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February 16, 2012

Board of Directors
Evansville Local Improvement Bond Bank
1 NW Martin Luther King, Jr. Blvd.
Evansville, IN 47708

We have reviewed the audit report prepared by Harding, Shymanski & Company, P.S.C., Independent Public Accountants, for the period August 28, 2006 through December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Evansville Local Improvement Bond Bank, as of December 31, 2007 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

***THE EVANSVILLE LOCAL PUBLIC
IMPROVEMENT BOND BANK***

Financial Report

December 31, 2007

CONTENTS

Independent Auditor's Report	Page 2
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Financial Statements:

Statements of Activities – Cash Basis	4
Statements of Net Assets – Cash Basis	5
Notes to Financial Statements – Cash Basis	6

INTERNAL CONTROL AND COMPLIANCE MATTERS

Reports Required Under Government Auditing Standards:

Independent Auditor's Report on Compliance and 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	8
Schedule of Findings	10

INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Evansville Local Public Improvement Bond Bank
300 Civic Center Complex
1 Northwest Martin Luther King, Jr. Boulevard
Evansville, Indiana 47708-1833

We have audited the accompanying statements of net assets – cash basis of The Evansville Local Public Improvement Bond Bank, as of December 31, 2007 and 2006, and the related statements of activities – net assets, for the year and 126 day period then ended. These financial statements are the responsibility of the management of The Evansville Local Public Improvement Bond Bank. 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, Government Auditing Standards issued by the Comptroller General of the United States, and guidelines established by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1 to the financial statements, these financial statements are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash transactions of The Evansville Local Public Improvement Bond Bank for the year and 126 day period ended December 31, 2007 and 2006, on the basis of accounting as described in Note 1.

Management has elected not to include management's discussion and analysis which is supplementary information required for cash basis financial statements. Accordingly, the omission of management's discussion and analysis is a departure from accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

In accordance with *Government Auditing Standards* for the year and 126 day period ended December 31, 2007 and 2006, we have also issued our reports dated July 27, 2009 on our consideration of The Evansville Local Public Improvement Bond Bank's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of those reports 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Harding, Shymanski & Company, P.S.C.

Evansville, Indiana
July 27, 2009

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

STATEMENTS OF ACTIVITIES - CASH BASIS

Year and 126 Day Period Ended December 31, 2007 and 2006

	2007	2006
Receipts:		
Proceeds from City of Evansville	0	15,000,000
Bond discount income in connection with Redevelopment Commission Notes	0	25,000
Interest income from cash investments	403,891	239,314
Interest income from bond anticipation notes	252,985	0
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Total receipts	656,876	15,264,314
	<hr/>	<hr/>
Disbursements:		
Legal expenses	31,861	46,816
Financial support provided to nonprofit organizations	325,000	0
Purchase of Evansville, Indiana Taxable Bond Anticipation Notes from:		
Redevelopment Commission, Series 2006	3,011,792	1,738,208
Department of Waterworks, Series 2007	2,780,209	0
	<hr/>	<hr/>
Total disbursements	6,148,862	1,785,024
	<hr/>	<hr/>
Excess (deficiency) of receipts over disbursements	(5,491,986)	13,479,290
Net assets at beginning of year	13,479,290	0
	<hr/>	<hr/>
Net assets at end of year	7,987,304	13,479,290
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See notes to financial statements.

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

STATEMENTS OF NET ASSETS - CASH BASIS

December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	<u>7,987,304</u>	<u>13,479,290</u>
NET ASSETS		
Net Assets		
Unrestricted	<u>7,987,304</u>	<u>13,479,290</u>

See notes to financial statements.

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

NOTES TO FINANCIAL STATEMENTS - CASH BASIS

December 31, 2007 and 2006

Note 1 – Nature of Business and Significant Accounting Policies

Nature of Business

On August 28, 2006, The Evansville Local Public Improvement Bond Bank (Bond Bank) was created pursuant to Indiana Code 5-1.4 and Section 3.30.700 of the Evansville City codes, as supplemented and amended. The Bond Bank is an instrumentality of the City of Evansville but is not a City agency and has no taxing power. It has separate corporate and sovereign capacity.

The Bond Bank was funded in 2006 with a \$15,000,000 payment from the City of Evansville. The Bond Bank purpose is to fund redevelopment, revitalization, and capital investments city wide.

