

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

ANNUAL FINANCIAL REPORT

2007

NOBLESVILLE BUILDING CORPORATION

A COMPONENT UNIT OF THE CITY OF NOBLESVILLE

HAMILTON COUNTY, INDIANA



FILED
08/27/2008

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Janet Jaros

01-01-04 to 12-31-11

President of the Building
Corporation Board

Andrew Illyes

01-01-07 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE NOBLESVILLE BUILDING CORPORATION,
HAMILTON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities and each major fund and the aggregate remaining fund information of the Noblesville Building Corporation (Building Corporation), as of and for the year ended December 31, 2007, which collectively comprise the City's primary government basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Building Corporation as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

STATE BOARD OF ACCOUNTS

April 30, 2008

NOBLESVILLE BUILDING CORPORATION
STATEMENT OF NET ASSETS
December 31, 2007

<u>Assets</u>	<u>Primary Government Governmental Activities</u>
Cash and cash equivalents	\$ 1,419,909
Deferred debits	445,439
Investment in capital lease	<u>26,510,000</u>
 Total assets	 <u>28,375,348</u>
 <u>Liabilities</u>	
Contracts payable	57,149
Accrued interest payable	531,241
Noncurrent liabilities:	
Due within one year:	
General obligation bonds payable	745,000
Due in more than one year:	
General obligation bonds payable (net of discounts or premiums)	<u>26,296,232</u>
 Total liabilities	 <u>27,629,622</u>
 <u>Net Assets</u>	
Restricted for:	
Debt service	305,511
Capital outlay	<u>440,215</u>
 Total net assets	 <u>\$ 745,726</u>

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

NOBLESVILLE BUILDING CORPORATION
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Assets</u> <u>Primary Government Governmental Activities</u>
Primary government:			
Governmental activities:			
General government	\$ 2,165	\$ -	\$ (2,165)
Highways and streets	744,010	-	(744,010)
Interest on long-term debt	<u>1,233,781</u>	<u>1,367,060</u>	<u>133,279</u>
 Total primary government	 <u>\$ 1,979,956</u>	 <u>\$ 1,367,060</u>	 (612,896)
 General revenues:			
Unrestricted investment earnings			<u>72,123</u>
 Change in net assets			
Net assets - beginning			<u>1,286,499</u>
Net assets - ending			<u>\$ 745,726</u>

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

NOBLESVILLE BUILDING CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

<u>Assets</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Cash and cash equivalents	\$ 922,545	\$ 497,364	\$ 1,419,909
 <u>Liabilities and fund balances</u>			
Liabilities:			
Contracts payable	\$ -	\$ 57,149	\$ 57,149
 Fund balances:			
Reserved for:			
Debt service	922,545	-	922,545
Capital projects	-	440,215	440,215
 Total fund balances	 922,545	 440,215	 1,362,760
 Total liabilities and fund balances	 \$ 922,545	 \$ 497,364	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	26,510,000
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	445,439
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(27,041,232)
Other liabilities, interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(531,241)</u>
 Net assets of governmental activities	 <u>\$ 745,726</u>

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

NOBLESVILLE BUILDING CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:			
Lease rental income	\$ 1,479,378	\$ 502,682	\$ 1,982,060
Interest income	<u>12,684</u>	<u>59,439</u>	<u>72,123</u>
 Total revenues	 <u>1,492,062</u>	 <u>562,121</u>	 <u>2,054,183</u>
Expenditures:			
Current:			
General government	2,165	-	2,165
Debt service:			
Principal	615,000	-	615,000
Interest	1,237,106	-	1,237,106
Capital outlay:			
General government	<u>-</u>	<u>644,466</u>	<u>644,466</u>
 Total expenditures	 <u>1,854,271</u>	 <u>644,466</u>	 <u>2,498,737</u>
Deficiency of revenues under expenditures	<u>(362,209)</u>	<u>(82,345)</u>	<u>(444,554)</u>
Other financing sources (uses):			
Transfers in	499,500	56,631	556,131
Transfers out	<u>(56,631)</u>	<u>(499,500)</u>	<u>(556,131)</u>
 Total other financing sources uses	 <u>442,869</u>	 <u>(442,869)</u>	 <u>-</u>
Net change in fund balances	80,660	(525,214)	(444,554)
Fund balances - beginning	<u>841,885</u>	<u>965,429</u>	<u>1,807,314</u>
Fund balances - ending	<u>\$ 922,545</u>	<u>\$ 440,215</u>	<u>\$ 1,362,760</u>

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

NOBLESVILLE BUILDING CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2007

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds (Statement of Revenues, Expenditures, and Changes in Fund Balances).	\$ (444,554)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are recognized as other assets.	(99,544)
Payments received on a capital lease provide current financial resources to governmental funds but have no effect on net assets.	(615,000)
The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>618,325</u>
Change in net assets of governmental activities (Statement of Activities)	<u>\$ (540,773)</u>

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

NOBLESVILLE BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Noblesville Building Corporation (primary government) was established under the laws of the State of Indiana. The primary government has been created for the purpose of financing, constructing, acquiring and leasing certain local public improvements, economic development, and redevelopment projects.

The accompanying financial statements present the activities of the primary government and its significant component units. There are no significant component units which require inclusion.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segments are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the primary government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

NOBLESVILLE BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Interest associated with the current fiscal period is considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the primary government receives cash.

The primary government reports the following major governmental funds:

The debt service fund (debt service) accounts for the accumulation of resources and payments of general obligation bonds. Financing is provided by semiannual lease payments from the City of Noblesville.

The capital projects fund (capital projects) accounts for expenditures related to the construction of various infrastructure projects. Financing is provided by the issuance of general obligation bonds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments.

