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February 20, 2009

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

We have reviewed the audit reports prepared by Joe Krnich & Associates, P.C., Independent Public Accountants, for the period January 1, 2006 to December 31, 2007. In our opinion, the audit reports were prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinions, the financial statements included in the reports present fairly the financial condition of the Northwest Indiana Regional Development Authority, as of December 31, 2006 and 2007 and the results of its operations for the periods then ended, on the basis of accounting described in the reports.

The Independent Public Accountants' reports, along with the respective management letters, are 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, 2006**

## TABLE OF CONTENTS

<b>Independent Auditor's Report</b>	<b>1</b>
<b>Financial Statements</b>	
Statement of Financial Position	2
Statement of Activities	3-4
Notes to the Financial Statements	5-9
<b>Supplemental Information</b>	
Schedule of Supporting Services	10
<b>Report On Internal Control Over Financial Reporting, On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards</b>	<b>11-12</b>

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Northwest Indiana Regional Development Authority

We have audited the accompanying statement of financial position of the Northwest Indiana Regional Development Authority as of December 31, 2006 and the related statement of activities for the year then ended. These financial statements are the responsibility of the Organizations's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Accounting Standards issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2006 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2007, on our consideration of the Northwest Indiana Regional Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Crown Point, IN  
March 27, 2007

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**Northwest Indiana Regional Development Authority**  
**Statement of Financial Position**  
**December 31, 2006**

**Assets**

<b>Cash &amp; Cash Equivalents</b>		
Cash in Bank	\$	6,121,221
Investments		33,729,789
Accrued Interest		<u>59,532</u>
<b>Total Current Assets</b>	<b>\$</b>	<b>39,910,543</b>
<b>Fixed Assets</b>		
Furniture & Fixtures (Net)		<u>13,348</u>
<b>Total Fixed Assets</b>		<u>13,348</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>39,923,891</u></b>

**Liabilities & Net Assets**

<b>Current Liabilities</b>		
Accounts Payable		<u>3,453</u>
<b>Total Current Liabilities</b>		3,453
<b>Net Assets</b>		
Unrestricted		20,003,616
Restricted		<u>19,916,822</u>
<b>Total Net Assets</b>		<u>39,920,438</u>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$</b>	<b><u>39,923,891</u></b>

See Notes to Financial Statements

**Northwest Indiana Regional Development Authority**

**Statement of Activities**

**Year Ended December 31, 2006**

**Unrestricted Net Assets**

**Support**

Indiana Finance Authority	\$	2,500,000	
City of East Chicago		3,500,000	
Lake County		3,500,000	
City of Gary		3,500,000	
City of Hammond		3,500,000	
Porter County		3,500,000	
Interest Income		<u>721,911</u>	
Total Support	\$		20,721,911

**Expenses**

**Program Services**

Bus Study	125,000	
RBA - Administrative costs	112,500	
Portage Northside Park Project	<u>153,350</u>	
Total Program Services		390,850

**Supporting Services**

Management	157,827	
Other Expenses	<u>169,618</u>	
Total Supporting Services		327,445

Total Expenses 718,295

Increase In Unrestricted Net Assets 20,003,616

See Notes to Financial Statements

**Northwest Indiana Regional Development Authority**  
**Statement of Activities**  
**Year Ended December 31, 2006**

**Temporarily Restricted Net Assets**

**Support**

Indiana Finance Authority - Airport	20,000,000	
Total Support		20,000,000

**Expenses**

Program Services		
Gary/Chicago Airport	83,178	
Total Program Services	83,178	

Total Expenses		83,178
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Increase in Restricted Net Assets		19,916,822
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<b>Total Increase In Net Assets</b>		39,920,438
<b>Net Assets, Beginning of Year</b>		0
<b>Net Assets, End of Year</b>		\$ 39,920,438

See Notes to Financial Statements

# Northwest Indiana Regional Development Authority

## Notes to the Financial Statements

### A. Summary of Significant Accounting Policies

#### Nature of Activities

The Northwest Indiana Regional Development 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.

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, projects, and facilities, shoreline development projects, and economic development projects in eligible counties.

#### Power and Duties

- Assist in the coordination of local efforts concerning projects
- Assist a commuter district, airport authority, shoreline development commission and regional bus authority in coordinating regional transportation and economic development
- Fund projects identified in the article
- Fund bus services and projects related to bus services (facilities)
- May issue grants, make loans and loan guarantees, issue bonds or enter into a lease of a project
- Must develop a Comprehensive Strategic Development Plan which identifies the following:
  - Projects to be funded
  - Timeline and budget
  - Return on investment
  - Need for ongoing subsidy
  - Expected federal matching funds
  - Submission of plan the Office of Management and Budget before January 1, 2008. The Plan was submitted to OMB on Feb 20, 2007 and was approved by OMB on March 27, 2007. (Subsequent to the date of the Financial Statements)

## 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

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 Northwest Indiana Regional Development Authority (RDA) operates with the highest ethical principals to stimulate a significant rebirth in Northwest Indiana and is a catalyst in promoting the economy to robust world class status.

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 regard to political affiliation, race, or social status
- TRANSPARENT to the public and press as work is done
- EFFICIENT in use of the public's resources
- ACCOUNTABLE for their actions, now and in the future

## Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

## Revenue

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

(In addition, the state provided \$20 million from the toll road lease for 2006 which was restricted for use only on the Gary/Chicago Airport runway expansion project.)

