

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, 2011 to December 31, 2011



FILED
09/28/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Controller	Jenny Collins	01-01-11 to 12-31-11
	Russell Lloyd Jr.	01-01-12 to 12-31-12
Mayor	Jonathan Weinzapfel	01-01-08 to 12-31-11
	Lloyd Winnecke	01-01-12 to 12-31-15
President of the Board of Public Works	Jack McNeely	01-01-11 to 12-31-11
	Bill Nix	01-01-12 to 12-31-12
President of the Common Council	B J Watts	01-01-11 to 12-31-11
	Connie Robinson	01-01-12 to 12-31-12
General Manager of Utilities	Jim Garrard (Interim)	01-01-11 to 12-31-11
	Allen Mounts	01-01-12 to 12-31-12



INDEPENDENT AUDITOR'S REPORT

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

We were engaged to audit the accompanying financial statement of the City of Evansville (City), for the year ended December 31, 2011. This financial statement is the responsibility of the City's management.

The City did not properly maintain accounting records. New accounting software was implemented in 2011. The new accounting system is not producing accurate fund statements which can be reconciled to the bank account. The City's records do not permit the application of other auditing procedures to ascertain if the financial statement is fairly stated.

Since the City did not properly maintain accounting records, and we were not able to apply other auditing procedures to satisfy ourselves as to whether the financial statement are fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement.

In accordance with Government Auditing Standards, we have also issued a report dated August 20, 2012, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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 the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement. Because of the significance of the matters described in the second paragraph and because federal grant monies were not accurately and separately identified in the financial ledgers, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

The City's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 20, 2012



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AN EQUAL OPPORTUNITY EMPLOYER

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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 were engaged to audit the financial statements of the City of Evansville (City), for the year ended December 31, 2011, and have issued our report thereon dated August 20, 2012. Since the Town did not properly maintain the accounting records and we were not able to apply other auditing procedures to satisfy ourselves as to whether the financial information is fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial information. We were unable to follow the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States due to the situation described above. Since the scope of our audit was limited, we cannot be sure that all instances of control deficiencies and noncompliance that should have been detected were detected and reported.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1, 2011-2, and 2011-3 to be material weaknesses.

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

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-2 and 2011-3.

The City's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 20, 2012

FINANCIAL STATEMENT

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, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 2,086,140	\$ 73,724,252	\$ 71,454,271	\$ 4,356,121
Motor Vehicle Highway	1,919,235	4,651,762	5,001,264	1,569,733
Local Road And Street	5,857,604	1,383,027	1,554,713	5,685,918
Area Plan Commission	-	207	-	207
Parking	232,127	471,626	362,414	341,339
Parks And Recreation	4,563,125	8,844,326	10,118,219	3,289,232
Rainy Day	3,074,213	1,864	-	3,076,077
Riverboat Capital Project	24,915,295	14,127,479	24,939,847	14,102,927
Cumulative Capital Improvement	-	349,154	349,154	-
Purchasing Internal Service	50,379	439,500	518,320	(28,441)
Police Pension	3,722,655	7,277,036	6,743,180	4,256,511
Fire Pension	4,591,463	5,228,058	5,110,047	4,709,474
Jacobsville TIF Projects	-	1,320,553	1,464	1,319,089
Melzer Trust	48,488	1,515	-	50,003
Evansville Community Trust	12,781	23	-	12,804
Evansville Redevelopment	15,124	447	4,490	11,081
Parking Garage 2004	3,305	288,990	286,945	5,350
Berry Plastics	-	506,921	506,920	1
CDBG - Metro SBAC Fund	210	373	-	583
Arena Bond 2010B	44,413,267	11,187,709	53,005,027	2,595,949
Arena Bond 2010A	9,685,032	192,377	1,660,562	8,216,847
American Gen Project 2010	-	484,855	480,854	4,001
2011 Berry Plastics Econ Dev	-	22,435,000	210,000	22,225,000
Recovery Grant	25,591	161,978	172,203	15,366
Rental Housing Inspection	-	1,380	-	1,380
Arena Bond 2010B Sinking	-	9,312,206	5,423,303	3,888,903
Arena 2010 Additional Projects	-	9,045,155	5,793,744	3,251,411
Redevelopment TIF Project	-	86,746	-	86,746
Total Monies	1,173,722	6,175	-	1,179,897
Information Technology Services	-	18,010,569	18,010,569	-
Payroll Checking Account	-	634,818	630,201	4,617
Donations	995,927	57,185	951,584	101,528
Fire Donation	387	-	-	387
Miscellaneous Grant	1,325,231	1,636,833	4,231,698	(1,269,634)
Law Enforcement	68,941	158,728	128,139	99,530
Golf Course	446,002	1,410,581	1,548,076	308,507
Local County Option Income Tax	10,659,127	13,041,225	14,303,489	9,396,863
Municipal Code Revolving	491	-	491	-
Greenway Project	1,956,836	234,697	708,870	1,482,663
Sports Non-Reverting	2,770	369,339	302,082	70,027
Zoo Animal Revolving	40,309	983	3,230	38,062
Rental Rehab	85,829	-	11,555	74,274
Certified Tech Park	438,013	1,451	266,557	172,907
Eda Revolving Loan Fund	1,147,905	17,878	293,001	872,782
Home Admin Investment Trust	(16,158)	696,064	654,839	25,067
Community Dev Block Grant	(583,290)	2,375,189	3,058,177	(1,266,278)
Old Post Office	236,426	4,246	-	240,672
Economic Development Loan	1,212,931	87,787	246,930	1,053,788
Emergency Shelter Grant	(128,366)	462,560	490,709	(156,515)
Building Code Books	2,593	-	-	2,593
Bicycle License Revolving	2,575	344	198	2,721
Sidewalk Program	209,396	80,523	110,670	179,249
Erc Capital Non Reverting	2,012,621	59,816	260,047	1,812,390
Housing Trust	234,054	10,980	796	244,238

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

CITY OF EVANSVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For The Year Ended December 31, 2011
(Continued)

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Hud Fair Housing	83,708	40,181	35,009	88,880
Equal Emp Opportunity Commission	128,460	56,100	45,591	138,969
Master Tif Projects	13,252,108	9,856,317	14,332,232	8,776,193
Food And Beverage Tax Distribution	582,925	777,510	1,168,995	191,440
Locust Hill Perpetual Care	128,202	930	-	129,132
Oakhill Perpetual Care	719,058	7,847	3,112	723,793
EMA Revolving Donation Fund	2,567	-	-	2,567
Coleman Trust	11,731	205	-	11,936
Mattie J Bayard Trust	6,058	-	-	6,058
R T Legler Trust	2,139	141	-	2,280
CDBG-City Bank Of Evansville	399,293	3,906	151,302	251,897
CDBG-EDA Revolving Loan Fifth Third	739,394	741,207	802,311	678,290
Historic Preservation	4,957	305	231	5,031
General Obligation Bond 2006	(918)	-	-	(918)
Park District Bond Refunding 2010	870,919	260,739	1,415,301	(283,643)
TIF Redevelopment Bond	588,324	422,598	421,598	589,324
Park Bond Refunding of 2003	284,386	-	179,857	104,529
Redevelopment Bond Retirement	93,906	161,141	286,945	(31,898)
Redevelopment Bond of 1998	26,446	-	-	26,446
General Obligation # 2	401,660	2,760	85,205	319,215
Sidewalk Improvement Bond	78,419	-	-	78,419
Redevelopment Arena Ban 2008	32,151	-	-	32,151
2009 Arena Ban Series A	47,924	-	47,924	-
Debt Service - Other	682,180	142,752	824,932	-
Unemployment	332,223	100,001	39,446	392,778
Workers Compensation	228,092	1,130,690	1,044,946	313,836
Liability	950,288	2,501,164	2,286,637	1,164,815
Hospitalization	8,355,702	16,293,536	18,981,130	5,668,108
Evansville Civil City Payroll	685,459	73,871,298	73,900,582	656,175
Accounts Receivable Clearing	(5,498)	183,418	189,378	(11,458)
Oakhill Lease Escrow	5,377	-	-	5,377
Electronic Tax Payments	-	17,147,566	17,147,758	(192)
Sewage 2010B-2 Construction	-	-	-	-
Wastewater Util-Bond And Interest	1,466,595	-	1,466,595	-
Wastewater Utility-Other #1	1,645,159	-	1,645,159	-
Sewer Operating	8,429,282	60,324,159	29,408,729	39,344,712
2007 SRF Reserve Fund	9,165,334	14,262,972	9,508,910	13,919,396
2007 SRF Sinking Fund	3,260,284	-	3,260,284	-
2008 SRF Construction Fund	4,433,374	-	4,433,374	-
Sewer Debt Service Reserves	9	-	9	-
SRFWW - Evansville 09	-	2,627,131	2,627,131	-
SRFWW Evansville 0610	-	117,995	117,995	-
Sewage 2010B-1 Construction	21,834,879	-	21,834,879	-
Sewage 2010B1 Bond Fund	125,745	4,552,174	4,677,919	-
Sewage 2010 B2 Bond Fund	1,891	315,500	317,391	-
Water Utility-Operating	4,588,969	24,169,764	20,554,375	8,204,358
Water Utility-Bond & Int Sinking	187,361	-	-	187,361
Water Utility-Consumer Meter Deposit	967,166	-	967,166	-
Water Utility-Bond & Int Retirement	3,560,061	-	3,560,061	-
Water Utility-Construction	4,406,131	-	4,406,131	-
2008 Waterworkd Bond Series	754	-	754	-
Totals	\$ 220,530,940	\$ 440,954,497	\$ 482,086,133	\$ 179,399,304

The notes to the financial statement is 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 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. Receipts are recorded when received and disbursements are recorded when paid.

