

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

CITY OF EVANSVILLE  
VANDERBURGH COUNTY, INDIANA

January 1, 2018 to December 31, 2018



**FILED**  
09/11/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
City Controller	Russell G. Lloyd, Jr., CPA	01-01-18 to 12-31-19
Mayor	Lloyd Winnecke	01-01-16 to 12-31-19
President of the Board of Public Works	Marty Amsler	01-01-18 to 12-31-19
President of the Common Council	Jim Brinkmeyer	01-01-18 to 12-31-19
Director of Utilities	Allen Mounts	01-01-18 to 12-31-19



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF EVANSVILLE, VANDERBURGH COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the City of Evansville (City), which comprises the financial position and results of operations for the year ended December 31, 2018, and the related notes to the financial statement as listed in the Table of Contents.

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statement 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 City's internal control. 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 statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statement, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the City for the year ended December 31, 2018.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2018, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


*Other Information*

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued a report dated August 22, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the City's 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 City's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

August 22, 2019



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

TO: THE OFFICIALS OF THE CITY OF EVANSVILLE, VANDERBURGH COUNTY, INDIANA

We have audited, 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, the financial statement of the City of Evansville (City), which comprises the financial position and results of operations for the year ended December 31, 2018, and the related notes to the financial statement, and have issued our report thereon dated August 22, 2019, wherein we noted the City followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statement, we considered the City'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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.

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.


INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*  
(Continued)

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statement is free of 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

August 22, 2019

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the City. The financial statement and notes are presented as intended by the City.

CITY OF EVANSVILLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
General	\$ 1,146,082	\$ 87,369,003	\$ 86,126,112	\$ 2,388,973
Motor Vehicle Highway	861,306	7,830,079	7,413,869	1,277,516
Local Road And Street	1,218,773	4,985,745	2,511,821	3,692,697
IHCDA Blight Elimination Fund Grant	(12,626)	93,624	238,939	(157,941)
Area Plan Commission	549,251	399,883	203,563	745,571
Parking	11,941	101,000	127,601	(14,660)
Unsafe Building	93,331	57,985	86,951	64,365
Parks And Recreation	489,799	9,744,853	9,501,812	732,840
Rainy Day	2,985,324	38,273	-	3,023,597
LOIT Special Distribution	1,633,923	465,357	1,314,555	784,725
Riverboat Capital Project	29,851,533	14,377,061	21,958,898	22,269,696
Cumulative Capital Improvement	-	274,503	274,503	-
Purchasing Internal Service	9,953	264,619	262,278	12,294
Police Pension	4,746,076	6,181,049	6,404,298	4,522,827
Fire Pension	4,267,761	4,669,999	4,690,416	4,247,344
LIT - Public Safety	-	6,296,835	2,221,760	4,075,075
Jacobsville TIF Projects	8,694,395	1,634,351	4,153,897	6,174,849
Melzer Trust	52,563	-	-	52,563
Evansville Community Trust	12,911	45	-	12,956
Recovery Grant	78,652	121,877	105,223	95,306
Rental Housing Inspection	13,018	45,795	54,083	4,730
Evansville Park 12 Sinking	85	1,588,769	1,588,552	302
Evansville Park Refunding 2010	545,285	1,100,281	1,092,090	553,476
Arena Bond	7,751,651	7,057,543	8,169,443	6,639,751
IDHS Hazard Mitigation Grant	3,599	-	-	3,599
Downtown Hotel/Convention	179,219	1,705	180,924	-
Eville Economic Dev 14 Const - Haier	189,229	105,033	102,414	191,848
Redevelopment - Victory	126,068	990,620	892,138	224,550
Arts District	52,626	26,603	62	79,167
Berry Plastics 2011	13	1,115,149	1,115,000	162
2015 Economic Development Refunding	5,398,736	75,560	3,097,708	2,376,588
Convention Hotel 2015A	1	-	1	-
IU Medical School Bond 2015C	1,810,934	463,401	1,481,366	792,969
IU Medical School Bond 2015D	1,163,260	618,817	659,337	1,122,740
Economic Dev Sinking 2015A	24	744,729	744,651	102
Parking Meter	88,136	313,160	277,872	123,424
2016A Downtown Hotel	1,659,755	232,362	1,328,313	563,804
2016B IU Medical School	1,819,097	1,056,150	2,865,090	10,157
2016A IU Medical School	6,546,425	3,236,185	9,781,272	1,338
2016 Jacobsville Project	37	998,867	998,702	202
Jacobsville Redev Area	-	1,023,884	-	1,023,884
Downtown Streetscape Redev	-	2,513,408	55	2,513,353
Parks Special District	-	24,953,866	187,911	24,765,955
Parks Special District Restricted	-	776	750	26
Donations	96,367	114,254	120,562	90,059
Miscellaneous Grant	1,129,592	1,031,895	81,607	2,079,880
Law Enforcement	208,968	221,496	166,615	263,849
Golf Course	(885,877)	1,184,766	1,451,162	(1,152,273)
Local County Option Income Tax	4,227,199	18,193,254	18,873,296	3,547,157
Greenway Project	565,381	267,072	323,327	509,126
Sports Non-Reverting	(212,313)	212,313	-	-

CITY OF EVANSVILLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
Zoo Animal Revolving	1,008	-	134	874
Rental Rehab	73,224	-	-	73,224
EDA Revolving Loan Fund	816,320	22,423	328,603	510,140
Home Admin Investment Trust	95,701	124,075	154,100	65,676
Community Dev Block Grant	(18,303)	1,407,052	1,700,520	(311,771)
Old Post Office	73,528	8,700	-	82,228
Economic Development Loan	933,757	80,127	104,484	909,400
Emergency Shelter Grant	(55,085)	218,343	271,810	(108,552)
Bicycle License Revolving	3,761	-	-	3,761
Sidewalk Program	254,948	110,764	54,920	310,792
ERC Capital Non Reverting	577,204	106,331	100,000	583,535
Housing Trust	153,284	75,378	2,735	225,927
HUD Fair Housing	201,288	44,500	38,772	207,016
Equal Emp Opportunity Commission	192,381	54,150	71,202	175,329
Master TIF Projects	2,344,509	7,778,934	7,980,028	2,143,415
Food And Beverage Tax Distribution	326,045	4,812,489	2,727,840	2,410,694
Locust Hill Perpetual Care	67,636	5,025	61	72,600
Oakhill Perpetual Care	583,688	9,061	176,233	416,516
Coleman Trust	12,273	121	-	12,394
Mattie J Bayard Trust	6,225	61	-	6,286
R T Legler Trust	2,358	23	-	2,381
Historic Preservation	5,894	445	694	5,645
Park District Bond Refunding 2010	703,540	907,112	1,097,939	512,713
General Obligation # 2	16,488	-	-	16,488
Unemployment	233,673	64,644	133,870	164,447
Workers Compensation	391,368	1,109,210	1,330,118	170,460
Liability	382,162	3,527,906	3,466,468	443,600
Hospitalization	(3,139,313)	25,167,792	24,713,380	(2,684,901)
Evansville Civil City Payroll	(18,692)	49,249,946	49,239,997	(8,743)
Accounts Receivable Clearing	9,458	257,856	279,233	(11,919)
Sewer Bond	12,116,934	22,164,531	20,701,911	13,579,554
Sewer Improvement Fund	12,504,387	14,291,595	10,499,773	16,296,209
Sewer Bond Construction	50,261,332	112,002,229	39,989,500	122,274,061
Sewer Reserve Fund	17,716,508	1,690,896	-	19,407,404
Sewer Payroll	-	3,835,598	3,835,598	-
Sewer Operating	8,374,733	76,842,219	70,556,875	14,660,077
Water Improvement Fund	833,758	4,842,696	3,595,296	2,081,158
Waterworks Payroll	-	5,966,493	5,966,493	-
Waterworks Reserve	8,223,590	5,501,609	-	13,725,199
WTR Periodic Maintenance	2,185,677	776,206	1,485,701	1,476,182
Customer Asst Program	7,230	30,722	33,349	4,603
Water Utility-Operating	4,548,836	43,349,963	44,180,133	3,718,666
Water Utility-Bond & Int Sinking	5,838,911	10,190,538	8,450,925	7,578,524
Water Utility-Consumer Meter Deposit	1,511,449	399,018	346,074	1,564,393
Water Utility-Construction	33,000,232	73,444,043	14,900,541	91,543,734
Totals	<u>\$ 251,521,368</u>	<u>\$ 684,864,678</u>	<u>\$ 521,746,109</u>	<u>\$ 414,639,937</u>

The notes to the financial statement are an integral part of this statement.

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

**B. Basis of Accounting**

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory 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.

**C. Cash and Investments**

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

**D. Receipts**

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

*Licenses and permits.* Amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Intergovernmental receipts.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

*Charges for services.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

*Fines and forfeits.* Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

*Utility fees.* Amounts received from charges for current services.

*Penalties.* Amounts received from late payment fees.

*Other receipts.* Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

**E. Disbursements**

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

*Personal services.* Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

*Supplies.* Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Debt service - principal and interest.* Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Utility operating expenses.* Amounts disbursed for operating the utilities.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

**F. Interfund Transfers**

The City may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

**G. Fund Accounting**

Separate funds are established, maintained, and reported by the City. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by December 31 of the year preceding the

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

budget year or January 15 of the budget year if the City is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. Risk Management**

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 6. Pension Plans**

1. Cost-Sharing Multiple Employer Defined Benefit Pension Plans

a. Public Employees' Retirement Fund

Plan Description: The City contributes to the Public Employees' Retirement Fund (PERF), which is administered by the Indiana Public Retirement System (INPRS). As part of the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB No. 25* (GASB No. 67), PERF changed from an agent to a cost sharing, multiple-employer defined benefit plan effective July 1, 2013, based on 35 IAC 21-1-1, 35 IAC 21-1-2 and amended IC 5-10.2-2-11(b). PERF was established to provide retirement, disability, and survivor benefits to full-time employees of the State not covered by another plan, those political subdivisions that elect to participate in the retirement plan, and certain INPRS employees. Political subdivisions mean a county, city, town, township, political body corporate, public school corporation, public library, public

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utility of a county, city, town, township, and any department of, or associated with, a county, city, town, or township, which department receives revenue independently of, or in addition to, funds obtained from taxation. There are two (2) tiers to the PERF Plan. The first is the Public Employees' Defined Benefit Plan (PERF Hybrid Plan) and the second is the Public Employees' Annuity Savings Account Only Plan (My Choice Plan).

The PERF Hybrid Plan was established by the Indiana Legislature in 1945 and is governed by the INPRS Board of Trustees in accordance with IC 5-10.2, IC 5-10.3 and IC 5-10.5. There are two (2) aspects to the PERF Hybrid Plan defined benefit structure. The first portion is the monthly defined benefit pension that is funded by the employer. The second portion of the PERF Hybrid Plan benefit structure is the annuity savings account (ASA) that supplements the defined benefit at retirement.

The PERF ASA Only Plan was established by the Indiana Legislature in 2011, and is governed by the INPRS Board of Trustees in accordance with IC 5-10.3-12 and IC 5-10.5. This plan is funded by an employer and a member for the use of the member, or the member's beneficiaries or survivors, after the member's retirement. The PERF ASA Only Plan members are full-time employees of the State (as defined in IC 5-10.3-7-1(d)) or a political subdivision who elected to participate and, who are in a position eligible for membership in the PERF Hybrid Plan and who elect to become members of the PERF ASA Only Plan. The PERF ASA Only Plan membership does not include individuals who: (1) before March 1, 2013; were members of the PERF Hybrid Plan or (2) on or after March 1, 2013, do not elect to participate in the PERF ASA Only Plan. Any government agency that pays employees through the Auditor of the State is a mandatory participant in the PERF ASA Only Plan and must offer eligible employees the PERF ASA Only Plan option. Quasigovernment agencies and State educational institutions may choose to offer the PERF ASA Only Plan as an option to their employees. Since inception, 395 members have selected the PERF ASA Only Plan, or approximately 9 percent of eligible new hires of the State.