Revenue is ear marked for the 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.

## Functional Expense

Expenses are charged directly to program or management, generally categorized based on specific identification.

## Investment Securities

Investments in marketable securities with readily determinable fair market values are stated at their fair value in the statement of financial position.

### Income Tax Status

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

### Cash

At various times during the year the RDA cash in bank balances exceed the federally insured limits.

### B. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

- The Gary/Chicago International Airport Runway Expansion:  
\$19,916,822

### C. Investment Securities

Investments are stated at fair value and consist of cash bank accounts and Certificates of Deposits.

Harris Bank (4801036791)	\$ (54,876)
Harris Bank (4001036791)	141,891
Chase Bank	6,034,206
Horizon Bank	6,759
Harris - CD	27,700,000
Horizon Bank - CD	<u>6,023,030</u>
	<u>\$39,851,010</u>

Interest earned on these accounts is \$721,911.

### D. Property and Equipment

Property and Equipment consist of the following:

Furniture & Fixtures	\$16,686
Less Accumulated Depreciation	<u>(3,337)</u>
Net Furniture & Fixtures	<u>\$13,349</u>

E. Staff and Payroll

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

F. Tuition Expense

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

G. Leases

The agency has a month to month rental agreement for office space and supply reimbursement. They are currently working on a more permanent rental arrangement.

H. Contingencies and Commitments

As of 12/31/2006:

- The RDA is committed to funding Regional Bus Authority administrative expenses for an additional \$187,500.

Contingent on the approval of the Comprehensive Strategic Development Plan:

- The South Shore will receive \$17.5 million for the purchase of 14 new railcars.

I. Subsequent Events

As of 3/27/2007:

Contingent on the approval of the Comprehensive Strategic Development Plan:

- Gary/Chicago Airport: funded \$5,098,029 million for land acquisition and other costs
- City of Portage Marquette Plan: \$6.4 million approved by Board on 3/20/2007
- East Chicago/Gary Marquette Plan Feasibility Study: \$1.75 million approved by Board on 3/20/2007

**SUPPLEMENTAL INFORMATION**

**Northwest Indiana Regional Development Authority**  
**Supplemental Schedule of Supporting Services**  
**Year Ended December 31, 2006**

**Management**

**Professional Fees**

Legal	\$	35,377
Accounting		6,100
Planning consultant		116,350
Total Professional Fees	\$	<u>157,827</u>

**Other Expenses**

Bank Charges	\$	763
Office Supplies		4,457
Membership dues		30
Depreciation Expense		3,337
Postage		246
Legal notice - newspaper		160
Meeting expense		1,015
Rent		8,230
Salaries & Related Personnel Costs		139,053
Telephone		2,037
Technical Support		671
Travel		7,619
Tuition Reimbursement		2,000
Total Other Expenses	\$	<u>169,618</u>

See Notes to Financial Statements



REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING, ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Northwest Indiana Regional Development Authority

We have audited the financial statements of the Northwest Indiana Regional Development Authority (a nonprofit organization) for the year ended December 31, 2006, and have issued our report thereon dated March 27, 2007. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Northwest Indiana Regional Development Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low levels the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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### Compliance and Other Matters

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

We noted certain matters that we reported to management of the Northwest Indiana Regional Development Authority in a separate letter dated March 26, 2007.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crown Point, Indiana  
March 27, 2007



**Joe Krnich & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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March 26, 2007

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

To the Board of Directors of the Northwest Indiana Regional Development Authority:

In planning and performing our audit of the financial statements of the Northwest Indiana Regional Development Authority, for the year ended December 31, 2006, we became aware of several matters that are opportunities for strengthening internal controls. This letter does not affect our report on the financial statements of Northwest Indiana Regional Development Authority. We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Mr. Sanders and we will be pleased to discuss these comments in further detail at the board meeting scheduled for April 24, 2007.

Our comments are summarized as follows:

**Organizational Structure/Responsibility of Board Members**

The size of the Organization's accounting and administration staff precluded certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

Under well-established principles of nonprofit corporation law, a board member must meet certain standards of conduct and attention in carrying out his or her responsibilities to the organization. Several states have statutes adopting some variation of these duties, which would be used in court to determine whether a board member acted improperly. These standards are usually described as the following:

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- **Duty of Care:** The duty of care describes the level of competence that is expected of a board member. This is usually described as “the care that an ordinarily prudent person would exercise in a like position and under similar circumstances.”
- **Duty of Loyalty:** The duty of loyalty is a standard of faithfulness. A board member must give undivided allegiance when making decisions affecting the organization. This means that a board member can never use information obtained as a member for personal gain, but must act in the best interests of the organization.
- **Duty of Obedience:** The duty of obedience requires board members to be faithful to the organization’s mission. Board members are not permitted to act in a way that is inconsistent with the central goals of the organization, as the public trusts that the organization will manage donated funds to fulfill the organization’s mission.

