2017 ANNUAL REPORT

RDA

REGIONAL DEVELOPMENT AUTHORITY

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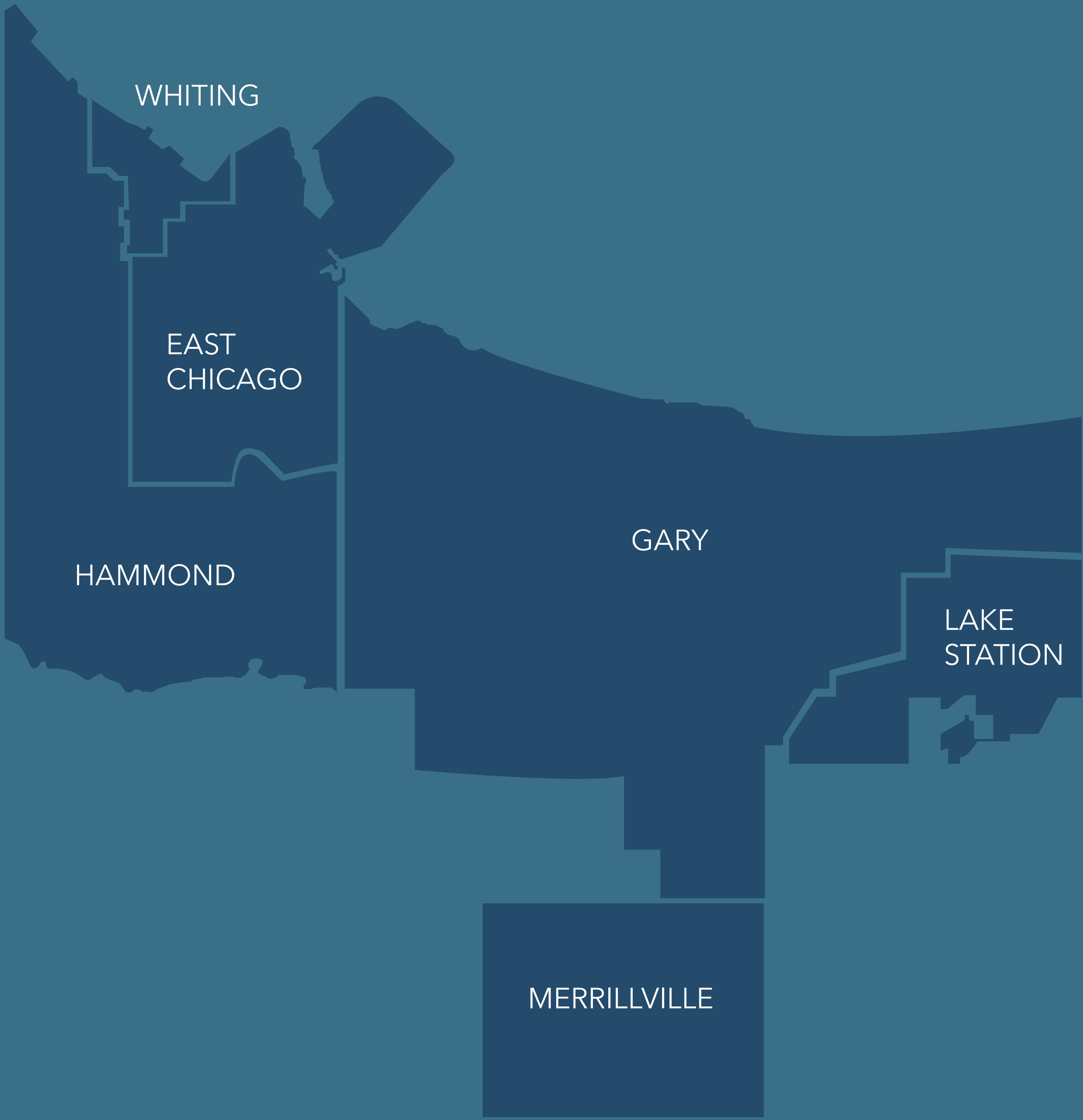
WHITING
EAST CHICAGO
HAMMOND
GARY
LAKE STATION
MERRILLVILLE

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From the Chairman and the President/CEO

Bill Hanna
President and CEO

Donald P. Fesko
Chairman of the Board

On behalf of the Board of Directors and the staff of the Northwest Indiana Regional Development Authority, we are pleased to present our 2017 annual report. This report includes the results of our fiscal 2016 audit.

2017 has been a year of preparation for the RDA. The challenge of recapitalizing the existing **South Shore rail line**, funding the **West Lake Corridor extension,** and **laying the foundations for transit-oriented development (TOD)** is immense. The rail projects alone represent an investment of roughly $900 million in federal, state and local funds, while private development attracted by these transportation improvements is estimated at more than $2 billion over the next twenty years. The Northern Indiana Commuter Transportation District (NICTD) is scheduled to complete the double tracking project on the existing line by 2020, and to have trains running on the new West Lake extension by 2022.

Accordingly, the RDA has pursued multiple parallel tracks in order to meet the goal of transformational change to Northwest Indiana within the next five years. These include the ongoing development of a financing plan for both rail projects as well as public meetings, developer market soundings, and TOD planning to provide local communities with guidance for development.

The RDA made significant financial commitments to commuter rail expansion in the region, In March of 2017, the Board of Directors formally approved $21.6 million in grants to NICTD for costs associated with entering the project development phase of the West Lake Corridor expansion, and for preliminary engineering and environmental work on the double tracking project. In June, the Board approved an ongoing commitment of up to $3 million annually for the next 30 years for the double tracking project. This commitment stands as Lake and Porter counties' portion of the project cost, which are being shared by local governments in the four northern Indiana counties that the South Shore serves: Lake, Porter, LaPorte and St. Joseph.

Earlier this year, the Indiana General Assembly placed a new tool in the RDA toolkit, **the Transit Development District, or TDD.** The intent of the TDD is to leverage new development around South Shore stations to fund further improvements at these locations. While the RDA is empowered to establish a TDD once certain criteria are met, the legislation is clear that they are to be a collaborative effort between the RDA and the communities in which they are set. The RDA has begun the process of forming an advisory commission drawn from communities with stations, and we look forward to being partners in their growth.

In addition to our work on commuter rail and related projects, the RDA approved grant funding for several other items over the past year, including:

• Reallocating $2.5 million from the RDA's now-defunct deal-closing fund to the **city of Hobart.** Originally, a Fortune 50 company had selected Hobart for consideration as a finalist as a site location. Unfortunately, the company decided to hold off on making a commitment to locate in Hobart. However, given the importance of improving the infrastructure in that area to make this a more attractive place for developers and investors, the RDA reallocated the original funding commitment of up to $2.5 million towards improvements to reconstruct 69th Avenue from Colorado Street to Mississippi Street to prepare the street for future commercial/industrial traffic. Hobart has committed more than $2.3 million to the project. Future development in the area could produce 8,000 construction jobs and 2,500 permanent jobs at full build-out.

• Approving a new $6.847 million matching grant to the **city of Valparaiso for expansion of the ChicaGo Dash commuter bus service.** The grant will fund demolition, site cleaning and construction of a new transit center in downtown Valparaiso. This facility would include a ticket office, waiting area, restrooms, convenience retail space, and a second floor operations office. The city hopes to complete the project by summer 2019.

