

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

ANNUAL FINANCIAL REPORT

2006

HAMILTON COUNTY PUBLIC BUILDING CORPORATION

A COMPONENT UNIT OF HAMILTON COUNTY

HAMILTON COUNTY, INDIANA



FILED
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OFFICIALS

Office

Official

Term

Secretary-Treasurer

Michael J. Beaumont
William G. Crandall

01-01-05 to 12-31-06
01-01-07 to 12-31-07

President of the Building
Authority Board

J. Bradley Cook

01-01-05 to 12-31-07



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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, 2006, 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. 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, 2006, and for the year then ended, in conformity with accounting principles generally accepted in the United States.

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

May 2, 2007

HAMILTON COUNTY PUBLIC BUILDING CORPORATION
STATEMENT OF NET ASSETS
December 31, 2006

	<u>Primary Governmental Activities</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 3,011,109
Investment in capital lease	24,128,999
Construction in progress	26,805,126
Deferred debits	<u>158,905</u>
Total assets	<u>54,104,139</u>
<u>Liabilities</u>	
Contracts payable	421,978
Accrued interest payable	1,067,239
Noncurrent liabilities:	
Due within one year	3,505,000
Due in more than one year	<u>50,982,052</u>
Total liabilities	<u>55,976,269</u>
<u>Net Assets</u>	
Restricted for:	
Capital outlay	<u>(1,872,130)</u>
Total net assets	<u>\$ (1,872,130)</u>

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, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets Primary Government Governmental Activities</u>
Primary government:			
Governmental activities:			
General government	\$ 3,634,975	\$ 1,667,306	\$ (1,967,669)
			(1,967,669)
			<u>95,539</u>
			Net assets - beginning
			Net assets - ending
			<u>\$ (1,872,130)</u>

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

HAMILTON COUNTY PUBLIC BUILDING CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2006

<u>Assets</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Cash and cash equivalents	\$ 704,702	\$ 2,306,407	\$ 3,011,109
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Contracts payable	\$ -	\$ 421,978	\$ 421,978
 Fund balances:			
Reserved for:			
Capital outlay	\$ -	\$ 1,884,429	\$ 1,884,429
Debt service	<u>704,702</u>	<u>-</u>	<u>704,702</u>
Total fund balances	<u>704,702</u>	<u>1,884,429</u>	<u>2,589,131</u>
Total liabilities and fund balances	<u>\$ 704,702</u>	<u>\$ 2,306,407</u>	<u>\$ 3,011,109</u>

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, 2006

Amounts reported for governmental activities in the Statement of

Activities are different because:

Fund balance - governmental funds		\$ 2,589,131
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Investment in capital lease	24,128,999	
Construction in progress	<u>26,805,126</u>	50,934,125
Unamortized bond issuance costs are not financial resources and, therefore, are not reported in the funds.		
		158,905
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	(3,505,000)	
Long-term portion of general obligation bonds payable	(50,982,052)	
Accrued interest payable	<u>(1,067,239)</u>	<u>(55,554,291)</u>
Net assets of governmental activities		<u>\$ (1,872,130)</u>

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

HAMILTON COUNTY PUBLIC BUILDING CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	Debt Service	Capital Projects	Total Governmental Funds
Revenues:			
Lease rental payments	\$ 4,041,000	\$ -	\$ 4,041,000
Interest on investments	62,785	290,190	352,975
	<u>4,103,785</u>	<u>290,190</u>	<u>4,393,975</u>
Total revenues			
Expenditures:			
General government	3,214	895,215	898,429
Capital outlay	-	7,206,743	7,206,743
Debt service:			
Principal	2,845,000	-	2,845,000
Interest	2,591,163	-	2,591,163
	<u>5,439,377</u>	<u>8,101,958</u>	<u>13,541,335</u>
Total expenditures			
Deficiency of revenues under expenditures	<u>(1,335,592)</u>	<u>(7,811,768)</u>	<u>(9,147,360)</u>
Other financing sources (uses):			
Transfers in	149,610	215,748	365,358
Transfers out	<u>(215,748)</u>	<u>(149,610)</u>	<u>(365,358)</u>
Total other financing sources and uses	<u>(66,138)</u>	<u>66,138</u>	<u>-</u>
Net change in fund balances	(1,401,730)	(7,745,630)	(9,147,360)
Fund balances - beginning	<u>2,106,432</u>	<u>9,630,059</u>	<u>11,736,491</u>
Fund balances - ending	<u>\$ 704,702</u>	<u>\$ 1,884,429</u>	<u>\$ 2,589,131</u>

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, 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).	\$ (9,147,360)
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.	7,206,743
Payments received on a capital lease provide current financial resources to governmental funds but have no effect on net assets.	(2,726,669)
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.	
Principal payments	2,845,000
Amortization of bond issue costs	(170,574)
Amortization of bond premium/discount	<u>(27,119)</u> 2,647,307
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.	<u>52,310</u>
Change in net assets of governmental activities (Statement of Activities)	<u><u>\$ (1,967,669)</u></u>

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

HAMILTON COUNTY PUBLIC BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS

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 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 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 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.

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.

HAMILTON COUNTY PUBLIC BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, 2006, 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.

HAMILTON COUNTY PUBLIC BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Interfund Activity

Interfund Transfers

Interfund transfers at December 31, 2006, were as follows:

Transfer From	Transfer To		Totals
	Debt Service	Capital Projects	
Debt Service	\$ -	\$ 215,748	\$ 215,748
Capital Projects	149,610	-	149,610
Totals	\$ 149,610	\$ 215,748	\$ 365,358

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.

C. 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%	18,910,000
2004 Lease rental bonds	4.60% to 5.00%	30,460,000
Total		\$ 54,012,202

HAMILTON COUNTY PUBLIC BUILDING CORPORATION
NOTES TO FINANCIAL STATEMENTS
(Continued)

Purpose	Balance December 31	Unamortized Premium	Unamortized Deffered 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	18,910,000	54,263	(725,085)	18,239,178
2004 Lease rental bonds	<u>30,460,000</u>	<u>1,145,672</u>	<u>-</u>	<u>31,605,672</u>
Totals	<u>\$ 54,012,202</u>	<u>\$ 1,199,935</u>	<u>\$ (725,085)</u>	<u>\$ 54,487,052</u>

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

Year Ended December 31	Governmental Activities	
	Principal	Interest
2007	\$ 3,505,000	\$ 2,471,892
2008	4,190,000	2,316,890
2009	4,365,000	2,150,950
2010	4,525,000	1,985,405
2011	4,690,000	1,808,469
2012-2016	14,197,202	7,465,412
2017-2021	8,680,000	3,702,250
2022-2026	<u>9,860,000</u>	<u>1,273,250</u>
Totals	<u>\$ 54,012,202</u>	<u>\$ 23,174,518</u>

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

Primary Government	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:	<u>\$ 56,857,202</u>	<u>\$ -</u>	<u>\$ 2,845,000</u>	<u>\$ 54,012,202</u>	<u>\$ 3,505,000</u>

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.