Members are required to participate in the ASA. The ASA consists of the member's contributions, set by statute at three (3) percent of compensation as defined by IC 5-10.2-3-2 for PERF, plus the interest/earnings or losses credited to the member's account. The employer may elect to make the contributions on behalf of the member. In addition, under certain conditions, members may elect to make additional voluntary contributions of up to 10 percent of their compensation into their ASA. A member's contributions and interest credits belong to the member and do not belong to the State or political subdivision.

Investments in the members' ASA are individually directed and controlled by plan participants who direct the investment of their account balances among eight (8) investment options, with varying degrees of risk and return potential. All contributions made to a member's account (member contribution subaccount and employer contribution subaccount) are invested as a combined total according to the member's investment elections. Members may make changes to their investment directions daily and investments are reported at fair value.

Financial report: INPRS issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing [questions@inprs.in.gov](mailto:questions@inprs.in.gov), or by visiting <http://www.inprs.in.gov>.

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Retirement Benefits: Defined Benefit Pension: The PERF Hybrid Plan retirement benefit consists of the sum of a defined pension benefit provided by employer contributions plus the amount credited to the member's ASA. Pension benefits (non ASA) vest after 10 years of creditable service. The vesting period is eight (8) years for certain elected officials. Members are immediately vested in their ASA. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's ASA, receive the amount as an annuity, or leave the contributions invested with INPRS. Vested PERF members leaving a covered position, who wait 30 days after termination, may withdraw their ASA and will not forfeit creditable service or a full retirement benefit. However, if a member is eligible for a full retirement at the time of the withdrawal request, he/she will have to begin drawing his/her pension benefit in order to withdraw the ASA. A non-vested member who terminates employment prior to retirement may withdraw his/her ASA after 30 days, but by doing so, forfeits his/her creditable service. A member who returns to covered service and works no less than six (6) months in a covered position may reclaim his/her forfeited creditable service.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position. All 20 calendar quarters do not need to be continuous, but they must be in groups of four (4) consecutive calendar quarters. The same calendar quarter may not be included in two (2) different groups. For PERF members who serve as an elected official, the highest one (1) year (total of four (4) consecutive quarters) of annual compensation is used. Member contributions paid by the employer on behalf of the member and severance pay up to \$ 2,000 are included as part of the member's annual compensation.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and, as such, is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the benefits as described above.

A member who has reached at least age 50 and has at least 15 years of creditable service is eligible for early retirement with a reduced pension. A member retiring early receives a percentage of the normal annual pension benefit. The percentage of the pension benefit at retirement remains the same for the member's lifetime. For age 59, the early retirement percentage of the normal annual pension benefit is 89 percent. This amount is reduced five (5) percentage points per year (e.g., age 58 is 84 percent) to age 50 being 44 percent.

The employer-funded monthly pension benefits for members in pay status are increased periodically to preserve purchasing power that is diminished due to inflation. Such increases are not guaranteed by Statute and will only be provided by legislative action.

A "13<sup>th</sup> check" was paid to each member in pay status during fiscal year 2018 and 2019. The amount of the 13<sup>th</sup> check varied based on the years of creditable service the member had earned prior to retirement. Legislation passed in the 2018 legislative session creates a funding mechanism to provide for future benefit increases or 13<sup>th</sup> checks. The INPRS Board has the authority to have employers contribute up to 1% of member pay into the fund. Increases or payments are made upon passed legislation subject to the availability of funds to provide the benefit.

The PERF Hybrid Plan also provides disability and survivor benefits. A member who has at least five (5) years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer-provided disability insurance

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benefits may retire for the duration of the disability, if the member has qualified for social security disability benefits and has furnished proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. The minimum benefit is \$ 180 per month, or the actuarial equivalent.

Upon the death in service of a member with 15 or more years of creditable service as of January 1, 2007, a survivor benefit may be paid to the surviving spouse to whom the member had been married for two (2) or more years, or surviving dependent children under the age of 18. This payment is equal to the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option available for retirement benefits. A surviving spouse or surviving dependent children are also entitled to a survivor benefit upon the death in service after January 1, 2007, of a member who was at least 65 years of age and had at least 10 but not more than 14 years of creditable service.

Funding Policy: Members are obligated by statute to make contributions to the PERF Hybrid Plan or the PERF ASA Only Plan. Any political subdivision that elects to participate in the PERF Hybrid Plan is obligated by statute to make contributions to the plan. The required contributions are determined by the INPRS Board of Trustees based on actuarial investigation and valuation in accordance with IC 5-10.2-2-11. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. As PERF is a cost-sharing plan, all risks and costs, including benefit costs, are shared proportionately by the participating employers. During the year ended June 30, 2018, participating employers were required to contribute 11.2 percent of covered payroll for members employed by the State and Political Subdivisions.

The PERF Hybrid Plan or the PERF ASA Only Plan members contribute three (3) percent of covered payroll to their ASA, which is not used to fund the defined benefit pension for the PERF Hybrid Plan. For the PERF Hybrid Plan, the employer may elect to make the contributions on behalf of the member. The employer shall pay the member's contributions on behalf of the member for the PERF ASA Only Plan. In addition, members of the PERF Hybrid Plan (effective July 1, 2014, the PERF ASA Only Plan may also participate) may elect to make additional voluntary contributions, under certain criteria, of up to 10 percent of their compensation into their ASA.

The City has not adopted generally accepted accounting principle financial statements in fiscal year 2018 but plans to adopt them in fiscal year 2019. Were the City to adopt generally accepted accounting principles, the City would allocate the pension liability to Governmental Activities and Business-Type activities based on their respective contributions to INPRS. The following represents the City's estimated annual required contributions:

	<u>Year Ended</u> <u>December 31</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
Governmental	2018	\$ 2,128,807	100%
Business-Type	2018	\$ 1,284,579	100%

Significant Actuarial Assumptions: The total pension liability is determined by INPRS actuaries in accordance with GASB No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g. salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g. mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

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- Type of Plan – The Public Employees' Retirement Fund is a cost-sharing multiple-employer plan for GASB accounting purposes
- Measurement Date – June 30, 2018
- Valuation Date – Assets: June 30, 2018. Liabilities: June 30, 2018 – The TPL as of June 30, 2018 was determined based on an actuarial valuation prepared as of June 30, 2017 rolled forward one year to June 30, 2018, using the following key actuarial assumptions and other inputs, such as benefit accruals and actual benefit payments during that time period.
- Inflation – 2.25%
- Future Salary Increases – 2.50% - 4.25% based on age
- Cost-of-Living Increases – As of June 30, 2018: In lieu of a COLA on January 1, 2019, members in pay were provided a 13<sup>th</sup> check on October 1, 2018. It is assumed a 13<sup>th</sup> check would continue for the 2020 and 2021 fiscal years. Therefore, the following COLAs, compounded annually, were assumed:
  - 0.4% beginning on January 1, 2022
  - 0.5% beginning on January 1, 2034
  - 0.6% beginning on January 1, 2039
- Mortality Assumption (Healthy) – RP-2014 Total Data Set Mortality Table, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.
- Mortality Assumption (Disabled) – RP-2014 Disability Mortality Table, with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 Trustee report.
- Experience Study – The most recent comprehensive experience study was completed in April 2015 and was based on member experience between June 30, 2010 and June 30, 2014. The demographic assumptions were updated as needed for the June 30, 2015 actuarial valuation based on the results of the study.
- Discount Rate – 6.75%

The long-term return expectation for the defined benefit retirement plan has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation.

Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

	<u>Target Asset Allocation</u>	<u>Geometric Basis Long-Term Expected Real Rate of Return</u>
		<u>2018</u>
Public Equity	22.0%	4.9%
Private Equity	14.0%	5.7%
Fixed Income – Ex Inflation-Linked	20.0%	2.3%
Fixed Income – Inflation-Linked	7.0%	0.6%
Commodities	8.0%	2.2%
Real Estate	7.0%	3.7%
Absolute Return	10.0%	3.9%
Risk Parity	12.0%	5.1%

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Total pension liability for each defined benefit pension plan was calculated using the discount rate of 6.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and where applicable from the members, would at the minimum be made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board, and contributions required by the State (the non-employer contributing entity) would be made as stipulated by State statute. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (6.75 percent). Based on those assumptions, each defined benefit pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

The City is not reporting pension liability in 2018. However, if calculated the net pension liability entry is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the estimated net pension liability of each defined benefit pension plan calculated using the discount rate of 6.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate:

	<u>Net Pension Liability/(Asset)</u>		
	(5.75%) <u>1% Decrease</u>	(6.75%) <u>Current Rate</u>	(7.75%) <u>1% Increase</u>
Governmental 2018	\$ 19,973,429	\$ 12,688,304	\$ 6,613,302
Business-Type 2018	\$ 12,025,447	\$ 7,639,275	\$ 3,981,686

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in a stand-alone financial report of INPRS that includes financial statements and required supplementary information for the plan as a whole. This report may be obtained by writing the Indiana Public Retirement System, One North Capitol, Suite 001, Indianapolis, IN 46204, by calling (888) 526-1687, by emailing [questions@inprs.in.gov](mailto:questions@inprs.in.gov), or by visiting [www.in.gov/inprs](http://www.in.gov/inprs).

Investment Valuation and Benefit Payment Policies: The pooled and non-pooled investments are reported at fair value by INPRS. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Short-term investments consist primarily of cash, money market funds, certificates of deposits and fixed income instruments with maturities of less than one year. Short-term investments are reported at cost, which approximates fair value or, for fixed income instruments, valued using similar methodologies as other fixed income securities described below.

Fixed income securities consist primarily of the U.S. government, U.S. government-sponsored agencies, publicly traded debt and commingled investment debt instruments. Equity securities consist primarily of domestic and international stocks in addition to commingled equity instruments. Fixed income and equity securities are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Securities that are not traded on a national security exchange are valued using modeling techniques that include market observable inputs required to develop a fair value. Commingled funds are valued using the net asset value (NAV) of the entity.

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Alternative investments include limited partnership interests in private equity, absolute return, private real estate and risk parity investment strategies. Publicly traded alternative investments are valued based on quoted market prices. In the absence of readily determinable public market values, alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager. Moreover, holdings are generally valued by a general partner or investment manager on a quarterly or semi-annual basis. Valuation assumptions are based upon the nature of the investment and the underlying business.

Additionally, valuation techniques will vary by investment type and involve a certain degree of expert judgment. Alternative investments, such as investments in private equity or real estate, are generally considered to be illiquid long-term investments. Due to the inherent uncertainty that exists in the valuation of alternative investments, the realized value upon the sale of an asset may differ from the fair value. Derivative instruments are marked to market daily with changes in fair value recognized as part of investments and investment income.

Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest are distributions from inactive, non-vested members' ASAs. These distributions may be requested by members or auto-distributed by the fund when certain criteria are met.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: Under generally accepted accounting principles which the City will not report in 2018, the City would have reported a liability of \$ 20,327,579 for their proportionate share of the net pension liability as of December 31, 2018. The City would have allocated the pension liability to Governmental Activities and Business-Type Activities based on their respective contributions to INPRS. For 2018 the allocation would have been \$ 12,688,304 and \$ 7,639,275 to the Governmental Activities and Business-Type Activities respectively. The net pension liability was measured as of June 30, 2018 and the total pension liability would have been used to calculate the net pension liability by an actuarial valuation as of that date. The City's proportionate share of the net pension liability would have been based on the City's wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2018 measurement date was 0.0059839 which was allocated as shown below.

	<u>Total</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2018	0.0059839	0.0037351	0.0022488

For the year ended December 31, 2018, the City would have recognized overall pension expense of \$ 2,962,056 that would have been allocated to Governmental Activities and Business-Type Activities in the amounts of \$ 1,737,474 and \$ 1,224,582 respectively which included net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions.

