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April 29, 2020

Board of Directors  
Southwest Indiana Regional Development Authority  
318 Main St., Suite 400  
Evansville, IN 47708

We have reviewed the audit report of the Southwest Indiana Regional Development Authority, which was opined upon by LWG CPAs & Advisors, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of the Southwest Indiana Regional Development Authority as of December 31, 2019, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts.

The audit report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

# Southwest Indiana Regional Development Authority

## Financial Statements

Years Ended December 31, 2019 and 2018

# SOUTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Southwest Indiana Regional Development Authority

We have audited the accompanying financial statements of the Southwest Indiana Regional Development Authority, which comprise the statements of net position as of December 31, 2019 and 2018, and the related statements of activities and 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.

### *Auditors' Responsibility*

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 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 Southwest Indiana Regional Development Authority as of December 31, 2019 and 2018, 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.

*Report on Internal Control over Financial Reporting*

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Southwest Indiana Regional Development Authority's internal control over financial reporting as of December 31, 2019, 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 17, 2020 expressed an unmodified opinion.

*Other Matters*

Management has omitted the Management's Discussion and Analysis and 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 operation, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated April 17, 2020 on our consideration of Southwest 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Southwest Indiana Regional Development Authority's internal control over financial reporting and compliance.

*LWG CPAs & Advisors*

LWG CPAs & Advisors  
Indianapolis, Indiana  
April 17, 2020

# SOUTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## STATEMENTS OF FINANCIAL POSITION December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
Restricted		
Restricted cash and cash equivalents	\$ 5,270,571	\$ 25,609,757
Accounts receivable	729,110	426,488
<b>TOTAL ASSETS</b>	<b>5,999,681</b>	<b>26,036,245</b>
<b>LIABILITIES</b>		
Accounts payable	-	54,000
Grants payable	5,999,681	25,843,677
<b>TOTAL LIABILITIES</b>	<b>5,999,681</b>	<b>25,897,677</b>
<b>TOTAL NET POSITION - RESTRICTED</b>	<b>\$ -</b>	<b>\$ 138,568</b>

The accompanying notes are an integral part of these statements

# SOUTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## STATEMENTS OF ACTIVITIES Years Ended December 31, 2019 and 2018

	Amount		Percent	
	2019	2018	2019	2018
<b>REVENUES</b>				
Grants received	\$ 1,850,000	\$ 12,713,427	100.0	100.0
<b>EXPENSES</b>				
Program Services	2,053,526	12,397,906	111.0	97.5
Supporting Services				
Management fee	9,450	344,033	0.5	2.7
TOTAL EXPENSES	2,062,976	12,741,939	111.5	100.2
OPERATING INCOME (LOSS)	(212,976)	(28,512)	(11.5)	(0.2)
<b>NONOPERATING REVENUE</b>				
Interest income	74,408	120,555	4.0	0.9
CHANGE IN NET POSITION	(138,568)	92,043	(7.5)	0.7
NET POSITION - BEGINNING OF YEAR	138,568	46,525		
NET POSITION - END OF YEAR	\$ -	\$ 138,568		

The accompanying notes are an integral part of these statements.

# SOUTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## STATEMENTS OF CASH FLOWS Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grant proceeds	\$ 1,547,378	\$ 12,286,939
Payments to grantees	(21,897,522)	(10,179,570)
Payments to management	(63,450)	(425,033)
	<u>(20,413,594)</u>	<u>1,682,336</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest income	74,408	120,555
	<u>74,408</u>	<u>120,555</u>
 <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(20,339,186)	1,802,891
 <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>25,609,757</u>	<u>23,806,866</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 5,270,571</u>	<u>\$ 25,609,757</u>
 <b>RECONCILIATION OF OPERATING INCOME TO CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income	\$ (212,976)	\$ (28,512)
Decrease (increase) in assets		
Accounts receivable	(302,622)	(426,488)
Increase (decrease) in liabilities		
Accounts payable and other accruals	(54,000)	(81,000)
Grants payable	(19,843,996)	2,218,336
	<u>(20,413,594)</u>	<u>1,682,336</u>
 <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ (20,413,594)</u>	<u>\$ 1,682,336</u>

The accompanying notes are an integral part of these statements.

# SOUTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

### (1) Summary of significant accounting policies

Nature of Activities – The Southwest Indiana Regional Development Authority (the “RDA” or the “Authority”) is organized under Indiana Code 37-7.6. In March 2016 House Bill 1001 was signed into law, which allocates \$42 million to support matching from the State of Indiana for the RDA. The RDA serves as the fiscal agent responsible for allocating funds from the state’s Regional Cities Initiative grant to fast-track quality of life projects within the region. Only the RDA may apply for matching grants and loans from the new state-funding Indiana Regional City Fund, administered by the Indiana Economic Development Council (“IEDC”). It may also accept loans, grants, and other contributions from federal, state, and private sources.

Mission – The RDA was formed to apply for funds that seek to make Indiana a magnet for talent attraction by funding transformative quality-of-place projects. The RDA is charged with implementing funds to best reach the goals of increasing economic growth, increasing population growth, and enhancing the region’s national brand identity. The RDA chooses projects that will have the most transformative effect in the 4-county region of Vanderburgh, Warrick, Posey and Gibson counties.

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 they are granted. Amounts remaining to be reimbursed to grantees are considered grants payable.

Basis of Presentation – The financial statements of the RDA have been prepared on the accrual basis of accounting and using the economic resources measurement focus. Accordingly, the RDA recognizes revenue in the period earned and expenses in the period incurred. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

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.

# SOUTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2019 and 2018

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

Management Fee – The RDA receives 2.7% of approved grant funds to supplement operating expenses incurred. For the years ended December 31, 2019 and 2018 the portion of grants received for the management fee was \$9,450 and \$344,033, respectively. During 2019, the RDA and the Economic Development Coalition of Southwest Indiana agreed that there would be no management fee on the Signature School grant.

Grant Income – The RDA receives substantially all of its support revenue from the State of Indiana. The Indiana Regional Cities Initiative’s first phase will provide \$42 million to support regional development to Southwest Indiana Regional Development Authority. These funds are restricted to grants approved by IEDC for state funding. The following projects received approval from the RDA and IEDC during the years ended December 31, 2019 and 2018. The following amounts include the 2.7% management fee, if applicable.

		<u>2019</u>
Riverbend Trail Court	\$	350,000
Signature School		<u>1,500,000</u>
Total	\$	<u><u>1,850,000</u></u>
		<u>2018</u>
Walnut Street Connector	\$	461,000
Post House Project		9,635,000
Gibson County Economic Development Corporation		99,512
Growth Alliance for Greater Evansville, Inc.		125,000
Downtown YMCA Redevelopment		121,488
Main Street Gateway to Arts		149,000
Warrick Wellness Pathways		150,000
Signature School		<u>1,972,427</u>
Total	\$	<u><u>12,713,427</u></u>

Program Services – Program services represent grants approved through the Indiana Regional Cities Initiative. In addition, the RDA approved grants in the amount of \$212,976 and \$28,512 for the years ended December 31, 2019 and 2018 that is funded from interest income earned internally by the RDA.

# SOUTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2019 and 2018

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

Accounts Payable – As of December 31, 2019 and 2018 the RDA had outstanding payables in the amount of \$0 and \$54,000, respectively. When the RDA receives funds for management fees they are required to pay these funds to the Economic Development Coalition of Southwest Indiana.

Grants Payable – The RDA is committed to various governmental organizations for reimbursement based grants in which the organization had fulfilled the terms of the grant and submitted for reimbursement from the RDA. See Note 3 for further detail.