### **Executive Compensation**

Compensation paid to the Executive Director should be established by the Board of Directors; discussed and documented within the Board minutes each year. Boards have a fiduciary responsibility to develop an understanding of the overall reasonableness of executive compensation. Compensation must reflect the organization’s performance compared to other similar organizations. Some steps to follow are:

- Select measures and goals that match executive responsibilities for the organization’s future.
- Formally evaluate executive performance in relation to preset individual and organizational goals.
- Compensate executives based on goal achievement.
- Closely monitor and regularly review executive compensation arrangements in order to avoid sanctions by the Internal Revenue Service.
- Ensure compensation reasonableness by using comparable and appropriate data sources. The IRS will generally not challenge the reasonableness of compensation if the following three steps are taken:
  - The compensation arrangement must be approved in advance by a disinterested governing board. A disinterested governing board should be composed entirely of individuals who do not have a conflict of interest with respect to the compensation arrangement (i.e., neither the executive whose compensation is being determined nor any of his/her family members may be present during the discussion or participate in the vote.)
  - The governing body must obtain appropriate data as to comparability prior to setting the compensation. Generally, reasonable compensation is defined as what similar persons in similar positions with similar duties at similar organizations are paid. However, the most reliable data is

considered to be a current compensation survey compiled by an independent firm.

- The governing body must adequately document the basis for its determination at the time the determination is made. Adequate documentation is defined as written or electronic records that include the following:
  - The terms of the transaction and date of approval,
  - The members of the governing body who were present on the date of approval, and who voted.
  - The comparability data obtained and relied on , and how the data was obtained, and
  - Any actions taken with respect to board members who had a conflict of interest (for example: were required to leave the room, or abstain from voting).

### **Filing Requirements**

The organization must file an information return for each calendar year with respect to payments made during the calendar year in the course of its trade or business. The information returns include the following:

- Payments to Attorneys: Attorney fees of \$600 or more paid in the course of business must be reported on Form 1099-Misc, box 7. This includes legal fees paid to corporations. This does not include gross proceeds paid to attorneys in connection with legal services in box 14.
- Vendor Services: Payments made by a federal executive agency for any type of vendor services must be reported on Form 1099-Misc, box 7.
- Payments Reportable to Corporations: Payments by federal agencies to corporations are not exempt from the filing requirements. Internal Revenue Code section 6041A(d)(3) provides that payments made for services performed by a corporation are subject to information reporting requirements when the remuneration has been paid to the corporation by a Federal executive agency.

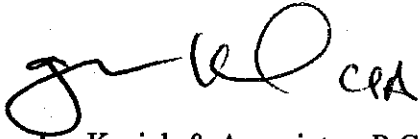
### **Monitoring Recipient Performance**

Although we are not required to search for fraud, our analysis of fraud opportunities indicates that the most significant threat of misappropriation would be at the recipient or project level. The Board should establish formal recipient and project monitoring procedures as well as the use of professional service vendors as needed.

We will be available to perform any additional study of these matters, or to assist you in implementing the recommendations.

We wish to thank Mr. Sanders and Sherri Shabaz for their support and assistance during our audit.

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

A handwritten signature in black ink, appearing to read 'Joe Krnich', with the initials 'CKA' written to the right of the signature.

Joe Krnich & Associates, P.C.  
Crown Point, IN

**NORTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY**  
**FINANCIAL STATEMENTS**  
**December 31, 2007**

## TABLE OF CONTENTS

Independent Auditor's Report	1
Financial Statements	
Statement of Financial Position	2
Statement of Activities	3-4
Statement of Cash Flows	5
Notes to the Financial Statements	6-15
Supplemental Information	
Schedule of Supporting Services	16
Report On Internal Control Over Financial Reporting, On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	17-18



Joe Krnich & Associates, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Northwest Indiana Regional Development Authority

We have audited the accompanying statement of financial position of the Northwest Indiana Regional Development Authority as of December 31, 2007 and the related statement of activities for the year then ended. These financial statements are the responsibility of the Organizations's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Accounting Standards issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2007 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2008, on our consideration of the Northwest Indiana Regional Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Crown Point, IN  
September 25, 2008

One Vision...

One Passion...

One Goal...

INCREASING THE VALUE  
OF YOUR BUSINESS

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RAN ONE member  
building business value

**Northwest Indiana Regional Development Authority**  
**Statement of Financial Position**  
**December 31, 2007 & December 31, 2006**

	2007	2006
<b>Assets</b>		
<b>Cash</b>		
Cash in Bank	\$ 41,963,050	\$ 6,127,980
Certificates of Deposit	0	33,723,030
Accounts Receivable	875,000	0
Accrued Interest	0	59,532
<b>Total Current Assets</b>	42,838,050	39,910,543
<b>Fixed Assets</b>		
Furniture & Fixtures (Net)	23,345	13,348
<b>Total Fixed Assets</b>	23,345	13,348
<b>Total Assets</b>	\$ 42,861,395	\$ 39,923,891

**Liabilities & Net Assets**

<b>Current Liabilities</b>		
Accounts Payable	\$ 23,748	\$ 3,453
<b>Total Current Liabilities</b>	23,748	3,453
<b>Net Assets</b>		
Unrestricted	42,837,647	20,003,616
Restricted	0	19,916,822
<b>Total Net Assets</b>	42,837,647	39,920,438
<b>Total Liabilities &amp; Net Assets</b>	\$ 42,861,395	\$ 39,923,891

See Notes to Financial Statements

**Northwest Indiana Regional Development Authority**  
**Statement of Activities**  
**Years Ended December 31, 2007 & December 31, 2006**

