



STATE OF INDIANA
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November 22, 2019

Board of Directors
Evansville Brownfields Corporation
1 NW Martin Luther King Jr. Blvd., Room 306
Evansville, IN 47708

We have reviewed the audit report of Evansville Brownfields Corporation which was opined upon by Kemper CPA Group, LLP, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report*, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements included in the report present fairly the financial condition of Evansville Brownfields Corporation as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the Basis for Qualified Opinion in the audit report.

We call your attention to the findings in the report on pages 17 through 21. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings.

In our opinion, Kemper CPA Group, LLP prepared the audit report in accordance with guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

Paul D. Joyce, CPA
State Examiner

EVANSVILLE BROWNFIELDS CORPORATION

EVANSVILLE, INDIANA

FINANCIAL STATEMENTS

December 31, 2017 and 2016



EVANSVILLE BROWNFIELDS CORPORATION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Evansville Brownfields Corporation
1 N.W. Martin Luther King Jr. Blvd.
Evansville, Indiana 47708

Report on the Financial Statements

We have audited the accompanying financial statements of Evansville Brownfields Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Board of Directors
Evansville Brownfields Corporation

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

As explained in Note 1 to the financial statements, the methods used to value purchased and donated property inventory are not in accordance with accounting principles generally accepted in the United States of America. The effects on the accompanying financial statements of this departure from U.S. generally accepted accounting principles have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Evansville Brownfields Corporation as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
Evansville Brownfields Corporation

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. 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 statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2018, on our consideration of Evansville Brownfields Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Evansville Brownfields Corporation's internal control over financial reporting and compliance.

Kemper CPA Group, LLP

January 23, 2018
Evansville, Indiana

Certified Public Accountants and Consultants

EVANSVILLE BROWNFIELDS CORPORATION

STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

ASSETS	<u>2017</u>	<u>2016</u>
Current Assets		
Cash	\$ 153,845	\$ 671,636
Due from City of Evansville	0	304,951
Property inventory	<u>750,986</u>	<u>1,121,912</u>
Total Current Assets	<u>904,831</u>	<u>2,098,499</u>
Property and equipment	220,838	226,429
Less accumulated depreciation	<u>(49,323)</u>	<u>(32,497)</u>
Net property and equipment	171,515	193,932
Organizational costs	558	558
	<u><u>\$ 1,076,904</u></u>	<u><u>\$ 2,292,989</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Due to the City of Evansville	\$ 1,875	\$ 5,410
Deferred revenue	152,011	131,043
Blight Elimination Program Mortgages	0	123,532
Department of Metropolitan Development seed money	<u>2,500</u>	<u>2,500</u>
Total Current Liabilities	<u>156,386</u>	<u>262,485</u>
Net Assets		
Unrestricted	<u>920,518</u>	<u>2,030,504</u>
	920,518	2,030,504
	<u><u>\$ 1,076,904</u></u>	<u><u>\$ 2,292,989</u></u>

See accompanying notes.

EVANSVILLE BROWNFIELDS CORPORATION

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2017 and 2016

	2017	2016
Unrestricted Revenues		
Government grants	\$ 83,514	\$ 95,009
Blight Elimination Program	297,984	143,034
In-kind donation	110,579	33,068
Other local revenue	169,150	1,765,624
Total Unrestricted Revenues	661,227	2,036,735
Expenses		
Demolition costs	827,857	663,681
Contract labor	13,683	40,104
Loss on properties disposed	68,349	66,476
Professional fees	18,025	16,150
Utilities	1,614	4,766
Recording fees	944	2,508
Insurance	4,378	9,465
Donations of properties	173,522	1,125
Title fees	88,494	35,986
Payments to the City of Evansville	43,379	5,586
Travel	0	1,030
Depreciation	17,659	16,922
Mowing	82,945	210,331
Rent	2,200	13,200
Repairs and maintenance	14,523	19,303
Property taxes	2,458	3,881
Environmental inspections	0	6,822
Parking lot - property inventory	98,575	0
Transfer to Land Bank	296,783	0
Wire transfers	0	25
Other	15,825	89,194
Total Program Expenses	1,771,213	1,206,555
INCREASE (DECREASE) IN NET ASSETS	(1,109,986)	830,180
Net Assets at Beginning of Year	2,030,504	1,200,324
NET ASSETS AT END OF YEAR	\$ 920,518	\$ 2,030,504

See accompanying notes.

