



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 January 1, 2009 through December 31, 2009. 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, 2009 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, 2009

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INDEPENDENT AUDITOR'S REPORT



**HARDING, SHYMANSKI
& COMPANY, P.S.C.**

Certified Public Accountants
and Consultants

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Evansville, IN 47735-3677

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An Independently
Owned Member,
McGladrey Alliance

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, 2009 and 2008, and the related statements of activities – cash basis for the years 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 and the standards applicable to financial audits contained in 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 audits 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 years ended December 31, 2009 and 2008 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 years ended December 31, 2009 and 2008, we have also issued our reports dated January 30, 2012 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

January 30, 2012

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

STATEMENTS OF ACTIVITIES – CASH BASIS

Years Ended December 31, 2009 and 2008

	2009	2008
Receipts:		
Repayment of principal from bond anticipation notes	0	3,751,423
Interest income from cash investments	34,586	199,149
Interest income from bond anticipation notes	0	374,140
	<hr/>	<hr/>
Total receipts	34,586	4,324,712
	<hr/>	<hr/>
Disbursements:		
Professional fees	49,304	100,431
Payments for services from nonprofit organizations	357,831	325,000
Purchase of Evansville, Indiana Taxable Bond Anticipation Notes from:		
Redevelopment District, Series 2008	495,540	0
Evansville Water and Sewer, Series 2009 A & B	2,821,391	0
Department of Waterworks, Series 2007	0	971,214
	<hr/>	<hr/>
Total disbursements	3,724,066	1,396,645
	<hr/>	<hr/>
Excess (deficiency) of receipts over disbursements	(3,689,480)	2,928,067
Net assets at beginning of year	10,915,371	7,987,304
	<hr/>	<hr/>
Net assets at end of year	7,225,891	10,915,371
	<hr/> <hr/>	<hr/> <hr/>

See notes to financial statements.

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

STATEMENTS OF NET ASSETS – CASH BASIS

December 31, 2009 and 2008

	2009	2008
ASSETS		
Cash and cash equivalents	<u>7,225,891</u>	<u>10,915,371</u>
NET ASSETS		
Net Assets		
Unrestricted	<u>7,225,891</u>	<u>10,915,371</u>

See notes to financial statements.

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

NOTES TO FINANCIAL STATEMENTS - CASH BASIS

December 31, 2009 and 2008

Note 1 – Nature of Business and Significant Accounting Policies

Nature of Business

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 made pursuant to agreements between the City of Evansville and Aztar Indiana Gaming Company L.L.C. The Bond Bank's primary purpose is to purchase securities issued by "qualified entities" under Indiana Code 5-1.4, including the City and the City's Redevelopment District, and to fund capital investments among other things.

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 accounting principles generally accepted in the United States of America, and which may be material in amount, are not recognized in the accompanying financial statements.

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.

Subsequent Events

The Plan has evaluated subsequent events through January 30, 2012, the date the financial statements were available to be issued.

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

NOTES TO FINANCIAL STATEMENTS - CASH BASIS

December 31, 2009 and 2008

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 \$250,000 per financial institution by the Federal Deposit Insurance Corporation (FDIC). Any cash deposits in excess of the \$250,000 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, 2009, the Bond Bank had acquired \$2,821,391 of Evansville, Indiana Sewage Works Bond Anticipation Notes of 2009. The Anticipation Notes provide for interest at 2.75 percent payable upon payment of principal and are due upon the earlier of the issuer receiving proceeds from a Bond sale or May 19, 2012. The Notes are secured in whole or in part by the proceeds from the issuance and sale of the Bonds. Any interest not payable through bond issuance will be paid from the net revenues derived from the City's sewage works.

As of December 31, 2009, the Bond Bank had acquired \$495,540 of Evansville, Indiana Redevelopment District Taxable Bond Note of 2008. The Note provides for interest at one percent payable upon payment of principal and is due upon the earlier of the issuer receiving proceeds from a Bond sale or December 31, 2011, as amended. The Note is secured in whole or in part by the proceeds from the issuance and sale of the Bonds or from the tax increment or other sources.

As of December 31, 2008, 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.

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 statements of activities – cash basis and include all receipts other than interest income from cash investments and all disbursements other than professional fees.

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

NOTES TO FINANCIAL STATEMENTS - CASH BASIS
December 31, 2009 and 2008

Note 5 – Subsequent Events

In March 2010, the Bond Bank agreed to purchase a Bond Anticipation Note issued by the Evansville, Indiana Redevelopment District for \$750,000 with principal and interest due March 31, 2012. Interest will accrue at an interest rate not to exceed three percent annually. In December 2011, the Evansville, Indiana Redevelopment District Taxable Bond Anticipation Note of 2010 was paid in full with all but \$2,942 of interest forgiven by Board resolution.

In December 2011, the Bond Bank agreed to purchase a Bond Anticipation Note issued by the Evansville, Indiana Redevelopment District for an amount not to exceed \$1,000,000 with principal and interest due December 1, 2013 with an option to extend the maturity date to December 1, 2016 if approved by a resolution of the Common Council of the City of Evansville. Interest will accrue at 1.5 percent annually. Part of the proceeds of this note was used to pay off the Evansville Redevelopment District Taxable Bond Anticipation Note of 2010, as described in the last sentence of the preceding paragraph.

In July 2010, the Bond Bank agreed to finance computer equipment and software totaling \$145,477, for the benefit of the City of Evansville and the Bond Bank, with principal and interest due May 1, 2015. Interest will accrue at one percent annually. In December 2011, the Bond Bank passed a resolution forgiving payment of the Bond Bank's investment in the computer equipment and software.

In September 2010, the Bond Bank agreed to purchase a Taxable Temporary Loan Tax Anticipation Warrant with the Knight Township of Vanderburgh County totaling \$138,244 with principal and interest due December 31, 2010. Interest will accrue at 0.5 percent annually.

In February 2011, the Bond Bank agreed to invest in a Lease/Purchase Agreement for the City of Evansville for \$818,961 for which the maturity cannot exceed 11 years. The interest rate will not be less than 1.5 percent or exceed three percent.

In December 2011, the Evansville, Indiana Redevelopment District Taxable Bond Anticipation Note of 2008 was paid in full in the amount of \$495,540 with all interest forgiven through Board resolution.

In December 2011, the Bond Bank agreed to purchase a Bond Anticipation Note issued by the Evansville, Indiana Waterworks District for an amount not to exceed \$4,000,000 with principal and interest due December 1, 2012. Interest will accrue at 1.5 percent annually.

During 2011, the Bond Bank agreed to invest in installment payment contracts with a contractor to provide energy efficient capital improvements to various departments of the City of Evansville for \$1,464,409. The installment payment contracts require semiannual installment payments with interest at 1.5 percent maturing various dates through August, 2026.

**INDEPENDENT AUDITOR'S 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**



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We have audited the financial statements of The Evansville Local Public Improvement Bond Bank as of December 31, 2009 and 2008, and we have issued our report thereon dated January 30, 2012. 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 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 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, detected and corrected on a timely basis.

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 deficiencies, 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.

**INDEPENDENT AUDITOR'S 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)**



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.

Our audit disclosed no findings which are required to be reported in accordance with 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

January 30, 2012