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STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

ANNUAL FINANCIAL REPORT

2008

HAMILTON COUNTY PUBLIC BUILDING CORPORATION

A COMPONENT UNIT OF HAMILTON COUNTY

HAMILTON COUNTY, INDIANA

FILED
09/30/2009

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OFFICIALS

Office	Official	Term
Secretary-Treasurer	William Crandall	01-01-08 to 12-31-09
President of the Building Corporation Board	J. Bradley Cook	01-01-08 to 12-31-09

STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Hamilton County Public Building Corporation (Authority), as of and for the year ended December 31, 2008, which collectively comprise the Authority's primary government basic financial statements. These financial statements are the responsibility of the Authority'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 opinions.

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 Authority as of December 31, 2007, and for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management Discussion and Analysis, or Budgetary Comparison Schedules, that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

April 30, 2009

HAMILTON COUNTY PUBLIC BUILDING CORPORATION
STATEMENT OF NET ASSETS
December 31, 2008

	Primary Government
Assets	Governmental Activities
Cash and cash equivalents	$ 10,567,287
Investment in capital lease	43,957,941
Construction in progress	29,612,762
Deferred debits	530,417
Total assets	84,668,407
Liabilities	
Contracts payable	709,589
Accrued interest payable	1,735,532
Noncurrent liabilities:	
Due within one year	4,365,000
Due in more than one year	86,143,743
Total liabilities	92,953,864
Net Assets	
Restricted for:	
Capital outlay	(8,285,457)
Total net assets	$ (8,285,457)

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

HAMILTON COUNTY PUBLIC BUILDING CORPORATION
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets Primary Government Governmental Activities
Primary government:			
Governmental activities:			
General government	$ 9,315,092	$ 2,741,724	$ (6,573,368)
Total primary government	$ 9,315,092	$ 2,741,724	(6,573,368)
	Change in net assets		(6,573,368)
	Net assets - beginning		(1,712,089)
	Net assets - ending		$ (8,285,457)

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

HAMILTON COUNTY PUBLIC BUILDING CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

Assets	Debt Service	Capital Projects	Totals
Cash and cash equivalents	$ 1,943,658	$ 8,623,629	$ 10,567,287
Total assets	$ 1,943,658	$ 8,623,629	$ 10,567,287
Liabilities and Fund Balances			
Contracts payable	$ -	$ 709,589	$ 709,589
Fund balances:			
Reserved for:			
Capital outlay	-	7,914,040	7,914,040
Debt service	1,943,658	-	1,943,658
Total fund balances	$ 1,943,658	$ 7,914,040	$ 9,857,698

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

HAMILTON COUNTY PUBLIC BUILDING CORPORATION
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For The Year Ended December 31, 2008

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

Fund balance - governmental funds		$ 9,857,698
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.		
Investment in capital lease	43,957,941	
Construction in progress	29,612,762	73,570,703
Unamortized bond issuance costs are not financial resources and, therefore are not reported in the funds.		530,417
Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore are not reported in the funds.		
Short-term portion of general obligation bonds payable	(4,365,000)	
Long-term portion of general obligation bonds payable	(86,143,743)	
Accrued interest payable	(1,735,532)	(92,244,275)
Net assets of governmental activities		$ (8,285,457)

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

HAMILTON COUNTY PUBLIC BUILDING CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	Debt Service	Capital Projects	Total Governmental Funds
Revenues:			
Lease rental payments	$ 6,521,000	$ -	$ 6,521,000
Interest on investments	28,382	280,183	308,565
Total revenues	6,549,382	280,183	6,829,565
Expenditures			
General government	6,173	6,751,775	6,757,948
Capital outlay	-	27,173,384	27,173,384
Debt service:			
Principal	4,190,000	-	4,190,000
Interest	3,180,318	-	3,180,318
Bond issue costs	-	437,483	437,483
Total expenditures	7,376,491	34,362,642	41,739,133
Deficiency of revenues under expenditures	(827,109)	(34,082,459)	(34,909,568)
Other financing sources (uses):			
Bond proceeds	-	41,655,000	41,655,000
Bond premium	-	1,960,735	1,960,735
Transfers in	2,782,155	20,730	2,802,885
Transfers out	(20,730)	(2,782,155)	(2,802,885)
Total other financing sources and uses	2,761,425	40,854,310	43,615,735
Net change in fund balances	1,934,316	6,771,851	8,706,167
Fund balances - beginning	9,342	1,142,189	1,151,531
Fund balances - ending	$ 1,943,658	$ 7,914,040	$ 9,857,698