EVANSVILLE BROWNFIELDS CORPORATION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in net assets	\$ (1,109,986)	\$ 830,180
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,659	16,922
Mortgages forgiven	(282,608)	(143,034)
Loss on disposal of assets	7,943	0
(Increase)/decrease in:		
Accounts receivable	304,951	(285,515)
Property inventory	370,926	(2,107)
Increase/(decrease) in:		
Due to City of Evansville	(3,535)	(1,721)
Deferred revenue	20,968	(23,784)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(673,682)</u>	<u>390,941</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(3,185)</u>	<u>(20,265)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(3,185)</u>	<u>(20,265)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings - Blight Elimination Program	<u>159,076</u>	<u>144,299</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>159,076</u>	<u>144,299</u>
NET INCREASE (DECREASE) IN CASH	<u>(517,791)</u>	<u>514,975</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	671,636	156,661
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 153,845</u></u>	<u><u>\$ 671,636</u></u>

See accompanying notes.

EVANSVILLE BROWNFIELDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

Evansville Brownfields Corporation (Organization) was formed to assist government agencies in promoting the economic development of economically distressed real estate in the City of Evansville. The Organization operates a single program the primary purpose of which is to acquire blighted properties and/or other distressed real estate, to improve or remediate the real estate and thereafter retain sell or donate the real estate in order to benefit the City of Evansville and its economic development.

The Organization receives support from the City of Evansville. In some instances, the City of Evansville funds the operations of the Organization on a reimbursement basis, and in other instances, the City of Evansville makes grants or other funds available to the Organization on a regular basis.

In July 2016, the Organization, in conjunction with an agreement with of the City of Evansville, initiated activities for the Evansville Land Bank (Land Bank). The Land Bank was formed to acquire, manage, maintain, protect, rent, lease, repair, alter, sell, trade, exchange or other dispose of distressed real property acquired through tax foreclosure or other methods located within the City of Evansville. The Organization received \$283,333 per month from the City to carry out activities of the Land Bank. This amount has been included on the Statement of Activities as other local revenue for 2016. In March 2017, the Organization transferred all properties obtained with Land Bank funding to the Evansville Land Bank Corp. The Organization no longer receives funds from the City to carry out activities of the Land Bank.

Basis of Accounting

Except as disclosed in the property inventory accounting policy footnote, the Organization prepares the financial statements in accordance with generally accepted accounting principles, which involves the application of accrual accounting.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization had no temporarily or permanently restricted net assets at December 31, 2017 or 2016.

EVANSVILLE BROWNFIELDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 1 – Summary of Significant Accounting Policies (Continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The Organization files income tax returns in the U.S. federal jurisdiction and the state of Indiana. The Organization is no longer subject to the U.S. federal and state income tax examinations by tax authorities for years before 2014.

Property Inventory

Property inventory consists of properties received as donations, purchased with federal grant funds, state funding and local funding. Federal regulations require that the properties purchased with federal grant funds be in distressed areas of Evansville, Indiana. The properties are held until sold or donated. The purpose of acquiring is to return them to productive use in order to stabilize property values in neighborhoods.

Generally accepted accounting principles require inventory to be carried at lower of cost or market. Cost includes all direct and indirect costs incurred to bring inventories to their existing condition and location. Purchased properties are carried at acquisition cost in the statement of financial position. The cost to demolish and remove homes from purchased properties are expensed as incurred. Properties donated to the Organization that will have costs to demolish and remove buildings in excess of the fair value of the donated property are considered to have no value to the Organization and therefore no donation revenue is recognized. Subsequent costs to demolish and remove the homes from donated properties are expensed when incurred. Generally accepted accounting principles requires demolition and removal costs to be included in inventory.

EVANSVILLE BROWNFIELDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 1 – Summary of Significant Accounting Policies (Concluded)

Property Inventory (Concluded)

In addition, generally accepted accounting principles requires inventory carrying costs be reduced to market value when a loss of usefulness or a reduction in selling price reduces recoverable value below cost. The accounting policies of the Organization depart from generally accepted accounting principles because purchased properties are carried at original acquisition cost, demolition and removal costs are expensed as incurred and no evaluation of properties is performed to determine if a lower of cost or market valuation adjustment is needed.

Cash

The Organization maintains deposit accounts at local financial institutions. Deposits are insured up to \$250,000 by the FDIC. At December 31, 2017 and 2016, the Organization's cash accounts exceeded federally insured limits by approximately \$0 and \$295,000, respectively.

Restricted and Unrestricted Revenue

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment in excess of \$5,000. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful life of each asset.

Date of Management's Review

The Organization has evaluated subsequent events through January 23, 2018, the date which the financial statements were available to be issued.