• Approving up to $56,500 for a **comprehensive market and feasibility study on additional convention/exposition space in Northwest Indiana.**

• Granting up to $35,000 to the Northwestern Indiana Regional Planning Commission (NIRPC) for technical, facilitation, and account support for the **Northwestern Indiana Brownfield Coalition project**. NIRPC has worked with the RDA to create, maintain, and grow the project and has served in the role as Assistant Project Manager for the past two years. Funding available through the federal grant for the creation of a Brownfield Program originally funded NIRPC's support. However, that funding is coming to an end and, in order to maintain continuity and the level of expertise on this project, the RDA will extend its engagement with NIRPC for one year.

• Approving the oversight and administration policy for proceeds of the **Gary Urban Enterprise Association (GUEA).** The RDA has worked in conjunction with the City of Gary Redevelopment Commission and Office of the Attorney General for the State of Indiana to reinvest sales proceeds from GUEA back into the community to create a façade improvement rebate program. The Commission will administer the façade improvement rebate program and formally dedicate the escrow account as a fund exclusively for the façade improvement rebate program, subject to the review of the RDA, pursuant to the direction of the Office of the Attorney General for the State of Indiana.

With its economic and geographic advantages, strong quality of life, and optimistic spirit, Northwest Indiana is poised to lead the state in growth and development over the next two decades. The RDA's investments will play the leading role in bringing this about. We will make Northwest Indiana the first choice in suburban Chicago for new and current residents, business, and access to jobs. We will be the best example in the nation for balancing growth with preservation, and exciting and trendy urban and lakefront communities with tranquil rural areas. Our region will be the example of what Hoosier can be when given global opportunities.

Bill Hanna

Bill Hanna
President and CEO

Donald P. Fesko

Donald p. Fesko
Chariman of the Board

TRANSIT ORIENTED DEVELOPMENT

The RDA held several public meetings to help communities plan for transit oriented development.

In late 2016 and early 2017, the RDA held a series of public meetings to better understand what kind of transit oriented development (TOD) communities on the proposed West Lake Corridor would like to see in their neighborhoods. Over the course of this series of meetings, preliminary plans and preferences were established that will help to guide later development along the new line.

The West Lake Corridor Extension Project offers Northwest Indiana a catalytic opportunity to invest in strengthening its ties to the Chicago region's economy, the third-largest in the U.S. The long-term success of the project depends on leveraging this commuter rail service to drive hundreds of millions of dollars of development in proximity to four new commuter stations and boost the economy across Northwest Indiana.

The four station area plans developed each fit their unique context. The Hammond Gateway station – the most intensely developed of the four – is envisioned as a jobs center including office, commercial, retail, and limited residential uses. The South Hammond station proposes an enhanced streetscape with landscaping and wider sidewalks, and builds on the existing low-rise, residential character by adding paired homes and pocket parks. The Munster Ridge Road station includes a variety of land uses with higher density and pedestrian-friendly infrastructure, as well as pocket parks and enhanced open spaces. The Munster/Dyer Main Street features the growth of a new neighborhood with townhomes, multifamily housing, and neighborhood services.

Assuming rail funding is secured in the near future, bringing the development plans from paper to life requires the public sector to "set the table" for private sector development. Attracting private developers to implement these proposed plans requires a predictable marketplace, one that reduces the approval and financing risks faced by developers. Risk reduction focuses on three topics: community support, regulations, and infrastructure funding.

The station area plans were developed with robust community involvement, with each plan being revised multiple times in response to feedback. The master plans include detailed design guidelines for the scale and character of each proposed development area. However, to reduce entitlement risk for the development community, these guidelines should be codified into predictable regulations such as form-based codes. Finally, timely public infrastructure investments in utilities, streets, parks, and other facilities are necessary to catalyze development in each station area. Specifically, the tools needed to fund infrastructure need to be in place and available on a prompt and predictable schedule to realize the TOD vision created by this process.

PLACE TYPES

Part of planning for the potential West Lake Corridor stations is assigning place types by drawing on the Center for Transit Oriented Development (CTOD) and Reconnecting America's publication, "Station Area Planning." The CTOD typologies are a sorting tool and a way to show how the land uses around stations typically span a range of place types. In other words, station areas are made up of a variety of scales, intensities, uses, and building forms, and a one-size-fits-all strategy for station area planning will not be successful. Within each typology there is usually a large variety of place types since the development of station areas is shaped by the local context within which they sit.

The four proposed West Lake Corridor stations generally fit into two of the eight typologies CTOD uses: transit town centers (Hammond Gateway and Munster Ridge Road), and transit neighborhoods (South Hammond and Munster / Dyer Main Street).

Transit Town Centers function as local centers of economic and community activity. Residential densities are usually modest, but there is still a good mix of both multi-family and single-family residential, as well as a mix of retail, smaller-scale employment, and civic uses. Densities are usually noticeably greater within a quarter-mile of transit stations than the half-mile radius. Examples include Prairie Crossing in Grayslake, Illinois; Suisun City in the San Francisco Bay Area, California; Roslindale Village, Winchester and other commuter neighborhoods outside Boston, Massachusetts; and Hillsboro outside Portland, Oregon.

Transit Neighborhoods are primarily residential areas that are served by rail service or high frequency bus lines that connect at one location. Densities are low to moderate and economic activity is not concentrated around stations. There is often not enough residential density to support much local-serving retail, but there are often retail nodes. Transit neighborhoods are found within older urbanized areas that were developed as streetcar suburbs and in more recently developed suburban neighborhoods. Transit neighborhoods can offer significant development opportunities with the potential to provide residents with more housing, retail, employment and mobility options, similar to urban neighborhoods. Densities are usually evenly distributed in the half-mile radius around stations. Examples include Ohlone-Chynoweth outside San Jose, California; Plano, Texas; Barrio Logan in San Diego, California; and Capitol Hill in Washington D.C.

IMMEDIATE IMPACT

The West Lake Corridor rail service will provide a regionally significant commuter transit connection – comparable to many Metra-served communities – thus allowing the station areas in Hammond, Munster, and Dyer to compete throughout the county and the greater region for a wider variety of households, including those that might prefer car-free, fast, and comfortable access to jobs in Chicago. In the long run, the transit service may also influence future location decisions for businesses seeking space in Lake County. Many businesses are finding that to attract and/or retain younger workers, they need to offer multiple options for commuting to work, rather than assuming that most people will drive alone to their jobs.

The introduction of West Lake Corridor rail service will have an immediate impact on the housing markets in Hammond, Munster, and Dyer. The rail service will create demand for living in the station areas, given its connection to jobs in the Chicago Loop and the already residential nature of most station locations.

Developers are likely to start considering slightly higher-density housing product types in the station areas as rail service becomes more of a reality (i.e., as funding is committed and construction timelines are announced). Products could include townhouses, two- to three-story multi-family housing, and limited amounts of higher-density, four- to five-story midrise housing. Housing demand will be accommodated in a variety of product types over time.

In the shorter term, the service and design of the West Lake Corridor line provide little benefit for jobs in Lake County, since the proposed transit stations are not located within or immediately adjacent to existing employment concentrations. Over the long term, however, rail service will benefit office and office/flex uses, and growth in office-based jobs could create an opportunity to target commercial development near stations with the most robust commute-direction rail service.

What is Transit Oriented Development?

Transit-oriented development (TOD) typically refers to compact, walkable development with a range of uses within half a mile of quality public transportation such as a light rail stop, commuter train stop, or Bus Rapid Transit stop. Housing, jobs, shopping, restaurants, and entertainment are a few of the uses appropriate for TOD.