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

HAMILTON COUNTY PUBLIC 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, 2008

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).		$ 8,706,167
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives.		27,173,384
Governmental funds report interest expense as an expenditure. However, in the Statement of Activities the interest expense associated with construction projects is capitalized and becomes part of construction in progress.		1,435,495
Payments received on a capital lease provide current financial resources to governmental funds but have no effect on net assets.		(4,087,841)
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.		
Bonds issued	(41,655,000)	
Bond premium	(1,960,735)	
Bond issue costs	437,483	
Principal payments	4,190,000	
Amortization of bond issue costs	(41,865)	
Amortization of bond premium	(34,531)	(39,064,648)
Accrued interest reported in the Statement of Activities do not require the use of current financial resources and, therefore are not reported as expenditures in the governmental funds.		(735,925)
Change in net assets of governmental activities (Statement of Activities)		$ (6,573,368)

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

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Hamilton County Public 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.

The accompanying financial statements present the activities of the primary government. 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. 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 segment are offset by program revenues. Direct expenses are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment.

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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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 sixty 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.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue 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 accounts for the collection of lease rental payments from Hamilton County and payment of bond principal and interest.

The capital projects fund accounts for the construction of capital assets.

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 charges to customers or applicants for goods, services or privileges provided.

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

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, 2008, 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. Long-Term Obligations

In the government-wide financial statements long-term debt is reported as a liability. 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.

3. 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.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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.

B. Construction Commitments

Construction work in progress is composed of the following:

	Total Project Authorized	Expended to December 31, 2008	Committed	Required Future Funding
Community corrections	$ 38,205,741	$ 29,612,762	$ 8,592,979	$ -

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the primary government during the current year was $3,916,243. Of the amount, $1,435,495 was included as part of the cost of capital assets under construction.

C. Interfund Activity

Interfund Transfers

Interfund transfers at December 31, 2008, were as follows:

	Transfer To	
Transfer From	Debt Service	Capital Projects
Debt service	$ -	$ 20,730
Capital projects	2,782,155	-
	$ 2,782,155	$ 20,730

The primary government typically uses interfund transfers to transfer the portion of lease rental revenues from the between the funds for current-year debt service requirements.

D. Long-Term Liabilities

1. General Obligation Bonds

The primary government issues bonds to be paid by income derived from the acquired or constructed assets. General obligation bonds outstanding at year end are as follows:

Purpose	Interest Rates	Amount
1990 Lease rental bonds	3.50% to 5.00%	$ 4,210,000
1992 Lease rental bonds	6.03% to 6.25%	432,202
2002 Refunding bonds	6.03% to 6.25%	12,840,000
2004 Lease rental bonds	4.60% to 5.00%	28,835,000
2008 Lease rental bonds	3.25% to 5.00%	41,655,000
Total		$ 87,972,202

Purpose	Balance December 31	Unamortized Premium	Unamortized Deferred Loss on Refunding	Financial Statement Balance
1990 Lease rental bonds	$ 4,210,000	$ -	$ -	$ 4,210,000
1992 Lease rental bonds	432,202	-	-	432,202
2002 Refunding bonds	12,840,000	24,974	(333,709)	12,531,265
2004 Lease rental bonds	28,835,000	925,390	-	29,760,390
2008 Lease rental bonds	41,655,000	1,919,886	-	43,574,886
Totals	$ 87,972,202	$ 2,870,250	$ (333,709)	$ 90,508,743

Lease rental revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Governmental Activities Principal	Governmental Activities Interest
2009	$ 4,365,000	$ 4,069,677
2010	5,665,000	3,894,951
2011	5,860,000	3,680,722
2012	6,075,000	3,448,989
2013	5,885,000	3,138,529
2014-2018	14,927,202	14,464,405
2019-2023	18,475,000	9,135,137
2024-2028	17,050,000	4,367,132
2029-2033	9,670,000	990,875
Totals	$ 87,972,202	$ 47,190,417

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

Primary Government	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds payable	$ 50,507,202	$ 41,655,000	$ 4,190,000	$ 87,972,202	$ 4,365,000

III. Other Information

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. Hamilton County has provided coverage for the primary government's risks of loss.

HAMILTON COUNTY PUBLIC BUILDING CORPORATION
EXIT CONFERENCE

The Hamilton County Public Building Corporation Board Treasurer did not wish to attend an exit conference. Our audit disclosed no material items that warrant comment at this time.