EVANSVILLE BROWNFIELDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 2 – Functional Classification of Expenses

Expense by function for the years ended December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Program services	\$ 1,753,188	\$ 1,190,405
Supporting services		
Management and general	18,025	16,150
	<u>\$ 1,771,213</u>	<u>\$ 1,206,555</u>

Note 3 – In Kind Donation

In kind donations consists of amounts paid by the City of Evansville on behalf of the Organization and an amount for donated space for the years ended December 31, 2017 and 2016, are as follows:

	<u>2017</u>	<u>2016</u>
Utilities	\$ 639	\$ 3,287
Recording fees	0	424
Rent	2,200	13,200
Demoilition	101,965	0
Titlework	5,775	16,157
	<u>\$ 110,579</u>	<u>\$ 33,068</u>

Note 4 – Related Party

The Board of Directors (Board) is comprised of seven members. One of these members is the Director of the Department of Metropolitan Development of the City of Evansville (City). Two of the members are appointments by the Mayor with one being from the general public and one being from the City Council. The City provides all of the grant funding received by the Organization. At December 31, 2017 and 2016 amounts due from the City were \$0 and \$304,951, respectively. At December 31, 2017 and 2016 amounts due to the City were \$1,875 and \$5,410, respectively. During 2009, the City advanced the Organization funds, a portion of this advance remained unspent at December 31, 2017 and 2016. These amounts appear on the statement of financial position as deferred revenue unless the Organization intended to pay the amounts back to the City of Evansville, in which case the amounts appear as due to the City of Evansville.

EVANSVILLE BROWNFIELDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

Note 5 – Blight Elimination Program

The Organization participated in the Blight Elimination Program through the Indiana Housing and Community Development Authority (IHCDA). Certain properties were designated as participating in this program. Under this program the Organization could borrow up to \$25,000 per property to acquire, demolish and facilitate an end use of these properties. The loan was forgiven at a rate of 33 1/3% per year. If the Organization sold or transferred the property during the three year period ending on December 31, 2017 the Organization was to remit the net proceeds up to the unforgiven amount to the IHCDA. Borrowings under this program were \$123,532 at December 31, 2016. The mortgages have been 100% forgiven at December 31, 2017.

Note 6 – City of Evansville Lease

Effective August 18, 2015, the Organization entered into a lease agreement with the City of Evansville (City) to facilitate financing for streetscape improvements and a new parking garage in conjunction with the future downtown medical school campus. Under the terms of the lease the Organization will receive land which will be leased to a third party. Rental payments are pledged to the City. As of December 31, 2017, the land had not been transferred and no lease payments were collected under this lease.

Note 7 – Operating Lease Commitments

The Organization leases space to tenants under noncancelable operating leases with terms of 3 years. Each lease has an option to renew for 2 three year terms. The following schedule by years of future minimum rentals under the leases at December 31, 2017:

Year Ending December 31:

2018	3,000
	<u>\$ 3,000</u>

----- ADDITIONAL INFORMATION -----

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

Board of Directors
Evansville Brownfields Corporation
1 N.W. Martin Luther King Jr. Blvd.
Evansville, Indiana 47708

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Evansville Brownfields Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 23, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Evansville Brownfields Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Evansville Brownfields Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Evansville Brownfields Corporation's internal control.

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

Board of Directors
Evansville Brownfields Corporation

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-001 and 2017-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Evansville Brownfields Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

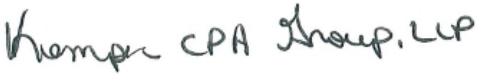
Evansville Brownfields Corporation's Response to Findings

Evansville Brownfields Corporation's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Evansville Brownfields Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 23, 2018
Evansville, Indiana


Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Evansville Brownfields Corporation
1 N.W. Martin Luther King Jr. Blvd.
Evansville, Indiana 47708

Report on Compliance for Each Major Federal Program

We have audited Evansville Brownfields Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Evansville Brownfields Corporation's major federal programs for the year ended December 31, 2017. Evansville Brownfields Corporation'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 Evansville Brownfields Corporation'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 Evansville Brownfields Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Board of Directors
Evansville Brownfields Corporation

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 Evansville Brownfields Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, Evansville Brownfields Corporation 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, 2017.

Report on Internal Control over Compliance

Management of Evansville Brownfields Corporation 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 Evansville Brownfields Corporation'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 an 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 Evansville Brownfields Corporation'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 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.

Board of Directors
Evansville Brownfields Corporation

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kemper CPA Group, LLP

January 23, 2018
Evansville, Indiana

Certified Public Accountants and Consultants

EVANSVILLE BROWNFIELDS CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2017

SECTION 1 – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Qualified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	None Noted
• Noncompliance material to financial statements noted?	No

Federal Awards

1) Internal control over major program:	
a) Material weaknesses identified?	None Noted
b) Significant deficiencies identified that are not considered to be material weaknesses?	None Noted
2) Type of auditor’s report issued on compliance for major programs:	Unmodified
3) Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
4) Identification of major programs as required by contractual agreement with the Department of Metropolitan Development:	
<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant Program for Entitlement Communities – Cluster
5) Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
6) Auditee qualified as a low-risk auditee?	No

EVANSVILLE BROWNFIELDS CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS

Material Weakness

Finding No. 2017-001 – Controls Over Financial Statement Preparation

Criteria:

Evansville Brownfields Corporation (Organization) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Organization's internal controls over GAAP financial reporting should include adequately trained personnel with the ability to prepare GAAP based financial statements and all disclosures as required by the Financial Accounting Standards Board (FASB).