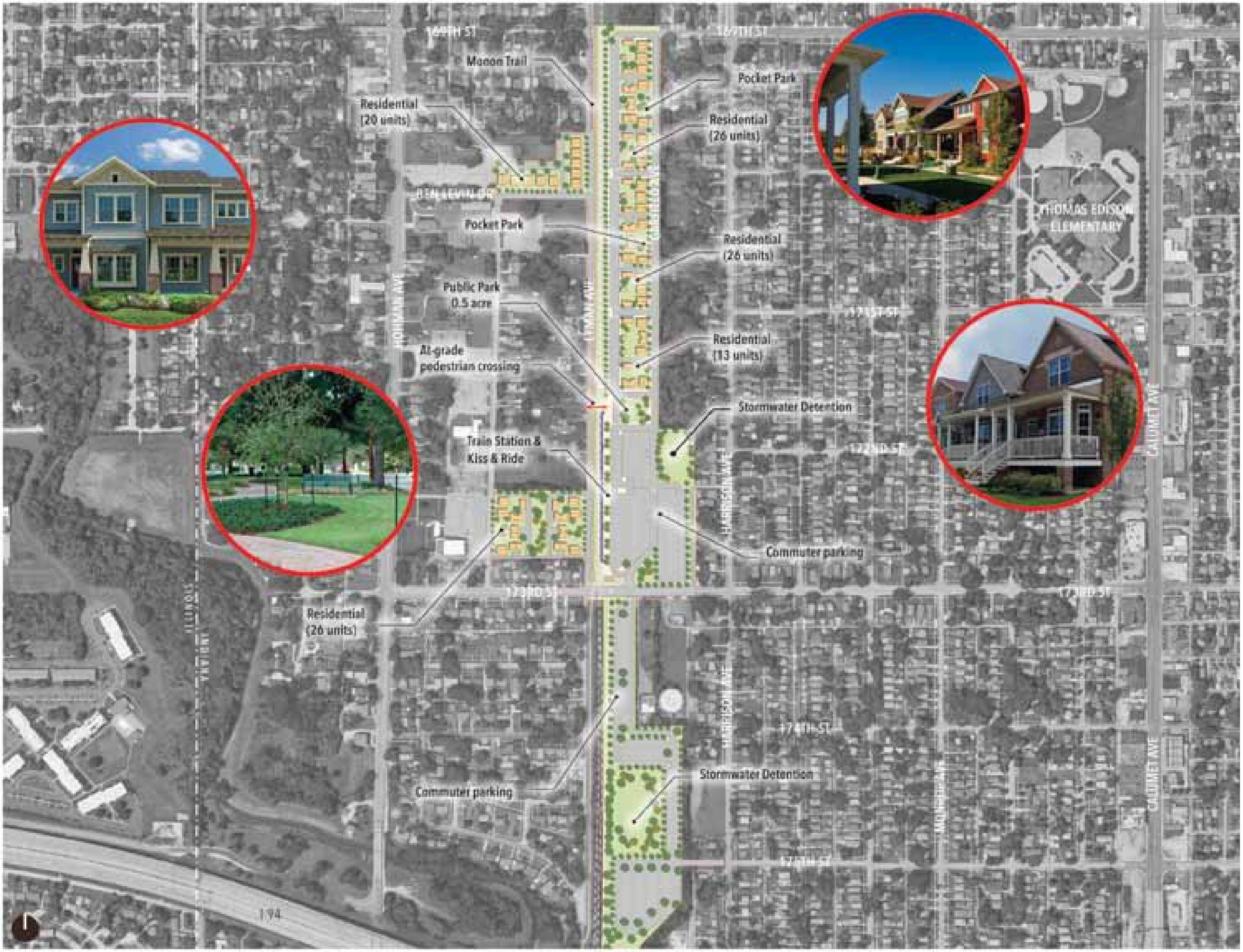
HAMMOND GATEWAY

Envisioned as the densest station in the corridor, Hammond Gateway fits well with the transit town center typology in terms of intensity and use. The typology is characterized by a moderate-density mix of residential, commercial, employment, and civic/cultural uses. Hammond Gateway is envisioned to be the most intensely developed of the four proposed West Lake Corridor stations, and will accommodate a variety of uses including office, commercial, retail, and some residential.

MUNSTER RIDGE ROAD

The TOD working vision for the Munster Ridge Road station includes a variety of land uses with higher density, pedestrian-friendly infrastructure, and new pocket parks and open spaces. Taking advantage of the intersection's high visibility, the intersection of Ridge Road and Manor Avenue is envisioned to transform into a vibrant mixed-use transit core with a variety of multifamily developments as well as commercial retail and services. The station fits well with the transit town center typology, which is characterized by a moderate-density mix of residential, commercial, employment, and civic/cultural uses.