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 which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers 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 which include amounts received from businesses, occupations, or nonbusinesses 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: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state,

CITY OF EVANSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

local road and street distribution 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 which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine 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 which include receipts derived 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 which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are 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 include outflows 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 which include 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 office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include 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 which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

CITY OF EVANSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Other disbursements which include, but are 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, transfer money 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 money 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 money 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 February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. 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.

CITY OF EVANSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize the City to invest in securities including, but not limited to, 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. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

CITY OF EVANSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established 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.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. 1937 Firefighters' Pension Plan

Plan Description

The 1937 Firefighters' Pension Plan 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 plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established 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.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

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

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

CITY OF EVANSVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City's 2011 Annual Report information can be found on the Gateway 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 Annual Report of the City which is 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 supplementary 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, 2011

	General	Motor Vehicle Highway	Local Road And Street	Area Plan Commission	Parking	Parks And Recreation
Cash and investments - beginning	\$ 2,086,140	\$ 1,919,235	\$ 5,857,604	\$ -	\$ 232,127	\$ 4,563,125
Receipts:						
Taxes	45,885,579	931,583	-	-	-	5,978,550
Licenses and permits	798,118	-	-	-	-	935,048
Intergovernmental	10,947,480	3,393,749	1,367,573	-	-	600,075
Charges for services	4,516,192	290,765	-	207	467,918	1,186,015
Fines and forfeits	302,395	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	11,274,488	35,665	15,454	-	3,708	144,638
Total receipts	<u>73,724,252</u>	<u>4,651,762</u>	<u>1,383,027</u>	<u>207</u>	<u>471,626</u>	<u>8,844,326</u>
Disbursements:						
Personal services	60,498,820	3,046,045	720,488	-	44,000	5,248,921
Supplies	2,948,863	921,174	11,463	-	332	714,532
Other services and charges	6,359,004	973,529	76,439	-	315,789	3,658,089
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	165,572	-	746,323	-	2,293	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,482,012	60,516	-	-	-	496,677
Total disbursements	<u>71,454,271</u>	<u>5,001,264</u>	<u>1,554,713</u>	<u>-</u>	<u>362,414</u>	<u>10,118,219</u>
Excess (deficiency) of receipts over disbursements	<u>2,269,981</u>	<u>(349,502)</u>	<u>(171,686)</u>	<u>207</u>	<u>109,212</u>	<u>(1,273,893)</u>
Cash and investments - ending	<u>\$ 4,356,121</u>	<u>\$ 1,569,733</u>	<u>\$ 5,685,918</u>	<u>\$ 207</u>	<u>\$ 341,339</u>	<u>\$ 3,289,232</u>

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Rainy Day	Riverboat Capital Project	Cumulative Capital Improvement	Purchasing Internal Service	Police Pension	Fire Pension
Cash and investments - beginning	\$ 3,074,213	\$ 24,915,295	\$ -	\$ 50,379	\$ 3,722,655	\$ 4,591,463
Receipts:						
Taxes	-	2,103,156	-	-	91,918	91,918
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	5,558,516	349,154	-	7,180,184	5,135,712
Charges for services	-	5,381,860	-	439,500	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,864	1,083,947	-	-	4,934	428
Total receipts	1,864	14,127,479	349,154	439,500	7,277,036	5,228,058
Disbursements:						
Personal services	-	-	-	-	13,402	13,770
Supplies	-	309,842	-	-	2,389	-
Other services and charges	-	1,097,765	-	518,320	230	2,001
Debt service - principal and interest	-	1,649,203	-	-	-	-
Capital outlay	-	20,083,037	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	1,800,000	349,154	-	6,727,159	5,094,276
Total disbursements	-	24,939,847	349,154	518,320	6,743,180	5,110,047
Excess (deficiency) of receipts over disbursements	1,864	(10,812,368)	-	(78,820)	533,856	118,011
Cash and investments - ending	\$ 3,076,077	\$ 14,102,927	\$ -	\$ (28,441)	\$ 4,256,511	\$ 4,709,474

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Jacobsville TIF Projects	Melzer Trust	Evansville Community Trust	Evansville Redevelopment	Parking Garage 2004	Berry Plastics
Cash and investments - beginning	\$ -	\$ 48,488	\$ 12,781	\$ 15,124	\$ 3,305	\$ -
Receipts:						
Taxes	1,320,553	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	1,515	23	447	288,990	506,921
Total receipts	1,320,553	1,515	23	447	288,990	506,921
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	1,464	-	-	4,490	286,945	506,920
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	1,464	-	-	4,490	286,945	506,920
Excess (deficiency) of receipts over disbursements	1,319,089	1,515	23	(4,043)	2,045	1
Cash and investments - ending	\$ 1,319,089	\$ 50,003	\$ 12,804	\$ 11,081	\$ 5,350	\$ 1

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	CDBG - Metro SBAC Fund	Arena Bond 2010B	Arena Bond 2010A	American Gen Project 2010	2011 Berry Plastics Econ Dev	Recovery Grant
Cash and investments - beginning	\$ 210	\$ 44,413,267	\$ 9,685,032	\$ -	\$ -	\$ 25,591
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	161,978
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	373	11,187,709	192,377	484,855	22,435,000	-
Total receipts	373	11,187,709	192,377	484,855	22,435,000	161,978
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	53,005,027	1,660,562	480,854	210,000	172,203
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	53,005,027	1,660,562	480,854	210,000	172,203
Excess (deficiency) of receipts over disbursements	373	(41,817,318)	(1,468,185)	4,001	22,225,000	(10,225)
Cash and investments - ending	\$ 583	\$ 2,595,949	\$ 8,216,847	\$ 4,001	\$ 22,225,000	\$ 15,366

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Rental Housing Inspection	Arena Bond 2010B Sinking	Arena 2010 Additional Projects	Redevelopment TIF Project	Total Monies	Information Technology Services
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 1,173,722	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	1,380	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	9,312,206	9,045,155	86,746	6,175	18,010,569
Total receipts	<u>1,380</u>	<u>9,312,206</u>	<u>9,045,155</u>	<u>86,746</u>	<u>6,175</u>	<u>18,010,569</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	5,423,303	5,793,744	-	-	18,010,569
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>5,423,303</u>	<u>5,793,744</u>	<u>-</u>	<u>-</u>	<u>18,010,569</u>
Excess (deficiency) of receipts over disbursements	<u>1,380</u>	<u>3,888,903</u>	<u>3,251,411</u>	<u>86,746</u>	<u>6,175</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,380</u>	<u>\$ 3,888,903</u>	<u>\$ 3,251,411</u>	<u>\$ 86,746</u>	<u>\$ 1,179,897</u>	<u>\$ -</u>

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Payroll Checking Account	Donations	Fire Donation	Miscellaneous Grant	Law Enforcement	Golf Course
Cash and investments - beginning	\$ -	\$ 995,927	\$ 387	\$ 1,325,231	\$ 68,941	\$ 446,002
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	45,304	-
Intergovernmental	-	-	-	1,461,735	-	-
Charges for services	-	-	-	97,763	43,587	1,157,954
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	634,818	57,185	-	77,335	69,837	252,627
Total receipts	634,818	57,185	-	1,636,833	158,728	1,410,581
Disbursements:						
Personal services	630,201	-	-	25,467	-	688,408
Supplies	-	20,587	-	-	7,214	245,048
Other services and charges	-	930,997	-	2,200,960	120,925	573,318
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	6,302
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	2,005,271	-	35,000
Total disbursements	630,201	951,584	-	4,231,698	128,139	1,548,076
Excess (deficiency) of receipts over disbursements	4,617	(894,399)	-	(2,594,865)	30,589	(137,495)
Cash and investments - ending	\$ 4,617	\$ 101,528	\$ 387	\$ (1,269,634)	\$ 99,530	\$ 308,507

