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

July 19, 2010

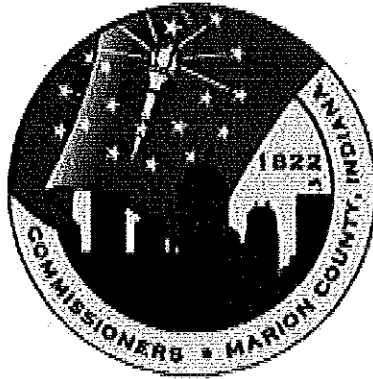
Ms. Billie J. Breaux  
Marion County Auditor  
200 East Washington St., Suite 801  
Indianapolis, IN 46204

We have reviewed the audit report prepared by KPMG LLP, Independent Public Accountants, for the period January 1, 2006 to December 31, 2006. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Marion County, as of December 31, 2006, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the findings in the report. The Single Audit Report contains twenty-one current audit findings and \$6,205,934 in questioned costs on pages 13 through 44. The auditors have issued an adverse opinion on compliance with applicable requirements for seven of the eight major programs. Management's Corrective Action Plan follows the Single Audit Report. The Status of Prior Year Findings contains the status of twenty-four prior audit findings.

STATE BOARD OF ACCOUNTS



# ***MARION COUNTY, INDIANA***

(Component Unit of the Consolidated City of Indianapolis-Marion County)

## **ANNUAL FINANCIAL REPORT**

For the Year  
Ended December 31, 2006



# **MARION COUNTY, INDIANA**

(Component Unit of the Consolidated City of Indianapolis-Marion County)

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## **ANNUAL FINANCIAL REPORT**

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For the Year  
Ended December 31, 2006



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## 2006 County Elected Officials

	TERM
Auditor.....Martha A. Womacks	01-01-03 to 12-31-06
Treasurer.....Michael Rodman	01-01-05 to 12-31-08
Clerk.....Doris Anne Sadler	01-01-03 to 12-31-06
Sheriff.....Frank Anderson	01-01-03 to 12-31-06
Recorder.....Wanda Martin	01-01-03 to 12-31-06
Assessor.....Joan N. Romeril	01-01-03 to 12-31-06
Surveyor.....Mary Catherine Barton	01-01-05 to 12-31-08
Coroner.....Dr. Kenneth Ackles, Sr.	01-01-05 to 12-31-08
Prosecutor.....Carl Brizzi	01-01-03 to 12-31-06
County Executive.....Bart Peterson	01-01-04 to 12-31-07
Board of County Commissioners.....Michael Rodman	01-01-05 to 12-31-08
Board of County Commissioners.....Martha A. Womacks	01-01-03 to 12-31-06
Board of County Commissioners.....Joan N. Romeril	01-01-03 to 12-31-06

## 2006 Other Elected Officials and Department Directors

	TERM
Center Township Assessor.....James P. Maley	01-01-03 to 12-31-06
Decatur Township Assessor.....Charles L. Coleman	01-01-03 to 12-31-06
Franklin Township Assessor.....Becky L. Williams	01-01-03 to 12-31-06
Lawrence Township Assessor.....Paul Ricketts	01-01-03 to 12-31-06
Perry Township Assessor.....Katherine A. Price	01-01-03 to 12-31-06
Pike Township Assessor.....Barbara M. Hurst	01-01-03 to 12-31-06
Warren Township Assessor.....William A. Birkle	01-01-03 to 12-31-06
Washington Township Assessor.....Joline Ohmart	01-01-03 to 12-31-06
Wayne Township Assessor.....Charles Spears	01-01-03 to 12-31-06
Voters Registration.....Kyle Walker*	
	Joel Miller**
Marion County Cooperative Extension.....Robert Hoyt	
Criminal Probation.....Robert Bingham	
Court Administrator.....Mark Renner	
Guardian Home (Acting Director).....Rose Butler	
Community Corrections.....Brian Barton	
Forensic Services.....Miachel Medler	
Chief Public Defender.....David Cook	
Metropolitan Emergency Communication Agency.....Wendell Raney	
Chief Information Officer.....Michael Hinline***	

\* Cindy Mowery appointed 10-02-06

\*\* John Riordan appointed 07-17-06

\*\*\* Shital Patel appointed 03-13-06



## 2006 City-County Council Members

President, Monroe Gray  
 Patrice Abdullaah  
 Paul Bateman  
 Philip Borst  
 Greg Bowes  
 Rozelle Boyd  
 James Bradford  
 Vernon Brown  
 Virginia Cain  
 N. Susie Day

Sherron Franklin  
 Ron Gibson  
 Scott Keller  
 Lance Langsford  
 Dane Mahern  
 Angela Mansfield  
 Mary Moriarty Adams  
 Jackie Nytes  
 Marilyn Pfisterer  
 Lincoln Plowman

Issace Randolph, Jr.  
 Earl Salisbury  
 Joanne Sanders  
 Scott Schneider  
 Mike Speedy  
 Lynn McWhirter  
 William Oliver  
 Bob Cockrum  
 Lonnell Conley

## 2006 Judiciary

CIRCUIT COURT..... Theodore Sosin  
 Circuit – Paternity..... Alicia Gooden, Commissioner

### SUPERIOR COURT

#### Criminal Division:

Court 1..... Tanya Walton-Pratt  
 Court 2..... Robert Altice Jr.  
 Court 3..... Sheila A. Carlisle  
 Court 4..... Patricia J. Gifford  
 Court 5..... Grant Hawkins  
 Court 6..... Jane Magnus-Stinson\*\*  
 Court 7 Misdemeanor..... William J. Nelson  
 Court 8 Misdemeanor..... Barbara A. Collins  
 Court 9 D-Felony..... Mark D. Stoner  
 Court 10 Misdemeanor..... Linda E. Brown  
 Court 11 Initial Hearing/APC..... Commissioners  
 Court 12 Community Court..... Annie Christ-Garcia, Commissioner  
 Court 13 Traffic/Misdemeanor..... Marc T. Rothenberg, Commissioner  
 Court 14 D-Felony Drug Court..... David Shaheed  
 Court 15 Felony..... Evan Goodman  
 Court 16 Domestic Violence..... Clark H. Rogers  
 Court 17 Domestic Violence..... Carol J. Orbison  
 Court 18 D-Felony..... Reuben Hill  
 Court 19 Misdemeanor..... R. F. Pierson-Treacy  
 Court 20 Felony Drug..... William Young  
 Court 21 Domestic Violence..... John Hammel  
 Night Court..... Steven R. Eichholtz, Commissioner

#### Civil Division:

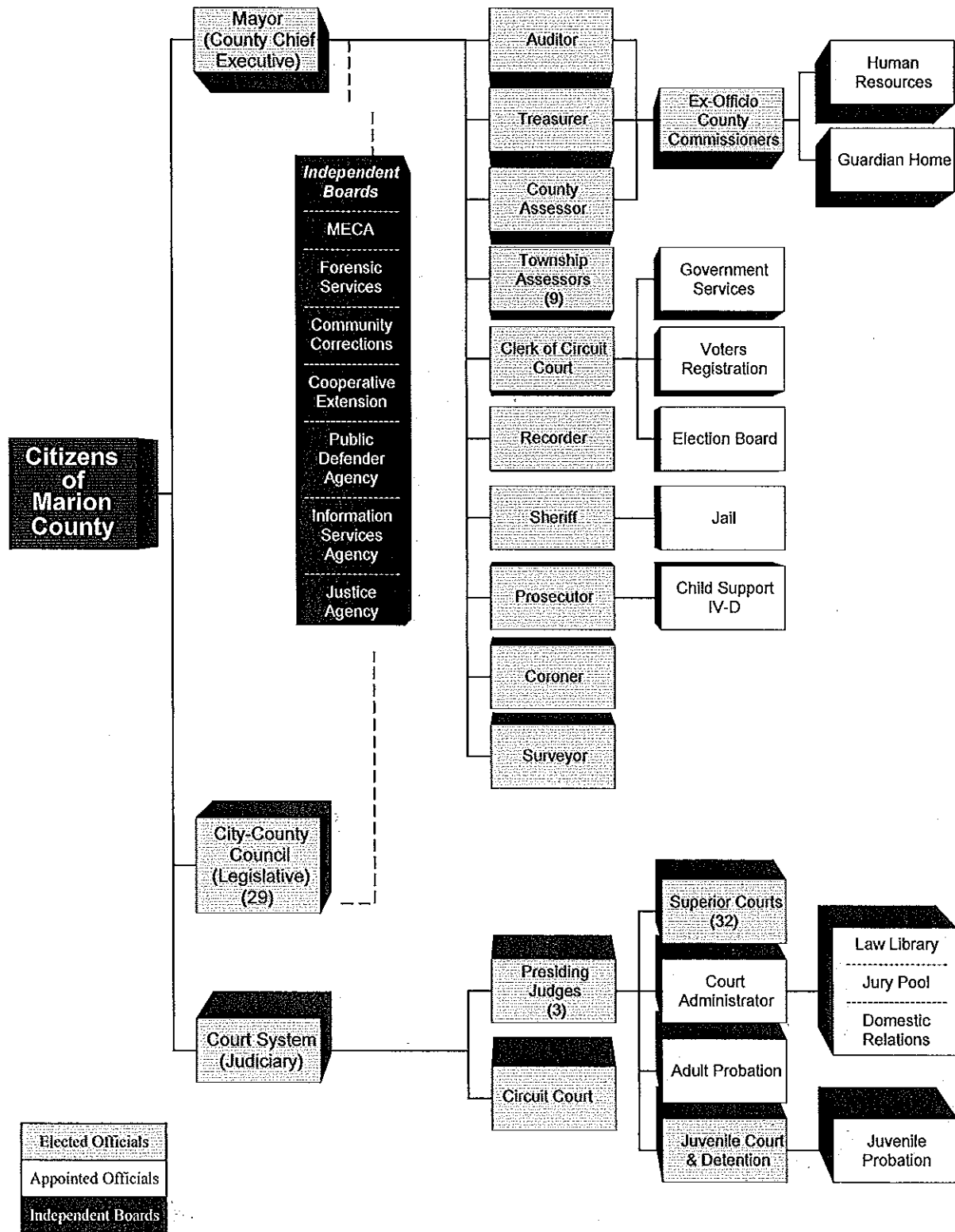
Court 1..... Cale Bradford\*  
 Court 2..... Kenneth H. Johnson  
 Court 3..... Patrick L. McCarty  
 Court 4..... Cynthia J. Ayers  
 Court 5..... Gary L. Miller  
 Court 6..... Thomas J. Carroll  
 Court 7..... Gerald S. Zore  
 Court 8 Probate Division..... Charles J. Deiter  
 Court 9 Juvenile Division..... Marilyn A. Moores  
 Court 10..... David Dreyer  
 Court 11..... John Hanley  
 Court 12..... Robyn Moberly\*\*  
 Court 13..... S. K. Reid  
 Environmental Court..... Michael D. Keele  
 Title IV-D Court..... Carol Terzo, Commissioner

\* Presiding Judge

\*\* Associate Presiding Judge

# Marion County, Indiana

## Government Organization Chart







KPMG LLP  
Suite 1500  
111 Monument Circle  
Indianapolis, IN 46204

## Independent Auditors' Report

The Honorable Gregory A. Ballard  
Mayor, City of Indianapolis,  
and the City-County Audit Committee  
Marion County, Indiana:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis – Marion County) (County) as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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.

The County's financial statements for 2005 were previously prepared in conformity with U.S. generally accepted accounting principles. As more fully described in Note 1 to the financial statements, the County elected, at the beginning of 2006, to change its method of preparing its financial statements to the modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position—modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County, Indiana as of December 31, 2006, and the respective changes in financial position—modified cash basis thereof for the year then ended, in conformity with the basis of accounting described in Note 1, except for Note 6 – Additional Pension Disclosures, on which we express no opinion.

The County has not presented Management's Discussion and Analysis as required supplementary information that U.S. generally accepted accounting principles have determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 19, 2010 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information on page 28; the schedules of funding progress and employer contributions on pages 29 and 30; and the notes to required supplementary information on pages 31 and 32 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and schedules – other supplementary information on pages 36 through 47, are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information, except the schedules of revenues and expenditures–budget and actual, on pages 38 through 43 which are unaudited, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

The information presented in the introductory section on pages 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

KPMG LLP

Indianapolis, Indiana  
January 19, 2010



**BASIC  
FINANCIAL STATEMENTS**

MARION COUNTY, INDIANA  
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS-MARION COUNTY)  
STATEMENT OF ACTIVITIES AND NET ASSETS - MODIFIED CASH BASIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Program Cash Receipts			Net Cash Receipts (Disbursements) and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities						
Administration and finance	\$ 39,166,775	\$ 17,755,067	\$ 2,571,857	\$ (18,839,851)	\$ —	\$ (18,839,851)
Protection of people and property program	110,253,455	13,205,692	10,761,660	(86,286,103)	—	(86,286,103)
Corrections program	52,621,427	2,233,563	4,397,313	(45,990,551)	—	(45,990,551)
Judicial program	63,965,802	10,877,582	5,914,295	(47,173,925)	—	(47,173,925)
Culture and recreation program	3,459,319	—	2,262,797	(1,196,522)	—	(1,196,522)
Real estate and assessments program	6,158,038	4,606,358	—	(1,551,680)	—	(1,551,680)
Health and welfare	83,706,942	19,370	—	(83,687,572)	—	(83,687,572)
Principal and interest on tax anticipation warrants	125,407,388	—	—	(125,407,388)	—	(125,407,388)
Principal and interest on long-term debt	15,745,413	—	—	(15,745,413)	—	(15,745,413)
Total governmental activities	500,484,559	48,697,632	25,907,922	(425,879,005)	—	(425,879,005)
Business-type activities:						
Drug testing laboratory	713,768	533,606	—	—	(180,162)	(180,162)
Total business-type activities	713,768	533,606	—	—	(180,162)	(180,162)
Total	\$ 501,198,327	\$ 49,231,238	\$ 25,907,922	(425,879,005)	(180,162)	(426,059,167)
General receipts:						
Property taxes				183,577,857	—	183,577,857
Financial institution tax				1,829,266	—	1,829,266
Excise tax				15,174,827	—	15,174,827
Local option income tax				59,486,588	—	59,486,588
Other state and local taxes				1,909,703	—	1,909,703
State wagering taxes				2,460,058	—	2,460,058
Unrestricted investment earnings				13,323,210	—	13,323,210
Other				4,697,962	—	4,697,962
Bond and note proceeds				41,005,588	—	41,005,588
Tax anticipation warrant proceeds				124,289,553	—	124,289,553
Loan from City of Indianapolis proceeds				1,100,000	—	1,100,000
Total general receipts				448,854,612	—	448,854,612
Change in net assets				22,975,607	(180,162)	22,795,445
Net assets - beginning of year				46,121,788	181,780	46,303,568
Net assets - end of year				\$ 69,097,395	\$ 1,618	\$ 69,099,013
<u>Cash and Investment Assets - December 31, 2006</u>						
Cash and cash equivalents				\$ 67,210,948	\$ 1,618	\$ 67,212,566
Cash with fiscal agents				1,357,243	—	1,357,243
Restricted cash and cash equivalents				529,204	—	529,204
Total cash and investment assets - December 31, 2006				\$ 69,097,395	\$ 1,618	\$ 69,099,013
<u>Cash and Investment Net Assets - December 31, 2006</u>						
Restricted for:						
Capital projects				\$ 4,451,354	\$ —	\$ 4,451,354
Grantor purposes				5,899,687	—	5,899,687
Statutory purposes				23,551,000	1,618	23,552,618
Unrestricted				35,195,354	—	35,195,354
Total cash and investment net assets - December 31, 2006				\$ 69,097,395	\$ 1,618	\$ 69,099,013

See accompanying notes to the basic financial statements

**MARION COUNTY, INDIANA**  
**(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS-MARION COUNTY)**  
**STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,**  
**DISBURSEMENTS, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Welfare Sinking	Nonmajor Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Taxes	\$ 222,148,510	\$ 15,990,266	\$ 26,299,521	\$ 264,438,297
Intergovernmental	12,045,821	—	16,109,860	28,155,681
Interest	13,187,546	—	105,327	13,292,873
Charges for services	13,593,133	—	18,559,928	32,153,061
Miscellaneous	1,651,944	—	661,146	2,313,090
Total receipts	262,626,954	15,990,266	61,735,782	340,353,002
<b>Disbursements</b>				
Current:				
General government	77,208,415	—	14,252,887	91,461,302
Public safety	137,160,552	—	26,941,691	164,102,243
Welfare	85,412,319	—	—	85,412,319
Culture and recreation	1,093,573	—	—	1,093,573
Capital outlay	691,671	—	1,191,589	1,883,260
Debt service:				
Principal on bonds and notes	7,150,000	7,835,000	—	14,985,000
Principal on tax anticipation warrants	124,289,553	—	—	124,289,553
Interest and fiscal charges	1,120,585	385,171	372,492	1,878,248
Total disbursements	434,126,668	8,220,171	42,758,659	485,105,498
Excess (deficiency) of receipts over disbursements	(171,499,714)	7,770,095	18,977,123	(144,752,496)
<b>Other Financing Sources (Uses)</b>				
Transfers in (out)	19,270,343	—	(19,270,343)	—
Proceeds from bond and note issuances	41,005,588	—	—	41,005,588
Proceeds from tax anticipation warrants	124,289,553	—	—	124,289,553
Proceeds from loan from City of Indianapolis	1,100,000	—	—	1,100,000
Sale of capital assets	63,299	—	7,036	70,335
Total other financing sources (uses)	185,728,783	—	(19,263,307)	166,465,476
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	14,229,069	7,770,095	(286,184)	21,712,980
Cash and investment fund balances - beginning of year	10,390,790	—	30,343,739	40,734,529
Cash and investment fund balances - end of year	\$ 24,619,859	\$ 7,770,095	\$ 30,057,555	\$ 62,447,509

Amounts reported for governmental activities in the statement of activities and net assets -  
modified cash basis are different because:

Internal service funds are used by management to charge the costs of certain services  
to individual funds. The cash and investment assets of the internal service fund is included in  
governmental activities in the statement of activities and net assets - modified cash basis.

6,649,886

Cash and investment net assets of governmental activities

\$ 69,097,395

Cash and Investment Assets - December 31, 2006

Cash and cash equivalents	\$ 23,262,616	\$ 7,770,095	\$ 30,057,555	\$ 61,090,266
Cash with fiscal agents	1,357,243	—	—	1,357,243
Total cash and investment assets - December 31, 2006	\$ 24,619,859	\$ 7,770,095	\$ 30,057,555	\$ 62,447,509

Cash and Investment Fund Balances - December 31, 2006

Unreserved, reported in:				
General fund	\$ 24,619,859	\$ —	\$ —	\$ 24,619,859
Special revenue funds	—	—	25,786,865	25,786,865
Debt service funds	—	7,770,095	10,781	7,780,876
Capital projects funds	—	—	4,259,909	4,259,909
Total cash and investment fund balances - December 31, 2006	\$ 24,619,859	\$ 7,770,095	\$ 30,057,555	\$ 62,447,509

See accompanying notes to the basic financial statements.



**MARION COUNTY, INDIANA**  
**(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS-MARION COUNTY)**  
**STATEMENT OF ASSETS AND NET ASSETS AND RECEIPTS,**  
**DISBURSEMENTS, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Enterprise Fund</u>	
	<u>Drug Testing Laboratory</u>	<u>Internal Service Funds</u>
Operating receipts:		
Charges for services	\$ 533,606	\$ 29,800,744
Miscellaneous	—	26,770
Total operating receipts	<u>533,606</u>	<u>29,827,514</u>
Operating disbursements:		
Services and charges	710,413	25,880,646
Administration including salaries and wages	—	2,553,847
Other	<u>3,355</u>	<u>130,394</u>
Total operating disbursements	<u>713,768</u>	<u>28,564,887</u>
Excess (deficit) of operating receipts over operating disbursements	(180,162)	1,262,627
Cash and investment net assets -- beginning of year	<u>181,780</u>	<u>5,387,259</u>
Cash and investment net assets -- end of year	<u>\$ 1,618</u>	<u>\$ 6,649,886</u>
 <u>Cash and Investment Assets - December 31, 2006</u>		
Cash and cash equivalents	\$ 1,618	\$ 6,120,682
Restricted cash and cash equivalents	<u>—</u>	<u>529,204</u>
Total cash and investment assets - December 31, 2006	<u>\$ 1,618</u>	<u>\$ 6,649,886</u>
Cash and investment net assets - restricted - December 31, 2006	<u>\$ 1,618</u>	<u>\$ 6,649,886</u>

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA  
 (COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS-MARION COUNTY)  
 STATEMENT OF ASSETS AND NET ASSETS AND ADDITIONS, DEDUCTIONS,  
 AND CHANGES IN NET ASSETS – MODIFIED CASH BASIS  
 FIDUCIARY FUNDS  
 AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

	Pension Trust Funds	Agency Funds
	<u>          </u>	<u>          </u>
<b>Additions</b>		
Contributions:		
Employer	\$ 5,415,748	
Employee	926,692	
Total contributions	<u>6,342,440</u>	
Investment income:		
Interest and dividends	2,168,473	
Realized gain on sales, net	<u>8,833,475</u>	
Net investment receipts	<u>11,001,948</u>	
Total additions	<u>17,344,388</u>	
<b>Deductions</b>		
Investment management fees	458,284	
Benefits	<u>6,751,215</u>	
Total deductions	<u>7,209,499</u>	
Excess of total additions over total deductions	10,134,889	
Cash and investment net assets – beginning of year	<u>132,507,497</u>	
Cash and investment net assets – end of year	<u>\$ 142,642,386</u>	
 <u>Cash and Investment Assets - December 31, 2006</u>		
Cash and cash equivalents	\$ 2,654,257	\$ 84,292,462
Investments:		
Foreign obligations	499,289	—
Exchange-traded funds	17,941,755	—
Common stocks	27,603,745	—
Mutual funds	<u>93,943,340</u>	—
Total cash and investment assets – December 31, 2006	<u>\$ 142,642,386</u>	<u>\$ 84,292,462</u>
 Cash and investment net assets – December 31, 2006	<u>\$ 142,642,386</u>	<u>\$ 84,292,462</u>

See accompanying notes to the basic financial statements.