For December 31, 2018, had the City reported under generally accepted accounting principles, deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan would have been shown from the following sources:

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Governmental Activities:	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 165,938	\$ 866
Net difference between projected and actual earnings on pension plan investments	375,778	-
Changes in assumptions	30,230	2,037,283
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>869</u>	<u>565,686</u>
Total that will be recognized in pension expense (income) based on table below	572,815	2,603,835
Pension contributions subsequent to measurement date	<u>1,196,277</u>	<u>-</u>
Total	<u>\$ 1,769,092</u>	<u>\$ 2,603,835</u>
Business-Type Activities:	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 99,907	\$ 522
Net difference between projected and actual earnings on pension plan investments	226,245	-
Changes in assumptions	18,201	1,226,592
Changes in proportion and differences between Utility contributions and proportionate share of contributions	<u>4,799</u>	<u>94,982</u>
Total that will be recognized in pension expense (income) based on table below	349,152	1,322,096
Pension contributions subsequent to measurement date	<u>814,704</u>	<u>-</u>
Total	<u>\$ 1,163,856</u>	<u>\$ 1,322,096</u>

Had the City reported in 2018 using generally accepted accounting principle financial statements, \$ 1,196,277 and \$ 814,704 would have been reported as deferred outflows of resources resulting from employer contributions subsequent to the June 30, 2018 measurement date (Governmental Activities and Business-Type Activities respectively) and would have been recognized as a reduction of net pension liability in the year ending December 31, 2019.

Within generally accepted accounting principle financial statements, deferred inflows of resources resulting from the differences between projected and actual investment earnings on Plan investments are amortized over a 5 year period. A change in an employer's proportionate share represents the change as of the current year measurement date versus the prior year measurement

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date, and is amortized over the average expected remaining service lives of the plan. The difference between an employer's contributions and the employer's proportionate share of the collective contributions is amortized over the average expected remaining service lives of the plan. Amounts reported as deferred outflows of resources and deferred inflows of resources would have been recognized in pension expense as follows:

	Year Ending December 31,	
	Governmental Activities	Business-Type Activities
2019	(\$ 8,838)	\$ 90,849
2020	(698,934)	(340,530)
2021	(1,098,534)	(587,968)
2022	(224,714)	(135,295)
2023	0	0
Thereafter	0	0
Total	(\$ 2,031,020)	(\$ 972,944)

b. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description: The 1977 Police Officers' and Firefighters' Pension and Disability Fund (1977 Fund) provides pensions for all police officers and firefighters hired after April 30, 1977. The plan is a cost – sharing, multiple – employer defined benefit plan administered by the Indiana Public Employees' Retirement Plan (INPRS). The system issues a publicly available financial report that can be obtained at <http://www.inprs.in.gov>.

Benefits Provided: The plan provides retirement, disability, and death benefits. Benefit terms are established and amended by State legislative action.

Annual retirement benefits for employees are calculated equal to 50 percent of the salary of a first class officer for 20 years of service. Normal retirement age is 52 with early retirement at 50. Employees are eligible for non – duty disability benefits after five years of services and for duty related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits equal the benefit which would have been payable to a beneficiary if the member had retired at age 50 or at death, whichever is later, under an effective election of the joint and survivor option is available for retirement benefits. An employee who leaves service may withdraw his or her contributions, plus any accumulated interests.

Benefit terms provide adjustments for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date.

The annual adjustments are determined by statute equal to the change in the Consumer Price Index but not in excess of a 3 percent increase.

Contributions: Per Indiana State Statute (IC 36-8-8 and IC 36-8-8.5), contribution requirements of the active employees and the participating employers are established and may be amended by the INPRS Board based on recommendations by the INPRS actuary.

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The funding policy for the 1977 Fund requires remittances of member and employer contributions based on percentages of the salary of a first class officer or firefighter rather than actual payroll. Employees are required to contribute 6 percent of their annual pay. The employer contribution rate is actuarially determined. The City's contractually required contribution rate for the year ended December 31, 2018 was 17.5 percent of the salary of a first class officer or firefighter. Contributions to the plan from the City were \$ 2,975,430 to the Police Officer's plan and \$ 2,874,794 to the Firefighter's plan for the year ended December 31, 2018.

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Under generally accepted accounting principles which the City will not report in 2018, at December 31, 2018, the City would have reported a net pension asset of \$ 1,774,003 for the Police Officers' fund and \$ 1,714,751 for the Firefighters' fund for their respective proportionate shares of the net pension liability. The Plan's net pension liability measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability as based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating units, are actuarially determined.

For the year ended December 31, 2018, the City would have recognized pension expense of \$ 2,085,060 for the Police Officers' fund and \$ 2,035,729 for the Firefighters' fund.

For December 31, 2018, if the City had reported under generally accepted accounting principles, the City would have reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Police Officers'</u>		<u>Firefighters'</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,281,705	\$ 818,982	\$ 3,172,096	\$ 791,628
Net difference between projected and actual investment earnings on pension plan investments	\$ 605,466	\$ -	\$ 585,243	\$ -
Change of assumptions	\$ -	\$ 3,930,884	\$ -	\$ 3,799,591
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 74,680	\$ 142,569	\$ 154,968	\$ 122,658
City contributions subsequent to the measurement date	\$ 1,578,302	\$ -	\$ 1,584,821	\$ -
Totals	<u>\$ 5,540,153</u>	<u>\$ 4,892,435</u>	<u>\$ 5,497,128</u>	<u>\$ 4,713,877</u>

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Had the City reported in 2018 using generally accepted accounting principle financial statements, \$ 1,578,302 and \$ 1,584,821 would have been reported for the Police Officers' and Firefighters' funds respectively as deferred outflows related to pensions resulting from City contribution subsequent to the measurement date and been recognized as a reduction of the net pension liability/collective net pension liability in the year ended December 31, 2018.

If the City had reported using generally accepted accounting principle financial statements other amounts to be reported as deferred outflows of resources and deferred inflows of resources related to pensions would have been recognized in pension expense as follows:

	Year Ended December 31,	
	Police Officers'	Firefighters'
2019	\$ 1,278,463	\$ 1,256,074
2020	(176,044)	(149,852)
2021	(1,256,073)	( 1,193,808)
2022	(1,004,737)	(950,867)
2023	(422,272)	(394,901)
Thereafter	650,079	631,784
Total	(\$ 930,584)	(\$ 801,570)

Actuarial Assumptions: The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurements:

Experience Study Date	Period of 4 years ended June 30, 2014
Investment Rate of Return	6.75% net of pension plan investment expense
Cost of Living Increases	2.00%
Future Salary Increases	2.50%
Inflation	2.25%
Mortality Rates	RP-2014 Blue Collar Mortality Table, with Social Security Administration generational improvement scale from 2006

The actuarial assumptions and methods used in the June 30, 2018 valuation of the Public Employees' Retirement Fund were adopted by the INPRS Board in May 2017. The majority of the actuarial assumptions and methods are based on plan experience from July 1, 2010 through June 30, 2014, and were first used in the June 30, 2015 valuation. The INPRS Board adopted a funding policy in April 2014, and the policy was last updated in April 2016.

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For the actuarial valuation as of June 30, 2018, an actuarial audit was completed which included updating the following assumptions: adding a load on final average salary of \$ 400 to reflect unused sick leave accumulated at termination of employment for active and inactive vested members. Additionally, for disabled members, the RP-2014 (with MP-2014 improvement removed) Disability Mortality tables are assumed instead of the RP2014 (with MP-2014 improvement removed) Total Data Set Mortality tables.

The long-term expected rate of return on pension plan investments was determined using a building-block method in with best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of geometric real rates of return as of June 30, 2018 for each major asset class are summarized in the following table:

<u>Global Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Basis Long-Term Expected Real Rate of Return</u>
Public equity	22.0%	4.9%
Private equity	14.0%	5.7%
Fixed Income - Ex inflation linked	20.0%	2.3%
Fixed Income - inflation linked	7.0%	0.6%
Commodities	8.0%	2.2%
Real estate	7.0%	3.7%
Absolute return	10.0%	3.9%
Risk parity	12.0%	5.1%

Discount Rate: The discount rate used to measure the total pension liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net positions was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the Police and Firefighter proportional share of the net pension liability calculated using the discount rate of 6.75 percent, as well as, what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point-lower (5.75 percent) or 1-percentage-point-higher (7.75 percent) than the current rate:

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

	Net Pension Liability/(Asset)		
	(5.75%)	(6.75%)	(7.75%)
	1% Decrease	Current Rate	1% Increase
Police Officers'	\$ 16,854,710	(\$ 1,774,003)	(\$ 16,832,151)
Firefighters'	\$ 16,291,759	(\$ 1,714,751)	(\$ 16,269,954)

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS Comprehensive Annual Financial Report (CAFR) and Actuarial Valuations. These reports can be found at:

[http://www.in.gov/inprs/files/2017\\_INPRSCAFRBookWeb.pdf](http://www.in.gov/inprs/files/2017_INPRSCAFRBookWeb.pdf)  
<http://www.in.gov/inprs/files/20171997FundActuarialReport.pdf>

Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

2. Single Employer Defined Benefit Pension Plans

a. 1925 Police Officers' Pension Plan

Plan Description: The City contributes to the 1925 Police Officers' Pension Plan which is a single-employer defined pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6).

The pension board consists of nine members. Three are members by virtue of office: the Mayor, the City Controller, and the Police Chief. Five members are elected representatives of the active membership of the police department, and one additional member, a retired officer, is elected. The plan provides retirement, disability, and death benefits to plan members and beneficiaries.

The plan was established and may be amended by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Plan Membership

Plan membership at December 31, 2018, consisted of the following:

	1925 Police Officers' Pension
Retires and beneficiaries currently receiving benefits	195
Terminated employees entitled to but not yet receiving benefits	0
Current active employees	1

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Benefits Provided: The plan provides retirement, disability, and death benefits. The benefits provisions of the plan for non-converted members are set forth in Indiana Code 36-8-6. Unless specifically denoted, provisions for converted and non-converted members are the same.

All full-time, fully-paid police officers who were hired before May 1, 1977 or hired between April 30, 1977 and February 1, 1979 are eligible participants. The pension plan is closed to new entrants.

Eligibility for annuity benefits is as follows: Non-converted members of any age with twenty or more years of creditable service and converted plan members who are age fifty-two with twenty or more years of creditable service are eligible for normal benefits.

Normal retirement benefits are calculated at 50% of the base salary of a First class Patrolman, plus an additional 1% for each completed six months of service over twenty years up to a maximum of 74% with 32 years of service.

Non-converted plan members of any age with twenty or more years of creditable service and converted plan members age fifty with twenty years or more of creditable service are eligible to receive early retirement benefits. Early retirement benefits are unreduced for non-converted plan members. Early retirement benefits are reduced by 7% per year for converted plan members between ages fifty and fifty-two. Late retirement benefits are calculated in the same manner as normal retirement benefits.

Disability retirement benefits are equal to a sum determined by a disability medical panel, but not exceeding 55% of the monthly salary (with longevity pay) of a First Class Patrolman. If a member has more than twenty years of service, the disability benefit, if greater, will be equal to the pension the member would have received if the member had retired on the date of disability. For converted plan members, the disability benefit is equal to the benefit the member would have received if the member had retired.

If a converted member does not have twenty years of service or is not at least age fifty-two on the date of disability, the benefit is computed as if the member does have twenty years of service and is age fifty-two at the date of disability.

Pre-retirement death benefits vary for converted and non-converted plan members and depending upon whether or not the death is considered in the line of duty or not in the line of duty. Such benefits range from 20-50% of a First Class Patrolman salary, with longevity, or from 55-100% of the monthly benefit the member was receiving, or was entitled to receive, on the date of death. Pre-retirement death benefits are payable to the surviving spouse, children and dependent parents of plan members provided they meet eligibility guidelines. A one-time funeral death benefit is paid to the heirs or estate upon a member's death from any cause is equal to at least \$ 12,000. An additional benefit of \$ 150,000 is paid from the Pension Relief Fund to a surviving spouse, children, or parent(s) if death occurs in the line of duty.