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Local County Option Income Tax	Municipal Code Revolving	Greenway Project	Sports Non-Reverting	Zoo Animal Revolving	Rental Rehab
Cash and investments - beginning	\$ 10,659,127	\$ 491	\$ 1,956,836	\$ 2,770	\$ 40,309	\$ 85,829
Receipts:						
Taxes	-	-	-	120	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	11,194,267	-	227,167	-	-	-
Charges for services	800	-	-	266,516	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,846,158	-	7,530	102,703	983	-
Total receipts	<u>13,041,225</u>	<u>-</u>	<u>234,697</u>	<u>369,339</u>	<u>983</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	208,973	-	-
Supplies	-	-	-	14,810	-	-
Other services and charges	6,703,489	491	-	78,179	-	11,555
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	708,870	-	3,230	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	7,600,000	-	-	120	-	-
Total disbursements	<u>14,303,489</u>	<u>491</u>	<u>708,870</u>	<u>302,082</u>	<u>3,230</u>	<u>11,555</u>
Excess (deficiency) of receipts over disbursements	<u>(1,262,264)</u>	<u>(491)</u>	<u>(474,173)</u>	<u>67,257</u>	<u>(2,247)</u>	<u>(11,555)</u>
Cash and investments - ending	<u>\$ 9,396,863</u>	<u>\$ -</u>	<u>\$ 1,482,663</u>	<u>\$ 70,027</u>	<u>\$ 38,062</u>	<u>\$ 74,274</u>

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Certified Tech Park	Eda Revolving Loan Fund	Home Admin Investment Trust	Community Dev Block Grant	Old Post Office	Economic Development Loan
Cash and investments - beginning	\$ 438,013	\$ 1,147,905	\$ (16,158)	\$ (583,290)	\$ 236,426	\$ 1,212,931
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	696,064	2,185,411	-	-
Charges for services	-	15,584	-	170,952	-	76,159
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,451	2,294	-	18,826	4,246	11,628
Total receipts	1,451	17,878	696,064	2,375,189	4,246	87,787
Disbursements:						
Personal services	-	-	47,854	-	-	-
Supplies	-	-	658	6,438	-	-
Other services and charges	266,557	293,001	606,327	1,949,864	-	246,930
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	1,101,875	-	-
Total disbursements	266,557	293,001	654,839	3,058,177	-	246,930
Excess (deficiency) of receipts over disbursements	(265,106)	(275,123)	41,225	(682,988)	4,246	(159,143)
Cash and investments - ending	\$ 172,907	\$ 872,782	\$ 25,067	\$ (1,266,278)	\$ 240,672	\$ 1,053,788

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Emergency Shelter Grant	Building Code Books	Bicycle License Revolving	Sidewalk Program	Erc Capital Non Reverting	Housing Trust
Cash and investments - beginning	\$ (128,366)	\$ 2,593	\$ 2,575	\$ 209,396	\$ 2,012,621	\$ 234,054
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	344	-	-	-
Intergovernmental	462,560	-	-	-	-	-
Charges for services	-	-	-	-	-	6,646
Fines and forfeits	-	-	-	80,523	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	59,816	4,334
Total receipts	462,560	-	344	80,523	59,816	10,980
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	490,709	-	198	542	260,047	796
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	110,128	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	490,709	-	198	110,670	260,047	796
Excess (deficiency) of receipts over disbursements	(28,149)	-	146	(30,147)	(200,231)	10,184
Cash and investments - ending	<u>\$ (156,515)</u>	<u>\$ 2,593</u>	<u>\$ 2,721</u>	<u>\$ 179,249</u>	<u>\$ 1,812,390</u>	<u>\$ 244,238</u>

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Hud Fair Housing	Equal Emp Opportunity Commission	Master Tif Projects	Food And Beverage Tax Distribution	Locust Hill Perpetual Care	Oakhill Perpetual Care
Cash and investments - beginning	\$ 83,708	\$ 128,460	\$ 13,252,108	\$ 582,925	\$ 128,202	\$ 719,058
Receipts:						
Taxes	-	-	-	777,510	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	40,114	56,100	6,248,119	-	-	-
Charges for services	-	-	1,800	-	930	7,847
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	67	-	3,606,398	-	-	-
Total receipts	<u>40,181</u>	<u>56,100</u>	<u>9,856,317</u>	<u>777,510</u>	<u>930</u>	<u>7,847</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	1,960
Other services and charges	5,009	15,591	4,908,107	1,168,995	-	1,152
Debt service - principal and interest	-	-	507,101	-	-	-
Capital outlay	-	-	8,917,024	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	30,000	30,000	-	-	-	-
Total disbursements	<u>35,009</u>	<u>45,591</u>	<u>14,332,232</u>	<u>1,168,995</u>	<u>-</u>	<u>3,112</u>
Excess (deficiency) of receipts over disbursements	<u>5,172</u>	<u>10,509</u>	<u>(4,475,915)</u>	<u>(391,485)</u>	<u>930</u>	<u>4,735</u>
Cash and investments - ending	<u>\$ 88,880</u>	<u>\$ 138,969</u>	<u>\$ 8,776,193</u>	<u>\$ 191,440</u>	<u>\$ 129,132</u>	<u>\$ 723,793</u>

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	EMA Revolving Donation Fund	Coleman Trust	Mattie J Bayard Trust	R T Legler Trust	CDBG-City Bank Of Evansville	CDBG-EDA Revolving Loan Fifth Third
Cash and investments - beginning	\$ 2,567	\$ 11,731	\$ 6,058	\$ 2,139	\$ 399,293	\$ 739,394
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	739,759
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	205	-	141	3,906	1,448
Total receipts	-	205	-	141	3,906	741,207
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	151,302	802,311
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	-	-	151,302	802,311
Excess (deficiency) of receipts over disbursements	-	205	-	141	(147,396)	(61,104)
Cash and investments - ending	<u>\$ 2,567</u>	<u>\$ 11,936</u>	<u>\$ 6,058</u>	<u>\$ 2,280</u>	<u>\$ 251,897</u>	<u>\$ 678,290</u>

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Historic Preservation	General Obligation Bond 2006	Park District Bond Refunding 2010	TIF Redevelopment Bond	Park Bond Refunding of 2003	Redevelopment Bond Retirement
Cash and investments - beginning	\$ 4,957	\$ (918)	\$ 870,919	\$ 588,324	\$ 284,386	\$ 93,906
Receipts:						
Taxes	-	-	237,189	-	-	147,702
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	23,482	422,598	-	13,439
Charges for services	305	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	68	-	-	-
Total receipts	<u>305</u>	<u>-</u>	<u>260,739</u>	<u>422,598</u>	<u>-</u>	<u>161,141</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	231	-	-	-	-	-
Other services and charges	-	-	400	421,598	179,857	286,945
Debt service - principal and interest	-	-	1,414,901	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>231</u>	<u>-</u>	<u>1,415,301</u>	<u>421,598</u>	<u>179,857</u>	<u>286,945</u>
Excess (deficiency) of receipts over disbursements	<u>74</u>	<u>-</u>	<u>(1,154,562)</u>	<u>1,000</u>	<u>(179,857)</u>	<u>(125,804)</u>
Cash and investments - ending	<u>\$ 5,031</u>	<u>\$ (918)</u>	<u>\$ (283,643)</u>	<u>\$ 589,324</u>	<u>\$ 104,529</u>	<u>\$ (31,898)</u>

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Redevelopment Bond of 1998	General Obligation # 2	Sidewalk Improvement Bond	Redevelopment Arena Ban 2008	2009 Arena Ban Series A	Debt Service - Other
Cash and investments - beginning	\$ 26,446	\$ 401,660	\$ 78,419	\$ 32,151	\$ 47,924	\$ 682,180
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	2,760	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	142,752
Total receipts	-	2,760	-	-	-	142,752
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	85,168	-	-	47,924	824,932
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	37	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	85,205	-	-	47,924	824,932
Excess (deficiency) of receipts over disbursements	-	(82,445)	-	-	(47,924)	(682,180)
Cash and investments - ending	\$ 26,446	\$ 319,215	\$ 78,419	\$ 32,151	\$ -	\$ -

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Unemployment	Workers Compensation	Liability	Hospitalization	Evansville Civil City Payroll	Accounts Receivable Clearing
Cash and investments - beginning	\$ 332,223	\$ 228,092	\$ 950,288	\$ 8,355,702	\$ 685,459	\$ (5,498)
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	169,082
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	100,001	1,130,690	2,501,164	16,293,536	73,871,298	14,336
Total receipts	100,001	1,130,690	2,501,164	16,293,536	73,871,298	183,418
Disbursements:						
Personal services	39,446	43,452	-	17,745,002	-	-
Supplies	-	884	-	1,243	-	73,863
Other services and charges	-	1,000,610	2,286,637	1,234,885	-	115,515
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	73,900,582	-
Total disbursements	39,446	1,044,946	2,286,637	18,981,130	73,900,582	189,378
Excess (deficiency) of receipts over disbursements	60,555	85,744	214,527	(2,687,594)	(29,284)	(5,960)
Cash and investments - ending	\$ 392,778	\$ 313,836	\$ 1,164,815	\$ 5,668,108	\$ 656,175	\$ (11,458)