SOUTH HAMMOND STATION

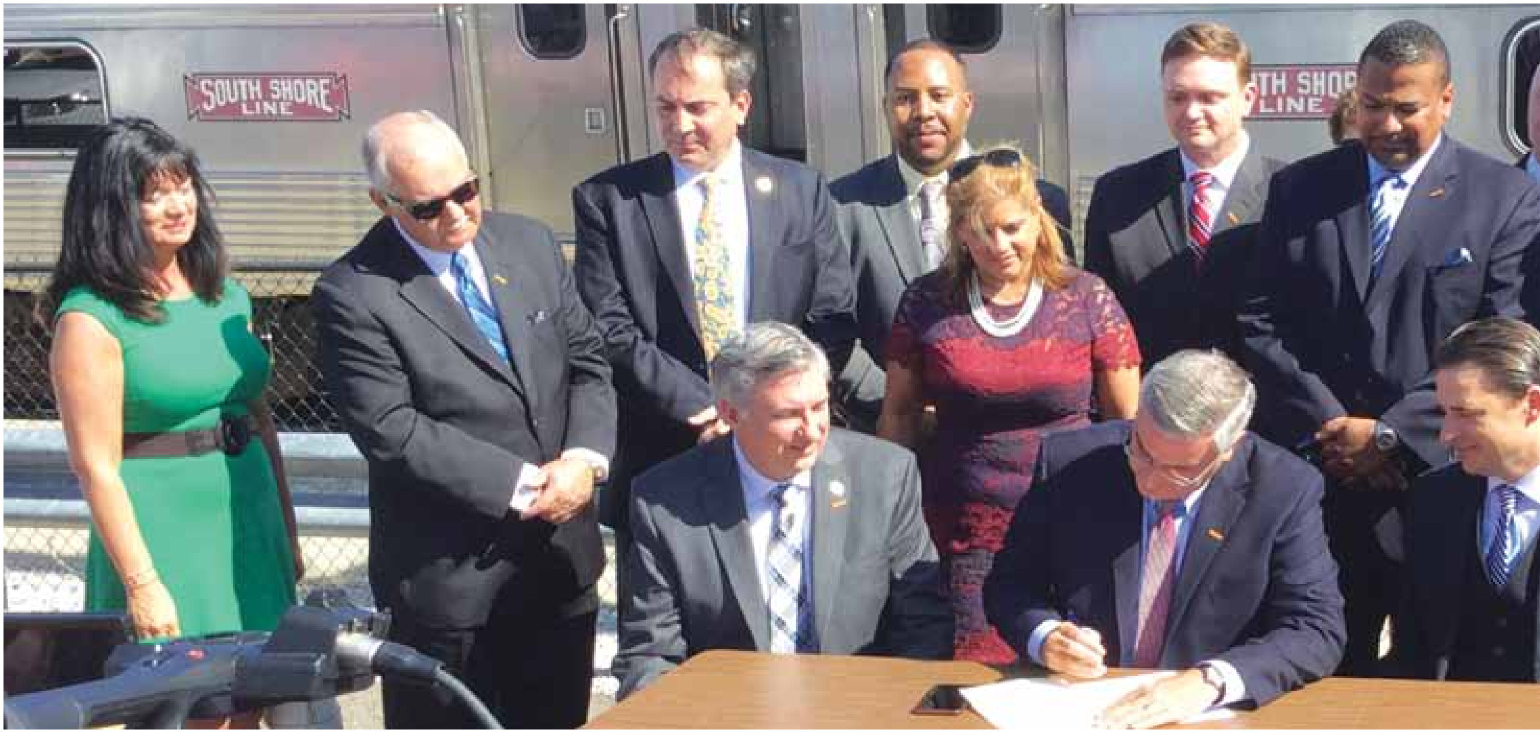


Envisioned as the least dense station in the corridor, South Hammond fits well with the transit neighborhood typology. This typology is characterized by a predominantly residential district organized around a transit station. The TOD working vision for the South Hammond station imagines a limited increase in intensity or change in the existing residential character. With enhanced streetscapes, wider sidewalks, multiuse paths, lighting, and easily accessible pocket parks, the South Hammond station area will be a desirable neighborhood within the City of Hammond.

MUNSTER/DYER STATION

The Munster/Dyer Main Street station area is unique in that it is split between two communities: the Town of Munster and the Town of Dyer. Furthermore, this station is the proposed "end of the line" for the West Lake Corridor Extension. Typically, this means the station will have a larger catchment area of potential commuters. The Munster/Dyer Main Street station area is largely vacant, but surrounded by growing subdivisions of single-family homes. A small retail and office node exists at the intersection of Calumet Avenue and Main Street. Street connections are currently very poor in the station area, although construction of the station will include additional streets.

TRANSIT DEVELOPMENT DISTRICTS



Gov. Eric Holcomb ceremonially signs House Enrolled Act 1144 into law.

In May of 2017, Indiana Governor Eric Holcomb came to Michigan City for a ceremonial signing of House Enrolled Act 1144, a visionary piece of legislation that sets the stage for economic development and growth across northern Indiana.

"Today is truly an exciting day as we continue to harness this incredible potential about to be unleashed in the region," Holcomb said. "It's vital not only to your communities, but really to the entire state."

The bill created a new tool for the RDA to use to multiply the impact of commuter rail expansion in Northwest Indiana, the Transit Development District (TDD). The idea behind the TDD is to accelerate development around new and existing South Shore stations so that local communities can begin reaping the benefits of new investment in the shortest possible time.

"The transit development district is a handshake between the RDA and South Shore rail communities to be complete partners in achieving development outcomes that benefit the community, the region and the state," said RDA President and CEO Bill Hanna. "We can't reach our goals if we don't work together."

Under the TDD model, the RDA and local communities with South Shore stations will work together to establish the boundaries of the district, and what percentage of incremental property tax revenues will be set aside for the RDA to use to fund infrastructure improvements and incentives in the district. A steering committee with representatives from all communities that are, or will be, home to South Shore stations is being established to guide this development.

Such local guidance will be important to the TDDs' success. "The new legislation explicitly states that the RDA does not usurp local government control of planning and zoning," Hanna noted. "Any projects will still need the approval of local redevelopment commissions."

By allowing the RDA to fund development

in a TDD, communities free up their own local redevelopment and infrastructure improvment dollars for elsewhere around town. Communities can also apply to the RDA for reimbursement for any of their own funds used for infrastructure improvements in a TDD.

"On behalf of the staff and Board of Directors of the RDA, I'd like to express my thanks to Gov. Holcomb, all the members of Northwest Indiana delegation - especially Rep. Hal Slager - and all the local business and civic leaders who worked so hard over the past few months to make this happen," Hanna said. "South Shore expansion and station development will bring thousands of new people and jobs to Northwest Indiana over the next two decades, and what they have done will enable us to make the region into an economic engine for the entire state of Indiana. It's a truly ambitious vision, and one I look forward to bringing to fruition."

According to an analysis done as part of the RDA's updated Strategic Plan, the West Lake and double tracking projects will spur $2.3 billion in private transit oriented development around new and existing stations in Lake and Porter counties and Michigan City over the next 20 years. This will double ridership on the South Shore, bring an estimated 11,000 new residents to the region, and create more than 6,000 permanent jobs in Northwest Indiana.

TDD BASICS

What is a Transit Development District and how is it created and managed? Here are the basics:

- A TDD can be established by the RDA in consultation with local government and following two public meetings.
- A TDD can be initially established in a half-mile area around a station.
- The RDA and the local community agree on a percentage of incremental property and income taxes generated within the TDD to be used by the RDA to fund development in the TDD. This percentage is subject to review every three years and the RDA "shall use its best efforts to maximize the amount of local income tax increment revenue and property tax increment revenue that will be distributed to the political subdivisions that would otherwise receive the revenue."
- A TDD does not provide the RDA "with any powers or preempt any authority of a political subdivision having jurisdiction in the district concerning the regulation of property or its uses, including planning and zoning provisions of the political subdivision."
- Any community which could have a TDD can appoint a member to the steering committee that guides development in the districts.
- All TDDs terminate June 30, 2047.

LOCAL CONTRACTOR AND MBE/WBE PARTICIPATION

Work underway at the marina in East Chicago in the summer of 2017.

The Board of Directors of the RDA has set goals of 15% minority-owned business (MBE) and 5% women-owned business (WBE) participation of RDA-funded projects. We have engaged Organizational Development Solutions (ODS) to track and report on the hiring of MBEs, WBEs and local companies on our initiatives. The results of the most recent report on MBE/WBE participation on our active projects through March of 2017, are presented in the table on the opposite page.

Two important caveats about these numbers:

• The RDA does not usually fund the entirety of a project. Typically, our funds are used to match local, federal or private dollars. This "leverage" increases the impact of our investment and allows for projects that otherwise would not have enough money to move forward. As an example, the RDA has provided a total of $50 million for the runway expansion project at the Gary Chicago International Airport. The total cost of the project is $177 million; that other $127 million comes from local and federal funds. The ODS report reflects only how the RDA's investment is being utilized. It does not represent the local or M/WBE participation on the project as a whole.

• Not all companies working on RDA-funded projects have provided the requested information. The majority have, and we are grateful for how far they have gone above and beyond. The data we have requested is not something usually required and so has imposed an extra expense and reporting burden on them. We appreciate their cooperation and we continue to work with our grantees to collect data from their contractors and subcontractors.

The RDA has also established a "buy Indiana" initiative to encourage use of local contractors and workers on RDA-funded projects. In order to be considered an Indiana business, a contractor must meet at least one of four criteria:

• A business whose principal place of business is located in Indiana.

• A business that pays a majority of its payroll (in dollar volume) to residents of Indiana.

• A business that employs Indiana residents as a majority of its employees.

• A business that makes "significant capital investments" in Indiana demonstrating a minimum capital investment of $5 million or more in plan/equipment or annual lease payments of $2.5 million or more.

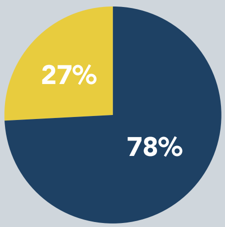
All of the 78 Indiana contractors tracked as of the end of the first quarter of 2017 meet the first three criteria.

