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July 28, 2016

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, 2014 to December 31, 2014. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Evansville Local Public Improvement Bond Bank, as of December 31, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The audit 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, 2014 and 2013***

# ***CONTENTS***

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Independent Auditor's Report

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Page 2

Financial Statements:

Statements of Activities – Cash and Investment Basis	4
Statements of Financial Position – Cash and Investment Basis	5
Statements of Cash Flows – Cash and Investment Basis	6
Notes to Financial Statements – Cash and Investment Basis	7

**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	11
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## 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

### ***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, 2014 and 2013, 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.



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

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and Consultants

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## ***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 on the previous page present fairly, in all material respects, the financial position of The Evansville Local Public Improvement Bond Bank as of December 31, 2014 and 2013, 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 investment basis of accounting.

### ***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 opinion is not modified with respect to that matter.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2015, 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, Szymanski & Company, P.S.C.*

Evansville, Indiana  
December 7, 2015

**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, 2014 and 2013

	<b>2014</b>	2013
<b>Receipts:</b>		
Repayment of principal from bond anticipation notes	<b>1,296,365</b>	2,282,608
Repayment of principal from energy savings performance contracts	<b>105,756</b>	598,468
Repayment of principal for fire truck lease/purchase agreement	<b>71,657</b>	70,594
Interest income from cash investments	<b>7,651</b>	9,072
Interest income from energy savings performance contracts	<b>18,858</b>	19,727
Interest income from bond anticipation notes	<b>14,875</b>	22,145
Interest income for fire truck lease/purchase agreement	<b>9,383</b>	10,446
	<hr/>	<hr/>
<b>Total receipts</b>	<b>1,524,545</b>	3,013,060
<b>Disbursements:</b>		
Professional fees	<b>31,939</b>	31,303
Payments for services from non-profit organizations	<b>325,000</b>	325,000
Purchase of Evansville, Indiana Taxable Bond Anticipation Notes from:		
Evansville Redevelopment Commission - Arts District, Series 2011	<b>0</b>	229,911
Evansville Water and Sewer, Series 2011	<b>0</b>	1,007,447
Evansville Sewage Works, Series 2014	<b>600,000</b>	0
	<hr/>	<hr/>
<b>Total disbursements</b>	<b>956,939</b>	1,593,661
<b>Excess receipts over disbursements</b>	<b>567,606</b>	1,419,399
Net assets at beginning of year	<b>10,386,660</b>	8,967,261
	<hr/>	<hr/>
Net assets at end of year	<b>10,954,266</b>	10,386,660
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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, 2014 and 2013

	<b>2014</b>	2013
<b>ASSETS</b>		
Cash and cash equivalents	<b>6,854,266</b>	7,886,660
Money market funds	<b>100,000</b>	500,000
Certificates of deposit	<b>4,000,000</b>	2,000,000
	<b><u>10,954,266</u></b>	<b><u>10,386,660</u></b>
<b>NET ASSETS</b>		
Net Assets		
Unrestricted	<b><u>10,954,266</u></b>	<b><u>10,386,660</u></b>

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, 2014 and 2013

	<b>2014</b>	2013
Cash Flows from Operating Activities		
Excess receipts over disbursements	<u><b>567,606</b></u>	<u>1,419,399</u>
Cash Flows from Investing Activities		
Purchase of money market funds	<b>0</b>	(500,000)
Proceeds from maturities of money market funds	<b>400,000</b>	0
Purchase of certificates of deposit	<b>(12,500,000)</b>	(2,000,000)
Proceeds from maturities of certificates of deposit	<u><b>10,500,000</b></u>	<u>2,000,000</u>
Net cash used in investing activities	<u><b>(1,600,000)</b></u>	<u>(500,000)</u>
Net increase (decrease) in cash and cash equivalents	<b>(1,032,394)</b>	919,399
Cash and cash equivalents at beginning of year	<u><b>7,886,660</b></u>	<u>6,967,261</u>
Cash and cash equivalents at end of year	<u><u><b>6,854,266</b></u></u>	<u><u>7,886,660</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, 2014 and 2013

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***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 5-1.4-2, 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 December 7, 2015, 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, 2014 and 2013

**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 – Indiana Taxable Bond Anticipation Notes**

Commitments to purchase and outstanding balances for the Indiana taxable bond anticipation notes are as follows:

Issuer and Commitment to Purchase	Outstanding Balance	
	2014	2013
Issued by City of Evansville, Indiana Waterworks District, not to exceed \$4,000,000, paid in full during 2014	0	1,207,379 (A)
Issued by City of Evansville, Redevelopment District, not to exceed \$1,000,000, paid in full during 2014	0	142,752 (B)
Issued by City of Evansville, Redevelopment District, not to exceed \$230,000	229,911	229,911 (C)
Issued by City of Evansville, Sewage Works, not to exceed \$5,000,000	600,000	0 (D)
Issued by City of Evansville, Redevelopment District, not to exceed \$700,000	0	0 (E)
	829,911	1,580,042

(A) The bond anticipation note provides for interest at 1.5 percent payable upon the earlier of the issuer receiving proceeds from a bond sale or October 29, 2014.

**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, 2014 and 2013

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***Note 3 – Indiana Taxable Bond Anticipation Notes (Continued)***

(B) The bond anticipation note accrues interest at 1.5 percent annually. Principal and interest are 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. 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 \$88,986 and to forgive the remaining balance. In May 2014, the reduced amount had been paid in full.

(C) The bond anticipation note provides for no interest and is payable on February 1<sup>st</sup> and August 1<sup>st</sup> of each year when the tax increment and/or other legally available revenues of the Evansville Redevelopment Commission are available.

(D) The bond anticipation note accrues interest at 1.5 percent annually. Principal and interest are due March 25, 2016. 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.

(E) The bond anticipation note accrues interest at 1.5 percent annually. Principal and interest are due March 25, 2016. 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. There is a Board resolution and contract to purchase the bond anticipation note but as of December 31, 2014, no purchases have been made.

***Note 4 – 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, 2014 and 2013, \$1,157,504 and \$1,263,260, 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 5 – 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, 2014 and 2013, the unpaid balance was \$571,587 and \$643,244, respectively.

**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, 2014 and 2013

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***Note 6 – 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. As of December 31, 2014 and 2013, the balance outstanding for these qualified water and sewage utilities totaled \$44,755,000. Through December 31, 2014, only interest payments had been made to the trustee. 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 7 – Related Party Transactions***

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

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

**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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300 Civic Center Complex  
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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, 2014 and 2013, 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 December 7, 2015.

***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 that 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.

*Wardig, Slynanski & Company, P.S.C.*

Evansville, Indiana  
December 7, 2015