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Oakhill Lease Escrow	Electronic Tax Payments	Sewage 2010B-2 Construction	Wastewater Util-Bond And Interest	Wastewater Utility-Other #1	Sewer Operating
Cash and investments - beginning	\$ 5,377	\$ -	\$ -	\$ 1,466,595	\$ 1,645,159	\$ 8,429,282
Receipts:						
Taxes	-	17,147,566	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	35,195,098
Other receipts	-	-	-	-	-	25,129,061
Total receipts	-	17,147,566	-	-	-	60,324,159
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	2,665,175
Capital outlay	-	-	-	-	-	2,783,075
Utility operating expenses	-	-	-	-	-	23,398,611
Other disbursements	-	17,147,758	-	1,466,595	1,645,159	561,868
Total disbursements	-	17,147,758	-	1,466,595	1,645,159	29,408,729
Excess (deficiency) of receipts over disbursements	-	(192)	-	(1,466,595)	(1,645,159)	30,915,430
Cash and investments - ending	\$ 5,377	\$ (192)	\$ -	\$ -	\$ -	\$ 39,344,712

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	2007 SRF Reserve Fund	2007 SRF Sinking Fund	2008 SRF Construction Fund	Sewer Debt Service Reserves	SRFWW - Evansville 09	SRFWW Evansville0610
Cash and investments - beginning	\$ 9,165,334	\$ 3,260,284	\$ 4,433,374	\$ 9	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>14,262,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,627,131</u>	<u>117,995</u>
Total receipts	<u>14,262,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,627,131</u>	<u>117,995</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	9,508,899	-	306,239	-	2,627,131	-
Other disbursements	<u>11</u>	<u>3,260,284</u>	<u>4,127,135</u>	<u>9</u>	<u>-</u>	<u>117,995</u>
Total disbursements	<u>9,508,910</u>	<u>3,260,284</u>	<u>4,433,374</u>	<u>9</u>	<u>2,627,131</u>	<u>117,995</u>
Excess (deficiency) of receipts over disbursements	<u>4,754,062</u>	<u>(3,260,284)</u>	<u>(4,433,374)</u>	<u>(9)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 13,919,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Sewage 2010B-1 Construction	Sewage 2010B1 Bond Fund	Sewage 2010 B2 Bond Fund	Water Utility-Operating	Water Utility-Bond & Int Sinking
Cash and investments - beginning	\$ 21,834,879	\$ 125,745	\$ 1,891	\$ 4,588,969	\$ 187,361
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	21,808,184	-
Other receipts	-	4,552,174	315,500	2,361,580	-
Total receipts	-	4,552,174	315,500	24,169,764	-
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	3,026,815	-
Capital outlay	-	-	-	2,038,334	-
Utility operating expenses	110,289	-	-	13,478,246	-
Other disbursements	21,724,590	4,677,919	317,391	2,010,980	-
Total disbursements	21,834,879	4,677,919	317,391	20,554,375	-
Excess (deficiency) of receipts over disbursements	(21,834,879)	(125,745)	(1,891)	3,615,389	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 8,204,358	\$ 187,361

CITY OF EVANSVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Water Utility-Consumer Meter Deposit	Water Utility-Bond & Int Retirement	Water Utility-Construction	2008 Waterworkd Bond Series	Totals
Cash and investments - beginning	\$ 967,166	\$ 3,560,061	\$ 4,406,131	\$ 754	\$ 220,530,940
Receipts:					
Taxes	-	-	-	-	74,713,344
Licenses and permits	-	-	-	-	1,778,814
Intergovernmental	-	-	-	-	58,465,236
Charges for services	-	-	-	-	14,301,142
Fines and forfeits	-	-	-	-	384,298
Utility fees	-	-	-	-	57,003,282
Other receipts	-	-	-	-	234,308,381
Total receipts	-	-	-	-	440,954,497
Disbursements:					
Personal services	-	-	-	-	89,014,249
Supplies	-	-	-	-	5,281,531
Other services and charges	-	-	-	-	126,829,070
Debt service - principal and interest	-	-	-	-	9,263,195
Capital outlay	-	-	-	-	35,564,225
Utility operating expenses	-	-	27,033	-	49,456,448
Other disbursements	967,166	3,560,061	4,379,098	754	166,677,415
Total disbursements	967,166	3,560,061	4,406,131	754	482,086,133
Excess (deficiency) of receipts over disbursements	(967,166)	(3,560,061)	(4,406,131)	(754)	(41,131,636)
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 179,399,304

CITY OF EVANSVILLE
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ -	\$ -
Wastewater	2,717,477	3,469,995
Waterworks	<u>887,133</u>	<u>1,565,828</u>
Totals	<u>\$ 3,604,610</u>	<u>\$ 5,035,823</u>

CITY OF EVANSVILLE
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Evansville Local Improvement Bond Bank	Energy savings contract - Fire Dept.	\$ 23,991	08-04-11	08-01-26
Evansville Local Improvement Bond Bank	Energy savings contract - Transportation & Services Dept.	7,613	08-04-11	08-01-26
Evansville Local Improvement Bond Bank	Energy savings contract - Evansville Redevelopment Commission	35,118	08-04-11	08-01-21
Evansville Local Improvement Bond Bank	Energy savings contract - Dept. of Parks and Recreation	41,864	09-13-11	08-01-26
Evansville Local Improvement Bond Bank	Energy savings contract - City County Central Dispatch	7,678	09-30-11	08-01-26
Evansville Local Improvement Bond Bank	Energy savings contract - Evansville Vanderburgh Co. Building Authority	5,566	12-29-11	11-01-21
Inland Marina	Ohio River dock lease for U. S. Navy LST (Landing Ship Tank) 325 World War II historic vessel	45,853	05-01-05	04-30-15
Key Government Finance	Computer software and licenses	259,363	01-01-08	12-31-13
PNC Equipment Finance	2 Fire trucks	71,588	01-01-09	12-31-19
PNC Equipment Finance	Guaranteed Energy Savings Performance Contract	<u>115,647</u>	01-01-04	12-31-13
Total governmental activities		<u>614,281</u>		
Total of annual lease payments		<u>\$ 614,281</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Revenue bonds	Taxable Economic Development Revenue Bonds Series 2011 Berry Plastics Project)	\$ 22,435,000	\$ 200,000
Revenue bonds	Redevelopment Distric Tax Increment Revenue Bonds Series 2010 (American General Project)	4,515,000	481,141
Revenue bonds	Redevelopment Authority Lease Rental Revenue Bonds Series 2010A and Series 2010B	122,410,000	7,937,568
Revenue bonds	Taxable Economic Development Revenue Bonds Series 2008 (Berry Plastic Project)	3,880,000	509,500
Revenue bonds	Tax Increment Revenue Bonds of 2002	3,870,000	422,008
Revenue bonds	Park District Refunding Bonds of 2010	8,400,000	1,070,469
Revenue bonds	Park District Bonds of 2003	13,285,000	1,651,483
Notes and loans payable	City of Evansville Redevelopment District Taxable Bond Anticipation Notes 2011 (Arts Redevelopment Area)	<u>142,752</u>	<u>2,141</u>
Total governmental activities		<u>178,937,752</u>	<u>12,274,310</u>
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds Series 2011D (SRF)	1,215,000	39,439
Revenue bonds	Sewage Works Revenue Bonds Series 2011C (SRF)	3,800,000	248,004
Revenue bonds	Sewage Works Revenue Bonds Series 2010 B-1 (Taxable Build America Bonds - Direct Pay Option)	27,450,000	1,508,941
Revenue bonds	Sewage Works Revenue Bonds Series 2010A (SRF)	7,120,000	220,993
Revenue bonds	Sewage Works Revenue Bonds of 2009	27,750,000	780,761
Revenue bonds	Sewage Works Revenue Bonds of 2008 Series B (SRF)	16,429,000	1,261,556
Revenue bonds	Sewage Works Revenue Bonds of 2007 Series A	29,825,000	2,519,655
Revenue bonds	Sewage Works Replacement Revenue Bonds of 2004 (SRF)	5,759,000	488,746
Revenue bonds	Sewage Works Refunding Revenue Bonds of 2003 Series A	30,275,000	2,896,850
Revenue bonds	Sewage Works Revenue Bonds of 1998 Series C (SRF)	6,448,510	1,024,682
Revenue bonds	Sewage Works Revenue Bonds of 1993 Series B	275,000	143,300
Revenue bonds	Sewage Works Revenue Bonds Series 2010 B-2 (Taxable Bonds)	<u>1,390,000</u>	<u>782,906</u>
Total Wastewater		<u>157,736,510</u>	<u>11,915,833</u>
Waterworks:			
Revenue bonds	Waterworks District Bonds Series 2008	34,360,000	2,475,894
Revenue bonds	Waterworks District Refunding Bonds of 2005	4,435,000	985,263
Revenue bonds	Waterworks District Revenue Bonds of 2004	21,140,000	1,527,144
Notes and loans payable	City of Evansville Waterworks District Bond Anticipation Notes of 2011	<u>100,000</u>	<u>101,500</u>
Total Waterworks		<u>60,035,000</u>	<u>5,089,801</u>
Totals		<u>\$ 396,709,262</u>	<u>\$ 29,279,944</u>