**MARION COUNTY, INDIANA**  
**(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS-MARION COUNTY)**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2006**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Financial Reporting Entity**

Marion County (County) is a unit of local government created by the State of Indiana, governed by the following officials, each of whom is granted certain independent executive authority under the State Constitution:

County Auditor	County Prosecutor	County Surveyor
County Treasurer	County Recorder	Clerk of the Circuit Court
County Coroner	County Sheriff	Judge of the Circuit Court

The legislature of the State of Indiana has provided for certain additional elected officials who are not mentioned in the Constitution to exercise certain independent executive authority. These are the county assessor, township assessors, and superior court judges.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the County is considered a component unit of the Consolidated City of Indianapolis-Marion County. The County and the Consolidated City share a common executive and legislative body. Otherwise, the County is considered a separate legal entity, with its elected officials directly and separately (from City officials) responsible for financial independence, operations, and accountability for fiscal matters.

Based on the criteria established in GASB Statement No. 14, the County has no component units under the current financial reporting requirements.

The County has an investment in the Indianapolis-Marion County Building Authority (Building Authority); a joint venture with the City of Indianapolis (City). Because the County shares joint control equally with the City, and the County and City retain an ongoing financial responsibility, information concerning this joint venture is included in note 9.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., statement of activities and net assets - modified cash basis) report information on all of the nonfiduciary activities of the County. 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 and net assets - modified cash basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes and other items not properly included among program receipts.

Following the government-wide financial statement are separate financial statements for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statement. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The County has determined that the General and Welfare Sinking funds are major governmental funds. All other governmental funds are reported in one column labeled "Nonmajor Governmental Funds." The County has one enterprise fund (business-type activities), the Drug Testing Laboratory fund. This enterprise fund is not considered a major fund within the fund financial statements. Additionally, the County has one internal service fund (governmental activities) that accounts for the operations of the Information Services Agency. All internal service fund activity is combined into a single column on the proprietary fund statement, since major fund reporting requirements do not apply to internal service funds. The County also has two fiduciary fund types: pension trust funds and agency funds.

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**C. Basis of Accounting and Financial Statement Presentation**

The government-wide, governmental fund, propriety fund, and fiduciary fund financial statements are presented using a modified cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Receipts are recorded when received and disbursements are recorded when paid. Investments are recorded at historical cost. The modified cash basis is referred to as the cash and investment basis throughout the footnotes. Prior to 2006, the County's financial statements were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles.

The cash and investment basis of accounting differs from U.S. generally accepted accounting principles in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when the liability is incurred.

If the County utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary and fiduciary fund types would use the accrual basis of accounting. The government-wide financial statement would be presented on the accrual basis of accounting.

The fund financial statements of the County are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its cash and investment basis assets, fund balances/net assets, receipts, and disbursements. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the basic financial statements. The following fund types are used by the County:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, uses, and balances of the County's expendable financial resources on the cash and investment basis are accounted for through governmental funds.

The following are the County's major governmental funds:

The General Fund is used to account for all receipts and disbursements applicable to the general operations of governmental agencies of the County, except those required to be accounted for in another fund. All operating receipts that are not restricted as to use by sources external to the County are recorded in the General Fund.

The Welfare Sinking Fund, a debt service fund, is used to account for the resources devoted to the payment of interest and principal on short-term notes payable outstanding for child services.

The other governmental funds of the County are considered nonmajor. They are special revenue funds, which account for the proceeds of specific receipts that are restricted to disbursements for specific purposes; debt service funds, which account for the accumulation of resources for, and repayment of, general obligation long-term debt principal, interest, and related costs; and capital projects funds, which account for resources designated to construct or acquire major capital facilities.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those found in the private sector.

The following are the County's proprietary fund types:

Enterprise – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private sector business enterprises – where the intent of the governing body is that the costs of operations are financed primarily through user charges. An enterprise fund has been established for the Drug Testing Laboratory fund. The Drug Testing Laboratory fund is used to account for fees collected by the Marion Superior Court drug testing laboratory.

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Internal Service – Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost reimbursement basis. An internal service fund has been established for the County's Information Services Agency, which provides information technology services to other agencies of the County, or to other governmental units on a cost-reimbursement basis.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. All disbursements in the enterprise fund are reported as operating disbursements as they reflect the cost of services and administration. Operating disbursements for the internal service fund primarily include the cost of services and charges, and administrative disbursements. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

Fiduciary Fund Types

Fiduciary – Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, or other governmental units. These include pension trust funds and agency funds. Pension trust funds are accounted for and reported similar to proprietary funds. The pension trust funds account for the Marion County Law Enforcement Personnel Retirement Plan and the Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan. Agency funds are custodial in nature and do not present results of operations. These funds account for the collection, distribution, and escrow of various tax types, fees, and set aside funding.

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

**D. Cash, Investments, and Restricted Cash and Cash Equivalents**

Investments are stated at cost. Any changes in fair value of investments are reported as realized gains or losses in the year of the sale of investment as investment earnings.

Cash and cash equivalents are defined as all highly liquid investments with an original maturity of three months or less at the date of purchase.

Proceeds from the Information Service Agency fund's capital lease with Justice.Net, amounting to \$529,204 at December 31, 2006, are classified as restricted cash and cash equivalents on the statement of activities and net assets - modified cash basis.

**E. Property Taxes**

Property taxes levied for all governmental entities located within Marion County are collected by the Treasurer of Marion County, Indiana (Treasurer). These taxes are then distributed by the Auditor of Marion County, Indiana (Auditor) to the County and the other governmental entities at June 30 and December 31 of each year. The County and the other governmental entities can request advances of their portion of the collected taxes from the Auditor once the levy and tax rates are certified by the State of Indiana, Department of Local Government Finance. The Department of Local Government Finance typically certifies the levy on or before February 15 of the year following the property tax assessment.

The County's 2006 property taxes were levied based on assessed valuations determined by the Auditor as of the March 1, 2005 assessed valuations, which were adjusted for estimated appeals and tax credits and deductions. The lien date for the 2006 property taxes was March 1, 2005 (assessment date). In 2006, taxes were due and payable to the Treasurer in two installments on May 10, 2006 and November 10, 2006. The Auditor distributed all property taxes collected by November 10, 2006 to each applicable governmental entity based upon their levy amounts prior to December 31, 2006.

**F. Capital Assets**

Capital assets arising from cash transactions acquired for use in governmental, propriety fund, or government-wide operations are accounted for as capital outlay disbursements of the fund upon payment.

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**G. Long-Term Debt**

Long-term debt arising from cash transactions are not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources or general receipts and payments of principal and interest are reported as disbursements.

During 2006, tax anticipation warrants were issued on the taxes levied in 2005 and collected in 2006. The City-County Council authorizes the temporary borrowing pending the receipt of taxes levied and repayment of loans on June 30 and December 31 of the year borrowed. This procedure assures the County of sufficient funds for operating expenses between the property tax distribution dates.

<u>Fund</u>	<u>Balance January 1, 2006</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance December 31, 2006</u>
General fund	\$ —	90,776,088	90,776,088	\$ —
Agency funds	—	33,513,465	33,513,465	—
	<u>\$ —</u>	<u>124,289,553</u>	<u>124,289,553</u>	<u>\$ —</u>

**H. Interfund Transactions**

In the process of aggregating the financial information for the government-wide statement of activities and net assets — modified cash basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Transfers

Legally authorized transfers are reported as transfers in by the recipient fund and as transfers out by the disbursing fund.

Interfund Services Provided/Used

Charges or collections for services rendered by one fund for another are recognized as receipts (interfund services provided) of the recipient fund and disbursements (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as receipts and disbursements if they involved organizations external to the County.

Certain internal payments are treated as program receipts, such as internal services provided and used. Certain internal payments are treated as a reduction of disbursements, such as reimbursements.

Elimination of interfund activity has been made for governmental activities in the government-wide financial statement.

**I. Receipts and Disbursements**

Program Receipts

In the government-wide financial statement, amounts reported as program receipts include (1) collection of cash from customers or applicants for goods, services, or privileges provided, and (2) operating grants and contributions. Internally dedicated resources are reported as general receipts rather than program receipts. Likewise, general receipts include all taxes.

Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services.

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**J. Fund Balance / Net Assets**

Government-wide Financial Statement

Equity is classified as net assets and displayed in two components:

Restricted net assets consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments or (2) law through constitutional provisions or enabling legislation. Restricted net assets are classified as restricted for capital projects, grantor purposes, debt service, and statutory purposes on the government-wide statement.

Unrestricted net assets - All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statement.

**K. Pensions**

The County has separate defined benefit pension plans that cover substantially all employees. The Indiana Public Employees' Retirement Fund (PERF), administered by the State of Indiana, applies to County employees. The Marion County Law Enforcement Personnel Retirement Plan (Retirement Plan) and the Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan (Disability Plan) cover employees of the Sheriff's Department. The policy of the County is to fund accrued pension costs for the plans.

The Retirement and Disability Plans are accounted for under the cash and investment basis of accounting as pension trust funds of the County. Employee and employer contributions are recognized as receipts in the period received, pursuant to final commitments, as well as statutory or contractual requirements; and disbursements, including benefits paid and refunds, are recorded when the corresponding payments are made. Investments are recorded at cost.

**NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a budgetary basis. All annual appropriations lapse at the end of the calendar year, except for capital project funds, which are budgeted on a project basis.

Prior to the first required publication, the Mayor submits to the City-County Council a proposed operating budget for the year commencing the following January 1<sup>st</sup>. Prior to adoption, the budget is advertised and public hearings are conducted by the City-County Council to obtain taxpayer comments. In September of each year, the City-County Council, through the passage of a resolution/ordinance, approves the budget for the next year. The budget becomes legally certified after approval from the State of Indiana Department of Local Government Finance.

Revisions to transfer appropriations between agencies or character of expenditure require approval of the City-County Council. Revisions to increase the appropriations require approval of the City-County Council and the State of Indiana Department of Local Government Finance.

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**NOTE 3—CASH AND INVESTMENTS**

A summary of all cash and investments on the financial statements at December 31, 2006 is as follows:

Cash and cash equivalents	\$ 67,212,566
Cash with fiscal agents	1,357,243
Restricted cash and cash equivalents	529,204
Cash and cash equivalents and investments	
— Pension Trust Funds	
Cash and cash equivalents	2,654,257
Investments	139,988,129
Cash and cash equivalents — Agency Funds	84,292,462
	<hr/>
	\$ 296,033,861
	<hr/>

**Investment Policy - Primary Government**

Investments are recorded at cost. It is the policy of the County to invest public funds in a manner that will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the County and conforming to all state/local statutes governing the investment of public funds.

The primary objectives, in priority order, of the County's investment activities are:

**Safety:** Safety of principal is the foremost objective of the investment program. Investments of the County shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

**Liquidity:** The County's investment portfolio will remain sufficiently liquid to enable the County to meet all operating requirements that might be reasonably anticipated.

**Return on Investments:** The County's investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with the County's investment risk constraints and the cash flow characteristics of the portfolio.

State statutes authorize the County to invest in certificates of deposit, obligations of the U.S. government and U.S. government agencies, and repurchase agreements. The statutes further require that repurchase agreements must be collateralized at 100% of market value on the day of trade by U.S. government or U.S. government agency obligations. These investments are required by statute to have a stated final maturity of not more than two years.

**Investment Policy - Sheriff's Department Personnel Retirement and Disability Benefit Plans**

The primary objectives for the Sheriff's Retirement and Disability Benefit Plans' investment activities shall be:

**Time Horizon:** Investment guidelines are based upon an investment horizon of greater than five years.

**Risk Tolerances:** To achieve the plans' long-term objectives, the following factors were considered when establishing the risk tolerance.

1. The Plans' financial condition.
2. Liquidity reserves are established, and any remaining assets are fully invested at all times.
3. The Marion County Sheriff's Pension Board (Board) has set a shortfall constraint that current plans' assets must be equal to 90% of the annual benefit obligation.



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**Performance Expectations:** The desired investment objective is a long-term rate of return on assets that is at least 8.00%. Additionally, it is expected the return will be at least 4.75% greater than the anticipated rate of inflation as measured by the Consumer Price Index.

**Asset Allocation Constraints:** The Board has reviewed the long-term performance characteristics of various asset classes, focusing on balancing risks and rewards and has selected the following asset classes for allowable investments:

1. Domestic large capitalization equities
2. Domestic small capitalization equities
3. International equities
4. Domestic fixed income
5. Cash equivalents

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The County's investment policy provides that the County seeks to minimize the risk that the market value of securities in its portfolio will decrease due to changes in general interest rates by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

As of December 31, 2006, the County's investments consisted of the following:

<u>Investment type</u>	<u>Cost</u>	<u>Investment maturities (in years)</u>	<u>Fair value</u>
		<u>Less than 1</u>	
Common stocks	\$ 27,603,745	27,603,745	29,887,127
Mutual funds	93,943,340	93,943,340	108,417,310
Exchange-traded funds	17,941,755	17,941,755	17,734,814
Foreign obligations	499,289	499,289	968,306
	<u>\$ 139,988,129</u>	<u>139,988,129</u>	<u>157,007,557</u>

Total cash deposits at December 31, 2006 amounted to \$156,045,732.

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**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Moody's Investor Services. The County uses the highest integrity when choosing an instrument of investment. The County keeps its credit risk as it pertains to investments at a low rate by requiring all investments of the County be rated in the three highest ratings categories by Moody's Investor Service, Standard & Poor's Corporation, or Fitch's Ratings Service. Investments were rated as follows by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Rating Service at December 31, 2006:

<u>Investments</u>	<u>Cost</u>	<u>Rating</u>	<u>Fair value</u>
Common stocks	\$ 27,603,745	Not rated	29,887,127
Mutual funds	93,943,340	Not rated	108,417,310
Exchange-traded funds	17,941,755	Not rated	17,734,814
Foreign obligations	499,289	Not rated	968,306
	<u>\$ 139,988,129</u>		<u>157,007,557</u>

**Concentration of Credit Risk**

The County policy provides that the County may invest up to 30% of their investment pool in negotiable certificates of deposit having maturities of less than two years and in multiples of one million dollars providing that market yields on certificates of deposit exceed treasury bills of comparable maturity duration. The County has investments of certificates of deposits at December 31, 2006 in the amount of \$1,020,000, which represents less than 1% of total cash and investments.

**Foreign Currency Risk**

At December 31, 2006, the Sheriff's Pension Fund was invested in the following foreign obligations. The pension investment's exposure to foreign currency risk is as follows:

<u>Investment</u>	<u>Currency</u>	<u>Maturity</u>	<u>Cost</u>	<u>Rating</u>
Israel Infrastructure Zero Dollar Bond	Israeli new sheqel	4/30/2007	\$ 238,896	Not rated
Israel Savings Bond	Israeli new sheqel	10/31/2007	260,393	Not rated
			<u>\$ 499,289</u>	

**NOTE 4—INTERFUND TRANSACTIONS AND BALANCES**

Funds are transferred from one fund to support expenditures of other funds in accordance with authority established for the individual fund.

Interfund transfers for the year ended December 31, 2006 consisted of the following:

	<u>Transfer from Nonmajor governmental funds</u>
Transfer to General fund	\$ 19,270,343
	<u>\$ 19,270,343</u>

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**NOTE 5—PENSIONS**

The County maintains two benefit plans for law enforcement personnel, which are reported as pension trust funds. Additionally, the County contributes to the statewide Indiana Public Employees Retirement Fund (PERF).

**A. Plan Description**

*Marion County Law Enforcement Personnel Retirement Plan*

The Retirement Plan is a single-employer contributory defined benefit retirement plan covering certain employees of the Marion County Sheriff's Department other than those deputies that are employed by the Civil Sheriff. The Retirement Plan is administered in accordance with state statutes, which require the County to make minimum contributions necessary to keep the plan sound on an actuarial basis according to state law. The Retirement Plan provides that each employee contributes 4.25% of their earnings to the plan, which is maintained in a reserve for member contributions and accumulates at a rate of 3.00% compounded annually. Contributions required of the employee may cease, at the election of the employee, following the completion of 20 years or more of credited service and prior to termination of employment.

Retirement Plan benefits begin to vest after 10 years of service. As of December 31, 2006, there are 106 fully vested employees (over 20 years of service), 80 partially vested (between 10 and 20 years of services), and 199 nonvested employees. Law enforcement employees who retire at or after age 55 with 10 years of credited services are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.50% of the highest monthly average of consecutive five-year salary per year of service up to a maximum of 20 years; plus 2.00% of such salary per year of service in excess of 20 years, if any, up to an additional 12 years; plus \$1 for each year of service up to a maximum of \$20. Full benefits do not commence before attainment of age 50; however, employees with 20 years of service can elect earlier benefits at a reduced rate. As of December 31, 2006, there are 282 retirees and beneficiaries receiving benefits, 5 terminated members entitled to benefits but not yet receiving benefits, and 385 current active members.

Although it has not expressed any intent to do so, the County has the right to discontinue its contributions to the Retirement Plan at any time. Doing so in three consecutive years terminates the plan. In the event of plan termination, participants are entitled to their amount of contributions and a proportionate amount of any excess after certain benefits and expenses.

The County does not issue a separate financial report for this plan, which is included as a pension trust fund in this report.

*Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan*

The Disability Plan is a single-employer defined benefit plan covering all participants in the Retirement Plan. The Disability Plan provides benefits to the beneficiaries of disabled employees and payments of pensions to dependent parents, surviving spouses, and dependent children under age 18 for deceased employees. This plan is accounted for in a single fund in accordance with state statutes, which require the County to make minimum contributions necessary to keep the Disability Plan sound on an actuarial basis. At December 31, 2006, there are 76 benefit recipients and no vested employees.

During 1997, the County conducted a cost of living actuarial study. As a result of this study, the Council adopted general ordinance number 162-97, which amended the plan to include cost of living adjustments. Effective January 1, 1998, and each year thereafter, all participants in payment status (both current and future) are eligible for a cost of living increase. Benefit increases are not available to terminated vested participants or the beneficiaries of participants. Applicable increases, if any, may be payable on the July 1 following the later of retirement date or attaining of age 55. The amount of the annual increase, if any, will depend on the change in the Consumer Price Index and will never exceed 2.00%.

The County does not issue a separate financial report for this plan, which is included as a pension trust fund in this report.

*PERF*

PERF is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for state employees and employees of participating political subdivisions of the State of Indiana, in accordance with Indiana Codes 5-10.2 and 5-10.3.

PERF provides a contributory defined benefit plan. Substantially all County employees are covered by the plan except those covered by the Retirement and Disability Plans. The County pays the employee contribution portion, 3.00% of annual salary,

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which is mandated by state statute, in addition to the employer contribution amount, which is actuarially determined and is currently 4.50% of annual covered payroll.

PERF retirement benefits vest after 10 years of service. Under the defined benefit component, County employees who retire at or after age 65 with 10 or more years of creditable service; age 60 with 15 or more years creditable service; or if the sum of age and creditable service is greater than or equal to 85 (but not earlier than age 55) are entitled to an annual retirement benefit, payable monthly for life with 60 months guaranteed. Employees who have reached 50 years of age and have 15 years of credited service will qualify for early retirement with reduced benefits. PERF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and county ordinance.

PERF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing PERF, Harrison Building, Suite 800, 143 West Market Street, Indianapolis, IN 46204.

**B. Funding Policy**

The County is obligated by state law to make all required contributions to the Retirement and Disability Plans based upon an annual actuarial valuation. The required contributions are actuarially determined. The costs of administering the plan are financed through plan assets. There are no long-term contracts for contributions to the plan. For PERF, the County pays the employee contribution portion, 3.00% of annual salary, which is mandated by state statute, in addition to the employer contribution amount, which is actuarially determined and is currently 4.50%.

The annual required contribution and actual contribution made for each plan is as follows for the year ending December 31, 2006:

<u>Plan</u>	<u>Annual required contribution (ARC)</u>	<u>Actual contribution</u>
Retirement	\$ 4,672,018	5,106,115
Disability	963,908	963,908
PERF	4,258,411	3,951,541

**C. Concentration of Investments**

As of December 31, 2006, investments that represent 5% or more of the Retirement and Disability Plans' assets included the following at December 31, 2006:

<u>Investment</u>	<u>Retirement</u>	<u>Disability</u>
Mutual funds:		
Passive bond market fund	\$ 9,569,756	11,458,489
Hartford retirement fund	26,081,602	—
Vanguard institutional index fund 94	28,314,869	—
Fidelity diversified international fund 325	9,462,216	—
Mutual funds total	<u>\$ 73,428,443</u>	<u>11,458,489</u>
Exchange-traded funds:		
iShares trust russell 2000	\$ 17,941,755	—
Exchange-traded funds total	<u>\$ 17,941,755</u>	<u>—</u>

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**D. Financial Statements**

Combining schedule for the statement of assets and net assets and additions, deductions and changes in net assets – modified cash basis – pension trust funds, as of and for the year ended December 31, 2006, are as follows:

	<u>Retirement</u>	<u>Disability</u>	<u>Total</u>
<b>Additions</b>			
Contributions:			
Employer	\$ 4,453,865	\$ 961,883	\$ 5,415,748
Employee	926,692		926,692
Total contributions	<u>5,380,557</u>	<u>961,883</u>	<u>6,342,440</u>
Investment income:			
Interest and dividends	1,970,999	197,474	2,168,473
Realized gain (loss) on sales, net	9,442,217	(608,742)	8,833,475
Net investment receipts	<u>11,413,216</u>	<u>(411,268)</u>	<u>11,001,948</u>
Total additions	<u>16,793,773</u>	<u>550,615</u>	<u>17,344,388</u>
<b>Deductions</b>			
Investment management fees	437,776	20,508	458,284
Benefits	<u>5,960,027</u>	<u>791,188</u>	<u>6,751,215</u>
Total deductions	<u>6,397,803</u>	<u>811,696</u>	<u>7,209,499</u>
Excess (deficiency) of total additions over total deductions	10,395,970	(261,081)	10,134,889
Cash and investment net assets – beginning of year	<u>120,586,023</u>	<u>11,921,474</u>	<u>132,507,497</u>
Cash and investment net assets – end of year	<u>\$ 130,981,993</u>	<u>\$ 11,660,393</u>	<u>\$ 142,642,386</u>
<b><u>Cash and Investment Assets - December 31, 2006</u></b>			
Cash and cash equivalents	\$ 2,452,353	\$ 201,904	\$ 2,654,257
Investments:			
Foreign obligations	499,289	—	499,289
Exchange-traded funds	17,941,755	—	17,941,755
Common stocks	27,603,745	—	27,603,745
Mutual funds	<u>82,484,851</u>	<u>11,458,489</u>	<u>93,943,340</u>
Total cash and investment assets – December 31, 2006	<u>\$ 130,981,993</u>	<u>\$ 11,660,393</u>	<u>\$ 142,642,386</u>
Cash and investment net assets – December 31, 2006	<u>\$ 130,981,993</u>	<u>\$ 11,660,393</u>	<u>\$ 142,642,386</u>

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**NOTE 6—ADDITIONAL PENSION DISCLOSURES (UNAUDITED)**

The County obtains an actuarial valuation of the Retirement, Disability, and PERF plans each year. Although information related to the actuarial valuation is not required to be presented under the cash and investment basis, the following disclosures are presented for additional information.

