *Definition and Inherent Limitations of Internal Control over Financial Reporting*

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### *Opinion*

We understand that Northwest Indiana Regional Development Authority considers the controls over financial reporting that meet the criteria referred to in the first paragraph of this report adequate for its purpose. In our opinion, based on this understanding and on our examination, Northwest Indiana Regional Development Authority's internal control over financial reporting as of December 31, 2017 has the following significant deficiencies, based on the criteria established in COSO:

The client did not monitor and adjust accounts payable throughout the year. Properly recording accounts payable provides management with meaningful financial information. We recommend that the accounts be reviewed and adjusted on a monthly basis.

Our consideration of internal control would not necessarily disclose all control deficiencies in the internal control and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

*Report on Financial Statements*

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Northwest Indiana Regional Development Authority, and our report dated April 30, 2018 expressed, in all material respects, the financial statements are fairly stated.

*LWG CPAs & Advisors*

LWG CPAs & Advisors  
Indianapolis, Indiana  
April 30, 2018



April 30, 2018

Board of Directors  
Northwest Indiana Regional Development Authority  
9800 Connecticut Drive  
Crown Point, IN 46307

We have audited the financial statements of the Northwest Indiana Regional Development Authority for the year ended December 31, 2017 and have issued our report thereon dated April 30, 2018. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States and Government Auditing Standards

As communicated in our engagement letter dated February 15, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility as prescribed by professional standards, is to plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements 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 entity's internal control over financial statement. Accordingly, as part of our audit, we considered the internal control of the Northwest Indiana Regional Development Authority solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. In addition, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we assessed the risk that noncompliance with certain provisions of laws, regulations, contracts, and grants could cause the financial statements to be materially misstated. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have provided our comments regarding significant control deficiencies and other matters noted during our audit in a separate letter to you dated April 30, 2018.

### Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

### Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

### Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Northwest Indiana Regional Development Authority is included in Note 1 to the financial statements. There have been no initial selections of accounting policies and no changes in significant accounting policies or their application during 2017. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### Significant Accounting Estimates

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

### Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

### Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule summarizes misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### Disagreements with Management

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

#### Representations Requested from Management

We have requested certain written representations from management that are included in the attached letter dated April 30, 2018.

#### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultation with other accountants regarding auditing and accounting matters.

#### Other Significant Findings or Issues

In the normal course of our professional association with the Northwest Indiana Regional Development Authority, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted on a condition to our retention as Northwest Indiana Regional Development Authority' auditors.

This information is intended solely for the use of the board of directors and management of the Northwest Indiana Regional Development Authority, and is not intended to be and should not be used by anyone other than these specified parties.



LWG CPAs & Advisors  
Indianapolis, Indiana  
April 30, 2018

Client: **9918-001 - Northwest Indiana Regional Development Authority**  
 Engagement **Audit 2017**  
 Period Endin **12/31/2017**  
 Trial Balance **IV-01-1 - TB**  
 Workpaper: **V-01-01 - Adjusting Journal Entries Report**

<b>Account</b>	<b>Description</b>	<b>W/P Ref</b>	<b>Debit</b>	<b>Credit</b>
<b>Adjusting Journal Entries JE # 1</b>		<b>I-01</b>		
To Adjust Retained Earning to proper amount				
150	Reimbursement Receivable		14,600.30	
225	Grants Payable - Current		5,126.76	
593	Brownsfield Assessment		196,143.94	
300	Retained Earnings			215,871.00
<b>Total</b>			<b>215,871.00</b>	<b>215,871.00</b>
<b>Adjusting Journal Entries JE # 2</b>		<b>I-02-01</b>		
To adjust AP for KPMG work done in 2017				
640	Project Specific Consultant		325,782.33	
215	Accounts Payable			325,782.33
<b>Total</b>			<b>325,782.33</b>	<b>325,782.33</b>
<b>Adjusting Journal Entries JE # 3</b>		<b>I-03</b>		
To Adjust Pension Accrual				
199	Deferred Outflow		21,143.00	
221	Deferred Inflow		5,883.00	
799	PERF Contributions		36,587.00	
222	Net Pension Liability			63,613.00
<b>Total</b>			<b>63,613.00</b>	<b>63,613.00</b>
<b>Adjusting Journal Entries JE # 4</b>		<b>N-01</b>		
to adjust accounts receivable and revenue accounts				
120	Account Receivable - Hammond		464,486.00	
136	Account Receivable - East Chicago		106,120.00	
137	Account Receivable - Gary		37,227.00	
138	Accounts Receivable - Lake County		413,412.00	
139	Accounts Receivable - Porter County		875,000.00	
401	Revenue - City of East Chicago			106,120.00
402	Revenue - Lake County			413,412.00
403	Revenue - City of Gary			37,227.00
404	Revenue - City of Hammond			464,486.00
405	Revenue - Porter County			875,000.00
<b>Total</b>			<b>1,896,245.00</b>	<b>1,896,245.00</b>