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July 30, 2015

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, 2013 to December 31, 2013. 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, 2013 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

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

***(A COMPONENT UNIT OF THE
CITY OF EVANSVILLE)***

Financial Report

December 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT



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

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and Consultants

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McGladrey Alliance

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Evansville, Indiana 47708-1833

Report on the Financial Statements

We have audited the accompanying financial statements of The Evansville Local Public Improvement Bond Bank, which comprise the statements of financial position – cash and investment basis as of December 31, 2013 and 2012, the related statements of activities and cash flows – cash and investment basis, 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 the cash and investment basis; this includes determining that the cash and investment basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 risk 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Auditor's Responsibility (Continued)



Accordingly, we express no such opinion. 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 audit opinion.

Opinion

In our opinion, except as noted in the following paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Evansville Local Public Improvement Bond Bank and the changes in its net assets for the years then ended, 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 cash and investments basis of accounting.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, the Evansville Local Public Improvement Bond Bank changed its accounting basis from the cash basis of accounting to the cash and investment basis of accounting, both of which are a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash and investment basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Reporting Required by Government Auditing Standards



In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2014, on our consideration of The Evansville Local Public Improvement Bond Bank'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 The Evansville Local Public Improvement Bond Bank's internal control over financial reporting and compliance.

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

Evansville, Indiana

October 27, 2014

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK
(A COMPONENT UNIT OF THE CITY OF EVANSVILLE)

STATEMENTS OF ACTIVITIES – CASH AND INVESTMENT BASIS
Years Ended December 31, 2013 and 2012

	2013	2012
Receipts:		
Repayment of principal from bond anticipation notes	2,282,608	0
Repayment of principal from energy savings performance contracts	598,468	101,628
Repayment of principal for fire truck lease/purchase agreement	70,594	69,516
Interest income from cash investments	9,072	7,658
Interest income from energy savings performance contracts	19,727	20,203
Interest income from bond anticipation notes	22,145	7,492
Interest income for fire truck lease/purchase agreement	10,446	11,524
Total receipts	3,013,060	218,021
Disbursements:		
Professional fees	31,303	157,350
Payments for services from non-profit organizations	325,000	325,000
Guaranteed Energy Savings Performance Contracts by the City of Evansville	0	1,794,266
Purchase of Evansville, Indiana Taxable Bond Anticipation Notes from:		
Evansville Redevelopment Commission - Arts District, Series 2011	229,911	0
Evansville Water and Sewer, Series 2011	1,007,447	2,375,000
Total disbursements	1,593,661	4,651,616
Excess (deficiency) of receipts over disbursements	1,419,399	(4,433,595)
Net assets at beginning of year	8,967,261	13,400,856
Net assets at end of year, restated	10,386,660	8,967,261

See notes to financial statements.

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK
(A COMPONENT UNIT OF THE CITY OF EVANSVILLE)

STATEMENTS OF FINANCIAL POSITION – CASH AND INVESTMENT BASIS
Years Ended December 31, 2013 and 2012

	2013	2012
ASSETS		
Cash and cash equivalents	7,886,660	6,967,261
Money market funds	500,000	0
Certificates of deposit	<u>2,000,000</u>	<u>2,000,000</u>
	<u>10,386,660</u>	<u>8,967,261</u>
NET ASSETS		
Net Assets		
Unrestricted	<u>10,386,660</u>	<u>8,967,261</u>

See notes to financial statements.

THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK
(A COMPONENT UNIT OF THE CITY OF EVANSVILLE)

STATEMENTS OF CASH FLOWS – CASH AND INVESTMENT BASIS
Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Excess (deficiency) of receipts over disbursements	<u>1,419,399</u>	<u>(4,433,595)</u>
Cash Flows from Investing Activities		
Purchase of money market funds	(500,000)	0
Purchase of certificates of deposit	(2,000,000)	(2,000,000)
Proceeds from maturities of certificates of deposit	<u>2,000,000</u>	<u>0</u>
Net cash used in investing activities	<u>(500,000)</u>	<u>(2,000,000)</u>
Net increase (decrease) in cash and cash equivalents	919,399	(6,433,595)
Cash and cash equivalents at beginning of year	<u>6,967,261</u>	<u>13,400,856</u>
Cash and cash equivalents at end of year	<u><u>7,886,660</u></u>	<u><u>6,967,261</u></u>

See notes to financial statements.

***THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK
(A COMPONENT UNIT OF THE CITY OF EVANSVILLE)***

NOTES TO FINANCIAL STATEMENTS – CASH AND INVESTMENT BASIS
December 31, 2013 and 2012

Note 1 – Nature of Business and Significant Accounting Policies

Nature of Business

The Evansville Local Public Improvement Bond Bank (Bond Bank), a component unit of the City of Evansville (City), was created pursuant to Indiana Code 5-1.4 and Section 3.40.010 of the City codes, as supplemented and amended. The Bond Bank is an instrumentality of the City 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 and investment basis of accounting. The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Therefore, 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. The bond anticipation notes and other contracts qualify as receivables and; therefore, are not reflected on the statements of financial position.

Cash and Cash Equivalents

The Bond Bank considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale or maturity of the investment.

Federal Income Taxes

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

Subsequent Events

The Bond Bank has evaluated subsequent events through October 27, 2014, the date the financial statements were available to be issued.

***THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK
(A COMPONENT UNIT OF THE CITY OF EVANSVILLE)***

NOTES TO FINANCIAL STATEMENTS – CASH AND INVESTMENT BASIS
December 31, 2013 and 2012

Note 2 – Change in Basis of Accounting

For the year ended December 31, 2013, the Bond Bank converted from the cash basis of accounting to the cash and investment basis of accounting, both of which are a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying December 31, 2012 financial statements have been restated to conform with the new basis of accounting. As a result, investments previously recognized on the statements of activities as receipts and disbursements, on the cash basis of accounting, were adjusted and reflected on the statements of financial position.

The change in the basis of accounting increased certificates of deposit, decreased the deficiency of receipts over disbursements, and increased net assets by \$2,000,000 as of and for the year ended December 31, 2012.

Note 3 – 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 4 – Indiana Taxable Bond Anticipation Notes

During 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. At December 31, 2012, \$2,475,000 had been acquired. During 2013, an additional \$1,000,000 was acquired. The bond anticipation notes provide for interest at 1.5 percent payable upon maturity and are due upon the earlier of the issuer receiving proceeds from a bond sale or October 29, 2014. As of December 31, 2013, all but \$1,207,379 had been repaid.

During 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, 2013, \$142,752 had been acquired. Interest accrues 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. During 2013, a resolution was passed to accept payment of \$90,986 and to forgive the remaining balance. Final payment was received in July 2014.

During 2013, the Bond Bank agreed to purchase a bond anticipation note issued by the City of Evansville Redevelopment District for an amount not to exceed \$230,000. Principal payments are due on February 1 and August 1 of each year. The agreement provides for no interest and is payable as and when tax increment and/or other legally available revenues of the Evansville Redevelopment Commission are available. At December 31, 2013, \$229,911 had been acquired.

***THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK
(A COMPONENT UNIT OF THE CITY OF EVANSVILLE)***

**NOTES TO FINANCIAL STATEMENTS – CASH AND INVESTMENT BASIS
December 31, 2013 and 2012**

Note 5 – Installment Payment Contracts

During 2011, the Bond Bank agreed to installment payment contracts with various City departments to provide energy efficient capital improvements from a contractor for an amount not to exceed \$1,993,130. At December 31, 2013 and 2012, \$1,263,260 and \$1,861,938, respectively, were outstanding. The installment payment contracts require semi-annual installment payments from various City departments with interest at 1.5 percent maturing various dates through August 2026.

Note 6 – Equipment for Lease or Installment Sale

During 2011, the Bond Bank financed the purchase of a fire truck for the City 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. At December 31, 2013 and 2012, the unpaid balance was \$643,244 and \$713,838, respectively.

Note 7 – Bonds Payable

In November 2013, the Bond Bank issued \$44,755,000 of debt on behalf of not-for-profit qualified water and sewage utilities. At December 31, 2013, the balance outstanding for these qualified water and sewage utilities totaled \$44,755,000. Under the provisions of these debt issues, the bonds are payable solely from the revenues generated by the qualified water and sewage utilities. This debt does not constitute a general or moral obligation of the Bond Bank nor are debt service reserve funds maintained for these debt issues. The Bond Bank is not obligated in any manner for repayment of the bonds. The Bond Bank has not recorded these debt issues and the related utilities' obligations in the accompanying financial statements.

Note 8 – Related Party Transactions

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

Related party transactions are included on the statements of activities – cash and investment basis and include all receipts other than interest income from cash investments and all disbursements other than professional fees.

Note 9 – Subsequent Events

In March 2014, the Bond Bank agreed to purchase a Redevelopment District Taxable Tax Increment Revenue Note issued by the City of Evansville for an amount not to exceed \$700,000 with principal and interest due March 25, 2016. Interest will accrue at 1.5 percent annually. The note will be used to provide financing for improvements related to a proposed downtown convention hotel project and such other purposes as may be permitted by the City of Evansville Redevelopment Commission.

***THE EVANSVILLE LOCAL PUBLIC IMPROVEMENT BOND BANK
(A COMPONENT UNIT OF THE CITY OF EVANSVILLE)***

NOTES TO FINANCIAL STATEMENTS – CASH AND INVESTMENT BASIS
December 31, 2013 and 2012

Note 9 – Subsequent Events (Continued)

In March 2014, the Bond Bank agreed to purchase a Taxable Sewage Works Bond Anticipation Note issued by the City of Evansville for an amount not to exceed \$5,000,000 with principal and interest due March 25, 2016. Interest will accrue at 1.5 percent annually. The proceeds of the sale of the note will be used to provide interim financing for sewage works and related improvements and such other purposes as may be permitted by the Bond Ordinance.

**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, in accordance with the 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 The Evansville Local Public Improvement Bond Bank, which comprise the statements of financial position – cash and investment basis as of December 31, 2013 and 2012, and the related statements of activities and cash flows – cash and investment basis for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Evansville Local Public Improvement Bond Bank'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 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. Accordingly, we do not express an opinion on the effectiveness of the Bond Bank'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.

**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)**



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 The Evansville Local Public Improvement Bond Bank'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 testing, and not to provide an opinion on the effectiveness of the Bond Bank'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 Bond Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Evansville, Indiana

October 27, 2014