**A. Annual Pension Cost and Net Pension Asset**

The significant actuarial assumptions used to determine the annual pension cost for each pension plan are summarized below:

	<u>Retirement Plan</u>	<u>Disability Plan</u>	<u>County Employees (PERF)</u>
Valuation date	1/01/07	1/01/07	7/01/06
Actuarial cost method	Frozen initial liability	Aggregate	Entry age normal cost
Asset valuation method	75% of expected actuarial value plus 25% of market value	75% of expected actuarial value plus 25% of market value	75% of expected actuarial value plus 25% of market value
Investment return	7.5%	7.5%	7.25%
Inflation rate	4.0%	4.0%	*****
Projected salary increases	5.0%*	5.0%	*****
Postretirement increases	**	**	1% compounded annually after retirement for 5 years
Amortization method	Fixed period level annual installments	N/A****	Level dollar
Amortization period	20-year period	N/A****	Open 30-year period***

\* 4.0% increase due to inflation and 1.0% due to merit / seniority.

\*\* Assumed during the first 10 years of employment, none thereafter.

\*\*\* 30 year period phased in commencing July 1, 1998.

\*\*\*\* The aggregate actual cost method does not identify or separately amortize unfunded actuarial liabilities.

\*\*\*\*\*Based on PERF experience 1995-2000.

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*Marion County Law Enforcement Personnel Retirement Plan*

For the plan year 2006, the County's annual pension cost of \$4,857,256 for the Retirement Plan was more than the required annual contribution of \$4,672,018 but less than the actual County contribution of \$5,106,115. The required contribution was determined as part of the January 1, 2006 valuation using frozen entry age actuarial cost method. Under the accrual basis of accounting, the calculation of the annual pension cost and the net pension asset (NPA) is as follows for the Retirement Plan:

Annual required contribution (ARC)	\$ 4,672,018
Interest on net pension asset	(162,464)
Adjustment to ARC	<u>347,702</u>
Annual pension cost	4,857,256
Actual contribution made	<u>(5,106,115)</u>
Increase in net pension asset	248,859
Net pension asset at beginning of year	<u>2,166,182</u>
Net pension asset at end of year	<u><u>\$ 2,415,041</u></u>

The above calculation is determined under the accrual basis of accounting and is not reflected within the accompanying financial statements due to the financial statements being prepared under the cash and investment basis of accounting.

*Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan*

For the plan year 2006, the County's annual pension cost of \$965,256 for the Disability Plan was more than the required annual contribution and the actual County contribution of \$963,908. The required contribution was determined as part of the January 1, 2006 valuation using aggregate actuarial cost method. Under the accrual basis of accounting, the calculation of the annual pension cost and the NPA is as follows for the Disability Plan:

Annual required contribution (ARC)	\$ 963,908
Interest on net pension asset	(1,183)
Adjustment to ARC	<u>2,531</u>
Annual pension cost	965,256
Actual contribution made	<u>(963,908)</u>
Decrease in net pension asset	(1,348)
Net pension asset at beginning of year	<u>15,767</u>
Net pension asset at end of year	<u><u>\$ 14,419</u></u>

The above calculation is determined under the accrual basis of accounting and is not reflected within the accompanying financial statements due to the financial statements being prepared under the cash and investment basis of accounting.

*PERF*

For the plan year 2006, the County's annual pension cost of \$4,283,714 for PERF was more than the required annual contribution of \$4,258,411 and the actual County contribution of \$3,951,541. The required contribution was determined as part of the July 1, 2006 valuation using entry age normal cost liability method.

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Under the accrual basis of accounting, the calculation of the annual pension cost and the NPA is as follows for PERF:

Annual required contribution (ARC)	\$ 4,258,411
Interest on net pension asset	(181,284)
Adjustment to ARC	<u>206,587</u>
Annual pension cost	4,283,714
Actual contribution made	<u>(3,951,541)</u>
Decrease in net pension asset	(332,173)
Net pension asset at beginning of year	<u>2,500,468</u>
Net pension asset at end of year	<u><u>\$ 2,168,295</u></u>

The above calculation is determined under the accrual basis of accounting and is not reflected within the accompanying financial statements due to the financial statements being prepared under the cash and investment basis of accounting.

**B. Trend Information**

Selected trend information for the years ended December 31, 2006, 2005, and 2004 is as follows:

<u>Valuation date</u>	<u>Annual pension cost</u>	<u>Percentage contributed</u>	<u>Net pension asset</u>
Marion County law enforcement personnel:			
Retirement plan			
1/01/04	\$ 4,207,072	107 %	\$ 1,974,042
1/01/05	4,439,205	104	2,166,182
1/01/06	4,857,256	105	2,415,041
Disability plan			
1/01/04	\$ 929,923	100 %	\$ 17,241
1/01/05	963,357	100	15,767
1/01/06	965,256	100	14,419
County employees (PERF)			
6/30/04	\$ 2,581,052	116 %	\$ 2,566,662
6/30/05	3,505,712	98	2,500,468
6/30/06	4,283,714	92	2,168,295

**NOTE 7—RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County is self-insured for vehicle, workers' compensation, and general liability. Additionally, the County purchases commercial insurance for claims for all other risks of loss. Settled claims have not exceeded the insurance coverage in any of the past three years. Due to the cash and investment basis of accounting, unpaid claims are not recorded within the accompanying financial statements.



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**NOTE 8—DEFERRED COMPENSATION PLAN**

Employees of Marion County are eligible to participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the County. Under this plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. During 1997, the deferred compensation plan was amended to comply with the amendments to Section 457 of the IRC. Plan provisions were amended so that plan assets are held in trust by an independent trustee for the exclusive benefit of participants and their beneficiaries and are not included within the accompanying financial statements.

**NOTE 9—JOINT VENTURE**

The Building Authority is a joint venture of the County and the City. The Building Authority finances, acquires, constructs, improves, renovates, equips, operates, maintains, and manages lands, governmental buildings, and communication systems for governmental entities in Marion County. The Building Authority has no stockholders nor equity holders, and all bond and note loan proceeds, rentals, and other revenues must be disbursed for specific purposes in accordance with provisions of Indiana Code 36-9-13 et seq. and several trust indentures and loan agreements executed for the security of the holders of the bonds and notes.

The buildings are financed through the Building Authority's general obligation debt, which is repaid from rent received under long-term lease agreements with the County and City. All of the leases contain lease renewals and purchase options. If these options are not exercised, the leases provide for transfer, upon expiration of the lease, of ownership of the properties to the lessees free and clear of all obligations of the lease. The governing Indiana statute with respect to each of the Building Authority's leases provides that the government lessee(s) shall be obligated to levy annually a tax sufficient to produce each year the necessary funds to pay the lease rentals to the Building Authority. These leases provide for sufficient rent to service the debt and provide for operating costs.

The County's share of the joint venture consists primarily of an allocation determined by the amount of space utilized by County agencies in the City-County Building and nearby parking lot determined by floor space, 100% of the Marion County Jail and Jail II, the Marion County Juvenile Detention Center, and the Marion County Sheriff's Roll Call Site. The City-County Building is an office building that houses the majority of the operations of the County and City. The City's share of the joint venture consists primarily of an allocation determined by the amount of space utilized by City departments in the City-County Building and parking lot, 100% of the Municipal Garage, Belmont Garage, the Public Safety Training Academy, and Public Safety Properties. The Environment Control Services Building is leased to other units of government and private parties. Public Safety Communications System operating costs are paid by the County agency Metropolitan Emergency Communication Agency.

The Building Authority has five members on the Board of Trustees, two of whom are appointed by the City-County Council of the Consolidated City of Indianapolis-Marion County, one by the Mayor of the City in his capacity as the municipal executive of Indianapolis, one by the Mayor of the City in his capacity as the county executive of the County, and one by the Marion County Board of Commissioners. The Trustees appoint the five members of the Board of Directors, which is the governing body of the Building Authority. The Building Authority is subject to the budgetary authority of the City-County Council, which equally represents the County and the City.

The Building Authority has various long-term debt obligations, which are secured by the rent payments received from the County and City. During 2006, the County paid \$8,401,391 and \$1,290,178 in rent and maintenance, respectively. A copy of the separately issued financial statements of the Building Authority, which is prepared on a basis other than U.S. generally accepted accounting principles, is available upon request.

**NOTE 10—RELATED-PARTY TRANSACTIONS**

The legislative body of the County is the same in several respects as that of the City, and the position of County Executive is held by the Mayor of the City. The County provides certain information technology and telephone services to the City. Receipts from these services were \$16,384,547 in 2006. In 2006, the County received \$325,773 of 911 dispatch fees from the City.

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The City and County purchase certain insurance policies that cover risks of both entities. The City and County pay premiums associated with their own respective portions of the coverage. The City provides certain administrative services to the County, including purchasing, legal, and other general administration. The City funds such services through a countywide tax levy. The County does not compensate the City for these services, except for legal services. Conversely, the County provides, at no compensation, criminal, civil, juvenile, and probate court services to all municipalities and unincorporated areas in Marion County, administers the property tax administration and collection system for the same jurisdictions, and operates the County jail and lockup.

The County acted as either a subrecipient or a pass-through agent for various state and federal grant programs with the City during 2006.

In 2006, Marion County entered into various contracts with Health and Hospital Corporation of Marion County (HHC). HHC is a separate municipal corporation and is considered to be a component unit of the Consolidated City of Indianapolis-Marion County. HHC has its own governing board separate from the County's legislative body. HHC has within it the division of public health and the division of public hospitals. HHC provides medical care to the inmates of the Marion County jail through its division of public hospitals via a contract with the Marion County Sheriff's Department. In 2006, the cost of medical care provided to inmates for Marion County was \$3,614,000. Additionally, in 2006, the County made \$1,197,000 in mental health distributions to HHC as allowed by law.

**NOTE 11—COMMITMENTS AND CONTINGENCIES**

In 2006, Indiana law limits the liability of municipalities to \$500,000 per person and \$5,000,000 per occurrence. In 2008, the per person limit was increased to \$700,000.

The County participates in a number of federal and state financial assistance programs. These programs are subject to financial and compliance audits by federal agencies. The amount, if any, of disbursements that may be disallowed by the granting agencies cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

**NOTE 12—DEFICIT FUND BALANCES**

At December 31, 2006, the following nonmajor governmental funds had a deficit fund balance:

MC Sheriff's Civil Division Fees	\$ 134,900
Public Safety Capital Projects	12,244

The County intends to reduce the deficit in the MC Sheriff's Civil Division Fees Fund by increasing charges for services accounted for in that fund. The deficit in the Public Safety Capital Projects fund will be funded by a transfer from the General Fund.

**NOTE 13—SUBSEQUENT EVENTS**

**A. Property Tax Assessment**

The 2006 property tax assessment involved a new procedure for assessing properties, which resulted in homeowner assessments being increased while business assessments stayed nearly stagnant. The spring bills for 2007 were sent out based on the 2006 assessments and a public outcry led the Governor of Indiana to require the County to review and reperform new assessments and the Governor instructed the public to pay an amount for the spring billing for 2007 equal to only one-half of the 2006 tax bill. It was determined that the new assessments could not be completed until the spring of 2008, and therefore, the taxpayers were asked to again pay only one-half of the 2006 tax bill for the fall billing for 2007 property taxes. Most of the property taxes collected in 2007 were distributed to the units of government by December 31, 2007. In June 2008, the final reconciliation bill was sent out based on the final assessments. The final distribution of taxes for 2007 occurred in August 2008. These property tax delays caused the County to collect less receipts than budgeted and the County utilized short-term borrowing using tax anticipation warrants to supplement the lower than expected receipts. These tax warrants were not fully repaid by the end of 2007 or 2008 (see note 13.D below).

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**DECEMBER 31, 2006**

**B. County Sheriff and Indianapolis Police Department Merger**

In 2005, the City-County Council approved the merger of the Indianapolis Police Department and the Marion County Sheriff's Department. The purpose of the merger is to improve the coordination of police operations in Indianapolis and improve efficiencies. The merger went into effect on January 1, 2007 and transferred all law enforcement services to the City.

**C. Refinancing of General Obligation Notes**

On April 26, 2007, the County refinanced the Indiana Limited Recourse Notes, Series 2006. The County's Indiana Limited Recourse Notes, Series 2007A was issued in the amount of \$7,150,000 with a maturity date of March 1, 2008. Interest was payable at maturity at a rate of 4.54% per annum.

**D. Issuance of Tax Anticipation Warrants**

The County issued tax anticipation warrants in advance of property tax collections in each of the years 2007 through 2009. Due to the property tax reassessment issues discussed in note 13.A above, the County did not repay all of the tax anticipation warrants at the end of 2007, 2008, or 2009. Amounts borrowed and repaid by year by fund as well as the outstanding balance at the financial statement issuance date are as follows:

<u>2007</u>	<u>Issued</u>	<u>Redeemed</u>	<u>December 31, 2007</u>
General Fund	\$ 94,086,744	\$ 71,022,172	\$ 23,064,572
Agency funds	54,843,553	41,360,426	13,483,127
Total	<u>\$ 148,930,297</u>	<u>\$ 112,382,598</u>	<u>\$ 36,547,699</u>

<u>2008</u>	<u>Issued</u>	<u>Redeemed</u>	<u>December 31, 2008</u>
General Fund	\$ 78,314,080	69,880,952	31,497,700
Property Reassessment Fund	308,829	308,829	—
Cumulative Capital Development Fund	1,132,374	1,132,374	—
Nonmajor funds	10,333,902	10,333,902	—
Agency funds	47,777,390	39,956,406	21,304,111
Total	<u>\$ 137,866,575</u>	<u>121,612,463</u>	<u>52,801,811</u>

<u>2009</u>	<u>Issued</u>	<u>Redeemed</u>	<u>December 31, 2009</u>
General Fund	\$ 150,052,094	84,162,531	97,387,263
Agency funds	—	21,304,111	—
Total	<u>\$ 150,052,094</u>	<u>105,466,642</u>	<u>97,387,263</u>

**E. Lease Agreement**

On August 1, 2007, the County entered into an agreement to lease approximately 50,000 square feet of space for use by the Public Defender Agency. The lease was subsequently amended in 2008 to add additional space for a total leased space of approximately 52,000 square feet. Total yearly lease amounts range from \$300,340 to \$901,393 with the lease terminating on July 31, 2017.

**F. Credit Market Conditions**

Recent market conditions have resulted in an unusually high degree of volatility and increased the risk associated with certain investments held by the County, which could impact the value of investments after the date of these financial statements.

**MARION COUNTY, INDIANA**  
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**G. Child Welfare Juvenile Incarceration Takeover by State**

As a result of 2008 legislative changes to Indiana statute, beginning January 1, 2009, the state took over the costs of the child welfare program and juveniles incarcerated in state facilities. These costs were previously part of the local property tax levy within Marion County, but with the change, the levy also transferred to the state. In 2006, the activity related to the child welfare program was accounted for in the Family and Children Services Agency Fund and the activity of the juvenile incarceration program was accounted for in the General Fund.

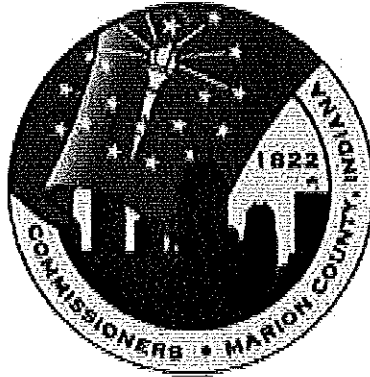
**H Closure of Children's Guardian Home**

As of June 1, 2009, no additional juveniles were placed in the Children's Guardian Home. A reuse committee has been established and the committee members are working on a plan to utilize the building.





**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**



MARION COUNTY, INDIANA  
 (COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS-MARION COUNTY)  
 SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL  
 REQUIRED SUPPLEMENTARY INFORMATION  
 GENERAL FUND  
 (UNAUDITED)  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 187,383,114	\$ 168,752,150	\$ 174,916,703	\$ 6,164,553
Intergovernmental	12,701,721	12,701,721	10,443,117	(2,258,604)
Charges for services	18,978,687	18,978,687	15,240,752	(3,737,935)
Interest	4,835,000	4,835,000	12,545,188	7,710,188
Miscellaneous	1,344,000	1,344,000	1,555,917	211,917
Total revenues	225,242,522	206,611,558	214,701,677	8,090,119
Expenditures				
Current:				
General government	78,062,412	80,910,888	79,438,844	1,472,044
Public safety	124,548,949	146,151,434	140,907,327	5,244,107
Welfare	7,272,361	40,632,361	39,212,546	1,419,815
Culture and recreation	1,046,293	1,046,293	1,046,293	—
Total expenditures	210,930,015	268,740,976	260,605,010	8,135,966
Excess (deficiency) of revenues over expenditures	14,312,507	(62,129,418)	(45,903,333)	16,226,085
Other financing sources:				
Bond and note proceeds	---	33,360,000	33,855,590	495,590
Sale of capital assets	57,700	57,700	43,043	(14,657)
Transfers in	390,000	21,150,219	17,007,343	(4,142,876)
Total other financing sources	447,700	54,567,919	50,905,976	(3,661,943)
Excess (deficiency) of revenues over expenditures and other financing sources	\$ 14,760,207	\$ (7,561,499)	\$ 5,002,643	\$ 12,564,142

See accompanying independent auditors' report and notes to the required supplementary information



MARION COUNTY, INDIANA  
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS-MARION COUNTY)  
REQUIRED PENSION SUPPLEMENTARY INFORMATION  
SCHEDULES OF FUNDING PROGRESS  
(UNAUDITED)  
DECEMBER 31, 2006

Valuation date	(1) Net assets available for benefits	(2) Actuarial accrued liability	(3) Assets in excess of actuarial accrued liability (AEAAL) (1)-(2)	(4) Funded ratio (1)/(2)	(5) Annual covered payroll	AEAAL as a percentage of covered payroll (3)/(5)
<b>Marion County Law Enforcement Personnel: Retirement Plan</b>						
1/1/02	\$ 124,447,738	\$ 124,447,738	\$ —	100.0%	\$ 18,605,324	0.0%
1/1/03	123,778,462	134,331,050	(10,552,588)	92.1	20,011,664	52.7
1/1/04	129,541,475	139,649,262	(10,107,878)	92.8	21,262,246	47.5
1/1/05	136,580,198	146,179,457	(9,599,259)	93.4	22,106,306	43.4
1/1/06	144,128,766	156,011,793	(11,883,027)	92.4	23,202,469	51.2
1/1/07	153,072,407	164,402,575	(11,330,168)	93.1	21,774,201	52.0
<b>County Employees*</b>						
7/1/2004	\$ 64,732,579	\$ 65,002,859	\$ (270,280)	100.0%	\$ 76,096,978	0.4%
7/1/2005	67,450,700	73,441,525	(5,990,825)	92.0	78,667,253	7.6
7/1/2006	77,213,769	78,541,458	(1,327,689)	98.0	83,278,350	1.6

\*Information required for only most recent actuarial valuation and the two preceding valuations.

Analysis of the dollar amounts of net assets available for benefits, actuarial accrued liability, and excess of actuarial accrued liability (assets in excess of actuarial accrued liability) in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the actuarial accrued liability provides one indication of the County's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the plan is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in funding status and annual covered payroll are both affected by inflation. Expressing the funding status as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the County's progress made in accumulating sufficient assets to pay benefits when due. Generally, the higher this percentage, the stronger the plan.

In accordance with GASB No. 25, a schedule of funding progress is not required to be disclosed for the disability plan as supplementary information since the aggregate actuarial cost method used by the disability plan does not identify or separately amortize unfunded actuarial liabilities. Under this method, the excess of the Actuarial Present Value of Projected Benefits of the group over Actuarial Value of Assets is allocated on a level basis over the earnings of the group.

See accompanying independent auditors' report and notes to the required supplementary information.

**MARION COUNTY, INDIANA**  
**(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS-MARION COUNTY)**  
**REQUIRED PENSION SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF EMPLOYER CONTRIBUTIONS**  
**(UNAUDITED)**  
**DECEMBER 31, 2006**

<u>Valuation date</u>	<u>Annual required contributions</u>	<u>Percentage contributed</u>
<b>Marion County Law Enforcement Personnel:</b>		
<b>Retirement Plan</b>		
1/1/01	\$ 2,228,225	105.7%
1/1/02	2,665,033	107.1
1/1/03	3,434,668	110.5
1/1/04	4,061,769	110.3
1/1/05	4,270,397	108.5
1/1/06	4,672,018	109.3
<b>Disability Plan</b>		
1/1/01	\$ 927,406	100.0%
1/1/02	949,714	100.0
1/1/03	956,210	100.0
1/1/04	928,311	100.0
1/1/05	961,883	105.0
1/1/06	963,908	100.0
<b>County Employees</b>		
07/01/01	\$ 1,666,209	119.2%
07/01/02	2,028,297	106.8
07/01/03	3,194,174	71.6
07/01/04	2,559,233	116.9
07/01/05	3,479,739	98.8
07/01/06	4,258,411	92.8

See accompanying independent auditors' report and notes to the required supplementary information.

