

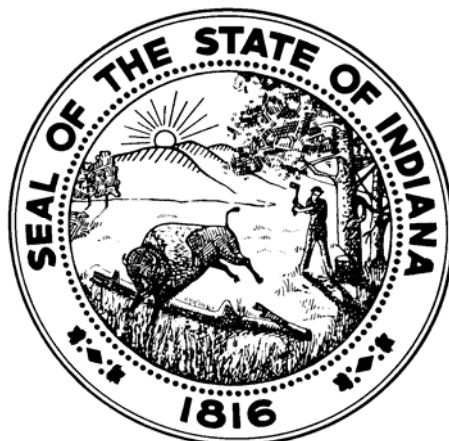
**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

ANNUAL FINANCIAL REPORT

2006

NOBLESVILLE ECONOMIC DEVELOPMENT  
INFRASTRUCTURE BUILDING CORPORATION  
A COMPONENT UNIT OF THE CITY OF NOBLESVILLE

HAMILTON COUNTY, INDIANA



**FILED**

07/10/2007



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OFFICIALS

Office

Official

Term

Secretary-Treasurer

Janet S. Jaros

01-01-04 to 12-31-07

President of the Building  
Corporation Board

Roger Goings

01-01-06 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Noblesville Economic Development Infrastructure Building Corporation (Building Corporation), as of and for the year ended December 31, 2006, which collectively comprise the Corporation's primary government basic financial statements. These financial statements are the responsibility of the Corporation'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. 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, 2006, 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.

The Building Corporation has not presented the Management's Discussion and Analysis 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, 2007

NOBLESVILLE ECONOMIC DEVELOPMENT INFRASTRUCTURE  
BUILDING CORPORATION  
STATEMENT OF NET ASSETS  
December 31, 2006

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Restricted assets:	
Cash and cash equivalents	\$ 572,313
Deferred debits	44,673
Investment in capital leases	<u>4,770,000</u>
 Total assets	 <u>5,386,986</u>
<u>Liabilities</u>	
Accrued interest payable	56,224
Noncurrent liabilities:	
Due within one year	925,000
Due in more than one year	<u>2,918,014</u>
 Total liabilities	 <u>3,899,238</u>
<u>Net Assets</u>	
Restricted for debt service	<u><u>\$ 1,487,748</u></u>

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

NOBLESVILLE ECONOMIC DEVELOPMENT INFRASTRUCTURE  
BUILDING CORPORATION  
STATEMENT OF ACTIVITIES  
For The Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues	Net (Expense) Revenue and Changes in Net Assets
		Operating Grants and Contributions	Primary Government Governmental Activities
Primary government:			
Governmental activities:			
Interest on long-term debt	\$ <u>178,701</u>	\$ <u>1,588,000</u>	\$ 1,409,299
General revenues:			
Unrestricted investment earnings			<u>5,993</u>
Change in net assets			1,415,292
Net assets - beginning			<u>72,456</u>
Net assets - ending			<u>\$ 1,487,748</u>

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

NOBLESVILLE ECONOMIC DEVELOPMENT INFRASTRUCTURE  
BUILDING CORPORATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2006

<u>Assets</u>	<u>Debt Service</u>
Cash and cash equivalents	\$ 572,313
<u>Liabilities and Fund Balances</u>	
Fund balances:	
Reserved for:	
Debt service	\$ 572,313
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.	\$ 4,770,000
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	44,673
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(3,899,238)</u>
Net assets of governmental activities	<u>\$ 1,487,748</u>

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

NOBLESVILLE ECONOMIC DEVELOPMENT INFRASTRUCTURE  
BUILDING CORPORATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

	Debt Service
Revenues:	
Other:	
Lease rental income	\$ 1,588,000
Interest earned	5,993
Total revenues	1,593,993
Expenditures:	
Debt service:	
Principal	895,000
Interest	151,750
Total expenditures	1,046,750
Excess of revenues over expenditures	547,243
Fund balances - beginning	25,070
Fund balances - ending	\$ 572,313

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

NOBLESVILLE ECONOMIC DEVELOPMENT INFRASTRUCTURE  
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, 2006

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).	\$ 547,243
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds; but, has no effect on the net assets.	895,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(26,951)</u>
Change in net assets of governmental activities (Statement of Activities)	<u>\$ 1,415,292</u>

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

NOBLESVILLE ECONOMIC DEVELOPMENT INFRASTRUCTURE  
BUILDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Noblesville Economic Development Infrastructure 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. 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 Changes in Net Assets) 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 segments 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. 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. 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 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, as well as expenditures related to compensated absences, claims and judgments, 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 the cash.