CITY OF EVANSVILLE
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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	\$ 20,988,351
Infrastructure	542,862,672
Buildings	154,631,502
Improvements other than buildings	38,088,789
Machinery, equipment and vehicles	87,372,496
Total governmental activities	843,943,810
Wastewater:	
Land	3,376,160
Infrastructure	132,021,648
Buildings	141,209,991
Improvements other than buildings	10,000
Machinery, equipment and vehicles	14,137,338
Construction in progress	46,009,923
Total Wastewater	336,765,060
Waterworks:	
Land	640,581
Infrastructure	91,321,215
Buildings	31,974,029
Improvements other than buildings	182,672
Machinery, equipment and vehicles	25,741,140
Construction in progress	12,512,970
Total Waterworks	162,372,607
Total capital assets	\$ 1,343,081,477

CITY OF EVANSVILLE
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS (City, Water Utility, and Wastewater Utility)

Fund balances were not reconciled to bank balances for the entire year of 2011. As of July 31, 2012, City officials were still unable to reconcile the ledger to the bank account and were still making adjustments to the December 31, 2011 fund balances.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT (City, Water Utility, and Wastewater Utility)

A materially correct annual report for 2011 was not presented for audit. Also, the City filed their annual report past the deadline. A similar comment was contained in the prior audit report.

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

PRESCRIBED FORMS (City)

The City's accounting information system was not equipped to produce the following forms or their equivalent:

1. City and Town Form No. 208 – Ledger or Receipts, Disbursements, and Balances
2. City and Town Form No. 209 - Ledger of Appropriations, Encumbrances, Disbursements and Balances

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

FINANCIAL REPORT OPINION MODIFICATIONS (City, Water, and Wastewater Utility)

We were unable to obtain records in which the detail matched the control for the year 2011. The City also kept 2011 open through at least July 2012 which caused year end fund balances and total receipts and total disbursements of some funds to materially change. We also noted several instances in the utility funds where accrual entries were being made in the cash basis system. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements.

CITY OF EVANSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS (City, Water, and Wastewater Utility)

The controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient for the following reasons:

1. Weaknesses in input controls.
2. Oversight deficiencies in the reconciliation process.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BUY MONEY - POLICE (CITY)

As stated in several prior audit reports, the Common Council has not passed an ordinance allowing the buy money program and the related expenditures.

The following procedure, among others, should be followed if a municipality wishes to obtain an appropriation and make expenditures for buy money or payments to informants:

Under Indiana Code 36-1-3, an ordinance should be passed allowing this type of program and associated expenditures. (Cities and Towns Bulletins September 2004, page 9)

PARKING METER FEES (City)

As stated in several prior reports, parking meter fees are deposited into the General Fund instead of a special fund.

Indiana Code 36-9-12-4(a) states:

"A municipality must provide, by ordinance, that: (1) All license fees collected from parking meters shall be deposited with the municipal fiscal officer; (2) the fees shall be deposited to the credit of the municipality in a special fund; and (3) disbursements from the special fund may be made only on orders of the municipal works board, or board of transportation and only for the purposes listed in subsection (b)."

CITY OF EVANSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

SEPARATE BANK ACCOUNTS (City, Water Utility, Wastewater Utility)

As stated in several prior reports, Evansville Water Utility funds, Evansville Wastewater Utility funds and Vanderburgh County Solid Waste District funds were accounted for in the bank account of the City of Evansville.

A single bank account should be provided for all city or town funds, separate bank accounts for the funds belonging to each utility, and possibly a separate bank account for other funds if required by ordinance or regulation. Some bond ordinances and federal regulations require separate bank accounts for various funds and must be followed. Funds of other entities held by the city or town's fiscal officer must be accounted for in separate bank accounts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CONTRACTS (City)

As stated in several prior reports, the City entered into a contract with SMG, effective January 1, 2006, to manage Roberts Stadium, Victory Theater, and Mesker Music Theater. The contract required an independent audit of SMG. An addendum to the contract was added on September 5, 2007, amending the contract from requiring an audit to requiring a review. As of July 2012, a review had not been completed for the years 2006, 2007, 2008, 2009, 2010, or 2011. Without the independent review of SMG's financial records the accuracy of amounts paid to or received from SMG cannot be verified.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES (City, Water Utility, and Wastewater Utility)

The cash balance of the General Fund, Purchasing Internal Service Fund, Information Technology Services Fund, Miscellaneous Grant Fund, Sports Non-Reverting Fund, Home Admin Investment Trust Fund, Community Dev Block Grant Fund, Old Post Office Fund, Emergency Shelter Grant Fund, General Obligation Bond 2006 Fund, Park District Bond Refunding 2010 Fund, Redevelopment Bond Retirement Fund, Workers Compensation Fund, Evansville Civil City Payroll Fund, Accounts Receivable Clearing Fund, Electronic Tax Payments Fund, SRFWW - Evansville 09 Fund, SRFWW Evansville 0610 Fund, Sewage 2010B-1 Construction Fund, Water Utility-Operating Fund, and Water Utility - Consumer Meter Deposit Fund were overdrawn in 2011.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Evansville's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance 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, 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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's response to the findings identified in our audit is described in the accompanying Official Response. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 20, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Direct Grant			
CDBG-Entitlement Grants Cluster			
Community Development Block Grants/Entitlement Grants	14.218		
		B-09-MC-18-0002	\$ 761,998
		B-10-MC-18-0002	<u>1,423,413</u>
Total for program			<u>2,185,411</u>
ARRA - Community Development Block Grant ARRA Entitlement Grants			
	14.253	B-09-MY-18-0002	<u>170,836</u>
Total for cluster			<u>2,356,247</u>
Pass-Through Indiana Office of Community and Rural Affairs			
CDBG - State Administered/CDBG Cluster			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		
		DR2-09-218	<u>208,000</u>
Total for cluster			<u>208,000</u>
Direct Grants			
Emergency Shelter Grants Program			
	14.231		
		S-10-MC-18-0002	59,575
		E-11-MC-18-0002	<u>19,333</u>
Total for program			<u>78,908</u>
HOME Investment Partnerships Program			
	14.239		
		M-96-MC-18-0201	1,664
		M-04-MC-18-0201	7,213
		M-06-MC-18-0201	48,512
		M-09-MC-18-0201	360,443
		M-10-MC-18-0201	<u>278,233</u>
Total for program			<u>696,065</u>
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants			
	14.251		
		B-06-SP-IN-0356	<u>422</u>
ARRA - Neighborhood Stabilization Program			
	14.256		
		B-08-MN-18003	<u>1,285,477</u>
ARRA - Homelessness Prevention and Rapid Rehousing Program			
	14.257		
		S-09-MY-18-2002	<u>335,298</u>
Fair Housing Organization Initiatives			
	14.417		
		FF205K095016	<u>40,114</u>
Total for federal grantor agency			<u>5,000,531</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant			
JAG Program Cluster			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		
		2009-DJ-BX-0055	60,927
		2010-DJ-BX-0811	<u>76,416</u>
Total for program			<u>137,343</u>

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

CITY OF EVANSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE (continued)</u>			
Direct Grant (continued)			
JAG Program Cluster (continued)			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/Grants to Units of Local Government	16.804	2009-SB-B9-0410	<u>28,942</u>
Total for cluster			<u>166,285</u>
Direct Grants			
Bulletproof Vest Partnership Program	16.607	BOBX10052875 BOBX09050023	24,084 <u>7,062</u>
Total for program			<u>31,146</u>
Public Safety Partnership and Community Policing Grants	16.710	2008-CK-WX-0604 2010-CK-WX-0734 2010-UM-WX-0119	57,036 83,120 <u>69,808</u>
Total for program			<u>209,964</u>
Total for federal grantor agency			<u>407,395</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	CMAQ-000C(569) CMA-9982 DES-0101271 DES-071-494 DES-08100043 DES-0401193 DES-1005670	1,316 5,505 499,400 10,235 27,850 11,329 <u>28,972</u>
Total for program			<u>584,607</u>
ARRA - Highway Planning and Construction Pigeon Creek Greenway Phase 3C-2	20.205	DES-0900384	<u>125,812</u>
Total for cluster			<u>710,419</u>
Federal Transit Cluster			
Federal Transit - Formula Grants	20.507	IN-90-X623 IN-90-0554 IN-90-X603 IN-90-X583-00 IN-95-X029-00	452,547 33,876 729,387 17,403 <u>84,000</u>
Total for program			<u>1,317,213</u>
ARRA - Federal Transit - Formula Grants	20.507	IN-96-X007	<u>160,137</u>
Total for cluster			<u>1,477,350</u>