**MARION COUNTY, INDIANA**  
**(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS-MARION COUNTY)**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**UNAUDITED**  
**DECEMBER 31, 2006**

**NOTE 1—BUDGETS AND BUDGETARY ACCOUNTING**

**Budgets:**

Budgets, detailed to the agency (i.e., department) and character level, are adopted for all governmental funds except Identification Security Protection (Special Revenue Fund), Clerk's Title IV D Incentive (Special Revenue Fund), Sheriff Commissary (Special Revenue Fund), Prosecutor's Title IV D Incentive (Special Revenue Fund), Federal and State Grants (Special Revenue Fund), Campaign Finance Fees (Special Revenue Fund), MC Sheriff Medical Care for Inmates (Special Revenue Fund), Court Violations Bureau (Special Revenue Fund), Capital Improvement Sinking (Debt Service Fund), Welfare Sinking (Debt Service Fund), Juvenile Incarceration Sinking (Debt Service Fund), and Public Safety Interest Escrow (Capital Projects Fund), which are not legally required to do so. MC Sheriffs Civil Division Fees (Special Revenue Fund), Section 102 HAVA Reimbursement (Special Revenue Fund), County Sinking (Debt Service Fund), and Public Safety Capital Projects (Capital Projects Fund) were not budgeted during 2006 due to no expenditure activity.

A separate budgetary report has been prepared, which is detailed to the agency and character level and is available upon request. The budgetary basis of accounting is essentially the cash basis with the exception of revenues received in the current year but budgeted for in a prior year and that encumbrances and certain accounts payable are treated as expenditures.

The timetable for the budgetary process is as follows:

<b>June 1</b>	Auditor provides guidelines to County agencies
<b>July 1</b>	County officials submit budgets
<b>August</b>	Auditor recommends budget to City-County Council
<b>August</b>	Council committees review/amend budgets based on public testimony
<b>September</b>	Council approves budget by last meeting of September
<b>December</b>	State of Indiana, Department of Local Government Finance reviews/adjusts and gives final approval to budget
<b>January 1</b>	Budget becomes effective

Revisions to transfer appropriations between agencies or character of expenditure require approval of the City-County Council. Revisions to increase the appropriations require approval of the City-County Council and if the increased appropriation occurs in a fund which has a tax rate, then the State of Indiana Department of Local Government Finance also must approve the increase.

During the year, the following supplementary appropriations were properly approved for the General Fund:

	<u><b>General Fund</b></u>
Original appropriation	\$ 210,930,015
Revisions	<u>57,810,961</u>
Revised appropriation	<u><u>\$ 268,740,976</u></u>

Unencumbered appropriations lapse at year-end and represent fund balances available for future commitment, except for capital projects funds, which are budgeted on a project basis.

**MARION COUNTY, INDIANA**  
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**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**UNAUDITED (CONTINUED)**  
**DECEMBER 31, 2006**

**NOTE 2—BUDGET / CASH AND INVESTMENT BASIS REPORTING DIFFERENCES**

Adjustments required to convert the results of 2006 operations from a budgetary basis to a cash and investment basis are as follows:

	<u>General Fund</u>
Excess of revenues over expenditures and other financing sources (budgetary basis)	\$ 5,002,643
Adjustments:	
Prior year revenue	7,727,510
Prior year expense	(2,175,003)
Expenditures from prior year encumbrances	4,707,891
Vouchers payable outstanding	<u>(1,033,972)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	\$ <u>14,229,069</u>





**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS  
AND SCHEDULES—OTHER SUPPLEMENTARY INFORMATION**



## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for operating revenues that are restricted for particular purposes by state or federal statute or that are designated by authority of the City-County Council to be maintained in separate funds.

**IDENTIFICATION SECURITY PROTECTION**—This fund was created by IC 36-2-7.5-11 for the purpose of purchasing, upgrading, implementing, or maintaining redacting technology used in the office of the County Recorder.

**ADULT PROBATION**—Established to account for receipt of adult probation fees to be appropriated by the City-County Council for the courts' use in providing probation services to adults.

**SECTION 102 HAVA REIMBURSEMENT**—Established by City-County Council Special Resolution No. 54 for the reimbursement of outstanding obligations relating to the purchase of the County's voting system. If the obligations are paid in full, the funds will be used for the improvement of elections for federal office in the County.

**SURVEYOR'S CORNER PERPETUATION**—Established to account for receipt of fees collected by the County Recorder to be appropriated by the City-County Council for establishing or relocating corners and the keeping of the corner record book.

**COUNTY RECORDS PERPETUATION**—Established to account for certain fees that are collected by the County Recorder for the preservation of records and the improvement of recording systems and equipment.

**PROPERTY REASSESSMENT**—Used for the purpose of receiving and holding in escrow tax distribution for the funding for the next property reassessment. Funds held in escrow until distributions are authorized by the State Legislature; whereby, the distribution is made to each township assessor.

**PROSECUTOR'S DIVISION**—Established to account for collection of user fees related to the operation of pretrial diversion programs. All moneys collected in this fund must be appropriated by the City-County Council and can be used only as the Prosecuting Attorney directs for pretrial diversion programs.

**PROSECUTOR'S LAW ENFORCEMENT**—Established to account for the payment of restitution by certain offenders.

**CLERK'S TITLE IV D INCENTIVE**—This fund was created by IC 12-17-2-26. The revenues received in this fund are an incentive from the state/federal government for enhancing child support enforcement. These funds per the statute are eligible to be spent without appropriation.

**SHERIFF COMMISSARY**—Established to account for moneys collected in the jail commissary, which is required to be spent according to IC 36-8-10-21.

**COUNTY EXTRADITION**—Established to account for the collection of certain court fees to be appropriated by the City-County Council to offset extradition expense.

**COUNTY MISDEMEANANT**—Established by the State of Indiana to provide incentive to counties to locally house misdemeanants. This fund may be used only for funding the operation of a county jail, jail programs, or other local correctional facilities.

**ALCOHOL AND DRUG SERVICES**—Established to account for the collection of court fees to be appropriated by the City-County Council for the operation of an alcohol and drug services program.



**COMMUNITY CORRECTIONS HOME DETENTION**—Established to collect user fees related to the supervision of home detention.

**SUPPLEMENTAL PUBLIC DEFENDER FEE**—Established to account for the collection of fees assessed, at the discretion of the judge, on a defendant to cover costs incurred by the County as a result of court appointed legal services rendered to the defendant.

**DEFERRAL PROGRAM FEES**—Established to account for the collection of traffic violation process fees for people who are released on their own recognizance.

**COUNTY DRUG FREE COMMUNITY**—Established to promote comprehensive local alcohol and drug abuse prevention initiatives by supplementing local funding for treatment, education, and criminal justice efforts.

**CONDITIONAL RELEASE**—Established to account for the pretrial diversion program fees collected by the Clerk.

**STATE AND FEDERAL GRANTS**—Established to account for state and federal grants program received from the U.S. Marshal, U.S. Department of Justice, U.S. Department of Health and Human Services, State of Indiana Department of Corrections, Indiana Criminal Justice Institute, Indiana Division of Family and Children, City of Indianapolis, and various other state and federal agencies.

**ENHANCED ACCESS**—Established for the replacement, improvement, and expansion of capital expenditures and the reimbursement of operating expenses incurred in providing enhanced access to public information.

**PROSECUTOR'S LAW ENFORCEMENT EQUITABLE SHARE**—Established in accordance with federal guidelines to track all funds received under the Equitable Sharing Program.

**PROSECUTOR'S TITLE IV D INCENTIVE**—Created by IC 12-17-2-26. The receipts received in this fund are an incentive from the state/federal government for enhancing child support enforcement. These funds per the statute are eligible to be spent without appropriation.

**MC SHERIFF'S CIVIL DIVISION FEES**—Created by the City-County Council, Ordinance No. 86 (2004). The fund shall consist of fees collected in the processing of real estate foreclosures and orders of eviction. Receipts received in this fund are for the purpose of carrying out the functions of the Marion County Sheriff's Department. Amounts shall be paid from this fund only pursuant to appropriations authorized by the City-County Council.

**AUDITOR'S ENDORSEMENT FEE**—Established to account for the receipt of fees charged on documents for endorsing a document affecting an interest in real property. This fund is to be used for the improvement and maintenance of the real property records systems and equipment.

**COUNTY SALES DISCLOSURE**—Established to account for the receipt of fees charged on the filing of a sales disclosure form. This fund is to be used for the administration of the sales disclosure function, training of assessing officials, or the purchasing of computer software or hardware for a property record system.

**OTHER**—Used to account for activities of 14 other less significant revenue sources and related expenditures.

#### **DEBT SERVICE FUNDS**

Debt Service Funds are used to account for the accumulation of resources devoted to the payment of principal, interest, and related costs on long-term general obligation debt.

**COUNTY SINKING**—Established to account for the resources devoted to the payment of interest and principal on long-term general obligation debt issued by the County. This fund had no activity in 2006.

**JUVENILE INCARCERATION SINKING**—Established to account for the resources devoted to the payment of the debt owed to the State of Indiana for the incarceration of juveniles at state-owned facilities.

## **CAPITAL PROJECTS FUNDS**

Capital Projects Funds are used to account for resources designated to construct or acquire major capital facilities.

**CUMMULATIVE CAPITAL DEVELOPMENT**—Used to account for financial resources to be used for the renovation/ and or construction of major capital facilities as approved by the City-County Council, other than those financed by proprietary funds.

**PUBLIC SAFETY CAPITAL PROJECTS AND PUBLIC SAFETY INTEREST ESCROW**—Established to account for the development of the County integrated justice system and the upgrade of equipment for the County Forensic Services lab and County Sheriff's Department.

**CAPITAL IMPROVEMENT LEASE FUND**—Established for the purpose of funding capital lease obligations of County offices. The fund shall consist of all taxes and miscellaneous receipts allocated to the capital lease fund. Amounts may be paid from this fund from appropriations authorized by the City-County Council.

MARION COUNTY, INDIANA  
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS-MARION COUNTY)  
COMBINING STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
OTHER GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2006

Special Revenues Funds												
	Identification Security Protection	Adult Probation	Section 102 HAVA Reimburse- ment	Surveyor's Coroner Perpetua- tion	County Records Perpetuation	Property Reassessment	Prosecutor's Diversion	Prosecutor's Law Enforce- ment	Clerk's Title IV D Incentive	Sheriff Commissionary	County Extradition	County Misdeme- anor
Receipts:												
Taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,574,177	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Intergovernmental	—	—	2,247,762	—	—	—	—	823	292,810	—	—	—
Interest	—	—	—	—	—	99,023	—	—	—	—	—	—
Charges for services	361,192	2,143,487	—	225,126	928,748	—	705,648	690,724	—	3,274,897	18,375	—
Miscellaneous	—	4,450	—	—	—	1,392	—	7,940	—	—	—	600,551
Total receipts	361,192	2,147,937	2,247,762	225,126	928,748	1,674,504	705,648	699,487	292,810	3,274,897	18,375	600,551
Disbursements:												
Current:												
General government	—	2,859,677	77,754	40,072	1,453,202	2,569,830	—	—	—	—	—	—
Public safety	—	—	—	—	—	—	706,308	463,442	—	3,446,929	109,021	551,245
Capital outlay	—	—	—	12,239	85,976	12,289	—	64,850	—	—	—	38,001
Debt service:												
Interest and fiscal charges	—	—	372,492	—	—	—	—	—	—	—	—	—
Total disbursements	—	2,859,677	450,246	52,311	1,549,178	2,582,119	706,308	528,292	—	3,446,929	109,021	589,247
Excess (deficiency) of receipts over disbursements	361,192	(741,740)	1,797,516	172,815	(620,430)	(907,615)	(660)	171,195	292,810	(172,032)	(90,646)	11,304
Other financing sources (uses):												
Transfers out	—	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—	—	—	—	—	—	—	—
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	361,192	(741,740)	1,797,516	172,815	(620,430)	(907,615)	(660)	171,195	292,810	(172,032)	(90,646)	11,304
Cash and investment fund balances - beginning of year	—	1,153,017	598,759	1,066,654	6,317,837	2,452,168	274,395	1,384,500	889,618	1,211,451	188,276	114,173
Cash and investment fund balances - end of year	\$ 361,192	\$ 411,277	\$ 2,396,275	\$ 1,239,469	\$ 5,697,407	\$ 1,554,553	\$ 273,735	\$ 1,555,495	\$ 1,182,428	\$ 1,039,419	\$ 97,630	\$ 125,477
Cash and Investment Assets - December 31, 2006												
Cash and cash equivalents	\$ 361,192	\$ 411,277	\$ 2,396,275	\$ 1,239,469	\$ 5,697,407	\$ 1,554,553	\$ 273,735	\$ 1,555,495	\$ 1,182,428	\$ 1,039,419	\$ 97,630	\$ 125,477
Total cash and investment assets - December 31, 2006	\$ 361,192	\$ 411,277	\$ 2,396,275	\$ 1,239,469	\$ 5,697,407	\$ 1,554,553	\$ 273,735	\$ 1,555,495	\$ 1,182,428	\$ 1,039,419	\$ 97,630	\$ 125,477
Cash and Investment Fund Balances - December 31, 2006												
Unreserved	\$ 361,192	\$ 411,277	\$ 2,396,275	\$ 1,239,469	\$ 5,697,407	\$ 1,554,553	\$ 273,735	\$ 1,555,495	\$ 1,182,428	\$ 1,039,419	\$ 97,630	\$ 125,477
Total cash and investment fund balances - December 31, 2006	\$ 361,192	\$ 411,277	\$ 2,396,275	\$ 1,239,469	\$ 5,697,407	\$ 1,554,553	\$ 273,735	\$ 1,555,495	\$ 1,182,428	\$ 1,039,419	\$ 97,630	\$ 125,477
	Debt Service Funds			Capital Projects Funds					Total Nonmajor Funds			
	County Sinking	Juvie Incarceration Sinking	Total Debt Service	Public Safety Capital Projects	Cumulative Capital Development	Public Safety Interest Escrow	Capital Improvement Lease Fund	Total Capital Project				
Receipts:												
Taxes	\$ —	\$ 18,940,343	\$ 18,940,343	\$ —	\$ 5,493,635	\$ —	\$ 291,266	\$ 5,785,001	\$ 26,299,521			
Intergovernmental	—	—	—	—	—	—	1,034,830	1,034,830	16,109,860			
Interest	—	—	—	—	—	—	—	—	105,327			
Charges for services	—	—	—	—	—	—	—	—	18,559,928			
Miscellaneous	—	—	—	—	—	—	—	—	661,145			
Total receipts	—	18,940,343	18,940,343	—	5,493,635	—	1,326,196	6,819,831	61,735,782			
Disbursements:												
Current:												
General government	—	—	—	—	2,973,880	—	—	2,973,880	14,252,857			
Public safety	—	—	—	—	—	—	2,005,000	2,005,000	26,941,691			
Capital outlay	—	—	—	—	458,344	—	—	458,344	1,191,589			
Debt service:												
Interest and fiscal charges	—	—	—	—	—	—	—	—	372,492			
Total disbursements	—	—	—	—	3,432,224	—	2,005,000	5,437,224	42,758,659			
Excess (deficiency) of receipts over disbursements	—	18,940,343	18,940,343	—	2,061,411	—	(678,804)	1,392,607	18,977,123			
Other financing sources (uses):												
Transfers out	—	(18,940,343)	(18,940,343)	—	—	—	—	—	(19,270,343)			
Sale of capital assets	—	—	—	—	7,036	—	—	7,036	7,036			
Total other financing sources (uses)	—	(18,940,343)	(18,940,343)	—	7,036	—	—	7,036	(19,263,307)			
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	—	—	—	—	2,068,447	—	(678,804)	1,399,643	(256,184)			
Cash and investment fund balances - beginning of year	10,781	—	10,781	(12,244)	1,852,019	1,684	1,028,807	2,870,266	30,343,739			
Cash and investment fund balances - end of year	\$ 10,781	\$ —	\$ 10,781	\$ (12,244)	\$ 3,920,466	\$ 1,684	\$ 350,033	\$ 4,259,909	\$ 30,057,555			
Cash and Investment Assets - December 31, 2006												
Cash and cash equivalents	\$ 10,781	\$ —	\$ 10,781	\$ (12,244)	\$ 3,920,466	\$ 1,684	\$ 350,033	\$ 4,259,909	\$ 30,057,555			
Total cash and investment assets - December 31, 2006	\$ 10,781	\$ —	\$ 10,781	\$ (12,244)	\$ 3,920,466	\$ 1,684	\$ 350,033	\$ 4,259,909	\$ 30,057,555			
Cash and Investment Fund Balances - December 31, 2006												
Unreserved	\$ 10,781	\$ —	\$ 10,781	\$ (12,244)	\$ 3,920,466	\$ 1,684	\$ 350,033	\$ 4,259,909	\$ 30,057,555			
Total cash and investment fund balances - December 31, 2006	\$ 10,781	\$ —	\$ 10,781	\$ (12,244)	\$ 3,920,466	\$ 1,684	\$ 350,033	\$ 4,259,909	\$ 30,057,555			
See accompanying notes to the basic financial statements.												

See accompanying notes to the basic financial statements.

**Special Revenues Funds**

Alcohol and Drug Services	Community Corrections Home Detention	Supplemental Public Defender Fee	Deferral Program Fees	County Drug Free Community	Conditional Release	State and Federal Grants	Enhanced Access	Prosecutor's Law Enforcement Equitable Share	Prosecutor's Title IV D Incentive	MC Sheriff's Civil Division Fees	Auditor's Endorsement Fee	County Sales Disburse	Other	Total Special Revenue
\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,574,177
—	—	—	2,236	—	—	11,896,024	—	—	440,534	—	—	—	194,841	15,075,030
640,159	1,918,478	175,540	3,458,300	407,800	375,245	—	256,130	251,440	—	1,373,400	273,688	108,392	943,719	18,559,928
—	70	—	1,153	—	—	2,694	—	—	—	—	—	—	43,585	651,146
<u>640,159</u>	<u>1,918,548</u>	<u>175,540</u>	<u>3,491,689</u>	<u>407,800</u>	<u>375,245</u>	<u>11,898,118</u>	<u>256,130</u>	<u>257,742</u>	<u>440,534</u>	<u>1,373,400</u>	<u>273,688</u>	<u>108,392</u>	<u>1,182,116</u>	<u>35,975,608</u>
745,641	—	251,121	—	—	249,153	1,597,170	1,422	—	—	—	—	—	593,965	11,279,007
—	3,224,195	—	3,683,062	372,942	324,065	8,136,023	—	77,284	551,952	3,159,973	—	—	130,249	24,936,691
—	46,251	—	43,391	—	—	104,785	—	314,751	10,712	—	—	—	—	731,245
—	—	—	—	—	—	—	—	—	—	—	—	—	—	372,492
<u>745,641</u>	<u>3,270,446</u>	<u>251,121</u>	<u>3,726,453</u>	<u>372,942</u>	<u>573,218</u>	<u>10,237,978</u>	<u>1,422</u>	<u>392,035</u>	<u>562,664</u>	<u>3,159,973</u>	<u>—</u>	<u>—</u>	<u>1,124,214</u>	<u>37,321,435</u>
(105,442)	(1,351,898)	(75,581)	(234,764)	34,858	(197,973)	1,660,140	254,708	(134,293)	(122,130)	(1,786,573)	273,688	108,392	57,932	(1,345,827)
—	—	—	(330,000)	—	—	—	—	—	—	—	—	—	—	(330,000)
—	—	—	(330,000)	—	—	—	—	—	—	—	—	—	—	(330,000)
(105,442)	(1,351,898)	(75,581)	(564,764)	34,858	(197,973)	1,660,140	254,708	(134,293)	(122,130)	(1,786,573)	273,688	108,392	57,932	(1,675,827)
598,682	1,600,382	115,858	2,253,724	527,876	711,772	(224,579)	524,172	548,355	593,691	1,651,673	583,235	419,220	1,449,180	27,452,632
<u>\$ 493,240</u>	<u>\$ 257,484</u>	<u>\$ 40,277</u>	<u>\$ 1,723,960</u>	<u>\$ 562,734</u>	<u>\$ 513,799</u>	<u>\$ 1,435,561</u>	<u>\$ 778,880</u>	<u>\$ 414,462</u>	<u>\$ 470,961</u>	<u>\$ (134,900)</u>	<u>\$ 1,261,323</u>	<u>\$ 527,612</u>	<u>\$ 1,507,112</u>	<u>\$ 25,786,865</u>
\$ 493,240	257,484	40,277	1,723,960	562,734	513,799	1,435,561	778,880	414,462	470,961	(134,900)	1,261,323	527,612	1,507,112	25,786,865
\$ 493,240	257,484	40,277	1,723,960	562,734	513,799	1,435,561	778,880	414,462	470,961	(134,900)	1,261,323	527,612	1,507,112	25,786,865
\$ 493,240	257,484	40,277	1,723,960	562,734	513,799	1,435,561	778,880	414,462	470,961	(134,900)	1,261,323	527,612	1,507,112	25,786,865

