



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B42484

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

August 21, 2013

Board of Directors
Evansville Local Public Improvement Bond Bank
300 Civic Center Complex
1 NW Martin Luther King
Evansville, IN 47708-1833

We have reviewed the audit report prepared by Harding, Shymanski & Company, P.S.C., Independent Public Accountants, for the period January 1, 2011 to December 31, 2011. 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 Public Improvement Bond Bank, as of December 31, 2011 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, 2011

CONTENTS

Independent Auditor's Report	Page 2
------------------------------	--------

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

Report Required Under Government Auditing Standards:

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	10
--	----

INDEPENDENT AUDITOR'S REPORT



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

Certified Public Accountants
and Consultants

21 S.E. Third Street, Suite 500
Evansville, IN 47735-3677

(812) 464-9161
Fax (812) 465-7811

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, 2011 and 2010, 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 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, 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 and financial position of The Evansville Local Public Improvement Bond Bank for the years ended December 31, 2011 and 2010, 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 by the Governmental Accounting Standards Board. Accordingly, the omission of management's discussion and analysis is a departure from the basis of cash receipts and disbursements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)



In accordance with Government Auditing Standards for the years ended December 31, 2011 and 2010, we have also issued our reports dated December 14, 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

December 14, 2012

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

STATEMENTS OF ACTIVITIES – CASH BASIS

Years Ended December 31, 2011 and 2010

	2011	2010
Receipts:		
Repayment of principal from bond anticipation notes	1,245,540	8,492,300
Interest income from cash investments	8,306	23,047
Interest income from bond anticipation notes	9,937	381,231
Repayment of principal and interest for fire truck lease/purchase agreement	<u>40,520</u>	<u>0</u>
Total receipts	<u>1,304,303</u>	<u>8,896,578</u>
Disbursements:		
Professional fees	166,783	71,501
Payments for services from non-profit organizations	379,000	361,496
Investment in lease/purchase agreement for a fire truck with the City of Evansville	818,961	0
Guaranteed Energy Savings Performance Contract by the City of Evansville	169,291	0
Purchase of Evansville, Indiana Taxable Bond Anticipation Notes from:		
Evansville Redevelopment Commission - Arts District, Series 2011	142,752	0
Evansville Water and Sewer, Series 2011	100,000	0
Evansville Water and Sewer, Series 2009 A & B Redevelopment District, Series 2010	0	782,631
Redevelopment District, Series 2010	0	750,000
Knight Township Loan Tax Anticipation Warrants, Series 2010	0	138,244
Investment in lease/installment agreement for equipment by the Department of Computer Services of the City of Evansville	<u>0</u>	<u>145,477</u>
Total disbursements	<u>1,776,787</u>	<u>2,249,349</u>
Excess (deficiency) of receipts over disbursements	(472,484)	6,647,229
Net assets at beginning of year	<u>13,873,340</u>	<u>7,226,111</u>
Net assets at end of year	<u><u>13,400,856</u></u>	<u><u>13,873,340</u></u>

See notes to financial statements.

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

STATEMENTS OF NET ASSETS – CASH BASIS

Years Ended December 31, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	<u>13,400,856</u>	<u>13,873,340</u>
NET ASSETS		
Net Assets		
Unrestricted	<u>13,400,856</u>	<u>13,873,340</u>

See notes to financial statements.

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

NOTES TO FINANCIAL STATEMENTS – CASH BASIS

December 31, 2011 and 2010

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 when 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 Bond Bank has evaluated subsequent events through December 14, 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, 2011 and 2010

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, 2011, the Bond Bank agreed to purchase a Bond Anticipation Note issued by the City of Evansville, Indiana Waterworks District for an amount not to exceed \$4,000,000 with principal and interest due December 1, 2012. At December 31, 2011, \$100,000 had been acquired. Interest will accrue at 1.5 percent annually.

As of December 31, 2011, the Bond Bank agreed to purchase a Bond Anticipation Note issued by the City of Evansville 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. At December 31, 2011, \$142,752 had been acquired. Interest will accrue at 1.5 percent annually. Proceeds from this note were used, in part, to pay off the Evansville, Indiana Redevelopment District Taxable Bond Anticipation Note of 2010.