As of March 30, 2017, grantees reported the following:

PROJECT	% COMPLETED	AWARD AMOUNT	MBE EXPENDITURES	WBE EXPENDITURES
Hammond Lakefront Phase I	99%	$31,486,500	$624,106 87% of Goal	$5,031,632 315% of Goal
Whiting Lakefront Phase I	100%	$19,455,000	$3,171,961 109% of Goal	$1,425,702 147% of Goal
East Chicago Lakefront Phase II	7%	$12,925,000	$185,076 10% of Goal	$145,026 22% of Goal
East Chicago Shoreline Gateway	72%	$3,900,000	$774,586 132% of Goal	$222,375 114% of Goal
Porter Lakefront Phase II	85%	$3,337,089	$206,624 46% of Goal	$215,630 145% of Goal
Miller Spotlight	11%	$75,000	$2,582 23% of Goal	$5,416 210% of Goal

Figures are for active projects on which expenditures had begun as of the first quarter of 2017.

BUY INDIANA PROGRAM

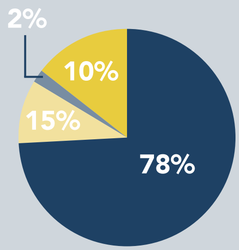


INDIANA CONTRACTORS

CONTRACTORS FROM OUTSIDE THE STATE

74%

of contractors working on RDA-funded projects as of the end of Q1 2017 were **Indiana contractors**.



LOCAL CONTRACTOR BREAKDOWN BY COUNTY

LAKE COUNTY

PORTER COUNTY

LAPORTE COUNTY

OTHER

2016 Independent Auditors' Report

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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 net position as of December 31, 2016 and 2015, and the related statements of revenue, expenditures, changes in net position, 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.

Auditor's 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, 2016 and 2015, 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

Accounting principles generally accepted in the United States of America require that that management's discussion and analysis information on pages 4-11 and the retirement plan schedule of proportionate share of pension liability and schedule of contributions on pages 31-32 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 supplementary information in accordance with auditing standards generally accepted in the Unites State of America, 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 33) 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, 2016 and 2015, 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 13, 2017 expressed an unmodified opinion.

LWG CPAs & Advisors
Indianapolis, Indiana
April 13, 2017

Management's Discussion and Analysis

Years Ended December 31, 2016, 2015 and 2014

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

FINANCIAL HIGHLIGHTS

2016

• Operating revenues for 2016 increased from $22,500,000 to $23,500,000 due to State of Indiana funding increasing their contributions by $1,000,000 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.

2014

• Operating revenues for 2014 of $27,500,000 remained constant compared to fiscal year 2013.
• Operating revenues for 2014 of $30,644,008 increased by $28,771,040 compared to fiscal year 2013. This increase is primarily due to the Authority providing grants to the private businesses for economic development in addition to awarding funds to municipalities.
• Non-operating revenue for 2014 of $901,544 increased by $763,253 compared to fiscal year 2013. This increase is due to the Authority receiving more federal funding from the Environmental Protection Agency to fund the Great Lakes Restoration Initiative in Gary, Indiana as well as the Authority receiving more state funding from the State of Indiana for a trauma feasibility study.

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 assets. The increase or decrease in net assets may serve as an indicator, over time, whether the Authority's financial position is improving or deteriorating. However, the consideration of other non-financial factors such as changes within the Northwest Indiana community may be necessary in the assessment of overall financial position and health of the Authority.

The *Statements of 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 15.

In addition to the financial statements, this report includes Additional Information. Required additional information begins on page 31 and is related to the Authority's participating in the public Employer's Retirement Fund. The additional information continues to present the 2016 Supplemental Schedule for Supporting Services on page 33.

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 has secured funding from the State of Indiana for $6,000,000 for fiscal year ending June 30, 2016 (House Enrolled Act No. 1001). The funding was not received as of December 31, 2016 but is expected to be collected by the Authority. In 2015 the State of Indiana provided $5,000,000 of funding to the Authority. In 2014 the State of Indiana provided $10,000,000 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.

A comparative condensed summary of the Authority's net assets at December 31, 2016, 2015, and 2014 is as follows:

	2016	2015	2014
Current assets	$89,990,741	$87,856,140	$83,549,499
Property and equipment			
Furniture & Fixtures, net	1,250	1,929	2,608
Long-term assets	11,325,000	500,000	1,190,000
Total assets	101,316,991	88,358,069	84,742,107
Deferred Outflows of Resources	152,784	56,704	-
Current liabilities	20,517,413	14,561,811	26,988,460
Long term liabilities	342,124	224,426	-
Total liabilities	20,859,537	14,786,237	26,988,460
Deferred inflows of resources	35,993	44,623	-
Net position	$80,574,245	$73,583,913	$57,753,647

2016

Long-term assets increased by $11,373,062 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.

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.

2014

Current assets decreased by $5,204,745 primarily due to a decrease in accounts receivables and a decrease in notes receivables as compared to fiscal year 2013. There was also a decrease in cash and cash equivalents as compared to fiscal year 2013 primarily due to a decrease in fee revenue for 2014.

The 2014 decrease in current liabilities of $3,899,300 was due to a decrease in accounts payable, accrued expenses and grants payable due within one year. This is primarily due to the Authority paying down grant awards as well as not awarding grants in large amounts as in prior years.

The 2014 long-term assets decreased due to the outstanding loan to the Little Calumet River Basin Development Commission being repaid in the second installment in July 2014 in the amount of $1,460,000.

CHANGES IN NET POSITION

	2016	2015	2014
Operating revenues	$23,500,000	$22,500,000	$27,500,000
Operating expenses	17,253,506	6,628,173	30,644,268
Operating income	6,246,494	15,871,827	(3,144,268)
Non-operating revenue	743,838	160,062	901,544
Period Restatement	-	17	16,600
Change in net assets	$6,990,332	$16,031,906	$(2,226,124)

2016
Operating revenues for 2016 increased by $1,000,000 due to funding from the State of Indiana increasing in 2016.

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

2014
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.

OPERATING EXPENSES

	2016	2015	2014
Salaries and wages	$662,948	$726,917	$662,143
Professional fees	1,296,442	626,598	625,618
Program Services	15,200,955	5,118,791	29,248,826
Other	93,161	155,867	107,681
Total operating expenses	$17,253,506	$6,628,173	$30,644,268

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.

2014
The increase in salaries and wages of $105,765 in 2014 was due to a prepayment for payroll services being made to the State Budget Agency in the amount of approximately $71,000 in December 2014. The increase was also due to an accrual of approximately $46,000 being made for accrued payroll and vacation. Finally, the increase in salaries and wages resulted from staff cost of living adjustments.

The increase in professional fees in 2014 of $32,379 is due to the Authority's increased use of project planning and due diligence services.

CHANGES IN CASH FLOWS

	2016	2015	2014
Cash from activities:			
Operating	$8,828,367	$5,542,496	$(3,762,049)
Investing	(11,506,755)	1,050,421	127,718
Financing	-	-	-
Net change in cash	(2,678,388)	6,592,917	(3,634,331)
Cash:			
Beginning of the year	80,667,674	74,074,757	77,709,088
End of the year	$77,989,286	$80,667,674	$74,074,757

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.