**MARION COUNTY, INDIANA**  
**(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)**  
**SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUNDS – NONMAJOR**  
**(UNAUDITED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget—</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>Adult Probation</b>				
Revenues:				
Charges for services	\$ 2,312,000	\$ 2,312,000	\$ 2,003,150	\$ (308,850)
Miscellaneous	—	—	4,389	4,389
Total revenues	<u>2,312,000</u>	<u>2,312,000</u>	<u>2,007,539</u>	<u>(304,461)</u>
Expenditures:				
General government	<u>2,907,228</u>	<u>2,907,228</u>	<u>2,897,140</u>	<u>10,088</u>
Deficiency of revenues over expenditures	<u>\$ (595,228)</u>	<u>\$ (595,228)</u>	<u>\$ (889,601)</u>	<u>\$ (294,373)</u>
<b>Surveyor's Corner Perpetuation</b>				
Revenues:				
Charges for services	\$ 200,000	\$ 200,000	\$ 163,896	\$ (36,104)
Expenditures:				
General government	<u>207,146</u>	<u>207,146</u>	<u>52,311</u>	<u>154,835</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (7,146)</u>	<u>\$ (7,146)</u>	<u>\$ 111,585</u>	<u>\$ 118,731</u>
<b>County Records Perpetuation</b>				
Revenues:				
Charges for services	\$ 1,300,000	\$ 1,300,000	\$ 662,607	\$ (637,393)
Expenditures:				
General government	<u>2,310,328</u>	<u>2,310,328</u>	<u>1,596,889</u>	<u>713,439</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,010,328)</u>	<u>\$ (1,010,328)</u>	<u>\$ (934,282)</u>	<u>\$ 76,046</u>
<b>Property Reassessment</b>				
Revenues:				
Taxes	\$ 1,691,315	\$ 1,608,406	\$ 1,574,177	\$ (34,229)
Interest	45,000	45,000	99,024	54,024
Miscellaneous	1,500	1,500	1,200	(300)
Total revenue	<u>1,737,815</u>	<u>1,654,906</u>	<u>1,674,401</u>	<u>19,495</u>
Expenditures:				
General government	<u>2,486,283</u>	<u>2,858,004</u>	<u>2,577,288</u>	<u>280,716</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (748,468)</u>	<u>\$ (1,203,098)</u>	<u>\$ (902,887)</u>	<u>\$ 300,211</u>
<b>Prosecutor's Diversion</b>				
Revenues:				
Charges for services	\$ 670,000	\$ 670,000	\$ 657,304	\$ (12,696)
Expenditures:				
Public safety	<u>707,049</u>	<u>707,049</u>	<u>706,308</u>	<u>741</u>
Deficiency of revenues over expenditures	<u>\$ (37,049)</u>	<u>\$ (37,049)</u>	<u>\$ (49,004)</u>	<u>\$ (11,955)</u>
<b>Prosecutor's Law Enforcement</b>				
Revenues:				
Charges for services	\$ 615,000	\$ 615,000	\$ 479,935	\$ (135,065)
Intergovernmental	—	—	822	822
Miscellaneous	—	—	7,940	7,940
Total revenues	<u>615,000</u>	<u>615,000</u>	<u>488,697</u>	<u>(126,303)</u>
Expenditures:				
Public safety	<u>1,312,261</u>	<u>1,168,261</u>	<u>538,723</u>	<u>629,538</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (697,261)</u>	<u>\$ (553,261)</u>	<u>\$ (50,026)</u>	<u>\$ 503,235</u>

(Continued)

**MARION COUNTY, INDIANA**  
**(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)**  
**SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUNDS – NONMAJOR**  
**(UNAUDITED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>County Extradition</b>				
Revenues:				
Charges for services	\$ 50,000	\$ 50,000	\$ 18,375	\$ (31,625)
Expenditures:				
Public safety	143,187	143,187	109,021	34,166
Excess (deficiency) of revenues over expenditures	<u>\$ (93,187)</u>	<u>\$ (93,187)</u>	<u>\$ (90,646)</u>	<u>\$ 2,541</u>
<b>County Misdemeanant</b>				
Revenues:				
Miscellaneous	\$ 600,551	\$ 600,551	\$ 600,551	\$ —
Expenditures:				
Public safety	636,001	636,001	551,428	84,573
Excess (deficiency) of revenues over expenditures	<u>\$ (35,450)</u>	<u>\$ (35,450)</u>	<u>\$ 49,123</u>	<u>\$ 84,573</u>
<b>Alcohol and Drug Services</b>				
Revenues:				
Charges for services	\$ 1,100,000	\$ 1,100,000	\$ 575,442	\$ (524,558)
Expenditures:				
General government	993,869	801,573	748,459	53,114
Excess (deficiency) of revenues over expenditures	<u>\$ 106,131</u>	<u>\$ 298,427</u>	<u>\$ (173,017)</u>	<u>\$ (471,444)</u>
<b>Community Corrections Home Detention</b>				
Revenues:				
Charges for services	\$ 2,700,000	\$ 2,700,000	\$ 1,918,478	\$ (781,522)
Miscellaneous	—	—	70	70
Total revenues	2,700,000	2,700,000	1,918,548	(781,452)
Expenditures:				
Public safety	3,134,670	3,711,159	3,252,676	458,483
Deficiency of revenues over expenditures	<u>\$ (434,670)</u>	<u>\$ (1,011,159)</u>	<u>\$ (1,334,128)</u>	<u>\$ (322,969)</u>
<b>Supplemental Public Defender Fee</b>				
Revenues:				
Charges for services	\$ 3,500,000	\$ 3,500,000	\$ 162,509	\$ (3,337,491)
Expenditures:				
General government	250,000	250,000	249,876	124
Excess (deficiency) of revenues over expenditures	<u>\$ 3,250,000</u>	<u>\$ 3,250,000</u>	<u>\$ (87,367)</u>	<u>\$ (3,337,367)</u>
<b>Deferral Program Fees</b>				
Revenues:				
Charges for services	\$ 3,500,000	\$ 3,500,000	\$ 3,264,854	\$ (235,146)
Miscellaneous	—	—	2,236	2,236
Total revenue	3,500,000	3,500,000	3,267,090	(232,910)
Expenditures:				
Public safety	4,227,454	4,227,454	3,666,062	561,392
Excess (deficiency) of revenues over expenditures	(727,454)	(727,454)	(398,972)	328,482
Other financing sources (uses):				
Transfers in (out)	(330,000)	(330,000)	(330,000)	—
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ (1,057,454)</u>	<u>\$ (1,057,454)</u>	<u>\$ (728,972)</u>	<u>\$ 328,482</u>

(Continued)

**MARION COUNTY, INDIANA**  
**(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)**  
**SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUNDS – NONMAJOR**  
**(UNAUDITED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget—</u>
				<u>Positive</u>
				<u>(Negative)</u>
<b>County Drug Free Community</b>				
Revenues:				
Charges for services	\$ 450,000	\$ 450,000	\$ 374,363	\$ (75,637)
Expenditures:				
Public safety	500,000	506,463	506,463	—
Deficiency of revenues over expenditures	\$ (50,000)	\$ (56,463)	\$ (132,100)	\$ (75,637)
<b>Conditional Release</b>				
Revenues:				
Charges for services	\$ 376,000	\$ 376,000	\$ 369,564	\$ (6,436)
Expenditures:				
General government	277,578	277,578	257,597	19,981
Public safety	—	271,188	236,282	34,906
Total expenditures	277,578	548,766	493,879	54,887
Excess (deficiency) of revenues over expenditures	\$ 98,422	\$ (172,766)	\$ (124,315)	\$ 48,451
<b>Enhanced Access</b>				
Revenues:				
Charges for services	\$ 97,000	\$ 97,000	\$ 206,681	\$ 109,681
Expenditures:				
General government	151,600	151,600	1,421	150,179
Excess (deficiency) of revenues over expenditures	\$ (54,600)	\$ (54,600)	\$ 205,260	\$ 259,860
<b>Prosecutor's Law Enforcement Equitable Share</b>				
Revenues:				
Charges for services	\$ 75,000	\$ 75,000	\$ 251,440	\$ 176,440
Miscellaneous	—	—	632	632
Total revenue	75,000	75,000	252,072	177,072
Expenditures:				
Public safety	135,000	279,000	145,089	133,911
Excess (deficiency) of revenues over expenditures	\$ (60,000)	\$ (204,000)	\$ 106,983	\$ 310,983
<b>Auditor's Endorsement Fee</b>				
Revenues:				
Charges for services	\$ 200,000	\$ 200,000	\$ 264,873	\$ 64,873
Expenditures:				
General government	24,000	24,000	—	24,000
Excess of revenues over expenditures	\$ 176,000	\$ 176,000	\$ 264,873	\$ 88,873
<b>County Sales Disclosure</b>				
Revenues:				
Charges for services	\$ 105,000	\$ 105,000	\$ 104,924	\$ (76)
Expenditures:				
General government	—	—	—	—
Excess of revenues over expenditures	\$ 105,000	\$ 105,000	\$ 104,924	\$ (76)

(Continued)

MARION COUNTY, INDIANA  
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)  
SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
SPECIAL REVENUE FUNDS – NONMAJOR  
(UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Other – Guardian Ad Litem</b>				
Revenues:				
Charges for services	\$ 185,000	\$ 185,000	\$ 185,050	\$ 50
Expenditures:				
General government	185,000	185,000	184,757	243
Excess of revenues over expenditures	\$ —	\$ —	\$ 293	\$ 293
<b>Other – County Grants</b>				
Revenues:				
Intergovernmental	\$ —	\$ 500,985	\$ 184,106	\$ (316,879)
Expenditures:				
General government	—	201,946	156,839	45,107
Public safety	—	300,500	73,820	226,680
Culture and recreation	—	53,749	—	53,749
Total expenditures	—	556,195	230,659	325,536
Excess (deficiency) of revenues over expenditures	\$ —	\$ (55,210)	\$ (46,553)	\$ 8,657
<b>Other – Child Advocacy</b>				
Revenues:				
Charges for services	\$ 3,096	\$ 3,096	\$ 3,096	\$ —
Expenditures:				
General government	—	—	—	—
Excess of revenues over expenditures	\$ 3,096	\$ 3,096	\$ 3,096	\$ —
<b>Other – Clerk's Perpetuation Fund</b>				
Revenues:				
Charges for services	\$ 375,000	\$ 375,000	\$ 269,788	\$ (105,212)
Expenditures:				
General government	538,760	538,760	376,259	162,501
Excess (deficiency) of revenues over expenditures	\$ (163,760)	\$ (163,760)	\$ (106,471)	\$ 57,289
<b>Other – Drug Treatment Diversion</b>				
Revenues:				
Intergovernmental	\$ 8,851	\$ 8,851	\$ 8,851	\$ —
Expenditures:				
General government	—	—	—	—
Excess of revenues over expenditures	\$ 8,851	\$ 8,851	\$ 8,851	\$ —
<b>Other – Juvenile Probation</b>				
Revenues:				
Charges for services	\$ 185,000	\$ 185,000	\$ 180,248	\$ (4,752)
Expenditures:				
General government	140,000	140,000	32,259	107,741
Excess of revenues over expenditures	\$ 45,000	\$ 45,000	\$ 147,989	\$ 102,989

(Continued)



MARION COUNTY, INDIANA  
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)  
SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
SPECIAL REVENUE FUNDS – NONMAJOR  
(UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget— Positive (Negative)
	Original	Final		
<b>Other – Sheriff's Continuing Education</b>				
Revenues:				
Charges for services	\$ 30,000	\$ 30,000	\$ 17,220	\$ (12,780)
Expenditures:				
Public safety	30,001	30,001	29,786	215
Deficiency of revenues over expenditures	<u>\$ (1)</u>	<u>\$ (1)</u>	<u>\$ (12,566)</u>	<u>\$ (12,565)</u>
 <b>Other – Jury Pay</b>				
Revenues:				
Charges for services	\$ 175,000	\$ 175,000	\$ 107,507	\$ (67,493)
Expenditures:				
General government	250,000	250,000	181,536	68,464
Excess (deficiency) of revenues over expenditures	<u>\$ (75,000)</u>	<u>\$ (75,000)</u>	<u>\$ (74,029)</u>	<u>\$ 971</u>
 <b>Other – Alternative Dispute Resolution</b>				
Revenues:				
Charges for services	\$ 85,000	\$ 85,000	\$ 71,242	\$ (13,758)
Miscellaneous	—	—	674	674
Total revenues	85,000	85,000	71,916	(13,084)
Expenditures:				
General government	94,910	94,910	64,311	30,599
Excess of revenues over expenditures	<u>\$ (9,910)</u>	<u>\$ (9,910)</u>	<u>\$ 7,605</u>	<u>\$ 17,515</u>
 <b>Other – Local Emergency Planning</b>				
Revenues:				
Miscellaneous	\$ 70,000	\$ 70,000	\$ 42,562	\$ (27,438)
Expenditures:				
General government	32,000	32,000	26,643	5,357
Excess (deficiency) of revenues over expenditures	<u>\$ 38,000</u>	<u>\$ 38,000</u>	<u>\$ 15,919</u>	<u>\$ (22,081)</u>

See accompanying independent auditors' report.

MARION COUNTY, INDIANA  
 (COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)  
 SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL  
 CAPITAL PROJECTS FUNDS  
 (UNAUDITED)  
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts			Variance with Final Budget – Positive (Negative)
	Original	Final	Actual Amounts	
<b><u>Cumulative Capital Development</u></b>				
Revenues:				
Taxes	\$ 5,598,213	\$ 5,637,684	\$ 5,493,633	\$ (144,051)
Total revenues	<u>5,598,213</u>	<u>5,637,684</u>	<u>5,493,633</u>	<u>(144,051)</u>
Expenditures:				
Capital outlay	1,939,927	2,293,927	4,683,725	(2,389,798)
Total expenditures	<u>1,939,927</u>	<u>2,293,927</u>	<u>4,683,725</u>	<u>(2,389,798)</u>
Excess of revenues over expenditures	<u>3,658,286</u>	<u>3,343,757</u>	<u>809,908</u>	<u>(2,533,849)</u>
Other financing sources:				
Sale of capital assets	200,000	200,000	7,038	192,962
Transfers in	2,500,000	2,500,000	1,250,000	1,250,000
Total other financing sources	<u>2,700,000</u>	<u>2,700,000</u>	<u>1,257,038</u>	<u>1,442,962</u>
Excess of revenues over expenditures and other financing sources	<u>\$ 6,358,286</u>	<u>\$ 6,043,757</u>	<u>\$ 2,066,946</u>	<u>\$ (1,090,887)</u>
<b><u>Capital Improvement Lease</u></b>				
Revenues:				
Taxes	\$ 306,519	\$ 306,519	\$ 291,367	\$ (15,152)
Total revenues	<u>306,519</u>	<u>306,519</u>	<u>291,367</u>	<u>(15,152)</u>
Expenditures:				
Public safety	2,009,000	2,009,000	2,005,000	4,000
Deficiency of revenues over expenditures	<u>(1,702,481)</u>	<u>(1,702,481)</u>	<u>(1,713,633)</u>	<u>(11,152)</u>
Other financing sources (uses):				
Transfers in (out)	—	—	(1,034,830)	(1,034,830)
Total other financing sources (uses)	<u>—</u>	<u>—</u>	<u>(1,034,830)</u>	<u>(1,034,830)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ (1,702,481)</u>	<u>\$ (1,702,481)</u>	<u>\$ (2,748,463)</u>	<u>\$ (1,045,982)</u>

See accompanying independent auditors' report.

## FIDUCIARY FUND TYPES

### PENSION TRUST FUNDS

Pension Trust Funds are those funds held in trust for disbursement to covered employees.

**MARION COUNTY LAW ENFORCEMENT PERSONNEL RETIREMENT PLAN (RETIREMENT)**—To account for assets held in the Marion County Law Enforcement Personnel Retirement Plan for eligible employees of the Marion County Sheriff's Department.

**MARION COUNTY LAW ENFORCEMENT PERSONNEL DEPENDENTS AND DISABILITY BENEFITS PLAN (DISABILITY)**—To account for assets held in the Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan for eligible employees of the Marion County Sheriff's Department.

### AGENCY FUNDS

Agency Funds are used to account for transactions related to assets of others held on their behalf by the County.

**EXCISE TAX REFUNDS**—Established to refund moneys to taxpayers where an error or overpayment has occurred in the payment of excise tax.

**PROPERTY TAX REFUNDS**—Established to refund moneys to taxpayers where an error has occurred in the assessment of property tax.

**STATE TAXES**—Established to account for inheritance taxes, forfeiture of bonds, and fines paid in all courts, which are collected by the County and remitted to the State of Indiana.

**TAX SALE REDEMPTION**—Established as an escrow account for funds received from property sold in a tax sale.

**TAX SALE SURPLUS**—Established to account for funds received over and above delinquent taxes received from property sold in a tax sale.

**STATE PUBLIC SAFETY FEES**—Established to account for various fees collected by the Courts and then remitted to the state. These include domestic violence fees, judicial fees, infraction judgments, state prosecutor fees, state docket fees, judicial salary fees, and victims of violent crimes fees.

**SALE OF COUNTY-OWNED PROPERTY**—Established to record funds received from the sale of County properties that were claimed for delinquent taxes.

**TREASURER'S SURPLUS**—Established to account for overpayment of taxes or misapplication of tax payments received.

**TRUST CLEARANCE**—Established as an escrow fund for assets held for disadvantaged children under the care of the Division of Family and Children. Authorization for receipts and disbursements is made through the Division of Family and Children by order of the Circuit Court.

**COURT COSTS TO MUNICIPALITIES**—Established to account for the portion of court costs collected and subsequently disbursed to various municipalities within Marion County.

**TREASURER'S TAX COLLECTION**—Established to account for advancement and final distribution of taxes collected by the County Treasurer for all taxing units within the County (including entities outside of Marion County's reporting entity).

**FAMILY AND CHILDREN SERVICES**—Established to fund the Children in Need of Services program and for delinquent children.

**DELINQUENT BUSINESS PERSONAL PROPERTY**—Established to account for monies collected on delinquent business personal property tax returns. The monies collected shall be to pay the contract for the audit of the business personal property returns, with any remaining balance distributed to the appropriate taxing units.

**LAW ENFORCEMENT CONTINUING EDUCATION**—Established to account for fees collected by the County and subsequently disbursed to various law enforcement agencies for continuing education programs.

**PAYROLL**—Established to account for the receipt of the gross payroll transfers from all County funds having personal services expenditures and the subsequent disbursements of net payroll checks and withholdings.

**CLERK OF CIRCUIT COURT AND SHERIFF**—Represent various custodial and fiduciary bank accounts maintained by the designated department in the course of normal operations.

**IMAGIS**—Established to account for the receipts collected by the County and subsequently disbursed as approved by the IMAGIS board (IMAGIS board is not part of Marion County's reporting entity).

**OTHER**—Represents 14 other less significant fiduciary funds that are maintained by Marion County on behalf of others.

**MARION COUNTY, INDIANA**  
**(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)**  
**COMBINING STATEMENT OF ASSETS AND NET ASSETS AND ADDITIONS, DEDUCTIONS,**  
**AND CHANGES IN NET ASSETS – MODIFIED CASH BASIS**  
**PENSION TRUST FUNDS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Retirement</u>	<u>Disability</u>	<u>Total</u>
<b>Additions</b>			
Contributions:			
Employer	\$ 4,453,865	\$ 961,883	\$ 5,415,748
Employee	<u>926,692</u>	<u>---</u>	<u>926,692</u>
Total contributions	<u>5,380,557</u>	<u>961,883</u>	<u>6,342,440</u>
Investment income:			
Interest and dividends	1,970,999	197,474	2,168,473
Realized gain (loss) on sales, net	<u>9,442,217</u>	<u>(608,742)</u>	<u>8,833,475</u>
Net investment receipts	<u>11,413,216</u>	<u>(411,268)</u>	<u>11,001,948</u>
Total additions	<u>16,793,773</u>	<u>550,615</u>	<u>17,344,388</u>
<b>Deductions</b>			
Investment management fees	437,776	20,508	458,284
Benefits	<u>5,960,027</u>	<u>791,188</u>	<u>6,751,215</u>
Total deductions	<u>6,397,803</u>	<u>811,696</u>	<u>7,209,499</u>
Excess (deficiency) of total additions over total deductions	10,395,970	(261,081)	10,134,889
Cash and investment net assets – beginning of year	<u>120,586,023</u>	<u>11,921,474</u>	<u>132,507,497</u>
Cash and investment net assets – end of year	<u>\$ 130,981,993</u>	<u>\$ 11,660,393</u>	<u>\$ 142,642,386</u>
<b><u>Cash and Investment Assets - December 31, 2006</u></b>			
Cash and cash equivalents	\$ 2,452,353	\$ 201,904	\$ 2,654,257
Investments:			
Foreign obligations	499,289	—	499,289
Exchange-traded funds	17,941,755	—	17,941,755
Common stocks	27,603,745	—	27,603,745
Mutual funds	<u>82,484,851</u>	<u>11,458,489</u>	<u>93,943,340</u>
Total cash and investment assets – December 31, 2006	<u>\$ 130,981,993</u>	<u>\$ 11,660,393</u>	<u>\$ 142,642,386</u>
Cash and investment net assets – December 31, 2006	<u>\$ 130,981,993</u>	<u>\$ 11,660,393</u>	<u>\$ 142,642,386</u>

See accompanying independent auditors' report.

MARION COUNTY, INDIANA  
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS - MARION COUNTY)  
COMBINING STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS  
AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Excise Tax Refunds	Property Tax Refunds	State Taxes	Tax Sale Redemption	Tax Sale Surplus	State Public Safety Fees	Sale of County Owned Property	Treasurer's Surplus	Trust Clearance	Court Costs to Municipalities	Treasurer's Tax Collection
<b>Additions:</b>											
Agency fund additions	\$ 378	\$ 27,913,897	\$ 24,801,114	\$ 4,919,761	\$ 25,340,927	\$ 1,318,768	\$ 309,772	\$ 3,112,119	\$ 750,276	\$ 341,753	\$ 1,629,933,448
<b>Deductions:</b>											
Agency fund deductions	339	30,201,656	23,557,783	4,785,740	18,879,854	1,397,540	300,478	3,178,160	763,158	288,475	1,622,190,600
Excess (deficiency) of total additions over total deductions	39	(2,287,759)	1,243,331	134,021	6,461,073	(78,772)	9,294	(66,041)	(12,882)	53,278	7,742,848
Cash net assets - beginning of year	1,296	(1,483,523)	(1,246,553)	(91,402)	20,308,156	204,286	838,112	4,676,329	301,404	288,475	18,478,807
Cash net assets - end of year	1,335	(3,771,282)	(3,222)	(42,319)	26,689,229	125,513	847,406	4,610,288	288,522	341,753	26,221,655
<b>Additions:</b>											
Agency fund additions	\$ 143,361,159	\$ 13,861,809	\$ 176,061	\$ 154,327,107	\$ 138,916,038	\$ 37,275,558	\$ 134,000	\$ 5,986,856	\$ 2,212,770,804		
<b>Deductions:</b>											
Agency fund deductions	140,495,994	11,913,272	181,701	154,484,396	138,605,684	35,915,335	217,004	5,943,274	2,193,300,523		
Excess (deficiency) of total additions over total deductions	2,865,165	1,948,537	(5,640)	(157,289)	310,354	1,360,223	(83,004)	43,582	19,470,280		
Cash net assets - beginning of year	5,101,961	—	492,547	5,145,187	9,569,374	1,786,239	151,715	305,772	64,822,182		
Cash net assets - end of year	7,967,126	1,948,537	486,907	4,987,898	9,879,728	3,146,462	58,711	349,354	84,202,462		

See accompanying independent auditors' report.