	2007	2006
<b>Unrestricted Net Assets</b>		
<b>Support</b>		
Indiana Finance Authority	\$ 25,000,000	\$ 2,500,000
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
Interest Income	1,674,279	721,911
Total Support	<u>44,174,279</u>	<u>20,721,911</u>
<b>Expenses</b>		
<b>Program Services</b>		
Bus Study	0	125,000
RBA - Administrative costs	150,000	112,500
Lake Front Revitalization, Inc.	70,875	0
NIRPC Household Travel Study	85,200	0
Portage Northside Park Project	3,083,050	153,350
South Shore Railroad	17,500,000	0
NWI Forum	130,000	0
Total Program Services	<u>21,019,125</u>	<u>390,850</u>
<b>Supporting Services</b>		
Salaries & Professional Services	263,725	296,880
Operating Expenses	57,399	30,565
Total Supporting Services	<u>321,123</u>	<u>327,445</u>
Total Expenses	<u>21,340,248</u>	<u>718,295</u>
<b>Increase (Decrease) In Unrestricted Net Assets</b>	22,834,031	20,003,616
<b>Net Unrestricted Assets, Beginning of Year</b>	20,003,616	0
<b>Net Unrestricted Assets, End of Year</b>	<u>\$ 42,837,647</u>	<u>\$ 20,003,616</u>

See Notes to Financial Statements

**Northwest Indiana Regional Development Authority**  
**Statement of Activities**  
**Years Ended December 31, 2007 & December 31, 2006**

	2007	2006
<b>Temporarily Restricted Net Assets</b>		
<b>Support</b>		
Indiana Finance Authority - Airport	\$ 0	\$ 20,000,000
<b>Total Support</b>	<u>0</u>	<u>20,000,000</u>
<b>Expenses</b>		
Program Services		
Gary/Chicago Airport	19,916,822	83,178
<b>Total Program Services</b>	<u>19,916,822</u>	<u>83,178</u>
<b>Total Expenses</b>	<u>19,916,822</u>	<u>83,178</u>
<b>Increase (Decrease) in Restricted Net Assets</b>	-19,916,822	19,916,822
<b>Net Restricted Assets, Beginning of Year</b>	19,916,822	0
<b>Net Restricted Assets, End of Year</b>	<u>\$ 0</u>	<u>\$ 19,916,822</u>

See Notes to Financial Statements

**Northwest Indiana Regional Development Authority**  
**Statement of Cash Flows**  
**For the 12 months Ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Cash Flows From Operating Activities</b>		
Net Income (Loss)	\$ 2,917,209	\$ 39,920,438
Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities:		
Depreciation and Amortization	6,671	3,337
Decrease (Increase) in Operating Assets:		
Accounts Receivable	(875,000)	0
CD Redemption	33,723,030	(33,723,030)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	20,295	3,453
Total Adjustments	<u>32,874,996</u>	<u>(33,716,240)</u>
<b>Net Cash Provided By (Used in) Operating Activities</b>	<b>35,792,205</b>	<b>6,204,198</b>
<b>Cash Flows From Investing Activities</b>		
Capital Expenditures	(16,668)	(16,685)
Accrued Interest	<u>59,532</u>	<u>(59,532)</u>
<b>Net Cash Provided By (Used In) Investing Activities</b>	<b>42,865</b>	<b>(76,218)</b>
<b>Net Increase (Decrease) in Cash And Cash Equivalents</b>	<b>35,835,070</b>	<b>6,127,980</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<u>6,127,980</u>	<u>0</u>
<b>Cash and Cash Equivalents at End of Period</b>	<u><b>\$ 41,963,050</b></u>	<u><b>\$ 6,127,980</b></u>

See Notes to Financial Statements

# Northwest Indiana Regional Development Authority

## Notes to the Financial Statements

### A. Summary of Significant Accounting Policies

#### Nature of Activities

The Northwest Indiana Regional Development 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.

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, projects, and facilities, shoreline development projects, and economic development projects in eligible counties.

#### Power and Duties

- Assist in the coordination of local efforts concerning projects
- Assist a commuter district, airport authority, shoreline development commission and regional bus authority in coordinating regional transportation and economic development
- Fund projects identified in the article
- Fund bus services and projects related to bus services (facilities)
- May issue grants, make loans and loan guarantees, issue bonds or enter into a lease of a project
- Must develop a Comprehensive Strategic Development Plan which identifies the following:
  - Projects to be funded
  - Timeline and budget
  - Return on investment
  - Need for ongoing subsidy
  - Expected federal matching funds
  - The Plan was submitted to OMB on Feb 20, 2007 and was approved by OMB on March 27, 2007.
  - The plan is currently being updated as of Sept. 25, 2008

## 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

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 then the highest annual debt service and lease payment.

## Mission

The Northwest Indiana Regional Development Authority (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 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 regard 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

### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

### Financial Statement Presentation

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

### Use of Estimates

Generally accepted accounting principals require management to estimate some amounts reported in the Financial Statements; actual amounts could differ.

### Revenue

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

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

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

- The Regional Bus Authority – To increase opportunities for senior citizens, the handicapped community and Hoosiers without their own transportation
- The Gary/Chicago International Airport Runway Expansion and EJ&E Railroad Re-Routing Plan - To provide access to Chicago's business districts, Northwest Indiana, and surrounding Midwest states. The 715 acre site has an FAA approved expansion plan adding 320 acres

ensuring long term growth for the airport and the Northwest Indiana economy.

- Commuter Rail Transportation – Plans to extend the South Shore rail line to Lowell and Valparaiso are being reviewed.
- Lake Michigan Shoreline Development – A reinvestment strategy for the Lake Michigan shoreline to provide balance between nature, industry, restoration and redevelopment while reclaiming the shoreline for public access.