When both restricted and unrestricted resources are available for use, it is the primary government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The primary government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the primary government 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.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

NOBLESVILLE BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Restricted Assets

Certain proceeds of the lease rental bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because they are reserved for repayment of the bonds.

3. Capital Assets

Major outlays for capital assets and improvements are recognized as construction in progress projects until completed, at which time they are transferred to the capital assets of the City of Noblesville.

4. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from actual debt proceeds received, are reported as debt service expenditures.

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOBLESVILLE BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Reconciliation of Government-Wide and Fund Financial Statements

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide State of Net Assets

One element of that reconciliation explains that liabilities, including noncurrent liabilities, are not due and payable in the current period and, therefore, are not reported in the funds. The detail of this difference is as follows:

General obligation bonds due within one year		\$	745,000
General obligation bonds payable			<u>26,296,232</u>
 Net adjustment		 \$	 <u><u>27,041,232</u></u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

1. The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The detail of this difference is as follows:

Capital outlay per Statement of Net Changes in Fund Balances			
General government		\$	644,466
Less capital outlay expenditures not capitalized			<u>(644,466)</u>
 Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities		 \$	 <u><u>-</u></u>

2. Another element of that reconciliation states that: "The issuance of long-term debt (e.g. bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities." The detail of this difference is as follows:

NOBLESVILLE BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Principal repayments	
Capital leases	\$ 615,000
Other debt related costs	
Amortization of bond issue costs	(48,448)
Change in accrued interest on bonds	6,577
Amortization of bond premium/discount	<u>45,196</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ 618,325</u></u>

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2007, the bank balance held at the Bank of New York Trust Company in the amount of \$1,419,909 was collateralized with securities held by the pledging financial institution's trust department or agent in the depositor-Holding Corporation's name. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2007, the Holding Corporation had the following investments:

Investment Type	Primary Government Market Value
Mutual funds	\$ <u>1,419,909</u>

Investment Policies

Indiana Code 5-13-9 authorizes the Holding Corporation to invest in securities backed by the full faith and credit of the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the unit to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

NOBLESVILLE BUILDING CORPORATION
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Building Corporation may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the unit's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Building Corporation does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Building Corporation must follow state statute and limit the state final maturities of the investments to no more than two years.

Primary government:

Investment Type	Investment Maturities (in Years)		
	Less Than 1	1-2	More Than 2
Mutual bond funds	\$ 1,419,909	\$ -	\$ -

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Building Corporation does not have a formal investment policy for custodial credit risk for investments. The distribution of securities with credit ratings is summarized below.

NOBLESVILLE BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Primary government:

Standard and Poor's Rating	Noblesville Building Corporation's Investments				
	Moody's Rating	Mutual Funds	Corporate Bonds	Government Sponsored Enterprise	Investment Pools
AAA	Aaa	\$ 1,419,909	\$ -	\$ -	\$ -

B. Interfund Activity

Interfund Transfers

Interfund transfers at December 31, 2007, were as follows:

Transfer From	Transfer To		
	Debt Service Fund	Capital Projects Fund	Totals
Debt Service Fund	\$ -	\$ 56,631	\$ 56,631
Capital Projects Fund	499,500	-	499,500
Totals	<u>\$ 499,500</u>	<u>\$ 56,631</u>	<u>\$ 556,131</u>

The primary government typically uses transfers to fund ongoing operating subsidies and to transfer funds between trust accounts and projects.

C. Long-Term Liabilities

1. Lease Rental Bonds

The primary government issues bonds to provide funds for the acquisition and construction of major capital facilities.

The lease rental bonds are to be paid from lease payments received for the acquired or constructed capital facilities. Lease rental revenue bonds currently outstanding at year end are as follows:

Purpose	Rates	Amount
1998 Bonds (Commercial Park Infrastructure)	4.50% to 4.85%	\$ 1,380,000
2001 Bonds (Fire Station 2)	3.25% to 5.00%	1,040,000
2004 Bonds (Fire Station 5 and 6)	2.00% to 5.00%	7,160,000
2005 Bonds (City Hall)	3.00% to 5.00%	<u>16,930,000</u>
Total		<u>\$ 26,510,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

NOBLESVILLE BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Year Ended December 31	Governmental Activities	
	Principal	Interest
2008	\$ 745,000	\$ 1,213,708
2009	780,000	1,185,983
2010	965,000	1,155,341
2011	1,270,000	1,115,400
2012	1,460,000	1,057,568
2013-2017	7,625,000	4,270,346
2018-2022	8,620,000	2,389,000
2023-2027	5,045,000	370,250
Totals	<u>\$ 26,510,000</u>	<u>\$ 12,757,596</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

<u>Primary government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Lease rental revenue	\$ 27,125,000	\$ -	\$ 615,000	\$ 26,510,000	\$ 745,000
Plus: Premium	642,967	-	52,967	590,000	-
Less: Discount	(66,539)	-	(7,771)	(58,768)	-
Total governmental activities, net bonds payable	<u>\$ 27,701,428</u>	<u>\$ -</u>	<u>\$ 660,196</u>	<u>\$ 27,041,232</u>	<u>\$ 745,000</u>

IV. Other Information

A. Risk Management

The primary government is exposed to various risks of loss related to torts. The primary government has not provided coverage for their risks of loss. The City of Noblesville has provided coverage for the primary government's risk of loss.

B. Subsequent Events

The Building Corporation is in the planning phase for two projects. Fire Station No. 7 has an estimated cost of \$6,700,000 and the Street Department Expansion project has an estimated cost of \$3,000,000.

NOBLESVILLE BUILDING CORPORATION
EXIT CONFERENCE

The contents of this report were discussed on May 22, 2008, with Janet S. Jaros, Clerk-Treasurer. Our audit disclosed no material items that warrant comment at this time.