2014

As of December 31, 2014, the Authority's available cash of $75,534,756 decreased by $2,174,331 compared to December 31, 2013. This decrease in cash is due to the increase in accounts receivable from the City of Hammond's decreased installment payments to the Authority

FACTORS BEARING ON THE FUTURE

During 2017, the Authority has awarded one new grant, Legacy Foundation in the amount of $75,000. The Authority will continue to entertain funding applications from its targeted investment areas.

REQUESTS FOR INFORMATION

During 2017, the Authority has awarded one new grant, Legacy Foundation in the amount of $75,000. The Authority will continue to entertain funding applications from its targeted investment areas.

Portage Lakefront & Riverwalk

Northwest Indiana Regional Development Authority

Statement of Financial Position

December 31, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
• Cash and cash equivalents	$79,449,286	$82,127,674
• Accounts receivable	8,794,679	5,014,194
• Interest receivable	48,062	-
• Note receivable - due within one year	500,000	690,000
• Prepaid expenses	8,714	24,272
• Current portion of bond receivable	1,190,000	-
Total current assets	**$89,990,741**	**$87,856,140**
Property and equipment		
• Furniture, fixtures & leasehold improvements	49,157	49,157
• Accumulated depreciation	(47,907)	(47,228)
Total property and equipment (net)	**$1,250**	**$1,929**
Long-term assets		
• Bond receivable	11,325,000	-
• Note receivable	-	500,000
Total long-term assets	11,325,000	500,000
Total assets	**$101,316,991**	**$88,358,069**
DEFERRED OUTFLOWS OF RESOURCES		
• Pension costs	152,784	56,704
Total deferred outflows of resources	152,784	56,704
LIABILITIES		
Current liabilities		
• Accounts payable and accrued expenses	169,010	83,224
• Accrued vacation	49,044	44,434
• Grants payable	20,299,359	14,434,153
Total current liabilities	**$20,517,413**	**$14,561,811**
Non-current liabilities		
• Net pension liability	342,124	224,426
Total liabilities	**$20,859,537**	**$14,786,237**
DEFERRED INFLOWS OF RESOURCES		
• Pension costs	35,993	44,623
Total deferred inflows of resources	**$35,993**	**$44,623**
NET POSITION		
• Unrestricted	80,574,245	73,583,913
Total net position	**$80,574,245**	**$73,583,913**

The accompanying notes are an integral part of these statements.

Northwest Indiana Regional Development Authority

Statement of Activities and Changes in Net Position

Year Ended December 31, 2016 and 2015

		2016	2015
UNRESTRICTED NET ASSETS			
SUPPORT	Indiana Finance Authority	$6,000,000	$5,000,000
	City of East Chicago	3,500,000	3,500,000
	Lake County	3,500,000	3,500,000
	City of Gary	3,500,000	3,500,000
	City of Hammond	3,500,000	3,500,000
	Porter County	3,500,000	3,500,000
	Total Support	**$23,500,000**	**$22,500,000**
EXPENSES			
PROGRAM SERVICES	Hammond New York Avenue	-	200,000
	NICTD-DEIS Study	323,608	1,100,000
	Hoist Manufacturing	-	3,500,000
	Southlake County Community Service	-	318,791
	City of East Chicago	12,935,000	-
	Pratt Paper	1,400,000	-
	Brownsfield RLF Loan	388,000	-
	West Lake TOD Planning	154,347	-
	Total Program Services	**$15,200,955**	**$5,118,791**
SUPPORTING SERVICES	• Salaries & professional services	1,959,390	1,353,515
	• Operating expenses	92,482	155,188
	Total Supporting Services	**$2,051,872**	**$1,508,703**
	• Depreciation expense	679	679
	Total Expenses	**$17,253,506**	**$6,628,173**
NON-OPERATING REVENUE			
	• Federal grants	353,468	29,641
	• Brownfield assessment	24,065	-
	• Interest income	366,305	130,421
	Total Non-Operating Revenue	**$743,838**	**$160,062**
	Change in Net Position	**$6,990,332**	**$16,031,889**
	Net-Position - Beginning of Year (Restated)	**$73,583,913**	**$57,552,007**
	• Period reinstatment	-	17
	Net Position - End of Year	**$80,574,245**	**$73,583,913**

The accompanying notes are an integral part of these statements.

Statement of Cash Flows

	2016	2015
Cash flows from operating activities		
• Fee revenue	$20,097,048	$24,515,447
• Payments to grantees	(9,335,749)	(17,570,760)
• Payments to suppliers and employees	(1,932,932)	(1,402,191)
Net cash provided (used) by operating activities	**$8,828,367**	**$5,542,496**
Cash flows from investing activities		
• Long term bonds issued	(13,100,000)	-
• Bond repayments	585,000	-
• Note receivable repayment	690,000	920,000
• Investment interest income	318,245	130,421
Net cash provided (used) by investing activities	**$(11,506,755)**	**$1,050,421**
Net change in cash and cash equivalents	(2,678,388)	6,592,917
Cash and cash equivalents, beginning of year	82,127,674	75,534,757
Cash and cash equivalents, end of year	**$79,449,286**	**$82,127,674**

RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES:

	2016	2015
Change in net position	$6,990,332	$16,031,906
Interest income	(366,305)	(130,421)
Depreciation expense	679	679
Decrease (increase) in assets		
• Accounts receivable	(3,780,485)	1,985,806
• Prepaid expenses	15,558	70,470
Increase (decrease) in liabilities		
• Net pension liability	12,988	10,705
• Accounts payable and other accruals	90,396	25,337
• Grants payable	5,865,204	(12,451,986)
Net cash provided (used) by operating activities	**$8,828,367**	**$5,542,496**

The accompanying notes are an integral part of these statements.

Supplemental Schedule for Supporting Services

	2016	2015
SALARIES & PROFESSIONAL SERVICES		
Accounting	$29,890	$43,110
Advertising	-	(265)
Federal/State/compliance consultant	294,281	258,321
Financial Advisor	102,614	127,857
Human resources consultant	6,000	10,300
Legal	337,928	88,994
Planning consultant	-	-
Project specific consultant	-	13,366
Public awareness and education	40,031	41,549
Salaries and related personnel costs	662,948	726,917
Special consultant	485,698	43,366
Total Salaries & Professional Services	**$1,959,390**	**$1,353,515**
OPERATING EXPENSES		
Bank charges	$645	$325
Fees and licenses	-	2,500
Insurance	-	42,744
Meals and entertainment	6,200	5,587
Office supplies	10,379	4,258
Postage	110	279
Professional development	15	205
Rent	46,987	46,337
Telephone and fax services	4,761	4,900
Travel	9,997	32,901
Tuition reimbursement	13,388	15,152
Total Operating Expenses	**$92,482**	**$155,188**
Total Supporting Services Expenses	**$2,051,872**	**$1,508,703**

The accompanying notes are an integral part of these statements.

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

Non-Exchange Transactions – Governmental Accounting Standards Board ("GASB") No. 33 defines a 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.

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

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

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

• 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.

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 2016, the RDA received $377,533 of federal funds related to Brownfield and West Lake.

Accounts Receivable – During 2016, these costs were reimbursed by the state and no further costs were incurred for the year. At December 31, 2016, the total outstanding receivables totaled $8,794,679. The outstanding receivables were as follows:

City of Gary	$425,636
City of Hammond	2,039,795
East Chicago	329,248
State of Indiana	6,000,000
Total	**$8,794,679**

In accordance with IC 8-15-2-14.7 and IC 36-7.5-4-2, the City of Gary's delinquency could result in the State of Indiana no longer making payments to the RDA. At the time of the issuance of the financial statements, there were no indications that the State of Indiana had such intention.