Accounts Receivable

At 12-31-2007 the City of Gary was delinquent with one installment of \$875,000 which was received early in 2008.

Functional Expense

Expenses are charged directly to program or management, generally categorized based on specific identification.

Income Tax Status

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

Cash and Cash Equivalents

At various times during the year the RDA cash in bank balances exceed the federally insured limits.

Cash and cash equivalents are stated at fair value and consist of cash bank accounts and Certificates of Deposits.

	2007	2006
Harris Bank (4801036791)	\$ (221,041)	\$ (54,876)
Harris Bank (4001036791)	29,314,639	141,891
Chase Bank	6,451,449	6,034,206
Horizon Bank	6,418,00	6,759
Total	<u>\$41,963,050</u>	<u>\$ 6,127,980</u>
Harris- CD	0	\$27,700,000
Horizon – CD	0	6,023,030
Total	0	<u>\$33,723,030</u>

2007 interest earned on these accounts is \$1,674,279.

2006 interest earned on these accounts is \$721,911.

B. Temporarily Restricted Net Assets

At 12-31-2007, there were no Restricted Assets. All assets are unrestricted.

At 12-31-2006 Temporarily Restricted Net Assets were available for the following purposes:

- The Gary/Chicago International Airport Runway Expansion:  
\$19,916,822

C. Property and Equipment

Property and Equipment consist of the following:

	2007	2006
Furniture & Fixtures	\$33,353	\$16,686
Less Accumulated Depreciation	<u>(10,008)</u>	<u>(3,337)</u>
Net Furniture & Fixtures	<u>\$23,345</u>	<u>\$13,349</u>
Depreciation Expense	<u>\$ 6,671</u>	<u>\$ 3,337</u>

All furniture & equipment is depreciated using the 5-year straight line method.

D. Staff and Payroll

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

E. Tuition Expense

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

F. Leases

The agency has a 1-year rental agreement for office space and supply reimbursement. This agreement is renewable.

G. Projects & Commitments

As of 12/31/2007:

Project Name:	Regional Bus Authority
Nature of Project:	TransSystem Study
Date Awarded:	5/15/2006
Initial Total Project Cost:	\$125,000.00
Add-ons or Change Orders:	N/A
Cost Through 12-31-2007:	\$125,000.00
Percent (%) Complete as of 12-31-2007:	100%
Expected Completion Date:	Complete

Project Name:	Regional Bus Authority
Nature of Project:	Administrative Expenses
Date Awarded:	6/6/2006
Initial Total Project Cost:	\$300,000.00
Add-ons or Change Orders:	N/A
Cost Through 12-31-2007:	\$262,500.00
Percent (%) Complete as of 12-31-2007:	100%
Expected Completion Date:	January 25, 2008

Project Name:	Gary/Chicago International Airport
Nature of Project:	Runway expansion Cable procurement contract from NIPSCO Escrow coverage Bank of New York Reimbursements
Date Awarded:	11/21/2006
Initial Total Project Cost:	\$20,000,000.00
Add-ons or Change Orders:	N/A
Cost Through 12-31-2007:	\$20,000,000.00
Percent (%) Complete as of 12-31-2007:	RDA Responsibility: 100%
Expected Completion Date:	July 27, 2007

Project Name:	Portage Northshore Park
Nature of Project:	Consulting services for Portage lakeshore revitalization
Date Awarded:	12/12/2006
Initial Total Project Cost:	\$448,000.00
Add-ons or Change Orders:	\$375,000.00
Cost Through 12-31-2007:	\$646,000.00
Percent (%) Complete as of 12-31-2007:	100%
Expected Completion Date:	Complete

Project Name:	Portage Northshore Park
Nature of Project:	Construction of Portage Northshore Park
Date Awarded:	12/12/2006
Initial Total Project Cost:	\$4,150,000.00
Add-ons or Change Orders:	\$2,225,000.00
Cost Through 12-31-2007:	\$2,590,000.00
Percent (%) Complete as of 12-31-2007:	Unknown
Expected Completion Date:	October 16, 2008

Project Name:	Portage Northshore Park
Nature of Project:	Construction of Portage Northshore Park
Date Awarded:	12/12/2006
Initial Total Project Cost:	\$4,150,000.00
Add-ons or Change Orders:	\$2,225,000.00
Cost Through 8-28-2008:	\$5,104,981.00
Percent (%) Complete as of 8-28-2008:	Unknown
Expected Completion Date:	October 16, 2008

Project Name:	NIRPC
Nature of Project:	Transportation Study
Date Awarded:	2/23/2007
Initial Total Project Cost:	\$85,200.00
Add-ons or Change Orders:	N/A
Cost Through 12-31-2007:	\$85,200.00
Percent (%) Complete as of 12-31-2007:	100%
Expected Completion Date:	Complete

Project Name:	NICTD
Nature of Project:	11 Train Car Purchase
Date Awarded:	4/2/2007
Initial Total Project Cost:	\$17,500,000.00
Add-ons or Change Orders:	N/A
Cost Through 12-31-2007:	\$17,500,000.00
Percent (%) Complete as of 12-31-2007:	RDA Responsibility: 100%
Expected Completion Date:	2009