**MARION COUNTY, INDIANA**  
(A Component Unit of the Consolidated  
City of Indianapolis – Marion County)

OMB Circular A-133  
Single Audit Report

For the year ended December 31, 2006

**MARION COUNTY, INDIANA**  
(A Component Unit of the Consolidated  
City of Indianapolis – Marion County)

OMB Circular A-133  
Single Audit Report

For the year ended December 31, 2006

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**MARION COUNTY, INDIANA**  
(A Component Unit of the Consolidated  
City of Indianapolis - Marion County)  
  
Schedule of Expenditures of Federal Awards - Modified Cash Basis  
  
For the Year Ended December 31, 2006

Federal grantor	Pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
U.S. Department of Agriculture: <i>Child Nutrition Cluster</i>						
	Indiana Department of Education	C2-4-49-K160 and C2-4-49-K162	School Breakfast Program	10.553	\$ —	87,677
	Indiana Department of Education	C2-4-49-K160 and C2-4-49-K162	National School Lunch Program	10.555	—	166,920
			Total Child Nutrition Cluster		—	254,597
<b>Total U.S. Department of Agriculture</b>						<b>254,597</b>
U.S. Department of Justice:						
	ICJ***	04-JB-008	Juvenile Accountability Incentive Block Grants	16.523	94,661	169,055
	ICJ***	05-JB-014	Juvenile Accountability Block Grants	16.523	—	2,337
	ICJ***	03-JB-039	Juvenile Accountability Incentive Block Grants	16.523	122,096	122,096
			Total 16.523		216,757	293,488
	ICJ***	04JF004	Juvenile Justice and Delinquency Prevention - Child Advocates	16.540	7,346	7,346
	ICJ***	04JF024	Juvenile Justice and Delinquency Prevention - TAS	16.540	6,413	6,413
	ICJ***	03JF011	Juvenile Justice and Delinquency Prevention - TAS	16.540	49,189	49,189
	ICJ***	03JF018	Juvenile Justice and Delinquency Prevention - Child Advocates	16.540	16,048	16,048
			Total 16.540		78,996	78,996
	ICJ***	04FS002	National Institute of Justice Research, Evaluation, and Development Project - Grants - Coverdell Improvement Grant	16.560	—	3,175
	ICJ***	05FS002	National Institute of Justice Research, Evaluation, and Development Project Grants - Firearms Backlog Reduction	16.560	—	30,327
			Total 16.560		—	64,838
	Indiana State Police	2004-DN-BX-K123	National Institute of Justice Research, Evaluation, and Development Project - DNA Enhancement	16.564	—	16,072
	Indiana State Police	2004-DN-BX-K052	National Institute of Justice Research, Evaluation, and Development Project - DNA Backlog Reduction	16.564	—	36,537
			Total 16.564		—	52,609
	ICJ***	05VA091	Crime Victim Assistance - Kids' Voice - Parent Child Visitation 05/06	16.575	18,114	18,114
	ICJ***	05VA085	Crime Victim Assistance - Kids' Voice - CASA for Kids 05/06	16.575	22,709	22,709
	ICJ***	04VA107	Crime Victim Assistance - Salvation Army 04/03	16.575	13,541	13,541
	ICJ***	04VA173	Crime Victim Assistance - Kids' Voice Parent - CASA for Kids 06/07	16.575	8,020	8,020
	ICJ***	04VA174	Crime Victim Assistance - Kids' Voice Parent - Parent Child Visitation 06/07	16.575	6,038	6,038
	ICJ***	05VA090	Crime Victim Assistance - Marion County Sheriff's Department 05/06	16.575	35,636	35,636
	ICJ***	05VA160	Crime Victim Assistance - Centers of Hope 05/06	16.575	74,208	74,208
	ICJ***	05VA089	Crime Victim Assistance - Victim Advocates 05/06	16.575	138,811	138,811
	ICJ***	05VA087	Crime Victim Assistance - Child Advocates 05/06	16.575	34,217	34,217
	ICJ***	05VA084	Crime Victim Assistance - Child Interviewer 05/06	16.575	49,722	49,722
	ICJ***	05VA082	Crime Victim Assistance - Salvation Army 05/06	16.575	64,130	64,130
	ICJ***	05VA088	Crime Victim Assistance - Breaking Free 05/06	16.575	31,994	31,994
	ICJ***	06VA089	Crime Victim Assistance - Child Advocates 06/07	16.575	18,984	18,984
	ICJ***	06VA090	Crime Victim Assistance - Child Interviewer 06/07	16.575	106,176	106,176
	ICJ***	06VA091	Crime Victim Assistance - Victim Advocate 06/07	16.575	44,869	44,869
	ICJ***	06VA092	Crime Victim Assistance - Marion County Sheriff's Department 06/07	16.575	56,753	56,753
			Total 16.575		291,955	723,922

(Continued)

**MARION COUNTY, INDIANA**  
(A Component Unit of the Consolidated  
City of Indianapolis – Marion County)

Schedule of Expenditures of Federal Awards – Modified Cash Basis

For the Year Ended December 31, 2006

Federal grantor	Pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
	ICJI***	04-DB-020	Edward Byrne Memorial Formula Grant Program – Johnson County 05/06	16.579	\$	15,791
	ICJI***	03-DB-054	Edward Byrne Memorial Formula Grant Program – Juvenile Detention Project 04/05	16.579	—	(1,159)
	ICJI***	02-DB-054	Edward Byrne Memorial Formula Grant Program – Juvenile Detention Project 05/06	16.579	—	20,050
	ICJI***	04-DB-028	Edward Byrne Memorial Formula Grant Program – Forensic Diversion 05/06	16.579	—	70,109
	ICJI***	02-DB-057	Edward Byrne Memorial Formula Grant Program – Community Prosecution 05/06	16.579	—	295,424
	ICJI***	04-DB-025	Training 05/06	16.579	—	35,743
	ICJI***	02-DB-041	Edward Byrne Memorial Formula Grant Program – Juvenile Drug Treatment Court	16.579	—	79,584
	ICJI***	04-DB-031	Edward Byrne Memorial Formula Grant Program – Community Court	16.579	—	81,849
	ICJI***	04-DB-027	Edward Byrne Memorial Formula Grant Program – Violence Reduction Partnership 05/06	16.579	—	27,668
	ICJI***	04-DB-026	Edward Byrne Memorial Formula Grant Program – Adult Drug Treatment Court	16.579	—	150,008
	ICJI***	04-DB-030	Edward Byrne Memorial Formula Grant Program – Metro Drug Task Force 05/06	16.579	106,326	168,450
	ICJI***	02-DB-062	Edward Byrne Memorial Formula Grant Program – Young Offenders	16.579	—	246,638
	ICJI***	03-DB-058	Edward Byrne Memorial Formula Grant Program – Research Project 05/06	16.579	—	63,086
	ICJI***	04-DB-057	Edward Byrne Memorial Formula Grant Program – Court Jury Pool Review and Redesign	16.579	—	94,500
	Johnson County		Edward Byrne Memorial Formula Grant Program – Regional Gang Interdiction	16.579	—	28,650
			Total 16.579		106,326	1,376,401
	ICJI***	05ST034	Violence Against Women Formula Grants – Protective Order Pro Bono Project	16.588	74,007	74,007
	ICJI***	05ST037	Violence Against Women Formula Grants – Child's Haven 05/06	16.588	28,414	28,414
	ICJI***	05ST035	Violence Against Women Formula Grants – Breaking Free 05/06	16.588	27,678	27,678
	ICJI***	06ST039	Violence Against Women Formula Grants – Protective Order Pro Bono Project	16.588	(4,761)	(4,761)
			Total 16.588		125,338	125,338
	City of Indianapolis, Indiana	2005WEAX0010	The Community-Defined Solutions to Violence Against Women Grant Program – Partnership to Combat Domestic Violence	16.590	—	52,676
	City of Indianapolis, Indiana	2003-WE-BX-K001	The Community-Defined Solutions to Violence Against Women Grant Program – Encourage Arrest Policies and Enforcement of Protection Orders	16.590	—	32,279
			Total 16.590		—	84,955
	City of Indianapolis, Indiana	2003-LB-BX-1439	Local Law Enforcement Block Grant Program – Block Grant # 8	16.592	—	2,236
	City of Indianapolis, Indiana	2004-LB-BX-1302	Local Law Enforcement Block Grant Program – Block Grant # 9	16.592	—	129,977
			Total 16.592		—	132,213
	City of Indianapolis, Indiana	2004WSQ40063	Community Capacity Development Office – Weed and Seed Conflict Resolution 05/06	16.595	—	13,820
	City of Indianapolis, Indiana	2004WS-Q4-0261	Community Capacity Development Office – Weed and Seed Support Grant	16.595	—	11,869
	City of Indianapolis, Indiana	2001WSQX0162	Community Capacity Development Office – Weed and Seed CNN	16.595	—	308
			Total 16.595		—	26,017
	State Criminal Alien Assistance Program 05/06			16.606	—	30,380
			Total 16.606		—	30,380
	Community Prosecution and Project Safe Neighborhoods – FY2003 Community Prosecution Leadership Awards			16.609	—	22,994
	Community Prosecution and Project Safe Neighborhoods – Warrant Initiative			16.609	9,450	27,075
	Community Prosecution and Project Safe Neighborhoods – Research Partner/Crime Analyst Program			16.609	—	10,335
	Community Prosecution and Project Safe Neighborhoods			16.609	97,758	429,386
	Community Prosecution and Project Safe Neighborhoods – Project Sentry			16.609	—	74,919
			Total 16.609		107,208	564,709

(Continued)

MARION COUNTY, INDIANA  
(A Component Unit of the Consolidated  
City of Indianapolis - Marion County)

Schedule of Expenditures of Federal Awards - Modified Cash Basis  
For the Year Ended December 31, 2006

Federal grantor	Pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
National Highway Traffic Safety Administration: State and Community Highway Safety Program Cluster	ICJI***	05-DJ-006	Edward Byrne Memorial Justice Assistance Grant Program - Juvenile Drug Treatment Court 06	16.738	---	36,876
		05-DJ-014	Edward Byrne Memorial Justice Assistance Grant Program - Forensic Incarceration 06/07	16.738	23,565	55,918
		05-DJ-019	Edward Byrne Memorial Justice Assistance Grant Program - Life Effectiveness / Fairbanks 06/07	16.738	36,300	38,950
		05-DJ-029	Edward Byrne Memorial Justice Assistance Grant Program - Young Offenders 06/07	16.738	---	228,981
		05-DJ-030	Edward Byrne Memorial Justice Assistance Grant Program - Community Court 06/07	16.738	---	35,703
		05-DJ-062	Edward Byrne Memorial Justice Assistance Grant Program - Juvenile Disposition Grant 06/07	16.738	---	14,105
		05-DJ-063	Edward Byrne Memorial Justice Assistance Grant Program - Meth Testing Grant 06/07	16.738	---	41,555
		05-DJ-064	Edward Byrne Memorial Justice Assistance Grant Program - Johnson Co Regional Gang 06/07	16.738	---	800
		05-DJ-068	Edward Byrne Memorial Justice Assistance Grant Program - Metro Drug Task Force 10/06 - 03/07	16.738	---	34,197
		2005-DJ-BX-0215	Edward Byrne Memorial Justice Assistance Grant Program - JAG Grant #1	16.738	332,117	---
		05-DB-063	Edward Byrne Memorial Justice Assistance Grant Program - Metro Drug Task Force 04/06 - 09/06	16.738	125,425	244,550
		05-DJ-005	Edward Byrne Memorial Justice Assistance Grant Program - Drug Treatment Diversion - ICI 06	16.738	---	126,580
			Total 16.738		185,290	1,190,332
		2005DABX-054	Forensic DNA Backlog Reduction Program	16.741	---	42,518
			Total 16.741		---	42,518
Total U.S. Department of Justice			Safe Streets Task Force 05/06	16.000	---	101,236
			Drug Enforcement Task Force	16.000	---	20,561
			Safe Streets Violent Crime Initiatives	16.000	---	1,960
			Organized Crime Drug Enforcement Task Force	16.000	---	25,131
			Joint Terrorism Task Force 05/06	16.000	---	6,697
			Violent Crime Major Offender Task Force	16.000	---	19,953
			ATF Task Force Overtime 05/06	16.000	---	4,227
			Federal Equitable Sharing Program	16.000	---	392,034
			Total 16.000		---	571,799
					1,111,870	5,392,037
National Highway Traffic Safety Administration: State and Community Highway Safety Program Cluster	ICJI***	157 PT 06-04-09-01	State and Community Highway Safety - OPO Banquet Equipment Award	20.600	---	3,993
		PT-06-04-06-01	State and Community Highway Safety - Interstate Speed Traffic and Enforcement	20.600	---	95,393
		N/A	State and Community Highway Safety - Impaired Driving Campaign - Fuel Award	20.600	---	45,238
		154 AL 05-03-02-03	State and Community Highway Safety - Marion County F.A.C.T.	20.600	---	2,834
		154AL 06-03-02-02	State and Community Highway Safety - Fatal Alcohol Crash Team 05/06	20.600	---	132,688
			Total 20.600		---	280,146
		154 AL 06-03-02-02	Alcohol Impaired Driving Countermeasures Incentive Grants - Fatal Alcohol Crash Team 04/05	20.601	---	(304)
		154 AL 07-02-02-06	Alcohol Impaired Driving Countermeasures Incentive Grants - Fatal Alcohol Crash Team 06/07	20.601	---	26,430
		J8-2006-04-04-01	Alcohol Impaired Driving Countermeasures Incentive Grants - Traffic Safety Equipment	20.601	---	4,382
		X8-07-03-01-05	Alcohol Impaired Driving Countermeasures Incentive Grants - DUI Traffic Safety 06/07	20.601	---	5,153
		PT-07-04-01-07	Alcohol Impaired Driving Countermeasures Incentive Grants - Big City County Belts 06/07	20.601	---	11,478
			Total 20.601		---	47,139
		PT-06-04-07-42	Occupant Protection - Big City County Belts 05/06	20.602	---	256,623
		154AL 06-03-03-15	Safety Incentive Grants for Use of Seatbelts - DUI Traffic Safety 05/06	20.604	---	259,264
			Total State and Community Highway Safety Program Cluster		---	843,172
					---	843,172
Total National Highway Traffic Safety Administration	ICJI***				---	---
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U.S. Election Assistance Commission:	ICJI***				---	---
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Total U.S. Election Assistance Commission	ICJI***				---	---

**MARION COUNTY, INDIANA**  
(A Component Unit of the Consolidated  
City of Indianapolis - Marion County)

Schedule of Expenditures of Federal Awards - Modified Cash Basis  
For the Year Ended December 31, 2006

Federal grantor	Pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
U.S. Department of Health and Human Services:						
	FSSA**	N/A	Child Support Enforcement	93.563	\$ ---	2,289,287
	Indiana Judicial Center	N/A	State Court Improvement Program	93.586	—	41,598
<b>Total U.S. Department of Health and Human Services</b>					—	2,330,885
<b>Total Expenditures of Federal Awards</b>					<b>\$ 1,111,870</b>	<b>9,270,937</b>

See accompanying notes to schedule of expenditures of federal awards and independent auditors' reports.

\*\* Indiana Family and Social Services Administration (FSSA)

\*\*\* Indiana Criminal Justice Institute (ICJI)

N/A Pass-through grantor number not available

**MARION COUNTY, INDIANA**  
(A Component Unit of the Consolidated  
City of Indianapolis – Marion County)

Notes to Schedule of Expenditures of Federal Awards

For the year ended December 31, 2006

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards (schedule) presents the activity of federal awards programs received by Marion County, Indiana (County), a component unit of the Consolidated City of Indianapolis – Marion County. The County's reporting entity is defined in note 1 to the County's financial statements. For the purposes of the schedule, federal awards include grants, contracts, loans, and loan guarantee agreements entered into directly between the County and agencies and departments of the federal government or passed through other government agencies or other organizations. The County's federal awards are defined as being those administered directly by the County.

**(2) Basis of Accounting**

The accompanying schedule has been prepared on a modified cash basis of accounting as permitted by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under the modified cash basis of accounting, expenditures are reported when paid by the County. Prior to 2006, the County's schedule was prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. There are \$740,048 of expenditures of federal awards included in the 2006 modified cash basis schedule of expenditures of federal awards, which were also reported in the 2005 schedule of expenditures of federal awards on the accrual basis of accounting.



KPMG LLP  
Suite 1500  
111 Monument Circle  
Indianapolis, IN 46204

**Independent Auditors' Report on Internal Control over Financial  
Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Honorable Gregory A. Ballard  
Mayor, City of Indianapolis  
and  
The City-County Audit Committee  
Marion County, Indiana:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County, Indiana (County), a component unit of the Consolidated City of Indianapolis – Marion County, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 19, 2010. Our report on the basic financial statements was modified to include references to the County's preparation of the basic financial statements on a modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, a note in the basic financial statements for which we expressed no opinion, and the exclusion of Management's Discussion and Analysis, which is required supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote



likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 06-01 through 06-05 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-01 and 06-02 to be material weaknesses.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the audit committee, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

Indianapolis, Indiana  
January 19, 2010



KPMG LLP  
Suite 1500  
111 Monument Circle  
Indianapolis, IN 46204

**Independent Auditors' Report on Compliance with Requirements  
Applicable to Each Major Program and on Internal Control over  
Compliance in Accordance with OMB Circular A-133**

The Honorable Gregory A. Ballard  
Mayor, City of Indianapolis  
and  
The City-County Audit Committee  
Marion County, Indiana:

**Compliance**

We have audited the compliance of Marion County, Indiana (County), a component unit of the Consolidated City of Indianapolis – Marion County, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

As described in items 06-07 and 06-08 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs/cost principles or subrecipient monitoring that are applicable to its Juvenile Accountability Incentive Block Grants program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply, in all material respects, with the requirements referred to above that are applicable to the Juvenile Accountability Incentive Block Grants program for the year ended December 31, 2006.





As described in items 06-08, 06-10, and 06-11 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding subrecipient monitoring, cash management, period of availability of federal funds, or reporting that are applicable to its Crime Victim Assistance program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply, in all material respects, with the requirements referred to above that are applicable to the Crime Victim Assistance program for the year ended December 31, 2006.

As described in items 06-07, 06-08, 06-10, 06-14, 06-16, and 06-17 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs/cost principles, subrecipient monitoring, cash management, procurement and suspension and debarment, or matching, level of effort, earmarking that are applicable to its Edward Byrne Memorial Formula Grant program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply, in all material respects, with the requirements referred to above that are applicable to the Edward Byrne Memorial Formula Grant program for the year ended December 31, 2006.

As described in items 06-07, 06-08, 06-09, 06-14, and 06-15 in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding allowable costs/cost principles, subrecipient monitoring, cash management, procurement and suspension and debarment, or activities allowed or unallowed that are applicable to its Community Prosecution and Project Safe Neighborhoods program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply, in all material respects, with the requirements referred to above that are applicable to the Community Prosecution and Project Safe Neighborhoods program for the year ended December 31, 2006.

As described in items 06-07 and 06-08 in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding allowable costs/cost principles or subrecipient monitoring that are applicable to its Edward Byrne Memorial Justice Assistance Grant program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply, in all material respects, with the requirements referred to above that are applicable to the Edward Byrne Memorial Justice Assistance Grant program for the year ended December 31, 2006.

As described in items 06-07 and 06-11 in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding allowable costs/cost principles or reporting that are applicable to its State and Community Highway Safety Program Cluster. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply, in all material respects, with the requirements referred to above that are applicable to the State and Community Highway Safety Program Cluster for the year ended December 31, 2006.

As described in items 06-07, 06-12, 06-13, and 06-14, in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs/cost principles or procurement and suspension and debarment, that are applicable to its Child Support Enforcement program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance



described in this paragraph, the County did not comply, in all material respects, with the requirements referred to above that are applicable to the Child Support Enforcement program for the year ended December 31, 2006.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its Federal Equitable Sharing program for the year ended December 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 06-19, 06-20, and 06-21.

#### **Internal Control over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 06-06 through 06-21 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 06-06, 06-07, 06-08, 06-09, 06-14, 06-15, 06-16, 06-17, 06-18, 06-19, and 06-20 to be material weaknesses.

#### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended December 31, 2006, and have issued our report thereon dated January 19, 2010. Our report on the basic financial statements was modified to include references to the County's preparation of the basic financial statements on a modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, a note in the basic financial statements for which we expressed



no opinion, and the exclusion of Management's Discussion and Analysis, which is a required supplementary information. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the audit committee, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

**KPMG LLP**

Indianapolis, Indiana  
April 21, 2010 except as to paragraph fifteen,  
which is as of January 19, 2010

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**(1) Summary of Auditors' Results**

(a)	The type of report issued on the basic financial statements:	<b>Unqualified Opinions</b>
(b)	Significant deficiencies in internal control were disclosed by the audit of the basic financial statements:	<b>Yes</b>
	Material weaknesses:	<b>Yes</b>
(c)	Noncompliance which is material to the basic financial statements:	<b>No</b>
(d)	Significant deficiencies in internal control over major programs:	<b>Yes</b>
	Material weaknesses:	<b>Yes</b>
(e)	The type of report issued on compliance for major programs:	
	Juvenile Accountability Incentive Block Grants (CFDA No. 16.523)	<b>Adverse</b>
	Crime Victim Assistance (CFDA No. 16.575)	<b>Adverse</b>
	Edward Byrne Memorial Formula Grant Program (CFDA No. 16.579)	<b>Adverse</b>
	Community Prosecution and Project Safe Neighborhoods (CFDA No. 16.609)	<b>Adverse</b>
	Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738)	<b>Adverse</b>
	Federal Equitable Sharing Program (CFDA No. 16.xxx)	<b>Unqualified</b>
	State and Community Highway Safety Program Cluster (CFDA Nos. 20.600/20.601/20.602/20.604)	<b>Adverse</b>
	Child Support Enforcement (CFDA No. 93.563)	<b>Adverse</b>
(f)	Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133:	<b>Yes</b>
(g)	Major programs:	
	Juvenile Accountability Incentive Block Grants, U.S. Department of Justice passed through Indiana Criminal Justice Institute (CFDA No. 16.523)	
	Crime Victim Assistance, U.S. Department of Justice passed through Indiana Criminal Justice Institute (CFDA No. 16.575)	

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Edward Byrne Memorial Formula Grant Program, U.S. Department of Justice passed through Indiana Criminal Justice Institute and Johnson County (CFDA No. 16.579)

Community Prosecution and Project Safe Neighborhoods, U.S. Department of Justice (CFDA No. 16.609)

Edward Byrne Memorial Justice Assistance Grant Program, U.S. Department of Justice passed through Indiana Criminal Justice Institute, Johnson County, and City of Indianapolis, Indiana (CFDA No. 16.738)

Federal Equitable Sharing Program, U.S. Department of Justice (CFDA No. 16.xxx)

State and Community Highway Safety Program Cluster, National Highway Traffic Safety Administration passed through Indiana Criminal Justice Institute (CFDA Nos. 20.600/20.601/20.602/20.604)

Child Support Enforcement, U.S. Department of Health and Human Services passed through Indiana Family and Social Services Administration (CFDA No. 93.563)

- |     |                                                                                  |           |
|-----|----------------------------------------------------------------------------------|-----------|
| (h) | Dollar threshold used to distinguish between Type A and Type B programs:         | \$300,000 |
| (i) | Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: | No        |

**(2) Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards***

**06-01 Bank Reconciliations – Material Weakness**

***Comment and Recommendation***

Sound internal control over cash assets includes regular reconciliation of accounting records and interfund cash activity to bank account statements and independent review of bank reconciliations. Marion County (County) had significant delays in reconciling cash accounts for 2006. When bank reconciliations were ultimately prepared, a significant number of material reconciling items were identified. Additionally, the County maintains a significant number of cash accounts that are not maintained on the financial accounting system. Significant time and effort were incurred reconciling, summarizing, and recording amounts on the year-end financial statements.

We recommend the County reconcile all accounts to the general ledger on a monthly basis and all accounting adjustments that are identified through the monthly reconciliation process be made prior to the close of each month's accounting activity. Additionally, all cash accounts maintained by the County should be recorded and accounted for on the County's general ledger system. We also recommend that an independent review of the bank reconciliations occur by a management level individual.

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*Views of Responsible Officials*

It is, and will continue to be, the County's policy to reconcile cash on a monthly basis. As was noted in our 2005 report, reconciliations were delayed in 2005 which then impacted reconciliations for several months in 2006. Reconciliations were brought current and have stayed current moving forward in 2007. Additionally, as was also noted in the 2005 report, many of the cash accounts that were previously not maintained on the County's general ledger system have been transitioned. The County will continue to work towards moving the remaining accounts onto the County's system, with the exception of one that by Indiana law does not require the elected official to maintain the account on the County's general ledger. The County is in the beginning stages of implementing a new enterprise resource system and will consider each of these remaining accounts during the implementation process.

Because of the delay in the financial reporting for the County, many improvements will not be evident until future years.

**06-02 Financial Reporting and Year-End Transactions – Material Weakness**

*Comment and Recommendation*

During the current year audit, a significant number of material audit adjustments were required to accurately and materially state the financial statements. The primary cause of these adjustments is that management does not have a comprehensive year-end financial reporting process in place that they can follow to accurately produce financial statements. Additionally, a formal review process is not in place which allows the County to self-identify errors or admissions in financial reporting entries and amounts. Specifically, internal control deficiencies were noted as follows:

- Inaccurate recording of intrafund activity that was recorded both as a receipt and expenditure within the same major fund on the financial statements.
- Inaccurate recording of transfers between funds.
- Inaccurate classification and presentation of proceeds from and repayments of tax anticipation warrants.
- Cash accounts were not being reconciled to the general ledger on a timely or accurate basis.
- Very limited or no management review of year-end accounting entries is being performed.
- Very limited or no management review of financial statement footnotes to ensure appropriate presentation.

We recommend the County establish appropriate procedures to provide for accurate and timely financial statements. Management should critically review their year-end financial reporting process and implement procedures to ensure that year-end accounting entries are appropriate, complete, and accurate. All accounts should be reconciled on a monthly and timely basis. Monthly

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reconciliations should include posting adjustments identified each month. Appropriate and timely management review should occur for all reconciliations and financial reporting entries. All cash accounts should be recorded on the same general ledger system. All financial reporting processes should be formally documented in an accounting procedures manual to allow for consistent implementation.

*Views of Responsible Officials*

As noted in the financial reporting finding in the 2005 report, enhancements are already in place to facilitate the reporting process. Training has been provided, additional coding has been created and the compilation of the financial statements has been transitioned to the general ledger system through the use of months 13 and 14. Because Marion County operates on the cash basis for its day-to-day operations, transactions that may be posted in a particular manner due to budgetary requirements, must be adjusted, as well as other similar entries that require a different presentation for reporting purposes.

Adding to the difficulty in preparing the financial statements, the County moved from the accrual/modified accrual basis in 2005 to the modified cash basis in 2006 in an effort to expedite the audits. This led to the need to become familiar with the requirements under the modified cash basis. All of these issues combined added to the difficulty in preparing the financial statements and assuring accurate reporting. We will continue to enhance the preparation of the financial statements to address the adjustments for the underlying transactions as we become more comfortable with the process. Again, improvements in this area will be more evident in future years.

**06-03 IT System Program Change Management and User Access – Significant Deficiency**

*Comment and Recommendation*

The County contracts with two third-party contractors for their information technology (IT) needs, which includes managing and updating the County's IT systems. For each IT system program change that is made, a Siebel ticket is created and a Production Implementation Plan is created and updated by the developer. Key components of the Production Implementation Plan are who requested, prepared, reviewed, approved, and implemented the requested program change. However, many times the components of who reviewed, approved, and implemented the plan are not completed. Additionally, developers have access to migrate changes to source code into production using batch processing by e-mailing a change request directly to Production Analysts. The Production Analysts place the code in a staging library and a job is run automatically to move to production. No formal authorization is obtained for this process and evidence of approvals is not obtained and reviewed by the Production Analysts prior to making the change.

We recommend the County review policies and procedures with the IT system third-party contractors to ensure that all program changes made to the Mainframe are properly reviewed and approved prior to migration into production. These approvals should be formally documented on the Production Implementation Plan. All change management policies should also be formally

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documented to provide guidance to both of the third-party contractors regarding the County's approval, testing, and implementation procedures. Furthermore, restrictions should be implemented to prevent developer's ability to directly move program changes into production.

Additionally, the County does not have effective controls around the provisioning and monitoring of end-user access. This includes activities such as removing terminated employees from Mainframe systems, conducting a formal review of user access on a periodic basis, and identifying and eliminating segregation of duties conflicts.

We recommend the County also review policies and procedures relating to Information Security and implement new processes or consistently enforce informal processes to remove users who have left the County from the Mainframe in a timely manner, retain sufficient evidence supporting periodic review of user access rights, and identify and eliminate segregation of duties conflicts.

*Views of Responsible Officials*

The County concurs with this finding and as noted in our response in the 2005 single audit report, part of this recommendation was implemented in 2009. The County will continue to work with its information technology (IT) agency to review all policies and procedures surrounding data access and security to develop appropriate change and enhanced controls.

**06-04 Major Fund Calculation – Significant Deficiency**

*Comment and Recommendation*

From a financial reporting perspective, the County did not properly identify all major funds under the requirements established by Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. Furthermore, one fund was improperly classified as an agency fund rather than a governmental fund. The lack of internal control procedures in place to establish the County's major funds resulted in the County not properly identifying major funds or classifying governmental funds.

We recommend the County perform a calculation of major funds based upon criteria established under GASB Statement No. 34 at the beginning of each year, based on asset balances at prior year-end, and receipt and expenditure activity during the prior year. We also recommend that the County update these calculations at year-end to ensure there is no material change in major funds based on current year activity or year-end asset balances.



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*Views of Responsible Officials*

The use of month 13 in both our audit process as well as our production close out process, can have an impact on the major fund calculation. The use of this fiscal period has only been during the last two audits, 2005 and 2006. As we become more cognizant of the impact and comfortable with its use, our accuracy on the calculation of the major fund classification will improve. We will perform this calculation each year and will implement steps to review the calculation after month 13 is closed to assure that there has been no significant impact to the major fund determination.

**06-05 Transfers – Significant Deficiency**

*Comment and Recommendation*

During testwork over transfers, we noted multiple payments to the City of Indianapolis that were recorded as transfers out, rather than intergovernmental expenditures. Additionally, we noted interfund payments that were being recorded as an expenditure to the transferring fund, and a receipt to the receiving fund rather than as a transfer.

We recommend the County review policies and procedures relating to the identification and proper classification of transfers and expenditures for the year-end financial statements. Within the current general ledger system, the County codes all transfers as either a positive or negative receipt, with a specific sub-object to identify the amount as a transfer.

*Views of Responsible Officials*

We recognize the need to accurately identify expenditures and transfers. We will review all transactions to assure that they are appropriately classified for financial statement purposes.

**(3) Findings and Questioned Costs Relating to Federal Awards**

**06-01**

**to 06-05** See Section (2) – Findings related to the Financial Statements Reported in Accordance with *Government Auditing Standards*.

**06-06 Procurement and Suspension and Debarment**

*Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number*

CFDA No. 16.523, *Juvenile Accountability Incentive Block Grants*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute; Grant Numbers 03-JB-039, 04-JB-008, and 05-JB-014

CFDA No. 16.575, *Crime Victim Assistance*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute, Various Grant Numbers

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CFDA No. 16.579, *Edward Byrne Memorial Formula Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute and Johnson County, Various Grant Numbers

CFDA No. 16.609, *Community Prosecution and Project Safe Neighborhoods*, U.S. Department of Justice, Grant Numbers 2003-GP-CX-0523, 2003 GP-CX-0141, 2003-SE-CX-0034, 2003-PP-CX-0010, and 2003-GP-CX-0107

CFDA No. 16.738, *Edward Byrne Memorial Justice Assistance Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute, Johnson County, and City of Indianapolis, Indiana, Various Grant Numbers

CFDA No. 16.xxx, *Federal Equitable Sharing Program*, U.S. Department of Justice, Grant Numbers Not Applicable

CFDA No. 93.563, *Child Support Enforcement*, U.S. Department of Health and Human Services passed through Indiana Family and Social Services Administration; Grant Number Not Available

***Criteria***

Nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. Covered transactions include procurement contracts for goods or services awarded that are expected to equal or exceed \$25,000 or which meet certain other specified criteria and all nonprocurement transactions (e.g., subawards to subrecipients).

When a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System* (EPLS) maintained by the General Services Administration, collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity.

***Condition Found***

During our Procurement and Suspension and Debarment testwork for the above-referenced programs, it was noted that the County did not have adequate internal controls in place to assure that its contractors (vendors, subawards, and subrecipients), with whom the County engaged in covered transactions, were not suspended and/or debarred. The following describes our exceptions in the functioning of the related internal control by program:

- Juvenile Accountability and Incentive Block Grants (CFDA No. 16.523) – exceptions found in 5 of 6 subrecipient agreements tested. We sampled 100% of relevant population.
- Crime Victim Assistance (CFDA No. 16.575) – exceptions found in 4 of 13 subrecipient agreements tested. We sampled 100% of the relevant population.

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- Edward Byrne Memorial Formula Grant Program (CFDA No. 16.579) – exceptions found in 3 of 3 subrecipient agreements tested which represented 100% of the relevant population. In addition, we found exceptions in 8 of 8 vendor contracts tested, which represented 56% of the relevant population of expenditures.
- Community Prosecution and Project Safe Neighborhoods (CFDA No. 16.609) – exceptions found in 3 of 3 subrecipient agreements tested which represented 100% of the relevant population. In addition, we found exceptions in 6 of 6 vendor contracts tested which represented 52% of the relevant population of expenditures.
- Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738) – exceptions found in 6 of 6 subrecipient agreements tested. We sampled 97% of the related subrecipient expenditures.
- Federal Equitable Sharing Program (CFDA No. 16.xxx) – exceptions found in 3 of 3 vendor contracts tested. We sampled 91% of the expenditures for the relevant population.
- Child Support Enforcement (CFDA No. 93.563) – exceptions found in 3 of 3 vendor contracts tested. We sampled 88% of the expenditures for the relevant population.

***Questioned Costs***

There are no questioned costs associated with this finding.

***Possible Asserted Cause and Effect***

The effect of this condition is that the County could enter into subgrant awards with subrecipients or procurement transactions with vendors that are suspended or debarred. During our testing, we found that none of the subrecipients or vendors were suspended or debarred.

***Recommendation***

We recommend that the County implement policies and procedures to make sure that all vendors and subrecipients are reviewed for debarred and/or suspended status or that certification is received to that extent or that documentation is maintained of the County's check of the EPLS. The EPLS check should be performed prior to the County contracting with the vendor or subrecipient.

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*Views of Responsible Officials*

In 2005, a local ordinance was passed by the City-County Council requiring most County agencies to use Central Purchasing, which is the appointed purchasing agent of the City and County. In 2007, these procedures were reenforced by requiring all County agencies to utilize the purchasing agent when using federal funds. When purchases are made through the purchasing process, one of the standard steps before a contract (purchase order) is awarded is a check of the EPLS. This procedure helps ensure that any vendor with which the County enters into a contract using federal funds is reviewed for debarred and/or suspended status using the procedures implemented by Central Purchasing.

As noted in our 2005 report, improvements have been made but will not be evident until future years because of the delinquency of our reports. Improvement in this specific are should be apparent in 2007 as new the new procedures were implemented in the spring of 2007.

**06-07 Allowable Costs/Cost Principles**

*Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number*

CFDA No. 16.523, *Juvenile Accountability Incentive Block Grants*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute; Grant Numbers 03-JB-039, 04-JB-008, and 05-JB-014

CFDA No. 16.579, *Edward Byrne Memorial Formula Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute and Johnson County, Various Grant Numbers

CFDA No. 16.609, *Community Prosecution and Project Safe Neighborhoods*, U.S. Department of Justice, Grant Numbers 2003-GP-CX-0523, 2003 GP-CX-0141, 2003-SE-CX-0034, 2003-PP-CX-0010, and 2003-GP-CX-0107

CFDA No. 16.738, *Edward Byrne Memorial Justice Assistance Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute, Johnson County, and City of Indianapolis, Indiana, Various Grant Numbers

CFDA Nos. 20.600/20.601/20.602/20.604, *State and Community Highway Safety Program Cluster*, National Highway Traffic Safety Administration passed through the Indiana Criminal Justice Institute, Various Grant Numbers

CFDA No. 93.563, *Child Support Enforcement*, U.S. Department of Health and Human Services passed through Indiana Family and Social Services Administration; Grant Number Not Available

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***Criteria***

Per OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, Paragraph 8(h)(3) and (4), where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certification that the employees worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation, which (1) reflects an after-the-fact distribution of the actual activity of each employee; (2) accounts for the total activity for which each employee is compensated; (3) is prepared at least monthly and must coincide with one or more pay periods; and (4) must be signed by the employee.

**Condition Found**

During our testwork over the below grant programs, we selected a sample of expenditures that included payroll and fringe benefit expenditures. In general, most of the County employees work on one grant program; however, no personnel activity reports were available nor did the employees' execute semiannual certification statement indicating that 100% of their time was spent on that grant.

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Below are the specifics of each of the grants:

<u>Federal program</u>	<u>Sample size</u>	<u>Amount of payroll tested associated with exceptions</u>	<u>Estimated total payroll expenditures with exceptions</u>
Juvenile Accountability Incentive Block Grant	Exceptions in 30 of 30 payroll expenditures selected for testing	\$ 14,790	55,449
Edward Byrne Memorial Formula Grant Program	Exceptions in 41 of 72 payroll expenditures selected for testing	64,722	509,140
Community Prosecution and Project Safe Neighborhoods	Exceptions in 24 of 37 payroll expenditures selected for testing	26,347	168,817
Edward Byrne Memorial Justice Assistance Grant Program	Exceptions in 38 of 78 payroll expenditures selected for testing	55,799	466,934
State and Community Highway Safety Program Cluster	Exceptions in 13 of 19 payroll expenditures selected for testing	19,740	255,039
Child Support Enforcement – Reimbursement Claims	Exceptions in 22 of 22 payroll expenditures selected for testing for Prosecutor's Office and 26 of 26 payroll expenditures selected for testing for the Superior Court	152,764	771,152
Child Support Enforcement – Incentive Funds	Exceptions in 3 of 3 payroll expenditures selected for testing for Prosecutor's Office	4,024	234,891

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In addition to the exceptions in the table above, we noted additional exceptions in the following programs.

For the Edward Byrne Memorial Formula Grant Program (CFDA No. 16.579), we identified 21 of 72 time cards tested, which did not contain a supervisor approval.

For the Community Prosecution and Project Safe Neighborhoods program (CFDA No. 16.609), we identified 6 of 23 time cards tested for the Justice Agency (total of 37 payroll expenditures tested for all County agencies with expenditures under this program), which did not contain a supervisor approval.

For the Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738), we identified 25 of 78 time cards tested, which did not contain a supervisor approval.

For the Child Support Enforcement program (reimbursement claims) (CFDA No. 93.563), we identified 1 of 22 time cards tested for the Prosecuting Attorney, which did not contain a supervisor approval.

***Questioned Costs***

The amount of most likely questioned costs by program is equal to the amounts reported in the last column of the table above.

***Possible Asserted Cause and Effect***

Management indicated that the majority of these employees are 100% charged to the respective grant and thus grant personnel completed the general time sheet required of all employees and misunderstood the requirements to complete personnel activity sheets or perform time certifications.

***Recommendation***

We recommend that management strengthen the organization's processes and controls to help ensure that payroll charges are supported by after-the-fact-personnel activity reports or certification statements as required by OMB Circular A-87.

***Views of Responsible Officials***

The County will begin requiring semiannual certification statements for all employees that work solely on a single federal grant stating that 100% of their time is spent on a particular grant. An employee whose work is on multiple grants or programs will be documented on their individual time sheet. Forms have been designed to help implement this requirement. This will be coordinated through the Auditor's Office and the grant managers within the individual agencies. Improvements in this area were implemented in 2010.

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**06-08 Subrecipient Monitoring**

*Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number*

CFDA No. 16.523, *Juvenile Accountability Incentive Block Grants*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute; Grant Numbers 03-JB-039, 04-JB-008, and 05-JB-014

CFDA No. 16.575, *Crime Victim Assistance*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute, Various Grant Numbers

CFDA No. 16.579, *Edward Byrne Memorial Formula Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute and Johnson County, Various Grant Numbers

CFDA No. 16.609, *Community Prosecution and Project Safe Neighborhoods*, U.S. Department of Justice, Grant Numbers 2003-GP-CX-0523, 2003 GP-CX-0141, 2003-SE-CX-0034, 2003-PP-CX-0010, and 2003-GP-CX-0107

CFDA No. 16.738, *Edward Byrne Memorial Justice Assistance Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute, Johnson County, and City of Indianapolis, Indiana, Various Grant Numbers

***Criteria***

According to OMB Circular A-133 Subpart D §\_\_400(d), a pass-through entity is responsible for the following:

- Identifying to the subrecipient the federal award information (CFDA title and number, award name, and name of federal agency) and applicable compliance requirements
- Monitoring the subrecipient's activities as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of grant agreements
- Ensuring required audits are performed by subrecipients
- Issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action
- Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations



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***Condition Found***

The following programs, which were audited as major programs for 2006, had a portion of the grant funds passed through to subrecipients:

<u>CFDA number</u>	<u>Program title</u>	<u>Total expenditures</u>	<u>Amount passed to subrecipient</u>
16.523	Juvenile Accountability Incentive Block Grants	\$ 293,488	216,757
16.575	Crime Victim Assistance	723,922	291,955
16.579	Edward Byrne Memorial Formula Grant Program	1,376,401	106,326
16.609	Community Prosecution and Project Safe Neighborhoods	564,709	107,208
16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,190,332	185,290

The County does not have a formal and comprehensive subrecipient monitoring program in place. While there are some internal controls in place to monitor subrecipient claims submitted for reimbursement, there is no overall system in place and no during-the-award monitoring takes place. We noted the following items related to the execution of the subrecipient agreements for each of the following programs:

- For the Crime Victim Assistance program (CFDA No. 16.575), out of a total of 13 subrecipients with expenditures in 2006, 5 agreements did not contain the program title or number (i.e. CFDA number). Additionally, no agreements were able to be located for 5 of the subrecipients, and thus we could not determine that they were properly executed or that they contained the appropriate award information.
- For the Edward Byrne Memorial Formula Grant Program (CFDA No. 16.579), out of a total of 3 subrecipients with expenditures in 2006, the County was not able to locate grant agreements for any of the subrecipients and thus we could not determine that they were properly executed or that they contained the appropriate award information.
- For the Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738), out of a total of 7 subrecipients, the County was not able to locate grant agreements for any of the subrecipients and thus we could not determine that they were properly executed or that they contained the appropriate award information.

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- For the Community Prosecution and Project Safe Neighborhoods program (CFDA No. 16.509), out of a total of 3 subrecipients with expenditures in 2006, the County was not able to locate grant agreements for any of the subrecipients and thus we could not determine that they were properly executed or that they contained the appropriate award information.

The County also indicates that they request subrecipient audit reports from each of their subrecipients. However, there are no internal controls in place to follow up on nonresponses or to review the audit reports once they are received. The County had only a few of the subrecipient audit reports available. Due to this overall lack of internal controls and compliance activities, the above-referenced programs were not fully or adequately monitored.