Financial Statement Presentation

The Bond Bank's policy is to prepare its financial statements on the cash basis of accounting; consequently, interest income is recognized when received rather than earned and disbursements are recognized when cash is disbursed rather than when the obligation is incurred. Investments, which do not meet the criteria of a cash equivalent, are recorded as a disbursement in the period expended. Therefore, certain investments, receivables and payables, and accrued income and expenses, which would be recognized under generally accepted accounting principles, and which may be material in amount, are not recognized in the accompanying financial statements.

Period Ended

The period ended December 31, 2006 represents the 126 day period.

Federal Income Taxes

The Bond Bank is exempt from federal income taxes under Internal Revenue Code Section 115.

Cash Equivalents

The Bond Bank considers all certificates of deposit with original maturities of three months or less to be cash equivalents.

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

NOTES TO FINANCIAL STATEMENTS - CASH BASIS

December 31, 2007 and 2006

Note 2 – Cash and Cash Equivalents

Custodial Credit Risk on Deposits

Custodial credit risk is the risk that in the event of bank failure, the Bond Bank's deposits may not be returned to it. The Bond Bank's deposits are insured up to \$100,000 per financial institution by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the \$100,000 FDIC limits are insured by the Public Deposit Insurance Fund which is administered by the Indiana Board for Depositories.

Note 3 – Investment in Indiana Taxable Bond Anticipation Notes

As of December 31, 2007, the Bond Bank had acquired \$4,750,000 of Evansville, Indiana Redevelopment District Taxable Bond Anticipation Notes of 2006. The Anticipation Notes provide for interest at 6.13 percent payable semi-annually and are due upon the earlier of the issuer receiving proceeds from a Bond sale or October 1, 2011. The Notes are secured in whole or in part by increased property taxes on certain property and Bond proceeds.

In addition, as of December 31, 2007, the Bond Bank had acquired \$2,780,209 of Evansville, Indiana Waterworks District Taxable Bond Anticipation Notes of 2007. The Anticipation Notes provide for interest at 4.5 percent payable semi-annually and are due upon the earlier of the issuer receiving proceeds from a Bond sale or July 1, 2008. The Notes are secured in whole or in part by net revenues of the City's Waterworks District and Bond proceeds.

Note 4 – Related Party Transactions

Administrative expenses related to the Bond Bank were primarily paid by the City of Evansville.

Related party transactions are included on the Statement of Activities – Cash Basis and include all receipts other than interest income from cash investments and all disbursements other than legal expenses.

Note 5 – Subsequent Events

In May 2008, the Bond Bank received payment in full on the Waterworks District Taxable Anticipation Notes of 2007.

In October 2008, the Bond Bank agreed to purchase a Bond Anticipation Note (BAN) with the Redevelopment Commission of \$950,000.

In May 2009, the Bond Bank agreed to purchase a BAN with the Department of Waterworks of \$4,700,000.

**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**

Board of Directors
The Evansville Local Public Improvement Bond Bank
300 Civic Center Complex
1 Northwest Martin Luther King, Jr. Boulevard
Evansville, Indiana 47708-1833

We have audited the financial statements of The Evansville Local Public Improvement Bond Bank as of and for the year and 126 day period ended December 31, 2007 and 2006, and we have issued our report thereon dated July 27, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered The Evansville Local Public Improvement Bond Bank's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Evansville Local Public Improvement Bond Bank's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the cash receipts and disbursements basis of accounting generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

***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 (CONTINUED)***

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Evansville Local Public Improvement Bond Bank's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management of The Evansville Local Public Improvement Bond Bank and is not intended to be and should not be used by anyone other than these specified parties.

Harding, Shymanski & Company, P.S.C.

Evansville, Indiana
July 27, 2009

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

SCHEDULE OF FINDINGS

Year Ended December 31, 2007

Schedule of Auditor's Results

We have issued an unqualified opinion, dated, July 27, 2009 on the financial statements of The Evansville Local Public Improvement Bond Bank as of and for the year ended December 31, 2007.

Our audit disclosed no instances of non-compliance which are material to The Evansville Local Public Improvement Bond Bank's financial statements.

Findings Relating to the Financial Statements

Our audit disclosed no findings which are required to be reported in accordance with *Government Auditing Standards*.