Project Name:	Regional Bus Authority
Nature of Project:	Operating Costs
Date Awarded:	6/19/2007
Initial Total Project Cost:	\$6,500,000.00
Add-ons or Change Orders:	N/A
Cost Through 8-28-2008:	\$2,092,897.00
Percent (%) Complete as of 8-28-2008:	Unknown
Expected Completion Date:	September 2009

Project Name:	NWI Forum
Nature of Project:	West Lake Corridor Marketing Study
Date Awarded:	12/27/2007
Initial Total Project Cost:	\$130,000.00
Add-ons or Change Orders:	N/A
Cost Through 12-31-2007:	\$130,000.00
Percent (%) Complete as of 12-31-2007:	100%
Expected Completion Date:	Complete

Project Name:	Lakefront Revitalization, Inc.
Nature of Project:	East Chicago/Gary collaborative effort to restore Lake Michigan shoreline
Date Awarded:	12/27/2007
Initial Total Project Cost:	\$1,150,000.00
Add-ons or Change Orders:	N/A
Cost Through 8-28-2008:	\$406,802.83
Percent (%) Complete as of 8-28-2008:	Unknown
Expected Completion Date:	November 1, 2009

H. Subsequent Projects & Commitments

Thru August 28, 2008:

Project Name:	City of Whiting
Nature of Project:	Lake Michigan shoreline restoration
Date Awarded:	3/25/2008
Initial Total Project Cost:	\$2,563,225.00
Add-ons or Change Orders:	N/A
Cost Through 8-28-2008:	\$614,592.00
Percent (%) Complete as of 8-28-2008:	Unknown
Expected Completion Date:	June 2009

Project Name:	City of East Chicago
Nature of Project:	Shoreline Park Gateway and Community Gateway
Date Awarded:	3/25/2008
Initial Total Project Cost:	\$3,900,000.00
Add-ons or Change Orders:	N/A
Cost Through 8-28-2008:	\$0.00
Percent (%) Complete as of 8-28-2008:	0%
Expected Completion Date:	June 2010

Project Name:	Little Calumet River Basin Development Commission
Nature of Project:	RDA loan to complete the Little Calumet River Flood Control and Recreation project
Date Awarded:	4/10/2008
Initial Total Project Cost:	\$6,000,000.00
Add-ons or Change Orders:	N/A
Cost Through 8-28-2008:	\$1,381,000.00
Percent (%) Complete as of 8-28-2008:	Unknown
Expected Completion Date:	January 2009

<b>Project Name:</b>	<b>City of Valparaiso</b>
<b>Nature of Project:</b>	<b>Local match for 4 bus purchase and parking lot</b>
<b>Date Awarded:</b>	<b>6/17/2008</b>
<b>Initial Total Project Cost:</b>	<b>\$1,862,000.00</b>
<b>Add-ons or Change Orders:</b>	<b>N/A</b>
<b>Cost Through 8-28-2008:</b>	<b>\$0.00</b>
<b>Percent (%) Complete as of 8-28-2008:</b>	<b>0%</b>
<b>Expected Completion Date:</b>	<b>June 2009</b>

<b>Project Name:</b>	<b>Town of Burns Harbor</b>
<b>Nature of Project:</b>	<b>Lake Michigan shoreline revitalization</b>
<b>Date Awarded:</b>	<b>October 1, 2008</b>
<b>Initial Total Project Cost:</b>	<b>\$100,000.00</b>
<b>Add-ons or Change Orders:</b>	<b>N/A</b>
<b>Cost Through 8-28-2008:</b>	<b>\$0.00</b>
<b>Percent (%) Complete as of 8-28-2008:</b>	<b>0%</b>
<b>Expected Completion Date:</b>	<b>Unknown</b>

## SUPPLEMENTAL INFORMATION

**Northwest Indiana Regional Development Authority  
Supplemental Schedule of Supporting Services  
Years Ended December 31, 2007 & December 31, 2006**

2007

2006

**Salaries & Professional Services**

**Professional Fees**

Salaries & Related Personnel Costs	\$ 176,035.35	\$ 139,053.05
Investment Consultant	2,500.00	0.00
Legal	22,935.10	35,377.22
Accounting	20,930.00	6,100.00
Planning Consultant	41,324.15	116,350.00
Total Salaries & Professional Services	<u>\$ 263,724.60</u>	<u>\$ 296,880.27</u>

**Operating Expenses**

Bank Charges	\$ 409.00	\$ 762.76
Office Supplies	3,354.99	4,456.79
Membership dues	150.00	30.00
Repairs & Maintenance	260.00	0.00
Depreciation Expense	6,671.00	3,337.00
Job Posting	762.50	0.00
Conferences	845.00	0.00
Postage	828.89	246.47
Legal notice - newspaper	434.75	160.20
Meals & Entertainment	691.44	0.00
Meeting Expense	658.00	1,015.20
Miscellaneous	269.67	0.00
Rent	24,250.00	8,230.45
Telephone	609.50	2,036.78
Technical Support	0.00	670.50
Travel	9,856.14	7,618.71
Tuition Reimbursement	7,347.85	2,000.00
Total Operating Expenses	<u>\$ 57,398.73</u>	<u>\$ 30,564.86</u>

See Notes to Financial Statements



REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING, ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
Northwest Indiana Regional Development Authority

We have audited the financial statements of the Northwest Indiana Regional Development Authority (a nonprofit organization) for the year ended December 31, 2007, and have issued our report thereon dated September 25, 2008. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Northwest Indiana Regional Development Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to relatively low levels the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

One Vision...