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

CITY OF EVANSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011
(Continued)

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF TRANSPORTATION (continued)</u>			
Pass-Through Vanderburgh County Highway Safety Cluster			
State and Community Highway Safety Big City/Big County Seat Belt Enforcement Grant	20.600	PT-11-04-04-50	72,651
Alcohol Impaired Drinking Countermeasures Incentives Grants I DUI Task Force Indiana Enforcement Grant Dangerous Driving Enforcement Program	20.601	K8-2011-03-03-30 CA-2011-08-01-19	31,281 12,530
Total for program			43,811
Total for cluster			116,462
Total for federal grantor agency			2,304,231
<u>U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</u>			
Pass-Through Indiana Equal Employment Opportunity Commission Employment Discrimination Title VII of the Civil Rights Act of 1964	30.001	EECCN090042 EECIND11055	45,591 1,000
Total for federal grantor agency			46,591
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	WW08138205 WW08138205 Evansville 2010 WW11228207 WW09128208	1,387,649 5,320,276 416,096 367,675 135,562
Total for federal grantor agency			7,627,258
<u>U.S. DEPARTMENT OF ENERGY</u>			
Direct Grant ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	SC0002930	687,742
Total for federal grantor agency			687,742
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant Port Security Grant Program	97.056	2010-PU-TO-0109	76,000
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	1997-163	52,179
Assistance to Firefighters Grant	97.044	EMW-2010-FR-00260	379,142
State Homeland Security Program (SHSP)	97.073	2010-SS-TO-0038	53,574
Total for federal grantor agency			560,895
Total federal awards expended			<u>\$ 16,634,643</u>

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 includes the federal grant activity of the City of Evansville (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2011:

<u>Program Title</u>	<u>2011</u>
CDBG - Entitlement Grants Cluster	<u>\$ 762,644</u>

CITY OF EVANSVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Disclaimer
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.256	CDBG - Entitlement Grants Cluster ARRA – Neighborhood Stabilization Program JAG Program Cluster
66.458	Highway Planning and Construction Cluster Capitalization Grants for Clean Water State Revolving Funds
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)

Dollar threshold used to distinguish between Type A and Type B programs: \$449,039

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2011-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the City related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the City's audited financial statements and then determining how those identified risks should be managed.

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

The City has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.

2. **Monitoring of Controls:** Effective internal control over financial reporting requires the City Council to monitor and assess the quality of the City's system of internal control. The City Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the City at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the City has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***FINDING 2011-2 - INTERNAL CONTROL AND COMPLIANCE ISSUES -
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DEFICIENCIES***

The Schedule of Expenditures of Federal Awards (SEFA) is required by the U.S. Office of Management and Budget Circular A-133, Audits of States, and Local Governments, and Non-Profit Organizations for entities expending federal funds in excess of \$500,000 in order to summarize the use of federal monies received. The City did not have procedures in place whereby grants applied for by the various City Departments and approved by the City Council are summarized and the information coordinated with the City Controller's office in order for financial activity associated with federal grant funds awarded to be properly identified and recorded in the financial records.

Due to this internal control deficiency, we were unable to issue an opinion on the SEFA. We also could not determine if all major programs were identified.

Circular A133 Subpart C section .300 states:

"The auditee shall:

(a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

(b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

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

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We recommended that the City implement procedures and controls to ensure that required information is properly identified and available for preparation of the SEFA.

FINDING 2011-3 - COMPLIANCE ISSUE - BANK ACCOUNT RECONCILIATIONS

Fund balances were not reconciled to bank balances for the entire year of 2011. As of July 31, 2012, City officials were still unable to reconcile the ledger to the bank account and were still making corrections to the December 31, 2011 fund balances.

New accounting software was implemented in 2011. The new accounting system is not producing accurate fund statements which can be reconciled to the bank account.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Because the fund balances could not be reconciled to the bank balances at year end, the accuracy of any fund's receipts, disbursements and balances, as reported in the financial statement, cannot be verified.

We recommended that the City officials take steps necessary to reconcile the December 31, 2011 bank balance to the total fund balance. After 2011 has been reconciled, City officials should reconcile monthly on a timely basis.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



City of Evansville
Office of the Controller
CIVIC CENTER COMPLEX, Room 300
ONE N. W. MARTIN LUTHER KING JR. BLVD.
EVANSVILLE, IN 47708

Lloyd Winnecke, Mayor

August 31, 2012

Indiana State Board of Accounts
302 W. Washington St. Room E418
Indianapolis, IN 46204-2765

Dear State Board Member:

SUMMARY OF PRIOR FINDINGS (2010)

FINDING 2010-1, INTERNAL CONTROLS – ALLOWABLE COSTS

The City of Evansville has chosen to fund the General Government expenditures portion of the Dept. of Metropolitan Development staff wages, benefits and governmental operations in the City General Fund 0101. This is funded primarily by local property and income taxes and is not subject to federal controls or guidelines. The mission of the Dept. of Metropolitan Development that falls outside of federal guidelines are now fully delineated and paid for with local funds. The federal accounting charges such as Community Development Block Grant are now accounted for directly on a charge basis by federal program.

FINDING 2010-2, INTERNAL CONTROLS – ALLOWABLE COSTS

Federal Agency: U. S. Dept. of Housing and Urban Development
Federal Program: Community Development Block Grant/Entitlement Grants
CFDA Number: 14.218

As noted above, the City of Evansville has chosen to fund the General Government expenditures portion of the Dept. of Metropolitan Development staff wages, benefits and governmental operations in the City General Fund 0101. This is funded primarily by local property and income taxes and is not subject to federal controls or guidelines. The mission of the Dept. of Metropolitan Development that falls outside of federal guidelines are now fully delineated and paid for with local funds. The federal accounting charges such as Community Development Block Grant are now accounted for directly on a charge basis by federal program.

Please refer to Corrective action Plan dated July 14, 2011 as prepared by Thomas Barnett, Executive Director for the Dept. of Metropolitan Development (attached). In addition to Dept. of Metropolitan Development employees being paid through the City general Fund for local government operating activities and non federal activities Mr. Barnett implemented a time allocation system for tracking employee hours by funding source and activity. The City Dept. of Metropolitan Development will now have their salaries and wages correctly charged to the activity and Community Development Block Grant charges will be traced to time allocation records.

The City Controller's Finance Dept. will also send inquiries to City Departments that receive federal funds to determine status of federal grants and programs on a quarterly basis. Prior practice was to wait until the fiscal year end to review federal grants for each Department and note deficiencies and follow up for corrective action. This change in policy will allow the City Controller Finance Dept. to determine in advance any deficiencies in federal reporting and certifications.

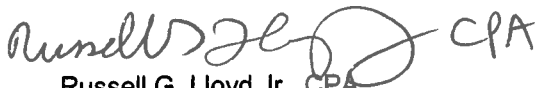
FINDING 2010-3, PROGRAM REQUIREMENTS – ALLOWABLE COSTS

Federal Agency: U. S. Dept. of Housing and Urban Development
Federal Program: Community Development Block Grant/Entitlement Grants
CFDA Number: 14.218

Please refer to the Corrective Action Plan dated July 14, 2011 as prepared by Thomas Barnett, Executive Director for the Dept. of Metropolitan Development. In addition to Dept. of Metropolitan Development employees being paid through the City General Fund for local government operating activities and non federal activities Mr. Barnett implemented a time allocation system for tracking employee hours by funding source and activity. The City Dept. of Metropolitan Development will now have their salaries and wages correctly charged to the activity and Community Development Block Grant charges will be traced to time allocation records. The new time allocation program and the other procedures implemented by Mr. Barnett is a written program within the Dept. of Metropolitan Development governing the Community Development Block Grant program.

Please contact me at 436-4916 if any questions.

Sincerely,


Russell G. Lloyd Jr., CPA
Controller



DEPARTMENT OF METROPOLITAN DEVELOPMENT

JONATHAN WEINZAPFEL
MAYOR

One N.W. Martin Luther King, Jr. Blvd.
306 Civic Center Complex Evansville, IN 47708
(812) 436-7823 TDD: (812) 436-4928 Fax: (812) 436-7809

THOMAS BARNETT, AICP
EXECUTIVE DIRECTOR

CORRECTIVE ACTION PLAN 2010 Federal Findings and Questioned Costs 7/14/2011

FINDING 2010-1 & FINDING 2010-2, INTERNAL CONTROLS – ALLOWABLE COSTS

The Department of Metropolitan Development (DMD) was established by municipal code to develop and implement a viable mechanism to provide decent housing, a suitable environment, and expanded economic opportunities to the residents of the city and primarily to those of low and moderate income. The DMD is responsible for planning and implementing the use of funds available through Community Development Block Grant (CDBG) programs. The mission of the Department is to promote community and economic development and to stabilize and revitalize declining neighborhoods within the City of Evansville. To this end, all of the activities of the DMD coincide with the purpose of the CDBG program.