Non-converted members are entitled to the normal retirement benefit described above if termination occurs after earning twenty years of service. If termination occurs before completing twenty years of service, no benefits are payable. Converted members are entitled to the accrued retirement benefit determined as of the termination date and payable commencing on the normal retirement date. If termination occurs before completing twenty years of service, the member shall be entitled to the member's contributions plus accumulated interest.

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Benefits for non-converted retired member are increased annually based on increases in the first class salary as approved by the employer. Converted retired member benefits are increased annually based on increases in the CPI-U index. The increase is subject to a 3% maximum and 0% minimum.

Contributions: Plan members are required by state statute (IC 36-8-6-4) to contribute an amount equal to six percent (6%) of the salary of a First Class Patrolman until they have completed thirty-two years of service.

Actuarial valuations are performed annually for the 1925 Police Officers' Pension Plan. The assumptions used in the valuation are selected and approved by the Indiana Public Retirement System (INPRS) Board of Trustees.

Benefits to members of the plan are funded on a pay-as-you-go basis by certain revenues and appropriations of the State of Indiana to the Pension Relief Fund.

On-behalf contributions from the State of Indiana as shown in the financial statements of \$ 6,387,144 approximate an equal amount paid out for benefits. The primary government has recognized these on-behalf payments as intergovernmental revenue and public safety expenditures in the City Police Pension Fund. The Pension Relief Fund has been created within the INPRS and is administered by INPRS and is used as a temporary holding account for collecting State revenues and appropriations before funds are distributed to employers. Amounts required to pay benefits are distributed from the fund to the City.

Pension Plan Investments – Policy and Rate of Return

The pension plan investment policy is consistent with the overall policy of the City as described in Note 1C. The plan held investments totaling \$ 3,860,808 on December 31, 2018, consisting of short term money market accounts and bank certificates of deposit.

Deferred Retirement Option Plan: The Deferred Retirement Option Plan (DROP) is an optional form of benefit, which allows members who are eligible for an unreduced retirement benefit to continue to work and earn a salary while accumulating a DROP benefit. A member who elects to enter the DROP shall execute an irrevocable election to retire on the DROP retirement date. The member shall select a DROP retirement date not less than 12 months and not more than 36 months after the member's DROP entry date. While in the DROP, the member shall continue to make applicable fund contributions. When a member enters the DROP, a "DROP frozen benefit" will be calculated. Members of the DROP are eligible to receive a lump sum equal to the amount of the DROP frozen benefit multiplied by the number of months in the DROP. A member may elect to receive this amount in three annual installments instead of a single lump sum. In addition, the member will receive a monthly retirement benefit equal to the DROP frozen benefit. Forms of payment include a single life annuity or a joint annuity with 60% survivor benefits. A member, upon retirement, may elect to forgo DROP benefits and instead receive monthly retirement benefits calculated as if the member never elected to participate in the DROP. There is no balance of amounts held by the pension plan pursuant to the DROP.

Net Pension Liability:

The City is not reporting using generally accepted accounting principles (GAAP) in 2018. Had the City reported under GAAP, the components of the net pension liability of the 1925 Police Officers' Pension Plan at December 31, 2018 were as follows:

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

	1925 Police Officers' Pension
Actuarial net pension liability	\$ 87,650,527
Plan fiduciary net position	(4,522,824)
Net pension liability	\$ 83,127,703
Plan fiduciary net position as a percentage of total pension liability	5.16%

Changes in the net pension liability during the measurement year were as follows:

	Police Officers' 1925 Plan		
Changes in Net Pension Liability	Total Pension Liability	Plan net Position	Net Pension Liability
Balance at December 31, 2017	\$ 95,701,570	\$ 4,746,074	\$ 90,955,496
Service cost	38,208	-	38,208
Interest cost	2,507,927	-	2,507,927
Differences between expected and actual experience (gain)/loss	( 1,457,235)	-	( 1,457,235)
Employer contributions	-	-	-
Non-employer contributing entity contributions	-	6,116,676	6,116,676
Benefit payments, including refunds	( 9,139,943)	( 6,339,926)	( 2,800,017)
Net Changes	( 8,051,043)	(\$ 223,250)	(\$ 7,827,793)
Balance at December 31, 2018	\$ 87,650,527	\$ 4,522,824	\$ 83,127,703

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: While the City does not report the 2018 financial statements under generally accepted accounting principles, for the year ended December 31, 2018, the City would have recognized pension income of (\$ 1,930,210) and reported no deferred outflows of resources or deferred inflows of resources related to the 1925 Polices' Pension Plan.

Actuarial Assumptions: The actuarial assumptions used in the calculation were selected and approved by the INPRS Board of Trustees.

CITY OF EVANSVILLE  
 NOTES TO FINANCIAL STATEMENT  
 (Continued)

The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%	per year
Salary increases	2.50%	per year
Investment rate of return	2.75%	net of pension plan investment expense, including inflation
Cost of living increases:		
Non-converted	2.50%	per year in retirement
Converted	2.20%	per year in retirement

Mortality rates were based on the RP 2014 Blue Collar mortality tables with MP-2014 improvement removed, and with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 report.

The actuarial assumptions used in the valuation are based on the results of the actuarial experience study completed for the 1977 Police Officers' and Firefighters' Pension and Disability Fund in April 2015, which covered the period beginning July 1, 2010 and ending June 30, 2014.

Discount Rate: The discount rate is set equal to the Barclay's 20-year Municipal Bond Index rate of 3.10 percent as of December 31, 2018. The discount rate increased from the 2.75 percent used for the December 31, 2017 calculation of the net pension liability. The projection of cash flows used to determine the discount rate considered the fact that on-behalf contributions made by the State of Indiana are made as benefit payments become due for payment.

Projected Cash Flows: Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate which was 3.10 percent. The source of that bond rate was the Barclay's 20-year Municipal Bond Index as of December 31, 2018. The municipal bond rate was applied to all remaining periods.

The pension plan held investments totaling \$ 3,860,808 on December 31, 2018.

Sensitivity of the Net Pension Liability of Changes in the Discount Rate

Since the City is not currently reporting under generally accepted accounting principles, net pension liability is not reported. However, the following represents the net pension liability of the City, calculated using the discount rate of 3.10 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.10 percent) or 1-percentage point higher (4.10 percent) than the current rate:

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

	(2.10%)	(3.10%)	(4.10%)
	1% Decrease	Current Rate	1% Increase
Net Pension Liability	\$ 92,233,142	\$ 83,127,703	\$ 75,388,162

Pension Cost: The pension plan does not issue a separate financial report.

Funding Status and Funding Progress: The City did not report the 2018 financial statements using generally accepted accounting principles. As of the January 1, 2018 actuarial valuation date, the plan was not funded and is on a pay as you go basis. The actuarial accrued liability for benefits was \$ 87,650,527 and the actuarial value of assets was \$ 4,522,824 resulting in an unfunded actuarial accrued liability of \$ 83,127,703. The covered payroll was \$ 54,765 and the ratio of the plan fiduciary net position to total pension liability was 5.16%.

Pension Plan Fiduciary Net Position: Detailed information about the plan's fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting, however for 2018 the City did not use the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefits payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

b. 1937 Firefighters' Pension Plan

Plan Description: The City contributes to the 1937 Firefighters' Pension Plan which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7).

The pension board consists of seven members, which include the Mayor, the Fire Chief, the Pension Secretary, three trustees elected from active members, and one trustee elected from retired members.

The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established and can be amended by the plan administrator, as provided by state statute.

The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Plan Membership: Plan membership at December 31, 2018, consisted of the following:

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

	1937 Firefighters' Pension
Retires and beneficiaries currently receiving benefits	147
Terminated employees entitled to but not yet receiving benefits	0
Current active employees	0

**Benefits Provided:** The plan provides retirement, disability, and death benefits. The benefit provisions of the 1937 Firefighters' Pension Plan for non-converted members are set forth in Indiana Code 36-8-7. The benefit provisions for converted members are set forth in Indiana Code 36-8-8.

Unless specifically denoted, provisions for converted and non-converted members are the same. All full-time, fully-paid firefighters who were hired before May 1, 1977 or rehired between April 30, 1977 and February 1, 1979 are eligible participants. The pension plan is closed to new entrants.

Eligibility for annuity benefits is as follows: Non-converted members of any age with twenty or more years of creditable service and converted plan members who are age fifty-two with twenty or more years of creditable service are eligible for normal benefits.

Normal retirement benefits are calculated at 50% of the base salary of a First Class Firefighter, plus an additional 1% for each completed six months of service over twenty years up to a maximum of 74% with 32 years of service.

Non-converted plan members of any age with twenty or more years of creditable service and converted plan members age fifty with twenty years or more of creditable service are eligible to receive early retirement benefits. Early retirement benefits are unreduced for unconverted plan members.

Early retirement benefits are reduced by 7% per year for converted plan members between ages fifty and fifty-two. Late retirement benefits are calculated in the same manner as normal retirement benefits.

Disability retirement benefits are equal to a sum determined by a disability medical panel, but not exceeding 55% of the monthly salary (with longevity pay) of a First Class Firefighter. If a member has more than twenty years of service, the disability benefit, if greater, will be equal to the pension the member would have received if the member had retired on the date of disability. For converted plan members, the disability benefit is equal to the benefit the member would have received if the member had retired. If a converted member does not have twenty years of service or is not at least age fifty-two on the date of disability, the benefit is computed as if the member does have twenty years of service and is age fifty-two at the date of disability.

Pre-retirement death benefits vary for converted and non-converted plan members and depending upon whether or not the death is considered in the line of duty or not in the line of duty. Such benefits range from 20-50% of the monthly benefit the member was receiving, or was entitled to receive, on the date of death.

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Pre-retirement death benefits are payable to the surviving spouse, children and dependent parents of plan members provided they meet eligibility guidelines. A one-time funeral death benefit is paid to the heirs or estate upon a member's death from any cause is equal to at least \$ 12,000. An additional benefit of \$ 150,000 is paid from the Pension Relief Fund to a surviving spouse, children, or parent(s) if death occurs in the line of duty.

Non-converted members are entitled to the normal retirement benefit described above if termination occurs after earning twenty years of service. If termination occurs before completing twenty years of service, no benefits are payable. Converted members are entitled to the accrued retirement benefit determined as of the termination date and payable commencing on the normal retirement date. If termination occurs before completing twenty years of service, the member shall be entitled to the member's contributions plus accumulated interest.

Benefits for non-converted retired member are increased annually based on increases in the first class salary as approved by the employer. Converted retired member benefits are increased annually based on increases in the CPI-U index. The increase is subject to a 3% maximum and 0% minimum.

Contributions: Plan members are required by state statute (IC 36-8-6-4) to contribute an amount equal to six percent (6%) of the salary of a First Class Firefighter until they have completed thirty-two years of service.

Actuarial valuations are performed annually for the 1937 Firefighters' Pension Plan. The assumptions used in the valuation are selected and approved by the Indiana Public Retirement System (INPRS) Board of Trustees. Benefits to members of the plan are funded on a pay-as-you-go basis by certain revenues and appropriations of the State of Indiana to the Pension Relief Fund. On-behalf contributions from the State of Indiana as shown in the financial statements of \$ 4,618,351 approximate an equal amount paid out for benefits. The primary government has recognized these on-behalf payments as intergovernmental revenue and public safety expenditures in the City Fire Pension Fund. The Pension Relief Fund has been created within the INPRS and is administered by INPRS and is used as a temporary holding account for collecting State revenues and appropriations before funds are distributed to employers. Amounts required to pay benefits are distributed from the fund to the City.

Pension Plan Investments – Policy and Rate of Return:

The pension plan investment policy is consistent with the overall policy of the City as described in Note 1C. The plan held investments totaling \$ 3,459,959 on December 31, 2018 consisting of short term money market accounts and bank certificates of deposit.