One Passion...

One Goal...

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Crown Point, IN 46308-0946  
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800-672-3848  
Fax 219-662-8716  
joekrnich@comcast.net

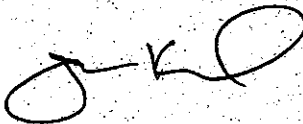
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OF YOUR BUSINESS

### Compliance and Other Matters

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

We noted certain matters that we reported to management of the Northwest Indiana Regional Development Authority in a separate letter dated September 25, 2008.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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Crown Point, Indiana  
September 25, 2008



Joe Krnich & Associates, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

September 25, 2008

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

To the Board of Directors of the Northwest Indiana Regional Development Authority:

In planning and performing our audit of the financial statements of the Northwest Indiana Regional Development Authority, for the year ended December 31, 2007, we became aware of several matters that are opportunities for strengthening internal controls and improving operating efficiencies. This letter does not affect our report on the financial statements of Northwest Indiana Regional Development Authority. We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with Mr. Sanders and we will be pleased to discuss these comments in further detail at the board meeting scheduled for October 1, 2008.

Our comments are summarized as follows:

#### **Organizational Structure/Responsibility of Board Members**

The size of the Organization's accounting and administration staff precluded certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Board of Directors remains involved in the financial affairs of the Organization to provide oversight and independent review functions.

Under well-established principles of nonprofit corporation law, a board member must meet certain standards of conduct and attention in carrying out his or her responsibilities to the organization. Several states have statutes adopting some variation of these duties, which would be used in court to determine whether a board member acted improperly. These standards are usually described as the following:

One Vision...  
One Passion...  
One Goal...

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OF YOUR BUSINESS

 RAN-ONE member  
building business value

- **Duty of Care:** The duty of care describes the level of competence that is expected of a board member. This is usually described as “the care that an ordinarily prudent person would exercise in a like position and under similar circumstances.”
- **Duty of Loyalty:** The duty of loyalty is a standard of faithfulness. A board member must give undivided allegiance when making decisions affecting the organization. This means that a board member can never use information obtained as a member for personal gain, but must act in the best interests of the organization.
- **Duty of Obedience:** The duty of obedience requires board members to be faithful to the organization’s mission. Board members are not permitted to act in a way that is inconsistent with the central goals of the organization, as the public trusts that the organization will manage contributed funds to fulfill the organization’s mission.

#### **General Ledger/Fixed Assets**

The RDA’s general ledger activity is recorded and maintained by an outside accounting service. The ledger is maintained on the “cash” basis of accounting. Although the “cash” basis of accounting may be useful for internal purposes, it is not appropriate for the audited financial statements. The ledger should be maintained in accordance with the audited financial statements. This should be reviewed with the accounting service provider.

The ledger shows purchase of furniture and fixtures as an expense. Most of these items should be capitalized. The RDA does not maintain a detailed listing of these assets. The Authority should establish a capitalization policy which will determine which assets are considered long term. In addition the Authority should go back and reconstruct the fixed asset detailed schedule for 2006 and 2007.

Total Purchases 2006 \$16,686  
Total Purchases 2007 \$16,667

Total Depreciation Expense 2006 \$3337  
Total Depreciation Expense 2007 \$6671

This should be reviewed with the accounting service provider.

### **Federal Tax Exemption**

It is clear that the RDA is exempt from federal income taxation. However it is not clear that the RDA is exempt from federal reporting and filing requirements. Because the RDA is a "one of a kind" entity we recommend that the Authority obtain a written opinion from the Attorney General or other qualified council regarding the exemption from federal reporting requirements.

### **1099 Filing Requirements**

The organization must file an information return for each calendar year with respect to payments made during the calendar year in the course of its trade or business. The information returns include the following:

- **Payments to Attorneys:** Attorney fees of \$600 or more paid in the course of business must be reported on Form 1099-Misc, box 7. This includes legal fees paid to corporations. This does not include gross proceeds paid to attorneys in connection with legal services in box 14.
- **Vendor Services:** Payments made by a federal executive agency for any type of vendor services must be reported on Form 1099-Misc, box 7.
- **Payments Reportable to Corporations:** Payments by federal agencies to corporations are not exempt from the filing requirements. Internal Revenue Code section 6041A(d)(3) provides that payments made for services performed by a corporation are subject to information reporting requirements when the remuneration has been paid to the corporation by a Federal executive agency.

The required 1099s for 2006 and 2007 were not filed. The RDA should review this requirement with the accounting service provider.

### **Sales/Use Tax**

It is not clear if the RDA is subject to or exempt from sales tax on purchases from various vendors. We believe a written opinion from the Attorney General or other qualified council should be obtained.

While conducting our tests of internal controls we discovered some invoices that contained the sales tax and others that didn't. The furniture purchases from Lincoln Office in Illinois did not contain sales tax. If the RDA is subject to sales tax these purchases are subject to use tax and a potential liability exists. Special attention needs to be given to out of state purchases and internet (on-line) purchases with respect to use tax liability.

If the RDA is exempt from sales/use tax the exemption certificate should be provided to all appropriate vendors.

### **Compliance with MBE/WBE**

House Bill 1120 mandates that the RDA shall set a goal for participation by minority business enterprises of fifteen percent (15%) and women's business enterprises of five percent (5%). To date no information has been compiled. We recommend that the RDA track and monitor minority business participation.