NOBLESVILLE ECONOMIC DEVELOPMENT INFRASTRUCTURE  
BUILDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The primary government reports the following major governmental fund:

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.

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 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.

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.

Open-end mutual funds 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 enterprise fund revenue 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 the repayment of the bonds.

NOBLESVILLE ECONOMIC DEVELOPMENT INFRASTRUCTURE  
BUILDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

3. Capital Assets

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 \$151,750. There was no capitalized interest for 2006.

4. 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.

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.

II. Reconciliation of Government-Wide and Fund Financial Statements

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

1. One element of that reconciliation explains the investment in capital leases used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Investment in capital leases	<u>\$ 4,770,000</u>
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2. Another element of that reconciliation states 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:

Accrued interest payable	\$ (56,224)
Lease rental due within one year	(925,000)
Lease rental due within one year	<u>(2,918,014)</u>
 Net adjustment	 <u>\$ (3,899,238)</u>

NOBLESVILLE ECONOMIC DEVELOPMENT INFRASTRUCTURE  
BUILDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

An element of that reconciliation includes some expenses reported in the Statement of Activities that do not require the use of current financial resources. The detail of these expenses is as follows:

Change in accrued interest payable	\$ (34,040)
Amortization of bond issue costs (deferred debits)	9,323
Amortization of bond premium	10,662
Amortization of deferral of loss	<u>(12,896)</u>
Net adjustment	<u>\$ (26,951)</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, 2006, the bank balance held at the Bank of New York Trust Company in the amount of \$572,313 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, 2006, the Holding Corporation had the following investments:

Investment Type	Primary Government Market Value
Mutual Funds	\$ <u>572,313</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 or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal

NOBLESVILLE ECONOMIC DEVELOPMENT INFRASTRUCTURE  
BUILDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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. 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 Holding 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 Holding Corporation does not have a formal investment policy for custodial credit risk for investments. At December 31, 2006, the Holding Corporation held investments in mutual funds in the amount of \$572,313. Of these investments \$572,313 were held by the counterparty's trust department or agent in the Building Corporation's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Holding Corporation must follow state statute and limit the stated 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	\$ 572,313	\$ -	\$ -

NOBLESVILLE ECONOMIC DEVELOPMENT INFRASTRUCTURE  
BUILDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below.

Primary government:

Standard and Poor's Rating	Moody's Rating	Building Corporation's Investments Mutual Funds
AAA	Aaa	\$ <u>572,313</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Holding Corporation does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

B. Leases

1. Lease Rental Bonds

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

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	Interest Rates	Amount
2004 Refunding Bonds (Public Safety Building)	2% to 4%	\$ <u>3,875,000</u>

NOBLESVILLE ECONOMIC DEVELOPMENT INFRASTRUCTURE  
BUILDING CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Year Ended December 31	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 925,000	\$ 128,038
2008	950,000	99,550
2009	985,000	67,737
2010	<u>1,015,000</u>	<u>30,500</u>
Totals	<u>\$ 3,875,000</u>	<u>\$ 325,825</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, 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	\$ 4,770,000	\$ -	\$ 895,000	\$ 3,875,000	\$ 925,000
Plus premium	30,260	-	10,662	19,598	-
Less deferral of loss	<u>(64,480)</u>	<u>-</u>	<u>(12,896)</u>	<u>(51,584)</u>	<u>-</u>
Total governmental activities, net bonds payable	<u>\$ 4,735,780</u>	<u>\$ -</u>	<u>\$ 892,766</u>	<u>\$ 3,843,014</u>	<u>\$ 925,000</u>

3. Debt defeased

In prior years, the primary government defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the liability for the defeased bonds are not included in the Building Corporation's financial statements.

IV. 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. The City of Noblesville has provided coverage for the primary government's risks of loss.

NOBLESVILLE ECONOMIC DEVELOPMENT INFRASTRUCTURE  
BUILDING CORPORATION  
EXIT CONFERENCE

The contents of this report were discussed on May 31, 2007, with Janet S. Jaros, Secretary-Treasurer. Our audit disclosed no material items that warrant comment at this time.