Condition:

The Organization does not have the ability to prepare the financial statements and required footnote disclosures that are required by GAAP. Numerous journal entries were required to adjust internal financial information to GAAP.

Effect:

The Organization cannot prepare its own financial statements and footnotes in accordance with GAAP.

Cause:

The one individual overseeing operations of Evansville Brownfields Corporation has not received training to prepare financial statement and footnotes in accordance with GAAP.

Identification as a Repeat Finding, if applicable:

This is a repeat finding of finding 2016-001.

EVANSVILLE BROWNFIELDS CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding No. 2017-001 – Controls Over Financial Statement Preparation (Concluded)

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the Organization should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, FASB pronouncements, and knowledge of the Organization's activities and operations.

Views of Responsible Officials and Planned Corrective Actions:

Management recognizes the importance of developing periodic financial statements. The Organization has financial software, but has not yet began utilizing it for the Organization. Since current staff does not have the expertise to prepare such statements, management has evaluated alternative solutions that will allow management to have financial information developed for its review on a periodic basis.

Corrective Action:

Complete training with financial software during fiscal year 2018 and begin recording transactions using the software.

EVANSVILLE BROWNFIELDS CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Material Weakness

Finding No. 2017-002 – Departure from Generally Accepted Accounting Principle

Criteria:

The Organization is required to maintain accounting records necessary to prepare financial statements in accordance with GAAP.

Condition:

The Organization purchases distressed real estate to return them to productive use in order to stabilize property values in neighborhoods. These properties are carried at cost which does not conform with accounting principles generally accepted in the United States of America.

Effect:

GAAP requires inventory to be carried at lower of cost or market. The methods used to value purchased and donated property inventory is not in accordance with accounting principles generally accepted in the United States of America. The effects of this departure from U.S. generally accepted accounting principles is not reasonably determinable.

Cause:

The Organization carries all properties at cost and does not adjust the value if structures on the property are demolished.

Identification as a Repeat Finding, if applicable:

This is a repeat finding of finding 2016-002.

Recommendation:

All properties should have a proper appraisal at the time of purchase. Subsequently, if structures on the property are demolished, the Organization should adjust the value of the property to the fair value of the remaining land.

EVANSVILLE BROWNFIELDS CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2017

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

**Finding No. 2017-002 – Departure from Generally Accepted Accounting Principle
(Concluded)**

Views of Responsible Officials and Planned Corrective Actions:

As a general practice to conserve funds, the Organization does not conduct appraisals on properties purchased at tax sale or when the owner has a willingness to sell for a price well below assessed value. The same philosophy to save money is implemented when considering ordering appraisals simply to adjust the property value when the property will likely eventually be sold for well below the fair market value.

Corrective Action:

There is no corrective action at this time.

EVANSVILLE BROWNFIELDS CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2017

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
2016-001 001	Controls over Financial Statement Preparation	Repeated as 2017-
2016-002 002	Departure from Generally Accepted Accounting Principle	Repeated as 2017-

EVANSVILLE BROWNFIELDS CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
CDBG - Entitlement Grants Cluster-Cluster Department of Housing and Urban Development Pass-Through Programs From City of Evansville-Community Development Block Grant City of Evansville-CDBG	14.218	064-825-431050003	<u>\$ 99,066</u>
Total Department of Housing and Urban Development			99,066
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 99,066</u></u>

EVANSVILLE BROWNFIELDS CORPORATION

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2017

Note 1 - Reporting Entity Basis of Presentation and Accounting

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Organization. The information in this schedule 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). Therefore, some amounts presented on this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

An audit in accordance with Uniform Guidance is conducted as required by contractual agreement with the City of Evansville, Department of Metropolitan Development. All Community Development Block Grant Funding is treated as a major program for the purpose of this single audit.

Note 2 - Subrecipients

None

Note 3 - Description of Major Federal Program

Community Development Block Grant program for Entitlement Communities - Cluster - This program provides federal monies to develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income.

Note 4 - Non-Cash Assistance

None

Note 5 - Amount of Insurance

None

Note 6 - Loans or Loan Guarantees Outstanding

None

Note 7 – Indirect Cost Rate

The Organization has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. The Organization does not currently allocate any costs to the grants.