### **ROI**

The Authority's strategic plan calls for reporting on Return on Investment (ROI). To date no information has been compiled. We recommend that the Authority compile all data needed to report on ROI.

### **Monitoring Recipient Performance**

Although we are not required to search for fraud, our analysis of fraud opportunities indicates that the most significant threat of misappropriation would be at the recipient or project level. The Board should establish formal recipient and project monitoring procedures as well as the use of professional service vendors as needed.

The Authority has the right to request any and all documents or audits needed to assess the status and progress of the grantee. The authority should establish post approval reporting requirements for each grantee and monitor progress including MBE/WBE compliance and ROI.

### **Accounts Receivable/Late Receipt of Support**

During 2007 Gary, Hammond, East Chicago, and Porter County were all late with support payments. There is a high probability that support payments will continue to be late for the next several years. We understand the difficulty of "strong arming" municipalities when they are financially strapped, however the board should develop a formal policy for handling late payments. In addition, the possibility exists that the City of Gary may not be able to meet its obligations in the very immediate future. A contingency plan should be in place to prevent a domino effect of municipalities withholding payments in budget crisis. Alternate sources of funding should be considered.

### **Financial Statement Audit**

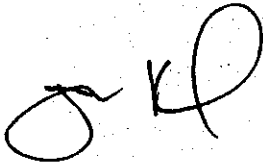
The statutory deadline of April 30 for submission of the Audited Financial Statements was not met for 2006 and 2007. The RDA should have their financial statement audit dates determined well in advance of the year end, so that compliance can be assured by the statutory deadline.

### **Debit/Credit Cards**

While performing tests of internal controls we noted several debit card charges on the bank statement. A more acceptable method of payment would be a credit card as it allows for review and is not immediately posted to the bank account. In either case, written policies should be put in place with respect to use of debit/credit cards.

We wish to thank Mr. Sanders and Sherri Shabaz for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, the Indiana Office of Management and Budget and the State Board of Accounts and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to be 'JK' or similar initials, written in a cursive style.

Joe Krnich & Associates, P.C.  
Crown Point, IN

## Ten Basic Responsibilities of Nonprofit Boards

- **Determine the organization's mission and purpose.** It is the board's responsibility to create and review a statement of mission and purpose that articulates the organization's goals, means, and primary constituents served.
- **Select the Chief Executive.** Boards must reach consensus on the chief executive's responsibilities and undertake a careful search to find the most qualified individual for the position.
- **Provide proper financial oversight.** The board must assist in developing the annual budget and ensuring that proper financial controls are in place.
- **Ensure adequate resources.** One of the board's foremost responsibilities is to provide adequate resources for the organization to fulfill its mission.
- **Ensure legal and ethical integrity and maintain accountability.** The board is ultimately responsible for ensuring adherence to legal standards and ethical norms.
- **Ensure effective organizational planning.** Boards must actively participate in an overall planning process and assist in implementing and monitoring the plan's goals.
- **Recruit and orient new board members and assess board performance.** All boards have a responsibility to articulate prerequisites for candidates, orient new members, and periodically and comprehensively evaluate its own performance.
- **Enhance the organization's public standing.** The board should clearly articulate the organization's mission, accomplishments, and goals to the public and garner support from the community.
- **Determine, monitor, and strengthen the organization's programs and services.** The board's responsibility is to determine which programs are consistent with the organization's mission and to monitor their effectiveness.
- **Support the chief executive and assess his or her performance.** The board should ensure that the chief executive has the moral and professional support he or she needs to further the goals of the organization.

## **Individual Board Member Responsibilities**

- Attend all board and committee meetings and functions, such as special events.
- Be informed about the organization's mission, services, policies, and programs.
- Review agenda and supporting materials prior to board and committee meetings.
- Serve on committees or task forces and offer to take on special assignments.
- Make a personal financial contribution to the organization.
- Inform others about the organization.
- Suggest possible nominees to the board who can make significant contributions to the work of the board and the organization.
- Keep up-to date on developments in the organization's field.
- Follow conflict of interest and confidentiality policies.
- Refrain from making special requests of the staff.
- Assist the board in carrying out its fiduciary responsibilities, such as reviewing the organization's annual financial statements.



Joe Krnich & Associates, PC.  
CERTIFIED PUBLIC ACCOUNTANTS

January 2, 2009

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

Dear Board of Directors,

While performing our audit of the Northwest Indiana Regional Bus Authority (RBA) as of October 31, 2008 an error was discovered on page 13 of the RDA Audit of December 31, 2007 Notes to the Financial Statements. The RDA reported disbursements to the RBA through August 28, 2008 of \$2,092,897. The actual disbursements to the RBA through August 28, 2008, as verified by their audit of October 31, 2008, were \$1,705,397. This is a \$387,500 discrepancy.

This discrepancy was discussed with the RDA and it was confirmed by them that the correct disbursements through August 28, 2008 were \$1,705,397, as reported in the RBA Audit.

The reporting error in the Notes to the Financial Statements has no bearing on the accuracy of the RDA's Audited Financial Statements as of December 31, 2007. This letter is simply intended to make you aware of the reporting inaccuracy in the Notes.

Please do not hesitate to call our office if you have additional questions or concerns.

Very Truly Yours,

Joe Krnich, CPA

One Vision...

One Passion...

One Goal...

INCREASING THE VALUE

OF YOUR BUSINESS

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