The DMD contains several subsections that contribute to the mission including Neighborhood Inspection Services, more commonly known as Code Enforcement; Historic Preservation; Redevelopment; Brownfield; and Community Development. Although all DMD employees work to carry out the mission of the department, which is consistent with the purpose of the CDBG program, some employees also perform some duties to administer other Federal and non-Federal grants awarded to the City of Evansville and other local funds that come through the DMD.

The Executive Director of DMD has been working with the City administration to implement changes that will rectify any issues created by the above-described situation. Knowing that the City relies on DMD to administer other Federal, non-Federal and local funds, the City moved the operating costs of the Department into the general fund for 2011. A time allocation system has been implemented to track hours worked by funding source and activity. Federal grant funds will be drawn down only for the actual activity performed as documented by the after-the-fact distribution of the actual activity of each employee. The general fund will be reimbursed by the grant funds to the extent allowable under the grant based on documentation of actual activity. Detailed spreadsheets will be used to track hours worked by each employee that works on multiple grants and/or activities. The tracking sheet will account for the total activity and total number of hours for which each employee is compensated. These reports will be prepared at



st monthly and coincide with one or more of the bi-weekly pay periods. These reports will be
igned by the employee.

NDING 2010-3, PROGRAM REQUIREMENTS – ALLOWABLE COSTS

MD is in the process of preparing and implementing written policies and procedures for the
DBG program to include all funded activities. Processes used for administering the program
and the activities of the grantee, its subrecipients and its CBDOs will be included. Program
applications and agreements will be included in the policies and procedures. These policies and
procedures are being reviewed and approved by the regional field office of our granting agency,
the U. S. Department of Housing and Urban Development.

Signed: Thomas Barnett
Thomas Barnett, Executive Director, DMD



City of Evansville
Office of the Controller
CIVIC CENTER COMPLEX, Room 300
ONE N. W. MARTIN LUTHER KING JR. BLVD.
EVANSVILLE, IN 47708

Lloyd Winnecke, Mayor

Russell Lloyd Jr. CPA, Controller

August 31, 2012

Indiana State Board of Accounts
302 W. Washington St. Room E418
Indianapolis, IN 46204-2765

Dear State Board Member:

CORRECTIVE ACTION PLAN FOR 2011 FEDERAL FINDINGS

FINDING 2011-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

1. Preparing Financial Statements:

The City of Evansville converted the previous obsolete 25 year old computer financial accounting software system to the new Tyler Technology financial accounting system effective January 1, 2011. Due to errors in fund transactions, pooled cash and bank account set up combined with inadequate training and personnel project management the City was unable to reconcile the bank accounts and subsequent fund balances for the year 2011. The City has expended enormous resources using Tyler Technology and outside financial consultants and contract accounting firms to correct the computer program set ups and attempt to reconcile the 2011 and 2012 bank accounts and fund balances. The City is currently reconciling bank accounts using current system set up with manual procedures where needed. While the City contends the current 2011 differences are not material a new standard set up scheme that is used throughout the Tyler Technology municipal accounting universe is now being implemented. The City anticipates the bank accounts and fund balances for 2011 will be reconciled in September 2012. The new set up scheme will allow accurate accounting and reconciliation of bank accounts and fund balances going forward. The City believes the accounting for the federal programs for 2011 is in balance and includes all transactions and the City bank account reconciliations in question do not affect the accounting for the federal programs.

2. Monitoring of Controls:

When the City of Evansville initially converted the previous obsolete computer financial accounting system to the new Tyler Technology financial accounting system effective January 1, 2011 the City Council was informed of progress on a sporadic, as needed basis. The City Council Finance Committee Chair regularly consults with the City Controller and Mayor about financial issues. The City Council Finance chair has also consulted occasionally with State Board of Accounts field auditors on the City 2011 engagement. As a step to improve communication and City Council oversight, the City Controller will initiate regular consulting with the City Council President and City Council Finance Committee chair as to progress on the implementation of the new set ups, pooled cash system and

bank reconciliations using Tyler Technologies and the external financial consultants effective September 1, 2012.

The City Controller currently publishes a "blue book" City monthly financial report for the City Council that details fund balances at the end of the month, a list of investments and the year to date transactions. Early in 2012 the City Controller distributed to City Council members a "glossary" explaining the various funds and terms used in the "blue book." For establishing and monitoring of internal controls the City has well established policies such as segregation of duties, job rotation and safe guarding of cash. While the City Controller believes the current 2011 fund differences are not material a new standard set up scheme that is used throughout the Tyler Technology municipal accounting universe is now being implemented. The City anticipates the bank accounts and fund balances for 2011 to be reconciled in September 2012. The new set up scheme will allow accurate accounting and reconciliation of bank accounts and fund balances going forward. This will allay any concerns on internal controls relating to fund balances. In the future an external accounting or financial consultant can be employed to review controls as was done in the City Clerk's Office in 2011. The City Council President and City Council Finance Committee chair will be consulted and kept abreast of these developments and to allow their input. The City intends for the beginning fund balances for 2012 to be correct and audit trails will be documented to allow reconciliation for any prior year misstated fund balances.

FINDING 2011-2. INTERNAL CONTROL AND COMPLIANCE ISSUES – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS DEFICIENCIES

As noted above, the City with Tyler Technology and an external financial consultant is in the process of correcting computer conversion set ups for funds, pooled cash and bank account transactions effective January 1, 2011. While the City Controller believes the current 2011 fund differences are not material a new standard set up scheme that is used throughout the Tyler Technology municipal accounting universe is now being implemented. The City anticipates the bank accounts and fund balances for 2011 to be reconciled in September 2012. The new set up scheme will allow accurate accounting and reconciliation of bank accounts and fund balances going forward. Any differences from reported 2011 year end fund balances will be reconciled with an audit trail for the City's 2012 audit.

The City Dept. of Metropolitan Development now have their salaries and wages correctly charged to the activity and Community Development Block Grant and other federal program charges are traced to time allocation records for each program to satisfy requirements of Circular A133 Subpart C section .300(b).

The City Controller's Finance Dept. also implemented a program to send inquiries to City Departments that receive federal funds through grants and other means to determine status of federal grants and programs on a quarterly basis. This has been implemented August 27, 2012. Prior practice was to wait until the fiscal year end to review federal grants for each Department and note deficiencies and follow up for corrective action. This change in policy with quarterly or semi annual monitoring will allow the City Controller Finance Dept. to determine in advance any deficiencies in federal reporting and certifications.

FEDERAL FINDING 2011-3. COMPLIANCE ISSUE – BANK ACCOUNT RECONCILIATIONS


As noted above, the City of Evansville converted the previous obsolete computer financial accounting system to the new Tyler Technology financial accounting system effective January 1, 2011. Due to errors in fund balances and bank account set up and inadequate training and personnel project management the City was unable to reconcile the bank accounts for the year 2011. The City has expended enormous resources using Tyler Technology and outside financial consultants and contract accounting firms in 2011 and 2012 to correct the computer program set ups and attempt to reconcile

the 2011 bank account and fund balances in the General Ledger. The City Controller believes the current differences are not material but a new standard set up scheme that is used throughout the Tyler Technology municipal accounting universe is now being employed. The City is also working with our local bank to implement a more automated check clearing process to ease reconciliations without losing any control procedures to locate differences. The City Controller anticipates the bank accounts and fund balances for 2011 will be reconciled in September 2012.

The new set up scheme will allow accurate accounting and reconciliation of bank accounts going forward. The City Controller and responsible City department directors that use federal funds believe the accounting for all the federal programs are in the fund balances and include all transactions. The City Controller believes the current reconciliations outside the computer system and alternative testing mitigate any material differences in the fund balances and the City bank account reconciliations in question do not affect the accounting for the federal programs.

Please contact me at 812-436-4916 or email rlloyd@evansvillegov.org if any questions.

Sincerely,

A handwritten signature in black ink that reads "Russell G. Lloyd Jr. CPA". The signature is written in a cursive style with a large, stylized "O" at the end.

Russell G. Lloyd Jr., CPA
Controller

CITY OF EVANSVILLE
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2012, with Lloyd Winnecke, Mayor; John Friend, Common Council Finance Chairman; Russell Lloyd Jr., City Controller; Steve Schaefer, Chief of Staff; Ted Ziemer Jr., Corporate Council; and Janet Coudret, Deputy Controller. The Official Response has been made a part of this report and may be found on pages 63 through 66.



