

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

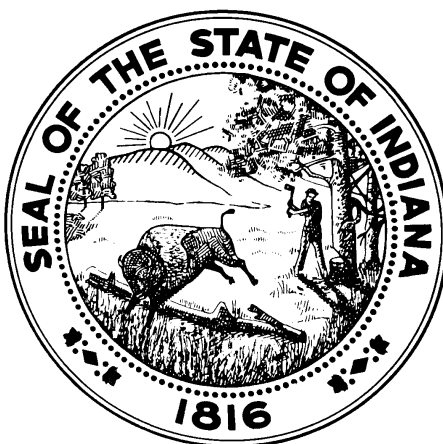
ANNUAL FINANCIAL REPORT

2007

HAMILTON COUNTY PUBLIC BUILDING CORPORATION

A COMPONENT UNIT OF HAMILTON COUNTY

HAMILTON COUNTY, INDIANA



**FILED**

09/30/2008



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OFFICIALS

Office

Official

Term

Secretary-Treasurer

William Crandall

01-01-07 to 12-31-08

President of the Building  
Corporation Board

J. Bradley Cook

01-01-07 to 12-31-08



**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, 2007, 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

May 8, 2008

HAMILTON COUNTY PUBLIC BUILDING CORPORATION  
STATEMENT OF NET ASSETS  
December 31, 2007

	Primary Governmental Activities
<u>Assets</u>	
Cash and cash equivalents	\$ 1,151,531
Investment in capital lease	48,045,782
Construction in progress	1,003,883
Deferred debits	134,799
Total assets	50,335,995
<u>Liabilities</u>	
Accrued interest payable	999,607
Noncurrent liabilities:	
Due within one year	4,190,000
Due in more than one year	46,858,477
Total liabilities	52,048,084
<u>Net Assets</u>	
Restricted for:	
Capital outlay	(1,712,089)
Total net assets	\$ (1,712,089)

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, 2007

<u>Functions/programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services	<u>Net (Expense) Revenue and Changes in Net Assets</u> Primary Government Governmental Activities
Primary government:			
Governmental activities:			
General government	\$ 2,570,721	\$ 2,730,762	\$ 160,041
Total primary government	<u>\$ 2,570,721</u>	<u>\$ 2,730,762</u>	<u>160,041</u>
			160,041
			<u>(1,872,130)</u>
			<u>\$ (1,712,089)</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, 2007

<u>Assets</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals</u>
Cash and cash equivalents	\$ 9,342	\$ 1,142,189	\$ 1,151,531
Total assets	<u>\$ 9,342</u>	<u>\$ 1,142,189</u>	<u>\$ 1,151,531</u>
 <u>Liabilities and Fund Balances</u>			
Fund balances:			
Reserved for:			
Capital outlay	\$ -	\$ 1,142,189	\$ 1,142,189
Debt service	<u>9,342</u>	<u>-</u>	<u>9,342</u>
Total fund balances	<u>\$ 9,342</u>	<u>\$ 1,142,189</u>	<u>\$ 1,151,531</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, 2007

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

Fund balance - governmental funds		\$ 1,151,531
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.		
Investment in capital lease	48,045,782	
Construction in progress	<u>1,003,883</u>	49,049,665
Unamortized bond issuance costs are not financial resources and, therefore are not reported in the funds.		134,799
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	(4,190,000)	
Long-term portion of general obligation bonds payable	(46,858,477)	
Accrued interest payable	<u>(999,607)</u>	<u>(52,048,084)</u>
Net assets of governmental activities		<u>\$ (1,712,089)</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, 2007

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues:			
Lease rental payments	\$ 5,986,000	\$ -	\$ 5,986,000
Interest on investments	36,605	101,685	138,290
	<u>6,022,605</u>	<u>101,685</u>	<u>6,124,290</u>
Total revenues			
Expenditures			
General government	1,417	74,513	75,930
Capital outlay	-	1,509,068	1,509,068
Debt service:			
Principal	3,505,000	-	3,505,000
Interest	2,471,892	-	2,471,892
	<u>5,978,309</u>	<u>1,583,581</u>	<u>7,561,890</u>
Total expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>44,296</u>	<u>(1,481,896)</u>	<u>(1,437,600)</u>
Other financing sources (uses):			
Transfers in	-	739,656	739,656
Transfers out	<u>(739,656)</u>	<u>-</u>	<u>(739,656)</u>
Total other financing sources and uses			
	<u>(739,656)</u>	<u>739,656</u>	<u>-</u>
Net change in fund balances	(695,360)	(742,240)	(1,437,600)
Fund balances - beginning	<u>704,702</u>	<u>1,884,429</u>	<u>2,589,131</u>
Fund balances - ending	<u>\$ 9,342</u>	<u>\$ 1,142,189</u>	<u>\$ 1,151,531</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, 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).	\$	(1,437,600)
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.		1,509,068
Payments received on a capital lease provide current financial resources to governmental funds but have no effect on net assets.		(3,393,528)
<p>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.</p>		
Principal payments	3,505,000	
Amortization of bond issue costs	(24,106)	
Amortization of bond premium	<u>(66,425)</u>	3,414,469
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>67,632</u>
Change in net assets of governmental activities (Statement of Activities)	\$	<u><u>160,041</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 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 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.

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

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, 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, 2007, were as follows:

<u>Transfer From</u>	<u>Capital Projects</u>
Debt service	<u>\$ 739,656</u>

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
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%	15,940,000
2004 Lease rental bonds	4.60% to 5.00%	<u>29,925,000</u>
 Total		 <u>\$ 50,507,202</u>

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

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	15,940,000	38,217	(510,669)	15,467,548
2004 Lease rental bonds	29,925,000	1,013,727	-	30,938,727
Totals	<u>\$ 50,507,202</u>	<u>\$ 1,051,944</u>	<u>\$ (510,669)</u>	<u>\$ 51,048,477</u>

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

Year Ended December 31	Governmental Activities	
	Principal	Interest
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	3,510,000	1,615,087
2013-2017	12,257,202	6,757,949
2018-2022	9,115,000	3,262,875
2023-2027	7,855,000	805,000
Totals	<u>\$ 50,507,202</u>	<u>\$ 20,702,625</u>

2. Changes in Long-Term Liabilities

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

Primary Government	Beginning Balance	Additions	Reductions	Ending Balance	Within One Year
Governmental activities:					
Bonds payable	<u>\$ 54,012,202</u>	<u>\$ -</u>	<u>\$ 3,505,000</u>	<u>\$ 50,507,202</u>	<u>\$ 4,190,000</u>

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

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

B. Subsequent Events

The Hamilton County Public Building Corporation entered into a lease with Hamilton County for the construction of the Community Corrections Center. Bonds totaling \$41,655,000 were issued February 28, 2008, for the estimated cost of construction.

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.