Deferred Retirement Option Plan: The Deferred Retirement Option Plan (DROP) is an optional form of benefit, which allows members who are eligible for an unreduced retirement benefit to continue to work and earn a salary while accumulating a DROP benefit. A member who elects to enter the DROP shall execute an irrevocable election to retire on the DROP retirement date. The member shall select a DROP retirement date not less than 12 months and not more than 36 months after the member's DROP entry date. While in the DROP, the member shall continue to make applicable fund contributions. When a member enters the DROP, a "DROP frozen benefit" will be calculated. Members of the DROP are eligible to receive a lump sum equal to the amount of the DROP frozen benefit multiplied by the number of months in the DROP. A

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

member may elect to receive this amount in three annual installments instead of a single lump sum. In addition, the member will receive a monthly retirement benefit equal to the DROP frozen benefit. Forms of payment include a single life annuity or a joint annuity with 60% survivor benefits. A member, upon retirement, may elect to forgo DROP benefits and instead receive monthly retirement benefits calculated as if the member never elected to participate in the DROP. There is no balance of amounts held by the pension plan pursuant to the DROP.

Net Pension Liability: The City is not reporting using generally accepted accounting principles (GAAP) in 2018. Had the City reported under GAAP, the components of the net pension liability of the 1937 Firefighters' Pension Plan at December 31, 2018, would have been reported as follows:

	1937 Firefighters' Pension
Actuarial net pension liability	\$ 64,165,011
Plan fiduciary net position	(4,247,345)
Net pension liability	\$ 59,917,666
Plan fiduciary net position as a percentage of total pension liability	6.62%

Changes in the net pension liability during the measurement year were as follows:

	Firefighters' 1937 Plan		
Changes in Net Pension Liability	Total Pension Liability	Plan net Position	Net Pension Liability
Balance at December 31, 2017	\$ 70,001,149	\$ 4,267,762	\$ 65,733,388
Service cost	-	-	-
Interest cost	1,837,091	-	1,837,091
Differences between expected and actual experience (gain)/loss	( 888,092)	-	( 888,092)
Employer contributions	-	-	-
Non-employer contributing entity contributions	-	4,618,351	4,618,351
Benefit payments, including refunds	( 6,785,137)	( 4,638,768)	( 2,146,369)
Net Changes	( 5,836,138)	( 20,417)	( 5,815,721)
Balance at December 31, 2018	\$ 64,165,011	\$ 4,247,344	\$ 59,917,667

CITY OF EVANSVILLE  
 NOTES TO FINANCIAL STATEMENT  
 (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

While the City does not report the 2018 financial statements under generally accepted accounting principles, for the year ended December 31, 2018, the City would have recognized pension income of (\$ 1,260,825) and reported no deferred outflows of resources or deferred inflows of resources related to the 1937 Firefighters' Pension Plan.

Actuarial Assumptions: The actuarial assumptions used in the calculation were selected and approved by the INPRS Board of Trustees.

The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%	per year
Salary increases	2.50%	per year
Investment rate of return	2.75%	net of pension plan investment expense, including inflation
Cost of living increases:		
Non-converted	2.50%	per year in retirement
Converted	2.20%	per year in retirement

Mortality rates were based on the RP 2014 Blue Collar mortality tables with MP-2014 improvement removed, and with future mortality improvement projected generationally using future mortality improvement inherent in the Social Security Administration's 2014 report.

The actuarial assumptions used in the valuation are based on the results of the actuarial experience study completed for the 1977 Police Officers' and Firefighters' Pension and Disability Fund in April 2015, which covered the period beginning July 1, 2010 and ending June 30, 2014.

Discount Rate: The discount rate is set equal to the Barclay's 20-year Municipal Bond Index rate of 3.10 percent as of December 31, 2018. The discount rate increased from the 2.75 percent used for the December 31, 2017 calculation of the net pension liability. The projection of cash flows used to determine the discount rate considered the fact that on-behalf contributions made by the State of Indiana are made as benefit payments become due for payment.

Projected Cash Flows: Based on those assumptions, the pension plan's fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate which was 3.10 percent. The source of that bond rate was the Barclay's 20-year Municipal Bond Index as of December 31, 2018. The municipal bond rate was applied to all remaining periods.

The pension plan currently held investments totaling \$ 3,459,959 on December 31, 2018.

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Sensitivity of the Net Pension Liability of Changes in the Discount Rate.

Since the City is not currently reporting under generally accepted accounting principles, net pension liability is not reported. However, the following represents the net pension liability of the City, calculated using the discount rate of 3.10 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.10 percent) or 1-percentage point higher (4.10 percent) than the current rate:

	(2.10%) 1% Decrease	(3.10%) Current Rate	(4.10%) 1% Increase
Net Pension Liability	\$ 66,598,496	\$ 59,917,666	\$ 54,239,041

Pension Cost: The pension plan does not issue a separate financial report.

Funding Status and Funding Progress: The City did not report the 2018 financial statements using generally accepted accounting principles. As of the January 1, 2018 actuarial valuation date, the plan was not funded and is on a pay as you go basis. The actuarial accrued liability for benefits was \$ 64,165,011, and the actuarial value of assets was \$ 4,247,345, resulting in an unfunded actuarial accrued liability of \$ 59,917,666. The covered payroll was \$ 0 and the ratio of the plan fiduciary net position to total pension liability was 6.62%.

Pension Plan Fiduciary Net Position: Detailed information about the plan's fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources, and deferred inflows or resources related to pension and pension expense, information about the plan's fiduciary net position and addition to/deduction from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting; however, the City did not report in 2018 under the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefits payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

**Note 7. Cash Balance Deficits**

The financial statement contains some funds with deficits in cash. Some of the fund balances (Community Dev Block Grant, Emergency Shelter Grant, and IHCDA Blight Elimination Fund Grant) are the result of those funds being set up for reimbursable grants. The reimbursements for expenditures made by the City were not received by December 31, 2018. The Evansville Civil City Payroll and the Accounts Receivable Clearing funds have a cash deficit balance due to the nature of the funds. The Parking, Golf Course, and Hospitalization fund deficits were the result of expenditures exceeding revenues.

CITY OF EVANSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 8. *Holding Corporations***

The City has entered into a capital lease with Evansville Redevelopment Authority (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the City. The lessor has been determined to be a related-party of the City. Lease payments during the year 2018 totaled \$8,169,443.

The City has entered into two capital leases with Evansville Brownfields Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of finding new uses for distressed properties within the City. The lessor has been determined to be a related-party of the City. Lease payments during the year 2018 totaled \$774,500.

**Note 9. *Subsequent Events***

In April 2019, the Wastewater Utility issued, in the principal amount of \$30,000,000, Sewage Works Revenue Bonds, Series 2019A. This bond issue will fund various combined sewer overflow projects and East Wastewater Treatment Plant improvements.

In May 2019, the Water Utility issued, in the principal amount of \$39,765,000, Waterworks District Revenue Bonds, Series 2019. This bond issue will fund a distribution system, water treatment plant, wholesale user, and booster station improvements.

#### OTHER INFORMATION - UNAUDITED

The City's Annual Financial Report information can be found on the Indiana Gateway for Government Units website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the City's Annual Financial Report referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the City. It is presented as intended by the City.

CITY OF EVANSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	General	Motor Vehicle Highway	Local Road And Street	IHCDA Blight Elimination Fund Grant	Area Plan Commission	Parking	Unsafe Building	Parks And Recreation	Rainy Day
Cash and investments - beginning	\$ 1,146,082	\$ 861,306	\$ 1,218,773	\$ (12,626)	\$ 549,251	\$ 11,941	\$ 93,331	\$ 489,799	\$ 2,985,324
Receipts:									
Taxes	50,779,539	-	-	-	-	-	-	7,115,865	-
Licenses and permits	2,635,346	-	-	-	-	-	-	-	-
Intergovernmental receipts	17,794,715	7,515,065	2,796,608	93,624	-	-	-	642,333	-
Charges for services	2,993,327	14,558	-	-	250	60,000	57,985	1,946,438	-
Fines and forfeits	305,069	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	12,861,007	300,456	2,189,137	-	399,633	41,000	-	40,217	38,273
Total receipts	87,369,003	7,830,079	4,985,745	93,624	399,883	101,000	57,985	9,744,853	38,273
Disbursements:									
Personal services	74,927,119	3,937,241	719,685	-	-	-	-	5,744,851	-
Supplies	1,698,607	677,900	6,721	-	-	-	-	590,546	-
Other services and charges	7,013,348	1,892,782	77,187	238,939	203,563	127,601	-	3,142,280	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	1,532,047	5,946	1,506,628	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	954,991	900,000	201,600	-	-	-	86,951	24,135	-
Total disbursements	86,126,112	7,413,869	2,511,821	238,939	203,563	127,601	86,951	9,501,812	-
Excess (deficiency) of receipts over disbursements	1,242,891	416,210	2,473,924	(145,315)	196,320	(26,601)	(28,966)	243,041	38,273
Cash and investments - ending	\$ 2,388,973	\$ 1,277,516	\$ 3,692,697	\$ (157,941)	\$ 745,571	\$ (14,660)	\$ 64,365	\$ 732,840	\$ 3,023,597

CITY OF EVANSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	LOIT Special Distribution	Riverboat Capital Project	Cumulative Capital Improvement	Purchasing Internal Service	Police Pension	Fire Pension	LIT - Public Safety	Jacobsville TIF Projects	Melzer Trust
Cash and investments - beginning	\$ 1,633,923	\$ 29,851,533	\$ -	\$ 9,953	\$ 4,746,076	\$ 4,267,761	\$ -	\$ 8,694,395	\$ 52,563
Receipts:									
Taxes	-	6,948,515	-	-	-	-	4,452,495	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	253,374	2,027,118	274,503	-	-	-	-	-	-
Charges for services	-	5,076,764	-	264,619	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	211,983	324,664	-	-	6,181,049	4,669,999	1,844,340	1,634,351	-
Total receipts	465,357	14,377,061	274,503	264,619	6,181,049	4,669,999	6,296,835	1,634,351	-
Disbursements:									
Personal services	-	-	-	-	15,240	15,248	-	-	-
Supplies	-	829,100	-	-	-	-	57,925	-	-
Other services and charges	-	3,562,404	-	262,278	6,389,058	4,675,100	23,833	1,331,374	-
Debt service - principal and interest	-	1,588,550	-	-	-	-	-	1,101,113	-
Capital outlay	1,314,555	8,500,084	-	-	-	-	-	1,718,749	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	7,478,760	274,503	-	-	68	2,140,002	2,661	-
Total disbursements	1,314,555	21,958,898	274,503	262,278	6,404,298	4,690,416	2,221,760	4,153,897	-
Excess (deficiency) of receipts over disbursements	(849,198)	(7,581,837)	-	2,341	(223,249)	(20,417)	4,075,075	(2,519,546)	-
Cash and investments - ending	\$ 784,725	\$ 22,269,696	\$ -	\$ 12,294	\$ 4,522,827	\$ 4,247,344	\$ 4,075,075	\$ 6,174,849	\$ 52,563

CITY OF EVANSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Evansville Community Trust	Recovery Grant	Rental Housing Inspection	Evansville Park 12 Sinking	Evansville Park Refunding 2010	Arena Bond	IDHS Hazard Mitigation Grant	Downtown Hotel/Convention	Eville Economic Dev 14 Const - Haier
Cash and investments - beginning	\$ 12,911	\$ 78,652	\$ 13,018	\$ 85	\$ 545,285	\$ 7,751,651	\$ 3,599	\$ 179,219	\$ 189,229
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	121,841	-	-	-	-	-	-	-
Charges for services	-	-	24,488	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	45	36	21,307	1,588,769	1,100,281	7,057,543	-	1,705	105,033
Total receipts	45	121,877	45,795	1,588,769	1,100,281	7,057,543	-	1,705	105,033
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	40,877	-	-	-	-	-	-	-
Other services and charges	-	29,156	54,083	799,102	546,845	-	-	180,924	1
Debt service - principal and interest	-	-	-	789,450	545,245	8,169,443	-	-	102,413
Capital outlay	-	35,190	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	-	105,223	54,083	1,588,552	1,092,090	8,169,443	-	180,924	102,414
Excess (deficiency) of receipts over disbursements	45	16,654	(8,288)	217	8,191	(1,111,900)	-	(179,219)	2,619
Cash and investments - ending	\$ 12,956	\$ 95,306	\$ 4,730	\$ 302	\$ 553,476	\$ 6,639,751	\$ 3,599	\$ -	\$ 191,848