Prepaid Expenses – Prepaid expenses represent payments to vendors 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.

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.

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.

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 thirty-six (36) 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, 2016 was $45,126. The RDA has chosen to renew the lease term which will expire June 30, 2017. The monthly lease amount, which is due at the beginning of each month, is $3,798. The remaining obligation due for the rental agreement is $22,788.

(2) CONCENTRATIONS

At December 31, 2016 and 2015, $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, 2016 and 2015, 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, 2016 and 2015 was $679. Property and equipment at year end consist of the following:

	2016	2015
Furniture and fixtures	$37,655	$37,655
Leasehold improvements	11,502	11,502
Accumulated depreciation	(47,907)	(47,228)
Total property and equipment, net	**$1,250**	**$1,929**

(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.

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 $342,124 and $224,426 at December 31, 2016 and 2015, 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, 2015 and 2014, the Authority's proportion was 0.0000840 and 0.0000854, respectively.

For the years ended December 31, 2016 and 2015, the Authority recognized pension expense of $63,121 and $56,999, respectively. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Changes in proportion and differences between employer contributions and proportionate share of contributions	$25,932	$3,110
Difference 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	25,559	-
Total	**$152,784**	**$35,993**

At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: add graph here

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Changes in proportion and differences between employer contributions and proportionate share of contributions	$36,230	$ -
Difference between expected and actual experience	-	1,007
Net difference of projected and actual investment earnings	-	43,616
Contribution subsequent to the measurement date	20,474	-
Total	**$56,704**	**$44,623**

As of December 31, 2016 and 2015, $25,559 and $20,474 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 of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

YEAR ENDING DECEMBER 31	
2017	$(30,733)
2018	(30,733)
2019	(15,345)
2020	(14,421)
Total	**$(91,232)**

The total pension liability in the June 30, 2015 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.

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	$ 504,662	$342,124	$207,187

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. Providing that no "fiscal emergency" [as defined in IC 14-13-2-18.6(g)] exists for the Commission, the remaining repayment schedule is as follows: July 1, 2017, $500,000. The amount due to the Authority from the Little Calumet River Basin Development Commission at December 31, 2016 and 2015 was $500,000 and $1,190,000 respectively.

(6) BOND RECEIVABLE

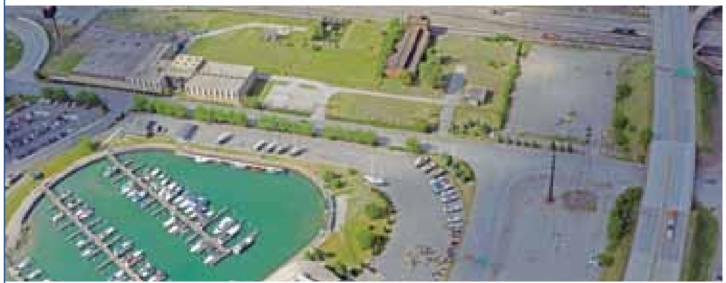
In 2016, the RDA agreed to loan $13.100.000 to the City of Gary, Indiana. The amount due to the Authority from the City of Gary at December 31, 2016 and 2015 was $12,515,000 and $0 respectively.

YEAR ENDING DECEMBER 31	Principal	Interest
2017	$1,190,000	$244,100
2018	1,220,000	219,850
2019	1,250,000	195,050
2020	1,280,000	169,750
2021	1,305,000	144,000
Thereafter	6,270,000	314,721
Total	**$12,515,000**	**$1,287,471**

(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 $20,299,359 at December 31, 2016 as follows:

TEC AIR	
Nature of Project	Other - Deal Closing
Date Awarded	4/3/14
Initial Total Project Cost	$2,450,000
Add-ons or Change Orders	N/A
Cost Through 12-31-2015	$2,446,700
Remaining Balance at 12-31-2015	$3,300
Percent (%) Complete as of 12-31-2015	100%



WATER FILTRATION PLANT DEMOLITION	
Nature of Project	Shoreline Restoration
Date Awarded	11/13/08
Initial Total Project Cost	$1,980,000
Add-ons or Change Orders	N/A
Cost Through 12-31-2015	$225,000
Remaining Balance at 12-31-2015	$1,755,000
Percent (%) Complete as of 12-31-2015	11%

PORTER GATEWAY TO THE DUNES (GRANT 2)

Nature of Project	Shoreline Restoration
Date Awarded	7/7/11
Initial Total Project Cost	$3,915,000
Add-ons or Change Orders	N/A
Cost Through 12-31-2015	$3,344,974
Remaining Balance at 12-31-2015	$570,026
Percent (%) Complete as of 12-31-2015	85%

HAMMOND LAKES AREA

Nature of Project	Shoreline Restoration
Date Awarded	1/8/09
Initial Total Project Cost	$31,480,000
Add-ons or Change Orders	N/A
Cost Through 12-31-2015	$31,423,728
Remaining Balance at 12-31-2015	$56,272
Percent (%) Complete as of 12-31-2015	100%

NICTD

Nature of Project	Surface Transportation - Commuter Rail
Date Awarded	5/7/13
Initial Total Project Cost	$275,000
Add-ons or Change Orders	N/A
Cost Through 12-31-2015	$247,557
Remaining Balance at 12-31-2015	$27,443
Percent (%) Complete as of 12-31-2015	90%

MODERN FORGE

Nature of Project	Other - Deal Closing
Date Awarded	9/18/14
Initial Total Project Cost	$2,000,000
Add-ons or Change Orders	N/A
Cost Through 12-31-2015	$1,968,750
Remaining Balance at 12-31-2015	$31,250
Percent (%) Complete as of 12-31-2015	98%

SHORELINE AND DEMOLITION

Nature of Project	Shoreline
Date Awarded	7/18/14
Initial Total Project Cost	$17,495,000
Add-ons or Change Orders	N/A
Cost Through 12-31-2015	$12,740,134
Remaining Balance at 12-31-2015	$4,754,866
Percent (%) Complete as of 12-31-2015	73%

SHORELINE AND DEMOLITION PHASE II

Nature of Project	Shoreline
Date Awarded	9/22/16
Initial Total Project Cost	$12,935,000
Add-ons or Change Orders	N/A
Cost Through 12-31-2015	$0
Remaining Balance at 12-31-2015	$12,935,000
Percent (%) Complete as of 12-31-2015	0%

RLF LOAN

Nature of Project	Other - Deal Closing
Date Awarded	12/22/14
Initial Total Project Cost	$160,000
Add-ons or Change Orders	N/A
Cost Through 12-31-2015	$5,211
Remaining Balance at 12-31-2015	$154,789
Percent (%) Complete as of 12-31-2015	3%

WEST LAKE TOD PLANNING

Nature of Project	Other - Deal Closing
Date Awarded	12/22/14
Initial Total Project Cost	$40,000
Add-ons or Change Orders	N/A
Cost Through 12-31-2015	$28,587
Remaining Balance at 12-31-2015	$11,413
Percent (%) Complete as of 12-31-2015	71%

(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) SUBSEQUENT EVENTS

During 2017, the Authority has awarded one new grant, Legacy Foundation in the amount of $75,000.