City of Evansville
Office of the Controller
CIVIC CENTER COMPLEX, Room 300
ONE N. W. MARTIN LUTHER KING JR. BLVD.
EVANSVILLE, IN 47708

Lloyd Winnecke, Mayor

Russell Lloyd Jr. CPA, Controller

September 2, 2012

State Board of Accounts
302 West Washington Street Room E418
Indianapolis, IN 46204

Reference: Official Response to the 2011 State Board of Accounts Financial Statement Examination
Engagement with the City of Evansville

The City of Evansville ("the City") recognizes the efforts performed by the Indiana State Board of Accounts ("the State") conducting the 2011 financial statement examination engagement and we submit below our responses to your engagement findings. Our responses will detail our understanding of the issues raised by the State and outline our expected course of action to resolve these issues.

For purposes of this letter, we are referring to the financial statement examination engagement for the fiscal year ending 2011.

We must emphasize that while each issue is relevant and will be corrected, the City has requested additional time from the State to complete fund reconciliations to allow the State Board of Accounts to issue an Unqualified ("Clean") Opinion on the financial statements for the year ending December 31, 2011. As of the date of this letter, the State Board of Accounts has declined to allow the City of Evansville additional time to correct fund balances and transactions arising from the botched computer financial accounting software system conversion that took place from January 1 to December 31, 2011. Accordingly, while this decision has been appealed we will note the financial statement examination exceptions detailed by the State and offer our explanations.

BANK ACCOUNT RECONCILIATIONS (City, Water Utility and Wastewater Utility): The City converted from a previous obsolete 25 year old computer financial accounting system to the new Tyler Technology

financial accounting system effective January 1, 2011. Due to errors in fund balances and bank account set up and inadequate training and personnel project management the City was unable to reconcile the bank accounts for the year 2011. The City has expended enormous resources using Tyler Technology and outside financial consultants and contract accounting firms in 2011 and 2012 to correct the computer program set ups and attempt to reconcile the 2011 bank accounts and fund balances in the City's General Ledger. The City Controller believes the current differences are not material but a new standard set up scheme that is used throughout the Tyler Technology municipal accounting universe is now being employed. The City is also working with our local bank to implement a more automated check clearing process to ease reconciliations without losing any control procedures to locate differences. The City Controller anticipates the bank accounts and fund balances for 2011 will be reconciled in September 2012.

The new set up scheme will allow accurate accounting and reconciliation of bank accounts going forward. The City Controller believes the current reconciliations outside the computer system and alternative testing methods mitigate any material differences in the fund balances and the City bank account reconciliations in question do not affect the financial accounting and fund balances in the financial statements as a whole.

In keeping with IC 5-13-6-1(e) the City Controller currently publishes a "blue book" City monthly financial report for the Mayor and City Council that details fund balances at the end of the month, a list of investments and the year to date General Ledger transactions. Early in 2012 the City Controller distributed to City Council members a "glossary" explaining the various funds and terms used in the "blue book." The City believes the investment records are accurately reflected in the "monthly "blue book" that the City accounting staff balances monthly to outstanding investment statements held for funds in external repositories.

ANNUAL REPORT (City, Water Utility and Wastewater Utility): In the 2010 audit, the City reported three funds that should not have been included. This error was repeated in 2011 as the new Controller and staff used prior templates for reporting funds that had not been updated since the prior year audit. The City accounting staff was unable to reconcile the year end 2011 fund balances and bank accounts due to system set up errors in fund transactions, pooled cash accounts and the bank reconciliation module. The City has been working diligently since March 2012 to implement the new Tyler Technology financial accounting system and correct fund balances for 2011 and 2012. Due to errors in fund balances and the bank account and pooled cash set up it was not possible to accurately report fund balances. However the new computer software system set up scheme will allow accurate accounting and reconciliation of bank accounts and fund balances going forward. The City is using an external consultant to assist account reconciliation. In addition the City accounting staff intends for the beginning fund balances for 2012 to be correct and audit trails will be documented to allow reconciliation for any prior year misstated fund balances.

PRESCRIBED FORMS (City): The City believes the new computer financial accounting system produces the equivalent of City and Town Form No. 208 – Ledger of Receipts, Disbursements and Balances and Form 209 Ledger of Appropriations, Encumbrances, Disbursements and Balances but there were also included in these reports extraneous system generated transactions. While City personnel believe the reports contained the correct data, they are difficult to reconcile so we are working with the computer software vendor for development of a customized audit report that will better follow the format of Form 208 and Form 209 without extraneous data for easier audit use.

FINANCIAL REPORT OPINION MODIFICATIONS (City, Water and Wastewater Utility): In the opinion of City officials, if the State would allow Evansville time to correct the 2011 fund balances due to the mishandled computer financial software conversion the City could correct the fund balances and be subject to State examination for an Unqualified (“Clean”) Financial Statement Audit Opinion for 2011. The City does not dispute that as of this letter date there are still incorrect balances in the 2011 funds, the plan is to correct these in September 2012.

The City accounting staff was unable to reconcile the fund balances and bank accounts since January 1, 2011 due to the system set up errors in fund transactions, pooled cash accounts and the bank reconciliation module made during the computer software conversion. The City has spent additional resources and been working diligently since March 2012 to implement the new Tyler Technology financial accounting system and correct fund balances for 2011 and 2012. A new computer software system set up scheme used by numerous municipal clients is now being implemented to allow accurate accounting and reconciliation of bank accounts and fund balances going forward. The intent is to allow for an Unqualified (“Clean”) Financial Statement Opinion in 2012.

INTERNAL CONTROLS: As noted above, the City working with Tyler Technology and an external financial consultant is in the process of correcting computer conversion set ups for funds, pooled cash, general ledger and bank account transactions effective January 1, 2011 for the year 2011. While the City Controller believes the current 2011 fund differences are not material a new standard set up scheme that is used throughout the Tyler Technology municipal accounting universe is now being implemented. The City anticipates the bank accounts and fund balances for 2011 to be reconciled in September 2012. The new set up scheme will allow accurate accounting and reconciliation of bank accounts and fund balances going forward. Any differences from reported 2011 year end fund balances will be reconciled with an audit trail for the City’s 2011 and 2012 audit.

For establishing and monitoring of internal controls the City has well established policies such as segregation of duties, job rotation and safe guarding of cash. The new computer system processes will allay any concerns on internal controls relating to fund balances. The City Controller and Deputy Controller will review the new processes and look at potential opportunities for review. In the future an external accounting or financial consultant can be employed to review internal controls as was done in the City Clerk’s Office in 2011. The City Council President and City Council Finance Committee chair will be consulted and kept abreast of these developments and to allow for their input.

BUY MONEY – POLICE (City): The Buy Money program is an integral part of the police operations and the new City administration will review the legal options available to establish an ordinance allowing this program.

PARKING METER FEES (City): IC 36-9-12-4(2) states that receipts of this nature should be deposited in a special fund and disbursements should be made against that fund for authorized purchases. The City will consider establishing a parking meter fund and deposit parking meter receipts into the fund as long as the resulting accounting and reporting requirements can be absorbed into the existing accounting system. Items such as accounts payable have to be investigated to ensure that the establishment of a new fund will not create unanticipated reconciliation problems or negative fund balances for the City.

SEPARATE BANK ACCOUNTS (City, Water Utility, Wastewater Utility): The City has considered creating separate bank accounts for each entity provided that the accounting and reporting infrastructure of the City is not negatively impacted. The City has decided to implement this recommendation and has established separate bank accounts for the Evansville Water Utility and the Evansville Wastewater (Sewer) Utility effective July 1, 2012. Although the funds for the Vanderburgh County Solid Waste Management District reside in the same bank account, the funds are accounted for separately and the entity has a claim on cash that is available to that entity when needed and authorized.


CONTRACTS (City): SMG is currently under contract with an independent accounting firm who is conducting a review of their financial records for 2006, 2007, 2008, 2009, 2010 and 2011.

OVERDRAWN CASH BALANCES (City, Water Utility, and Wastewater Utility): The City's has a long established policy to minimize transfers between funds and to evaluate the annual accounting period on the whole, not as a series of 365 days. The City is aware that from time to time cash balances in a particular fund may fall below zero. This is due to sporadic revenue streams and constant disbursement requirements. The policy of the City is to establish a budget for each fund and manage the budget throughout the year to ensure that all funds begin and end with a positive cash balance. If an instance arises where a fund is estimated to end the year with a negative balance, the City will issue a temporary loan to that fund and establish that the loan will be repaid no later than June of the ensuing year.

Furthermore, some funds such as federal type funds are operated on a reimbursement basis. In these circumstances, the City will incur the costs and then be later reimbursed. On an interim basis the fund may fall below zero. It is the City's policy to be aware of these instances and ensure that those funds falling below zero are offset by receivables (reimbursements) in excess of any shortfall.

Respectfully Yours,

CITY OF EVANSVILLE


Russell G. Lloyd Jr., CPA
Controller