CITY OF EVANSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Redevelopment - Victory	Arts District	Berry Plastics 2011	2015 Economic Development Refunding	Convention Hotel 2015A	IU Medical School Bond 2015C	IU Medical School Bond 2015D	Economic Dev Sinking 2015A
Cash and investments - beginning	\$ 126,068	\$ 52,626	\$ 13	\$ 5,398,736	\$ 1	\$ 1,810,934	\$ 1,163,260	\$ 24
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	990,620	26,603	1,115,149	75,560	-	463,401	618,817	744,729
Total receipts	990,620	26,603	1,115,149	75,560	-	463,401	618,817	744,729
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	62	-	269,506	1	1,124,291	153,837	1
Debt service - principal and interest	891,388	-	1,115,000	2,828,202	-	357,075	505,500	744,650
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	750	-	-	-	-	-	-	-
Total disbursements	892,138	62	1,115,000	3,097,708	1	1,481,366	659,337	744,651
Excess (deficiency) of receipts over disbursements	98,482	26,541	149	(3,022,148)	(1)	(1,017,965)	(40,520)	78
Cash and investments - ending	\$ 224,550	\$ 79,167	\$ 162	\$ 2,376,588	\$ -	\$ 792,969	\$ 1,122,740	\$ 102

CITY OF EVANSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Parking Meter	2016A Downtown Hotel	2016B IU Medical School	2016A IU Medical School	2016 Jacobsville Project	Jacobsville Redev Area	Downtown Streetscape Redev	Parks Special District	Parks Special District Restricted
Cash and investments - beginning	\$ 88,136	\$ 1,659,755	\$ 1,819,097	\$ 6,546,425	\$ 37	\$ -	\$ -	\$ -	\$ -
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-	-	-
Charges for services	185,659	-	-	-	-	24,125	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	127,501	232,362	1,056,150	3,236,185	998,867	999,759	2,513,408	24,953,866	776
Total receipts	313,160	232,362	1,056,150	3,236,185	998,867	1,023,884	2,513,408	24,953,866	776
Disbursements:									
Personal services	233,474	-	-	-	-	-	-	-	-
Supplies	2,547	-	-	-	-	-	-	-	-
Other services and charges	41,851	815,538	2,864,090	8,537,484	2	-	55	187,911	-
Debt service - principal and interest	-	512,775	-	1,243,788	998,700	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	1,000	-	-	-	-	-	750
Total disbursements	277,872	1,328,313	2,865,090	9,781,272	998,702	-	55	187,911	750
Excess (deficiency) of receipts over disbursements	35,288	(1,095,951)	(1,808,940)	(6,545,087)	165	1,023,884	2,513,353	24,765,955	26
Cash and investments - ending	\$ 123,424	\$ 563,804	\$ 10,157	\$ 1,338	\$ 202	\$ 1,023,884	\$ 2,513,353	\$ 24,765,955	\$ 26

CITY OF EVANSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Donations	Miscellaneous Grant	Law Enforcement	Golf Course	Local County Option Income Tax	Greenway Project	Sports Non-Reverting	Zoo Animal Revolving	Rental Rehab
Cash and investments - beginning	\$ 96,367	\$ 1,129,592	\$ 208,968	\$ (885,877)	\$ 4,227,199	\$ 565,381	\$ (212,313)	\$ 1,008	\$ 73,224
Receipts:									
Taxes	-	-	-	-	17,147,287	-	67	-	-
Licenses and permits	-	-	47,108	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	267,072	-	-	-
Charges for services	1,016	10,000	80,681	1,183,962	697	-	113,000	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	113,238	1,021,895	93,707	804	1,045,270	-	99,246	-	-
Total receipts	114,254	1,031,895	221,496	1,184,766	18,193,254	267,072	212,313	-	-
Disbursements:									
Personal services	-	-	-	679,853	218,236	-	-	-	-
Supplies	1,279	-	7,496	198,664	107,288	-	-	-	-
Other services and charges	37,924	81,607	159,119	572,645	7,799,594	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	81,359	-	-	-	496,299	323,327	-	134	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	10,251,879	-	-	-	-
Total disbursements	120,562	81,607	166,615	1,451,162	18,873,296	323,327	-	134	-
Excess (deficiency) of receipts over disbursements	(6,308)	950,288	54,881	(266,396)	(680,042)	(56,255)	212,313	(134)	-
Cash and investments - ending	\$ 90,059	\$ 2,079,880	\$ 263,849	\$ (1,152,273)	\$ 3,547,157	\$ 509,126	\$ -	\$ 874	\$ 73,224

CITY OF EVANSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	EDA Revolving Loan Fund	Home Admin Investment Trust	Community Dev Block Grant	Old Post Office	Economic Development Loan	Emergency Shelter Grant	Bicycle License Revolving	Sidewalk Program	ERC Capital Non Reverting
Cash and investments - beginning	\$ 816,320	\$ 95,701	\$ (18,303)	\$ 73,528	\$ 933,757	\$ (55,085)	\$ 3,761	\$ 254,948	\$ 577,204
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	108,838	1,398,837	-	-	218,343	-	-	-
Charges for services	6,509	-	100	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	15,914	15,237	8,115	8,700	80,127	-	-	110,764	106,331
Total receipts	22,423	124,075	1,407,052	8,700	80,127	218,343	-	110,764	106,331
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	443	-	-	-	-	-	-
Other services and charges	328,603	154,100	1,675,460	-	104,484	271,810	-	54,920	100,000
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	24,617	-	-	-	-	-	-
Total disbursements	328,603	154,100	1,700,520	-	104,484	271,810	-	54,920	100,000
Excess (deficiency) of receipts over disbursements	(306,180)	(30,025)	(293,468)	8,700	(24,357)	(53,467)	-	55,844	6,331
Cash and investments - ending	\$ 510,140	\$ 65,676	\$ (311,771)	\$ 82,228	\$ 909,400	\$ (108,552)	\$ 3,761	\$ 310,792	\$ 583,535

CITY OF EVANSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Housing Trust	HUD Fair Housing	Equal Emp Opportunity Commission	Master TIF Projects	Food And Beverage Tax Distribution	Locust Hill Perpetual Care	Oakhill Perpetual Care	Coleman Trust	Mattie J Bayard Trust
Cash and investments - beginning	\$ 153,284	\$ 201,288	\$ 192,381	\$ 2,344,509	\$ 326,045	\$ 67,636	\$ 583,688	\$ 12,273	\$ 6,225
Receipts:									
Taxes	-	-	-	-	4,812,489	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	498	420	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	75,378	44,500	54,150	7,778,934	-	4,527	8,641	121	61
Total receipts	75,378	44,500	54,150	7,778,934	4,812,489	5,025	9,061	121	61
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	61	1,057	-	-
Other services and charges	2,735	9,137	41,567	174,404	-	-	102,534	-	-
Debt service - principal and interest	-	-	-	5,822,619	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	72,642	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	29,635	29,635	1,983,005	2,727,840	-	-	-	-
Total disbursements	2,735	38,772	71,202	7,980,028	2,727,840	61	176,233	-	-
Excess (deficiency) of receipts over disbursements	72,643	5,728	(17,052)	(201,094)	2,084,649	4,964	(167,172)	121	61
Cash and investments - ending	\$ 225,927	\$ 207,016	\$ 175,329	\$ 2,143,415	\$ 2,410,694	\$ 72,600	\$ 416,516	\$ 12,394	\$ 6,286

CITY OF EVANSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	R T Legler Trust	Historic Preservation	Park District Bond Refunding 2010	General Obligation # 2	Unemployment	Workers Compensation	Liability	Hospitalization	Evansville Civil City Payroll
Cash and investments - beginning	\$ 2,358	\$ 5,894	\$ 703,540	\$ 16,488	\$ 233,673	\$ 391,368	\$ 382,162	\$ (3,139,313)	\$ (18,692)
Receipts:									
Taxes	-	-	840,701	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	66,411	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	148,580	-
Fines and forfeits	-	445	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	23	-	-	-	64,644	1,109,210	3,527,906	25,019,212	49,249,946
Total receipts	23	445	907,112	-	64,644	1,109,210	3,527,906	25,167,792	49,249,946
Disbursements:									
Personal services	-	-	-	-	132,938	167,416	-	22,691,879	-
Supplies	-	-	-	-	-	2,015	-	147	-
Other services and charges	-	694	-	-	932	1,160,687	3,466,468	2,012,184	-
Debt service - principal and interest	-	-	1,092,090	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	5,849	-	-	-	-	9,170	49,239,997
Total disbursements	-	694	1,097,939	-	133,870	1,330,118	3,466,468	24,713,380	49,239,997
Excess (deficiency) of receipts over disbursements	23	(249)	(190,827)	-	(69,226)	(220,908)	61,438	454,412	9,949
Cash and investments - ending	\$ 2,381	\$ 5,645	\$ 512,713	\$ 16,488	\$ 164,447	\$ 170,460	\$ 443,600	\$ (2,684,901)	\$ (8,743)

CITY OF EVANSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Accounts Receivable Clearing	Sewer Bond	Sewer Improvement Fund	Sewer Bond Construction	Sewer Reserve Fund	Sewer Payroll	Sewer Operating	Water Improvement Fund	Waterworks Payroll
Cash and investments - beginning	\$ 9,458	\$ 12,116,934	\$ 12,504,387	\$ 50,261,332	\$ 17,716,508	\$ -	\$ 8,374,733	\$ 833,758	\$ -
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-	-	-
Charges for services	241,513	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	75,162,037	-	-
Penalties	-	-	-	-	-	-	1,060,113	-	-
Other receipts	16,343	22,164,531	14,291,595	112,002,229	1,690,896	3,835,598	620,069	4,842,696	5,966,493
Total receipts	257,856	22,164,531	14,291,595	112,002,229	1,690,896	3,835,598	76,842,219	4,842,696	5,966,493
Disbursements:									
Personal services	-	-	-	-	-	-	4,394,966	-	-
Supplies	675	-	-	-	-	-	-	-	-
Other services and charges	278,558	-	-	-	-	-	530,190	-	-
Debt service - principal and interest	-	20,701,911	-	4,765,077	-	-	-	-	-
Capital outlay	-	-	10,484,472	27,379,079	-	-	-	3,585,401	-
Utility operating expenses	-	-	1,542	-	-	-	17,188,903	1,638	-
Other disbursements	-	-	13,759	7,845,344	-	3,835,598	48,442,816	8,257	5,966,493
Total disbursements	279,233	20,701,911	10,499,773	39,989,500	-	3,835,598	70,556,875	3,595,296	5,966,493
Excess (deficiency) of receipts over disbursements	(21,377)	1,462,620	3,791,822	72,012,729	1,690,896	-	6,285,344	1,247,400	-
Cash and investments - ending	\$ (11,919)	\$ 13,579,554	\$ 16,296,209	\$ 122,274,061	\$ 19,407,404	\$ -	\$ 14,660,077	\$ 2,081,158	\$ -