As of December 31, 2010, the Bond Bank had acquired \$750,000 of an Evansville Redevelopment District Taxable Bond Anticipation Note of 2010. The Anticipation Note provides for interest not to exceed three percent payable upon payment of principal and is due March 31, 2012. The Note is secured by proceeds of the Evansville Redevelopment District Bonds of 2010 or any other legally available revenues of the commission. Principal and interest from the Bond Anticipation Notes were paid in full as of December 31, 2011.

As of December 31, 2009, the Bond Bank had acquired \$2,821,391 of Evansville, Indiana Sewage Works Bond Anticipation Notes of 2009. During 2010, the Bond Bank acquired an additional \$782,631 of Bond Anticipation Notes. 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. Principal and interest from the Bond Anticipation Notes were paid in full as of December 31, 2010.

As of December 31, 2009, the Bond Bank had acquired \$495,540 of Evansville, Indiana Redevelopment District Taxable Bond Note of 2008. The Note provided 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. Principal and interest from the Bond Anticipation Notes were paid in full as of December 31, 2011.

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK

NOTES TO FINANCIAL STATEMENTS – CASH BASIS

December 31, 2011 and 2010

Note 3 – Investment in Indiana Taxable Bond Anticipation Notes (Continued)

As of December 31, 2008, the Bond Bank had acquired \$4,750,000 of Evansville, Indiana Redevelopment District Taxable Bond Notes of 2006. The 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. Principal and interest were paid in full as of December 31, 2010.

Note 4 – Investment in Tax Anticipation Warrants

During 2010, the Bond Bank acquired \$138,244 of Taxable Temporary Loan Tax Anticipation Warrant with the Knight Township of Vanderburgh County. The Warrant provided for interest at .5 percent and was due December 31, 2010. Principal and interest had been paid in full at December 31, 2010.

Note 5 – Investment in Installment Payment Contracts

As of December 31, 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. At December 31, 2011, \$169,291 had been disbursed. The installment payment contracts require semiannual installment payments with interest at 1.5 percent maturing various dates through August, 2026.

Note 6 – Investment in Equipment for Lease or Installment Sale

As of December 31, 2011, the Bond Bank financed the purchase of a fire truck for the City of Evansville for \$818,961. Principal and interest payments are due on February 1 and August 1 of each year. The agreement provides for interest at 1.5 percent and is due February 1, 2022.

As of December 31, 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. The agreement provided for accruing interest at one percent per annum with principal and interest due May 1, 2015. However, in December 2011, the Bond Bank passed a resolution forgiving payment of the Bond Bank's investment in the computer equipment and software.

Note 7 – 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, 2011 and 2010

Note 8 – Subsequent Events

In March 2012, the Bond Bank agreed to purchase a Revenue Bond issued by the City of Evansville for the purpose of making a loan to Earthcare Energy, LLC. The Revenue Bond helps finance economic development facilities situated within the corporate limits of the City and pay costs of issuance for an amount not to exceed \$5,000,000. Principal and interest are due the first day of the month immediately following the second anniversary date of delivery of the Bonds. The interest rate will not exceed 1.5 percent per annum.

In November 2012, the Bond Bank acquired \$4,000,000 of an Evansville, Indiana Waterworks District Bond Anticipation Note of 2012. The Note replaced the City of Evansville, Indiana Waterworks District Bond Anticipation Note of 2011. During 2011 and through November, 2012, \$1,300,000 had been disbursed for the Bond Anticipation Note. The Anticipation Note provides for interest at 1.5 percent per annum and is due upon the earlier of the issuer receiving proceeds from a Bond sale or November 15, 2013.

**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**



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

Certified Public Accountants
and Consultants

21 S.E. Third Street, Suite 500
Evansville, IN 47735-3677

(812) 464-9161
Fax (812) 465-7811

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 financial statements of The Evansville Local Public Improvement Bond Bank as of and for the year ended December 31, 2011, and have issued our report thereon dated DECEMBER 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The 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 Bond Bank'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 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, 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 its 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 audit, 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
December 14, 2012