Operating and Non-Operating Revenue – The principal operating revenue of the RDA is grant revenue. Operating expenses for the RDA include program services for grants paid. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Cash Equivalents – The RDA considers all investments with maturities of three months or less, when purchased, to be cash equivalents. At times, such cash may be in excess of the FDIC insurance limit. However, additional coverage is provided by the Indiana Public Deposit Insurance Fund for funds that exceed the FDIC limits. The RDA considers all cash restricted.

Accounts Receivable – The RDA has outstanding receivable from the IEDC in the amount of \$729,110 and \$426,488. This represents IEDC approved grants for which the funds have not been released to the RDA. There is no allowance for doubtful accounts as all accounts are considered collectible.

Net Position – Net position is comprised of the net earnings from operating and non-operating revenues, expenses and capital contributions. Any expenditures for the RDA are subject to approval by the IEDC, therefore net position is considered restricted.

### **(2) Management agreement**

The RDA has entered into an agreement with the Economic Development Coalition of Southwest Indiana to facilitate the administrative functions of the RDA. This includes any functions which are reasonably necessary to accomplish the purposes of the RDA subject to the oversight and approval of the board of directors of the RDA.

During the year ended December 31, 2019 and 2018, payments to the Economic Development Coalition of Southwest Indiana totaled \$63,450 and \$425,033, respectively.

# SOUTHWEST INDIANA REGIONAL DEVELOPMENT AUTHORITY

## NOTES TO THE FINANCIAL STATEMENTS December 31, 2019 and 2018

### (3) Commitments

Since the inception of the RDA, there have been contracts awarded for approved projects within Southwest Indiana. Because not all awarded contracts have been completed, the RDA has the remaining commitments at December 31, 2019 and 2018:

	2019	2018
Downtown YMCA Redevelopment	\$ -	\$ 150,000
Victoria Master Plan Development and Conference	-	1,946,000
Signature School	724,172	1,841,341
Oakland City University	-	1,570,687
Warrick Wellness Pathways	509,491	1,304,148
Embedded Reseach Project	100,000	8,169,837
Walnut Street Connector	981,563	1,261,000
Post House Project	2,574,523	9,383,089
Main Street Gateway to Arts	-	58,744
Gibson County Economic Development Corporation	-	99,512
Growth Alliance for Greater Evansville, Inc.	-	59,319
Friedman Park Events Center	1,104,713	-
Downtown Tower	5,219	-
Total	\$ 5,999,681	\$ 25,843,677

### (4) Subsequent events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, the date of which the financial statements were available for distribution.



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Southwest Indiana Regional Development Authority

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

We have audited Southwest Indiana Regional Development Authority's internal control over financial reporting as of December 31, 2019, based on criteria established in the Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

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

Management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting as described in its report on the same.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the entity's internal control over financial reporting based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

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

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

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

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

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

*Opinion*

In our opinion, Southwest Indiana Regional Development Authority maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on the criteria established in the Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)

*Report on Financial Statements*

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Southwest Indiana Regional Development Authority, and our report dated April 17, 2020 expressed an unmodified opinion.



LWG CPAs & Advisors  
Indianapolis, Indiana  
April 17, 2020



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

*Independent Auditor's Report*

The Governing Body  
Southwest Indiana Regional Development Authority

We have audited, 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, the financial statements of Southwest Indiana Regional Development Authority as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Southwest Indiana Regional Development Authority's basic financial statements, and have issued our report thereon dated April 17, 2020.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Southwest Indiana Regional Development Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Indiana Regional Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Southwest Indiana Regional Development Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether Southwest Indiana Regional Development Authority's financial statements are free from 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.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

In addition to the audit of the financial statements of Southwest Indiana Regional Development Authority as of and for the year ended December 31, 2019, and the related notes to the financial statements, we were also engaged to perform an audit of internal control. We have issued our opinion on internal control in our report dated April 17, 2020.



LWG CPAs & Advisors  
Indianapolis, Indiana  
April 17, 2020