CITY OF EVANSVILLE  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	Waterworks Reserve	WTR Periodic Maintenance	Customer Asst Program	Water Utility-Operating	Water Utility- Bond & Int Sinking	Water Utility-Consumer Meter Deposit	Water Utility-Construction	Totals
Cash and investments - beginning	\$ 8,223,590	\$ 2,185,677	\$ 7,230	\$ 4,548,836	\$ 5,838,911	\$ 1,511,449	\$ 33,000,232	\$ 251,521,368
Receipts:								
Taxes	-	-	-	1,807,536	-	-	-	93,904,494
Licenses and permits	-	-	-	-	-	-	-	2,682,454
Intergovernmental receipts	-	-	-	-	-	-	-	33,578,682
Charges for services	-	-	-	-	-	-	-	12,435,189
Fines and forfeits	-	-	-	-	-	-	-	305,514
Utility fees	-	-	-	40,650,634	-	396,206	-	116,208,877
Penalties	-	-	-	164,410	-	-	-	1,224,523
Other receipts	5,501,609	776,206	30,722	727,383	10,190,538	2,812	73,444,043	424,524,945
Total receipts	5,501,609	776,206	30,722	43,349,963	10,190,538	399,018	73,444,043	684,864,678
Disbursements:								
Personal services	-	-	-	7,266,394	-	-	-	121,144,540
Supplies	-	-	-	-	-	-	-	4,223,348
Other services and charges	-	-	-	421,864	-	-	-	64,086,707
Debt service - principal and interest	-	-	-	-	8,450,925	-	14,202,269	76,528,183
Capital outlay	-	-	-	59,072	-	-	363,222	57,458,206
Utility operating expenses	-	1,401,691	-	14,781,901	-	-	-	33,375,675
Other disbursements	-	84,010	33,349	21,650,902	-	346,074	335,050	164,929,450
Total disbursements	-	1,485,701	33,349	44,180,133	8,450,925	346,074	14,900,541	521,746,109
Excess (deficiency) of receipts over disbursements	5,501,609	(709,495)	(2,627)	(830,170)	1,739,613	52,944	58,543,502	163,118,569
Cash and investments - ending	\$ 13,725,199	\$ 1,476,182	\$ 4,603	\$ 3,718,666	\$ 7,578,524	\$ 1,564,393	\$ 91,543,734	\$ 414,639,937

CITY OF EVANSVILLE  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2018

Government or Enterprise	Accounts Payable	Accounts Receivable
Evansville Municipal Sewage Works	\$ 862,954	\$ 5,497,335
Evansville Waterworks	1,185,484	2,087,121
Governmental activities	<u>5,057,819</u>	<u>3,815,998</u>
Totals	<u>\$ 7,106,257</u>	<u>\$ 11,400,454</u>

CITY OF EVANSVILLE  
SCHEDULE OF LEASES AND DEBT  
December 31, 2018

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
<b>Governmental activities:</b>				
Evansville Local Improvement Bond Bank	Energy savings contract - Fire Dept.	\$ 23,991	8/4/2011	8/1/2026
Evansville Local Improvement Bond Bank	Energy savings contract - Transportation & Services Dept.	7,613	8/4/2011	8/1/2026
Evansville Local Improvement Bond Bank	Energy savings contract - Evansville Redevelopment Commission	35,118	8/4/2011	8/1/2021
Evansville Local Improvement Bond Bank	Energy savings contract - Dept. of Parks and Recreation	41,864	9/13/2011	8/1/2026
Evansville Local Improvement Bond Bank	Energy savings contract - City County Central Dispatch	7,678	9/30/2011	8/1/2026
Evansville Local Improvement Bond Bank	Fire Apparatus/Ferrara Igniter Quint	81,040	3/8/2011	2/1/2022
Evansville Redevelopment Authority	Ford Center	8,150,430	8/1/2010	2/1/2039
Evansville Redevelopment Authority	Ford Center	-	8/1/2016	2/1/2039
Evansville Brownfields Corporation	Medical Center	1,548,000	12/8/2015	2/15/1935
EVSC	Building @ 713 N. Governor St.	1	1/1/2019	12/31/2021
FH5	Building @ 917 W. Indiana St.	56,294	8/1/2017	7/31/2020
Inland Marine Inc.	Ohio River dock lease for LST Landing Ship Tank - WWII Historic Vessel	51,684	5/1/2015	4/30/2025
Old National Bank	30 Police Vehicles w/ Equipment	203,461	6/22/2016	8/22/2020
PNC Equipment Finance LLC	2 Fire Apparatus/Ferrara Intruder II	71,588	4/22/2009	4/22/2019
SBC formerly Indiana Bell Telephone Co.	Maintain Utility Poles	3,000	6/22/1978	12/31/2050
Southern Railway Co.	Maintain 66 in. Storm Sewer Pipeline	1,630	6/2/1988	12/31/2050
Vectren Corp. formerly Sigecom	Attach and Equip Utility Poles	11,880	11/15/1978	12/31/2050
<b>Total governmental activities</b>		<b>10,295,272</b>		
<b>Evansville Municipal Sewage Works:</b>				
DJ Leasing Inc.	L555 - 2019 Ford Transit Connect	5,063	10/24/2018	10/24/2023
DJ Leasing Inc.	L506 - 2018 Ford F150 short bed	7,315	11/9/2018	11/9/2023
<b>Total Evansville Municipal Sewage Works</b>		<b>12,378</b>		
<b>Evansville Waterworks:</b>				
DJ Leasing Inc.	L256 - 2019 Ford F150 long bed	6,423	11/9/2018	11/9/2023
DJ Leasing Inc.	L269 - 2019 Ford F150 long bed	6,067	10/24/2018	10/24/2023
<b>Total Evansville Waterworks</b>		<b>12,490</b>		
<b>Total of annual lease payments</b>		<b>\$ 10,320,140</b>		

Type	Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
<b>Governmental activities:</b>			
General obligation bonds	Park District Refunding Bonds of 2010	\$ 2,615,000	\$ 1,102,450
General obligation bonds	Park District Refunding Bonds 2018 (Aquatics Center)	18,150,000	621,831
General obligation bonds	Parks District Refunding Bonds 2012 (MPZ 2003)	5,230,000	1,571,400
Revenue bonds	Redevelopment District Revenue Bonds - Jacobsville Project	14,510,000	993,350
Revenue bonds	Redevelopment District Tax Increment Revenue Bond Series 2014 Haier Project	1,460,000	106,363
Revenue bonds	Redevelopment Revenue Bonds Series 2016A Hotel Project	7,285,000	513,975
Revenue bonds	Redevelopment Revenue Bonds Series 2016A Medical Project	17,110,000	1,244,413
Revenue bonds	Redevelopment Revenue Bonds Series 2016B Medical Project	10,940,000	1,051,968
Revenue bonds	Redevelopment Revenue Series 2015A Hotel Project	9,705,000	742,250
Revenue bonds	Taxable Economic Development Revenue Bonds Series 2011 Berry Plastics Project)	17,355,000	1,115,000
Revenue bonds	Economic Development Revenue Bond Series 2015	6,915,000	1,368,078
Notes and loans payable	Mead Johnson TIF BAN	198,003	-
Notes and loans payable	ERC TIF Taxable Note Series 2018	1,350,000	-
Notes and loans payable	ERC TIF Taxable Note Series 2018B	1,732,545	-
<b>Total governmental activities</b>		<b>114,555,548</b>	<b>10,431,078</b>
<b>Evansville Municipal Sewage Works:</b>			
Revenue bonds	Sewage Works Project - Bond Bank Bonds - Series 2013B	28,530,000	2,035,900
Revenue bonds	Sewage Works Refunding of 2009 (SRF) (Reissued 2018)	27,723,000	367,637
Revenue bonds	Sewage Works Revenue Bond 2008 - Series B	10,726,000	1,273,668
Revenue bonds	Sewage Works Revenue Bonds - 2012E (Reissued 2018)	5,969,000	79,940
Revenue bonds	Sewage Works Revenue Bonds - Series 2013A	16,550,000	3,458,250
Revenue bonds	Sewage Works Revenue Bonds - Series 2014A (SRF)	6,313,000	572,037
Revenue bonds	Sewage Works Revenue Bonds - Series 2014B (SRF)	4,796,000	355,716
Revenue bonds	Sewage Works Revenue Bonds - Series 2014C	22,310,000	1,722,819
Revenue bonds	Sewage Works Revenue Bonds - Series 2014D (SRF)	30,954,000	2,166,080
Revenue bonds	Sewage Works Revenue Bonds - Series 2016A	25,220,000	1,319,363
Revenue bonds	Sewage Works Revenue Bonds - Series 2016B	12,715,000	811,300
Revenue bonds	Sewage Works Revenue Bonds - Series 2016C	8,835,000	506,700
Revenue bonds	Sewage Works Revenue Bonds - Series 2017A	21,850,000	1,471,425
Revenue bonds	Sewage Works Revenue Bonds - Series 2018A (SRF)	16,960,000	1,037,200
Revenue bonds	Sewage Works Revenue Bonds - Series 2018B-1 (SRF)	35,020,000	583,959
Revenue bonds	Sewage Works Revenue Bonds - Series 2018B-2 (SRF)	72,335,000	1,380,875
Revenue bonds	Sewage Works Revenue Series 2010 B-1 (BAB)	23,010,000	1,904,365
Revenue bonds	State Revolving Loan of 2004 - Replacement	3,420,000	493,886
Revenue bonds	State Revolving Loan of 2007 - Series A (SRF)	17,674,000	2,545,172
Revenue bonds	State Revolving Loan of 2010 (Reissued 2018)	7,113,000	95,069
Revenue bonds	State Revolving Loan Series 2011C (SRF)	2,756,000	264,877
Revenue bonds	State Revolving Loan Series 2011D	1,209,000	40,244
<b>Total Evansville Municipal Sewage Works</b>		<b>401,988,000</b>	<b>24,486,482</b>
<b>Evansville Waterworks:</b>			
Revenue bonds	Waterworks District Project - Bond Bank 2013C	14,995,000	886,281
Revenue bonds	Waterworks District Refunding Revenue Bonds - Series 2016B	30,270,000	2,126,044
Revenue bonds	Waterworks District Revenue Bonds - 2013A	28,895,000	1,359,225
Revenue bonds	Waterworks District Revenue Bonds - 2014B	15,000,000	2,524,500
Revenue bonds	Waterworks District Revenue Bonds - 2016A	39,640,000	3,138,900
Revenue bonds	Waterworks Revenue Bonds - Series 2018A-1 (SRF)	5,308,000	91,047
Revenue bonds	Waterworks Revenue Bonds - Series 2018A-2 (SRF)	71,912,000	1,233,488
<b>Total Evansville Waterworks</b>		<b>206,020,000</b>	<b>11,359,485</b>
<b>Totals</b>		<b>\$ 722,563,548</b>	<b>\$ 46,277,045</b>

CITY OF EVANSVILLE  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2018

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 20,072,805
Infrastructure	563,327,841
Buildings	181,904,524
Improvements other than buildings	42,010,204
Machinery, equipment, and vehicles	57,924,836
Construction in progress	<u>7,567,106</u>
Total governmental activities	<u>872,807,316</u>
Evansville Municipal Sewage Works:	
Land	4,029,669
Infrastructure	295,943,515
Buildings	164,206,862
Improvements other than buildings	5,723,988
Machinery, equipment, and vehicles	50,643,186
Construction in progress	<u>61,848,551</u>
Total Evansville Municipal Sewage Works	<u>582,395,771</u>
Evansville Waterworks:	
Land	432,435
Infrastructure	148,982,122
Buildings	39,748,551
Improvements other than buildings	2,647,753
Machinery, equipment, and vehicles	34,916,849
Construction in progress	<u>21,460,777</u>
Total Evansville Waterworks	<u>248,188,487</u>
Total capital assets	<u>\$ 1,703,391,574</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE CITY OF EVANSVILLE, VANDERBURGH COUNTY, INDIANA

**Report on Compliance for Each Major Federal Program**

We have audited the City of Evansville's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018. The City's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a material weakness.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

August 22, 2019

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the City. The schedule and notes are presented as intended by the City.