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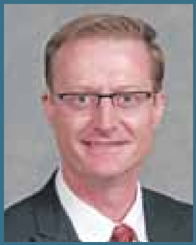
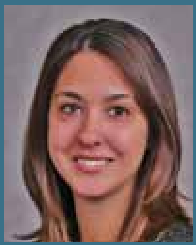


Bill Hanna, President and Chief Executive Officer

Bill Hanna is President and CEO of the RDA. Prior to his current assignment, Hanna was the City Manager for the City of Valparaiso for three years, the Economic Development Director for Valparaiso and Vice President of the Valparaiso Economic Development Corporation. Hanna earned his Juris Doctor from Valparaiso University, his MBA from National-Louis University in Chicago, and his Bachelor's degree in Organizational Management and Human Resources from Colorado Christian University. His military career in the U.S. Army as a paratrooper from 1995 to 1999 included membership in the Army's Official Presidential Escort and service as the Head Trainer/Guard at the Tomb of the Unknown Soldier in Washington, D.C.

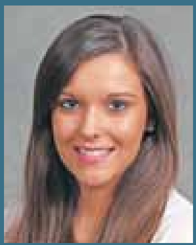


Sherri Ziller, Chief Operating Officer

Sherri Ziller, a lifelong resident of Northwest Indiana, was named Chief Operating Officer of the RDA in 2012, responsible for day-to-day operations, strategic planning and fiscal management of the organization. Previously she was the organization's Finance and Grants Manager. Ziller has been with the RDA since its inception in the spring of 2006 and provides leadership to our efforts to maximize the economic development and redevelopment potential throughout the region, increase job creation and develop greater connectivity to Chicago to promote new economic growth statewide. She holds a Master's degree in Education and a Bachelor's in Political Science from Purdue University Calumet.

Jillian Huber, Grants Manager

Jillian Huber serves as the Grants Manager for the RDA. Jillian currently oversees the financial and record-keeping aspects of the RDA grants program and all outside grants received by the RDA. She works closely with the State's internal programs to ensure accurate financial, reporting, and procedural compliance on all grants. She researches external grant opportunities, as well as helps to develop a response to applicable grant solicitations. Jillian helps to set relevant policies and provides technical assistance as required. Jillian also maintains relationships with internal and external partners, and compiles non-financial data for the preparation of reports, compliance requirements, and grant billings. Jillian holds a Master's degree in Public Administration from Capella University, and a bachelor's degree in Labor Studies from Indiana University.

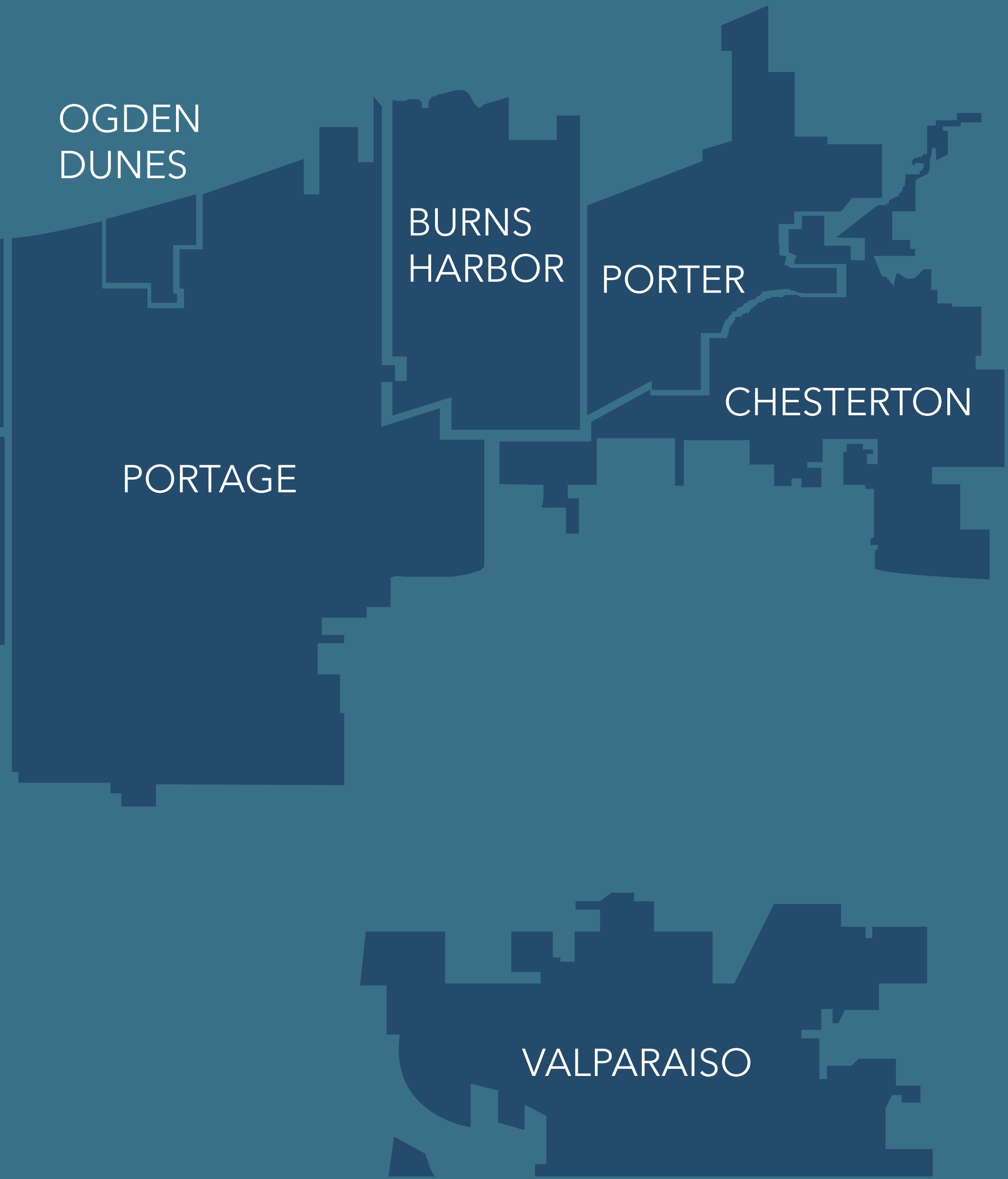


Amy Jakubin, Executive Assistant

Amy Jakubin, a resident of Crown Point, is the Executive Assistant at the RDA. She has been with the organization since 2011. Jakubin works with the President, COO, Board of Directors and staff to provide dedicated administrative support. Jakubin has a Nursing Assistant certification from South Suburban College and is pursuing a Bachelor's in Health Care Administration. Amy also serves as the RDA's Wellness Ambassador to the State of Indiana Employee Wellness Program. The program builds a culture of wellness by communicating Invest in Your Health program options to co-workers by providing constructive program feedback to the Health & Wellness Manager. Amy leads the wellness and initiative program, while striving to build a culture of wellness within the RDA.

David Wellman, Communications Manager

David Wellman joined the RDA in 2012 as Communications Manager. A 20-year business-to-business media veteran, Wellman was previously senior writer for *Building Indiana* magazine. Prior to that, he held various positions ranging from assistant editor to editor-in-chief for a diverse collection of b2b publications, including *Frozen Food Age, Supermarket Business* and *Food & Beverage Marketing*. His work has also appeared in publications such as *Ad Age, Convenience Store News, Tobacco Outlet Business* and the Times of Northwest Indiana. He holds a Bachelor's degree in Journalism from Ohio University.



Credits

Interior Cover Graphic
Mix Design

Layout and Design
Rebekah Hendricks

Board and Staff Photos
Pete Doherty, Doherty Images

Aerial Photography
Air One Aerial Photography

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REGIONAL DEVELOPMENT AUTHORITY

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