CITY OF EVANSVILLE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
<u>Department of Commerce</u>					
Economic Development Cluster					
Economic Adjustment Assistance	Direct Grant	11.307			
DMD - EDA			06-19-02232	\$ -	\$ 664,133
Total - Economic Development Cluster				-	664,133
Total - Department of Commerce				-	664,133
<u>Department of Housing and Urban Development</u>					
CDBG - Entitlement Grants Cluster					
Community Development Block Grant/Entitlement Grants	Direct Grant	14.218			
DMD - CDBG - 14			B-14-MC-18-0002	37,938	39,039
DMD - CDBG - 15			B-15-MC-18-0002	48,699	77,983
DMD - CDBG - 16			B-16-MC-18-0002	275,324	313,732
DMD - CDBG - 17			B-17-MC-18-0002	740,125	804,142
DMD - CDBG - 18			B-18-MC-18-0002	166,918	163,940
Total - Community Development Block Grant/Entitlement Grants				1,269,004	1,398,836
Total - CDBG - Entitlement Grants Cluster				1,269,004	1,398,836
Emergency Solutions Grant Program	Direct Grant	14.231			
DMD - ESG - 16			E-16-MC-18-0002	91,960	91,960
DMD - ESG - 17			E-17-MC-18-0002	126,383	126,383
Total - Emergency Solutions Grant Program				218,343	218,343
Home Investment Partnerships Program	Direct Grant	14.239			
DMD - HOME - 14			M-14-MC-18-0201	4,757	4,757
DMD - HOME - 15			M-15-MC-18-0201	15,237	19,832
DMD - HOME - 16			M-16-MC-18-0201	73,749	73,749
DMD - HOME - 17			M-17-MC-18-0201	10,500	10,500
Total - Home Investment Partnerships Program				104,243	108,838
Fair Housing Initiatives Program	Direct Grant	14.408			
Human Relations - Fair Housing			FF205K185016	-	38,500
Total - Department of Housing and Urban Development				1,591,590	1,764,517
<u>Department of Justice</u>					
Missing Children's Assistance	Indiana State Police	16.543			
EPD - Internet Crimes Against Children - FY 2015			2011-MC-FX-K018	-	5,422
EPD - Internet Crimes Against Children - FY 2016			2014-MC-FX-K018	-	10,000
EPD - Internet Crimes Against Children - FY 2017			2017-MC-FX-K008	-	506
Total - Missing Children's Assistance				-	15,928
Edward Byrne Memorial Justice Assistance Grant Program	Direct Grant	16.738			
EPD - FY 2016 JAG Program			2016-DJ-BX-0803	8,019	45,835
Total - Department of Justice				8,019	61,763
<u>Department of Transportation</u>					
Federal Transit Cluster					
Federal Transit Formula Grants	Direct Grant	20.507			
METS - IN -2017-006			IN-2017-006-00	-	57,131
METS - IN-2017-011			IN-2017-011-00	-	2,124,425
METS - IN-2017-019			IN-2017-019-00	-	548,292
METS CMAQ - IN-2018-025			IN-2018-025-00	-	1,455,423
METS 5307 GRANT			IN-90-X684-00	-	2,264
METS - IN-90-X647			IN-90-X647-00	-	72,944
METS - IN-90-X665			IN-90-X665-00	-	1,700
Total - Federal Transit Formula Grants				-	4,262,179
Total - Federal Transit Cluster				-	4,262,179
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation	20.205			
PARKS-GREENWAY; MID LEVEE CORRIDOR			DES 1006084	-	54,042

CITY OF EVANSVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2018

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Passed Through to Subrecipient	Total Federal Awards Expended
PARKS-GREENWAY; HI RAIL			DES 1006085	-	213,030
ENG - DES1383064			DES 1383064	-	300,119
ENG - DES 1383065			DES 1383065	-	162,567
ENG - DES1383066			DES 1383066	-	64,005
ENGINEER - WALNUT ST IMPROVEMENTS			DES 1700400	-	273,572
ENG - DES1006080-LINCOLN AVE TO NEWBURGH RD			DES 1006080	-	459
ENGINEER - SIGN UPGRADES			DES 1601824	-	9,534
Total - Highway Planning and Construction				-	1,077,328
Total - Highway Planning and Construction Cluster				-	1,077,328
Highway Safety Cluster					
State and Community Highway Safety		20.600			
EPD-OPERATION PULLOVER	Vanderburgh County Sheriff Department		D3-18-11934	-	54,869
EPD - GET EPD OUT OF THE PATROL CAR	Indiana Criminal Justice Institute		D3-18-12079	-	12,301
Total - State and Community Highway Safety				-	67,170
National Priority Safety Programs	Vanderburgh County Sheriff Department	20.616			
EPD- DUI TASK FORCE			D3-18-12068	-	2,344
Total - Highway Safety Cluster				-	69,514
Total - Department of Transportation				-	5,409,021
<u>Equal Employment Opportunity Commission</u>					
Employment Discrimination Title VII of the Civil Rights Act of 1964	Direct Grant	30.001			
HUMAN RELATIONS COMMISSION			EEC45310018C0049	-	54,150
Total - Equal Employment Opportunity Commission				-	54,150
<u>Environmental Protection Agency</u>					
Clean Water State Revolving Fund Cluster					
Capitalization Grants For Clean Water State Revolving Funds	Indiana Finance Authority	66.458			
EWSU - 2018A WATER SRF			DW18128201	-	5,675,257
EWSU - 2018B SEWER SRF			WW18188218	-	211,740
Total - Capitalization Grants For Clean Water State Revolving Funds				-	5,886,997
Total - Clean Water State Revolving Fund Cluster				-	5,886,997
Total - Environmental Protection Agency				-	5,886,997
<u>Department of Health and Human Services</u>					
Substance Abuse And Mental Health Services Projects of Regional And National Significance	Substance Abuse Council of Vanderburgh County	93.243			
EPD - BE CAREFUL LITTLE EYE WHAT YOU SEE			18LE01	-	4,666
Total - Department of Health and Human Services				-	4,666
<u>Department of Homeland Security</u>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036			
EWSU - FEMA REIMBURSEMENT			4363DR-IN	-	8,550
Emergency Management Performance Grants	Vanderburgh County	97.042			
EMA FY 2017 FUNDING			27122	-	35,555
Assistance To Firefighters Grant	Direct Grant	97.044			
EFD - FEMA AFG			EMW-2016-FO-02831	-	470,004
Total - Department of Homeland Security				-	514,109
Total federal awards expended				\$ 1,599,609	\$ 14,359,356

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF EVANSVILLE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the City under programs of the federal government for the year ended December 31, 2018. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the SEFA presents only a select portion of the operations of the City, it is not intended to and does not present the financial position of the City.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The City has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF EVANSVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major programs:	
Material weakness identified?	yes
Significant deficiency identified?	none reported
Any audit finding disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Programs and type of auditor's report issued on compliance for each:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Economic Development Cluster	Unmodified
Highway Planning and Construction Cluster	Unmodified
Clean Water State Revolving Fund Cluster	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

No matters are reportable.

**Section III - Federal Award Findings and Questioned Costs**

**FINDING 2018-001**

Subject: Highway Planning and Construction Cluster - Period of Performance  
 Federal Agency: Department of Transportation  
 Federal Program: Highway Planning and Construction  
 CFDA Number: 20.205  
 Federal Award Number and Year (or Other Identifying Number): DES 1700400  
 Pass-Through Entity: Indiana Department of Transportation  
 Compliance Requirement: Period of Performance  
 Audit Findings: Material Weakness, Other Matters

CITY OF EVANSVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Condition*

An effective internal control system was not in place at the City in order to ensure compliance with requirements related to the grant agreement and the Period of Performance compliance requirement. Requested draws for project DES 1700400 included expenditures for services rendered prior to receiving the Notice to Proceed (NTP) from the Indiana Department of Transportation (INDOT). Work on a federal project for the Highway Planning and Construction program cannot begin until a NTP has been received by the Local Public Agency from INDOT.

*Context*

Due to the lack of controls, 32 percent of the expenditures included on a reimbursement request submitted on October 9, 2018, were obligated before the grant funds were authorized for payment. The reimbursement request was for the period of April 1, 2018 to April 30, 2018, and included a vendor invoice dated May 25, 2018, for services rendered through April 30, 2018. The City did not receive the NTP from INDOT until May 7, 2018.

*Criteria*

2 CFR 200.303 states in part:

"The non-Federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

2 CFR 200.309 states:

"A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance (except as described in § 200.461 Publication and printing costs) and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity."

*Cause*

Management of the City did not have an effective system of internal controls in place to ensure compliance with the grant agreement and the Period of Performance compliance requirement.

*Effect*

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the Period of Performance compliance requirement could have resulted in the loss of federal funds to the City.

CITY OF EVANSVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

*Questioned Costs*

There were no questioned costs identified.

*Recommendation*

We recommended that the City's management establish a system of internal controls related to the grant agreement and the compliance requirement listed above.

*Views of Responsible Officials*

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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#### AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the City. The documents are presented as intended by the City.

LLOYD WINNECKE  
MAYOR



ALLEN R. MOUNTS  
DIRECTOR

## EVANSVILLE WATER & SEWER UTILITY

1 N.W. MARTIN LUTHER KING JR. BLVD, ROOM 104, EVANSVILLE, INDIANA 47708  
PO Box 19, Evansville, IN 47740-0001  
(812) 436-7846 FAX (812) 436-7863

### **FINDING 2017-001**

Fiscal year in which the finding initially occurred: FY 2017

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Department of Transportation (INDOT)

Contact Person Responsible for Corrective Action: Jenny Collins, CFO

Contact Phone Number: 812-436-7857

#### Status of Audit Finding:

This Audit Finding has been resolved. A grant policy was adopted on December 18, 2018 and was distributed to all EWSU Department Heads. The grant policy will help ensure that EWSU meets all federal requirements as well as ensure that grants align with EWSU's strategy.

Departmental responsibilities now include (in part):

- 1) Department Heads are required to sign off on all transmittal letters and reimbursement requests prior to submittal

Administration responsibilities now include:

- 1) The CFO and/or Controller will review all transmittal letters and reimbursement requests prior to submission by the departments
- 2) The Controller will periodically examine grant activity to help ensure compliance with Uniform Guidance
- 3) The Controller will ensure that all EWSU grant activity is reported correctly in Gateway which is what the City uses to prepare their Schedule of Expenditures of Federal Awards (SEFA)

Jenny Collins  
(Signature)

Chief Financial Officer  
(Title)

6/11/19  
(Date)

LLOYD WINNECKE  
MAYOR



RUSSELL LLOYD JR., CPA  
CONTROLLER

## CITY OF EVANSVILLE

### Office of the Controller

1 N.W. MARTIN LUTHER KING, JR. BLVD., EVANSVILLE, INDIANA 47708  
CIVIC CENTER COMPLEX, ROOM 300  
(812) 436-4919 FAX (812) 436-4926

### CORRECTIVE ACTION PLAN

#### **FINDING 2018-001**

Contact Person Responsible for Corrective Action:

Russell Lloyd, Controller  
Brent Schmitt, City Engineer

Contact Phone Number:

812-436-4919

Views of Responsible Official:

The City of Evansville management concurs with the State Board of Account auditor's federal award audit finding no. 2018-001 outlining material weakness and other matters of noncompliance with the federal grant award utilizing federal highway planning and construction funds.

Description of Corrective Action Plan:

The City Engineer will use a checklist for review of federal highway grant awards' for the Notice To Proceed (NTP) so that the NTP is in place before any federal reimbursement funds are requested. The Walnut Street Project request for federal funds that was the subject of the Finding No. 2018-001 was made in error when local funding was available. The City Engineer and Transportation Executive Assistant bookkeeper will review these types of projects to forestall any future error of this type.

Anticipated Completion Date:

July 9, 2019

Russell Lloyd Jr. CPA  
(Signature)

CONTROLLER  
(Title)

8-20-19 8-20-19  
(Date)

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the City. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.