This finding is considered systemic given the number of grant programs and subrecipients that the County maintains. We also noted that the Juvenile Justice and Delinquency Prevention Grants (CFDA No. 16.540) and the Violence Against Women Formula Grants (CFDA No. 16.588) that were not audited as a major federal program have \$78,996 and \$125,338, respectively, of the related grant award passed through to subrecipients.

***Questioned Costs***

The questioned costs associated with this finding are the entire amount of funds passed through by the County to its subrecipients as noted in the section above.

***Possible Asserted Cause and Effect***

The County does not have a uniform process in place and thus monitoring is up to each individual agency that administers a grant. There is no assigned individual to obtain and evaluate auditees' audit reports and thus this procedure is not enforced. The effect of this finding is that subrecipients are not properly monitored and the results of subrecipient findings in their A-133 audit reports are not followed up as required by the County and those findings are also not considered in the County's A-133 audit report, as applicable.

***Recommendation***

We recommend the County establish a formalized and comprehensive subrecipient monitoring program that would include specific procedures and internal controls to appropriately monitor the activities and compliance of their subrecipients. These procedures should include properly executing subaward grant agreements with subrecipients, which include all of the required information, consideration of during-the-award monitoring of subrecipients, and review and evaluation of subrecipient A-133 audit reports.

***Views of Responsible Officials***

We concur with this finding. As noted in our 2005 audit report, subrecipient monitoring procedures were documented by the Office of Finance and Management in early 2007 and subsequently distributed to all County agencies. Training was provided and agencies were

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instructed on how to comply with the OMB Circular A-133 requirements. Improvement in this area can be anticipated in 2007 and years following.

It is important to note as well that at the end of 2008, the Justice Agency, which received funding under some of the programs listed above, was dissolved. Unfortunately, the records relating to that agency were not adequately secured and many documents and files could not be located. All remaining records have since been secured, however, many records were lost or destroyed in the transition.

**06-09 Cash Management**

*Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number*

CFDA No. 16.609, *Community Prosecution and Project Safe Neighborhoods*, U.S. Department of Justice, Grant Numbers 2003-GP-CX-0523, 2003 GP-CX-0141, 2003-SE-CX-0034, 2003-PP-CX-0010, and 2003-GP-CX-0107

*Criteria*

According to the March 2006 Compliance Supplement, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government.

*Condition Found*

In our sample of sixty (60) expenditures for testing, we found that three (3) expenditures incurred by the Prosecutor's Office had a payment date that was after the date of the County's request for reimbursement. The total associated dollar amount of these expenditures was \$9,371 or 19.4% of the thirty (30) sample items selected from the Prosecutor's Office. Additionally, we were unable to test twenty-six (26) of the sampled items incurred by the Justice Agency with an associated amount of \$89,056 or 92.8% of the thirty (30) sample items selected for the Justice Agency, as the County was unable to locate the associated claim reimbursement forms and thus we could not determine when the expenditures were requested for reimbursement.

*Questioned Costs*

The most likely questioned costs associated with the finding related to the Prosecutor's Office are \$18,947 and were computed by multiplying the 19.4% error rate as calculated in our sample population to the total of the program expenditures incurred by the Prosecutor's Office of \$97,913.

The most likely questioned costs associated with the finding related to the Justice Agency are \$433,186 and were computed by multiplying the 92.8% error rate as calculated in our sample population to the total of the program expenditures incurred by the Justice Agency of \$466,796.

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***Possible Asserted Cause and Effect***

The asserted cause of this finding for the Prosecutor's Office is that there was a delay in the actual payment of the invoice and thus the federal reimbursement was requested by the grant personnel prior to the County's payment. The asserted cause of this finding for the Justice Agency is that this agency of the County has since been dissolved and the related grant records could not be located. The effect of this finding is that the County may be drawing down funds prior to making payment with their own funds, and thus not being on a reimbursement basis.

***Recommendation***

We recommend that the County review its procedures for requesting reimbursement of federal funds to ensure that reimbursement requests are made after the payment of the expenditure with local funds.

***Views of Responsible Officials***

It is the County's policy to request reimbursement only after payment has been made. The County will review and monitor the reimbursement claimed to ensure that reimbursement is not requested before payment of the expenditure.

As noted in our response to finding 06-08, with the dissolution of Justice Agency, records were lost or destroyed as adequate control over them was not maintained. All remaining available records have since been secured, however, these are minimal and were not secured until late 2009, early 2010.

**06-10 Cash Management (CFDA No. 16.575 and 16.579) and Period of Availability of Federal Funds (CFDA No. 16.575)**

***Federal Program, Federal Agency, Pass-through Entity, Federal Grant(s) Number***

CFDA No. 16.575, *Crime Victim Assistance*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute, Various Grant Numbers

CFDA No. 16.579, *Edward Byrne Memorial Formula Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute and Johnson County, Various Grant Numbers

***Criteria***

According to the March 2006 Compliance Supplement, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government.

Additionally, for grant number 04VA107 related to the Crime Victim Assistance program which ended on June 30, 2005, the grant conditions specify that any grant funds not drawn down by September 20, 2005 are to be forfeited.

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***Condition Found***

For the Crime Victim Assistance program, in our sample of fifty-seven (57) expenditures, we were unable to test one (1) expenditure to ensure that the payment date was after the date of the County's request for reimbursement as the County was not able to produce the necessary accounting records. The total associated dollar amount of this expenditure was \$13,541 or 4.4% of the total sampled population.

Additionally, for this same expenditure, the County requested, and received, reimbursement in fiscal year 2006 (i.e., after September 20, 2005) and thus, according to the specific grant agreement, these costs were not eligible for reimbursement.

For the Edward Byrne Memorial Formula Grant Program, in our sample of thirty (30) items selected under grants related to the Courts, the County requested reimbursement for two (2) of the items prior to paying for them. These 2 exceptions totaled \$10,777 and represented 6.4% of the total dollar value of the sample related to the County Courts. A total of ninety (90) expenditures were tested for this compliance requirement across all County agencies with expenditures under this program in 2006.

***Questioned Costs***

For the Crime Victim Assistance program, the most likely questioned costs associated with this finding are \$31,635 and were computed by multiplying the 4.4% error rate as calculated in our sample population to the total of the program expenditures of \$723,922.

For the Edward Byrne Memorial Formula Grant Program, the most likely questioned costs associated with this finding are \$41,565 and were computed by multiplying the 6.4% error rate as calculated in our sample population to the total of the program expenditures incurred by the County Courts in 2006 of \$652,579.

***Possible Asserted Cause and Effect***

The asserted cause of this finding is that the related accounting support was not easily available due to the age of the invoice and that it was in storage. The effect of this finding is that the County may be drawing down funds prior to making payment with their own funds and thus not being on a reimbursement basis.

Additionally, related to the late submission of the reimbursement request, the asserted cause was that the claim voucher was not prepared on a timely basis. The effect of this finding is that the County is not complying with grant requirements for timely submission of reimbursement requests.

***Recommendation***

We recommend that the County review its procedures for requesting reimbursement of federal funds to ensure that reimbursement requests are made after the payment of the expenditure with local funds and that they are made on a timely basis.

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*Views of Responsible Officials*

It is the County's policy to request reimbursement only after payment has been made. The County will review and monitor the reimbursement claimed to ensure that reimbursement is not requested before payment of the expenditure. Additionally, as was noted in the finding, because of the delinquency of our reporting, many documents are difficult, or can no longer be located. The County has a plan in place to become current on its audit by the end of 2010 and as such, this should eliminate our inability to locate documents to support the expenditures.

**06-11 Reporting**

*Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number*

CFDA No. 16.575, *Crime Victim Assistance*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute, Various Grant Numbers

CFDA Nos. 20.600/20.601/20.602/20.604, *State and Community Highway Safety Program Cluster*, National Highway Traffic Safety Administration passed through the Indiana Criminal Justice Institute, Various Grant Numbers

*Criteria*

The March 2006 Compliance Supplement indicates that recipients shall submit performance reports at least annually but not more frequently than quarterly. Performance reports generally contain, for each award, brief information on each of the following:

- A comparison of actual accomplishments with the goals and objectives established for the period
- Reasons why established goals were not met, if appropriate
- Other pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs

The County's grant agreements under these programs require them to submit periodic performance reports, which provide a narrative of the County's accomplishments and progress under the grant and which also provide certain statistical information as required by the grantor.

The March 2006 Compliance Supplement indicates that for performance reports, the auditor is to trace the data to records that accumulate and summarize data and perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.

*Condition Found*

The County was not able to provide us with any information to support the statistical amounts reported in their performance reports for this program.

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***Questioned Costs***

There are no questioned costs associated with this finding.

***Possible Asserted Cause and Effect***

The possible asserted cause of this finding is that management does not properly maintain the information utilized to prepare such reports. The effect may be inaccurate reporting on which the grantor is relying.

***Recommendation***

We recommend that the County implement procedures to ensure that the statistical information submitted on the performance reports is appropriately accumulated and summarized. This summary should be formally documented and provide a basis to support the amounts reported on the performance report. An individual other than the individual preparing such report should review and approve to ensure its accuracy.

***Views of Responsible Officials***

Procedures will be implemented to educate the grant managers on accurately documenting and maintaining data supporting the required performance reports. It should also be noted that because of the delinquency of the County's reports, some of the support regarding the performance reports were no longer available, or could not be located in storage. As we become more current on our reporting, improvement in this area should be evident.

**06-12 Allowable Costs/Cost Principles**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 93.563, *Child Support Enforcement*, U.S. Department of Health and Human Services passed through Indiana Family and Social Services Administration; Grant Number Not Available

***Criteria***

According to OMB Circular A-87 (C)(j), costs must meet certain general criteria to be allowable and one of those items is that the cost be adequately documented.

The requirements for cash management are contained in the OMB Circular 102 and are implemented by the U.S. Department of Health and Human Services for the Title IV-D program at 45 CFR § 304.25 and the State Cooperative Agreement. Expenditures are considered to be made on the date on which the cash disbursements occur or the date to which allocated.

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***Condition Found***

Based on findings and questioned costs reported in past single audit report, we identified expenditures totaling \$30,422 that related to internal data processing charges submitted for reimbursement for the Superior Court. Costs are reimbursed at 66% for this program, and therefore, the total federal reimbursement received for 2006 related to these expenditures was \$20,079. The County was not able to support these charges submitted for the Superior Court as no such internal charges were being charged to this Court.

***Questioned Costs***

Questioned costs are \$20,079, which is calculated as the total costs submitted for reimbursement of \$30,422 for the Superior Court multiplied by the federal reimbursement rate of 66%.

***Possible Asserted Cause and Effect***

Management is aware of these unsupported expenditures as this was a finding in the prior year, however, has continued to submit them for reimbursement without appropriate supporting documentation.

***Recommendation***

We recommend management ensure that all costs submitted for reimbursement are adequately documented and can be supported. Internal data processing charges should be appropriately documented and the County should ensure that such costs are being allocated to the department/agency submitting the cost to be reimbursed.

***Views of Responsible Officials***

It was the County's understanding that the Superior Court was working with the funding agency to obtain approval for reimbursement of the data processing charges. The County agrees that unsupported expenditures should not be claimed for reimbursement and will review with the Superior Court this finding.

**06-13 Allowable Costs/Cost Principles**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 93.563, *Child Support Enforcement*, U.S. Department of Health and Human Services passed through Indiana Family and Social Services Administration; Grant Number Not Available

***Criteria***

Pursuant to 45 CFR Section 304.23, unallowed activities include activities related to administering other titles of the Social Security Act. Additionally, Per OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, Paragraphs 8(h)(3) and (4), where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certification that the employees



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worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation, which, (1) reflects an after-the-fact distribution of the actual activity of each employee; (2) accounts for the total activity for which each employee is compensated; (3) is prepared at least monthly and must coincide with one or more pay periods; and (4) must be signed by the employee.

***Condition Found***

We noted that \$223,555 of the total \$265,357 in federal reimbursement received by the Title IV-D Circuit Court (Court) relates to payroll charges. During our testwork, we selected payroll expenditures from this Court and noted that these were supported by personnel activity reports whereby the employees certified that 100% of their time was spent working on the Title IV-D Child Support Enforcement Program. However, based on prior year conversations with management in the Title IV-D Circuit Court and correspondence with the pass-through entity, it appears that employees in this Court actually spend a portion of their time on non-Title IV-D cases; however, they are not allocating any of the employees' time to these non-Title IV-D cases.

***Questioned Costs***

The amount of questioned costs is undetermined as no accounting has been done of actual time spent by the employees. Total expenditures reimbursed (at 66% reimbursement rate) for the Title IV-D Court in 2006 were \$223,555.

***Possible Asserted Cause and Effect***

County management is aware that the amount charged to the grant represents 100% of employee time although they acknowledge that a portion of employees' time is spent on non-Title IV-D cases. Management asserts that these employees are working a significant amount of overtime without compensation and thus the 100% reimbursement should be allowed.

***Recommendation***

We recommend that the County obtain written documentation as to the allowability of these costs from the grantor. While the grantor is aware of this issue, no management decision from the grantor was provided to us for audit purposes.

***Views of Responsible Officials***

We concur with this finding. The County will work with Court management to work with the grantor to obtain written documentation as to the allowability of these costs. The County will encourage the Court to do a case load study to determine the percentage of cases that are Title IV-D so as to support their reimbursement requests.

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**06-14 Procurement and Suspension and Debarment**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 16.579, *Edward Byrne Memorial Formula Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute and Johnson County, Various Grant Numbers

CFDA No. 16.609, *Community Prosecution and Project Safe Neighborhoods*, U.S. Department of Justice, Grant Numbers 2003-GP-CX-0523, 2003 GP-CX-0141, 2003-SE-CX-0034, 2003-PP-CX-0010, and 2003-GP-CX-0107

CFDA No. 93.563, *Child Support Enforcement*, U.S. Department of Health and Human Services passed through Indiana Family and Social Services Administration; Grant Number Not Available

***Criteria***

According to the March 2006 Compliance Supplement and §\_\_.36(b)(9), §\_\_.36(c)(1), §\_\_.36(b)(1), and §\_\_.36(d)(4), procurements should conform to the following criteria:

- The contract file should document the significant history of the procurement, including the rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis of contract price
- The procurement should provide full and open competition
- The procurement should document the rationale to limit competition in those cases where competition was limited

***Condition Found***

For the Edward Byrne Memorial Formula Grant Program, we selected a sample of eight (8) vendors with total expenditures in 2006 of \$210,118 and which represented 56% of the total \$376,872 expenditures subject to this compliance requirement. Of these vendors, the following were noted:

- There were four (4) vendors with expenditures totaling \$151,019 for which no procurement documentation was provided.
- There were four (4) vendors with expenditures totaling \$59,099, which were for professional services that were not competitively bid; however, the County had no documentation to justify the sole source award. Additionally, one of the vendors had a contract that expired on March 31, 2006, but no renewal contract was provided to us although there were expenditures to this vendor after this date.

For the Community Prosecution and Project Safe Neighborhoods program, we tested six (6) vendors with total expenditures of \$70,876, which represented 52% of the total expenditures under

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this program subject to this compliance requirement. Of these vendors, none of the 6 had sufficient information in the contract file to detail the bids or quotes obtained to evidence full and open competition. There was also no formal documentation that indicated a rationale to limit competition.

For the Child Support Enforcement program, we tested three (3) vendors with total expenditures of \$402,892 and which represented 88% of the total expenditures under this program subject to this compliance requirement. Of these vendors, none of the 3 had sufficient information in the contract file to detail the bids or quotes obtained to evidence full and open competition. There was also no formal documentation that indicated a rationale to limit competition.

***Questioned Costs***

The known questioned costs for the Edward Byrne Memorial Formula Grant Program are \$210,118 and were computed as the entire 2006 expenditures for the vendors in our sample. The most likely questioned costs are \$376,872 and were computed by extrapolating the error rate percentage of 100% found in our sample to the relevant population of \$376,872.

The known questioned costs for the Community Prosecution and Project Safe Neighborhoods program are \$70,876 and were computed as the entire 2006 expenditures for the vendors in our sample. The most likely questioned costs are \$136,876 and were computed by extrapolating the error rate percentage of 100% found in our sample to the relevant population of \$136,876.

The known questioned costs for the Child Support Enforcement program associated with the procurement finding are \$402,892 and were computed as the entire 2006 expenditures for the vendors in our sample. The most likely questioned costs are \$455,769 and were computed by extrapolating the error rate percentage of 100% found in our sample to the relevant population of \$455,769.

***Possible Asserted Cause and Effect***

The County asserts that the three procurements that were tested are for professional services and thus a competitive bid process is not required. However, this was not formally documented as to the rationale for limiting competition. The effect of the lack of documentation is that open competition for procurements under federal grants is not achieved or that documentation supporting the limitation on competition is not adequately maintained to support the justification.

***Recommendation***

We recommend the County implement internal control procedures to ensure that all procurements under federal grant awards are assured to follow federal and state regulations, as applicable. If procurements are not competitively bid, the rationale for such should be formally documented in the contract files.

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*Views of Responsible Officials*

We concur with this finding. The purchases under question were for contractual services, which under Indiana law are not required to be bid and, therefore, do not follow the standard public purchasing laws that govern purchase of goods. The agency was following the rules required under Indiana law. The agency has since been instructed that they must also be in compliance with federal law that requires that they obtain quotes or bids documenting full and open competition. Because this finding was not brought to the County's attention until now, improvements in this area will not be experienced until after 2009.

**06-15 Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

*Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number*

CFDA No. 16.609, *Community Prosecution and Project Safe Neighborhoods*, U.S. Department of Justice, Grant Numbers 2003-GP-CX-0523, 2003 GP-CX-0141, 2003-SE-CX-0034, 2003-PP-CX-0010, and 2003-GP-CX-0107

*Criteria*

The specific requirements for activities allowed or unallowed and allowable costs/cost principles are unique to each federal program and are found in the laws, regulations, and the provisions of contracts or grant agreements pertaining to the program.

*Condition Found*

The County was unable to provide full grant agreements, including the related approved budgets, for grants 2003-GP-CX-0141 and 2003-GP-CS-0523 under which federal funds were expended in 2006 for this program. We selected a total of 30 payroll and nonpayroll expenditures totaling \$54,319 but were unable to determine if any of the costs were allowable under the grant due to the missing grant documents.

*Questioned Costs*

Most likely questioned costs associated with this finding are \$456,461, which represents the entire amount of expenditures in 2006 under these two grants.

*Possible Asserted Cause and Effect*

The asserted cause of this finding is that the County agency that was responsible for the administration of this grant has since dissolved and the related records were not able to be located. The effect of this finding is that the compliance with the activities allowed or unallowed and allowable costs/cost principles requirements could not be determined due to the unavailability of the grant agreements.

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***Recommendation***

We recommend that the County ensure that all grant agreements are appropriately maintained to ensure that costs incurred under the grant can be verified for allowability.

***Views of Responsible Officials***

As noted in the finding, the agency responsible for this grant was dissolved at the end of 2008. The records associated with that agency were not secured and as such, documents were lost or sent to storage without adequately documenting the contents. The County recognizes the need to maintain adequate control over supporting documentation relating to grants. The remaining records for this agency have since been secured, however, many documents were lost in the transition.

**06-16 Allowable Costs/Cost Principles**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 16.579, *Edward Byrne Memorial Formula Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute and Johnson County, Various Grant Numbers

***Criteria***

According to OMB Circular A-87 (C)(j), costs must meet certain general criteria to be allowable and one of those items is that the cost be adequately documented.

***Condition Found***

We selected a sample of twenty-four (24) payroll related expenditures incurred by the County's Justice Agency, twenty-four (24) from the Courts, and thirty (30) from the Prosecutor's Office. Of the items from the Justice Agency and the Courts, there were individuals who were charged to the grant that were not approved under the related grant agreement/budget and the County could not provide documentation that these individuals replaced an approved individual. Details from each agency were as follows:

- Justice Agency – nine (9) items of the twenty-four (24) tested were for such individuals and amounted to \$13,456 out of a total of \$39,359 (34.2%) tested from this agency.
- Courts – one (1) item of the eighteen (18) tested were for such individuals and amounted to \$1,060 out of a total of \$27,057 (3.9%) tested from this agency.

***Questioned Costs***

The known questioned costs associated with this finding are \$14,516 and represent the associated amount of expenditures in our sample for which allowability was not able to be verified. The most likely questioned costs are \$56,352 and were calculated by multiplying the percentage of error rate in our sample for each agency by the total payroll related expenditures for each agency in 2006.

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***Possible Asserted Cause and Effect***

The asserted cause of this finding is that the County has not maintained appropriate documentation to ensure allowability of costs charged to the grant program. The effect is that the County may charge costs to the grant that are not allowable.

***Recommendation***

We recommend that the County ensure that all modifications/changes to grant allowable costs are appropriately documented to allow for verification and proof of allowability.

***Views of Responsible Officials***

The County concurs with this finding and will work with the agencies involved, and all agencies receiving federal funds to assure that appropriate documentation is maintained for individuals assigned to grants. Because this was just brought to the attention of the County, and because the County is delinquent in its reporting, improvement in this area will not be immediately evident.

**06-17 Matching, Level of Effort, Earmarking**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 16.579, *Edward Byrne Memorial Formula Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute and Johnson County, Various Grant Numbers

***Criteria***

The specific requirements for matching are unique to each federal program and are found in the laws, regulation, and the provisions of contract or grant agreements pertaining to the program. However, the A-102 Common Rule (§\_\_.24) and OMB Circular A-110 (§).23) provide detailed criteria for acceptable costs and contributions. The following is a list of the basic criteria for acceptable matching:

- Verifiable from the nonfederal entity's records.
- Not included as contributions for any other federally assisted project or program, unless specifically allowed by federal program laws and regulations.
- Necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- Allowed under the applicable cost principles.
- Not paid by the federal government under another award, except where authorized by federal statute to be allowable for cost sharing or matching.
- Provided for in the approved budget when required by the federal awarding agency.

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- Conform to other applicable provisions of the A-102 Common Rule and OMB Circular A-110 and the laws, regulations, and provisions of contract or grant agreements applicable to the program.

***Condition Found***

We selected a sample of thirty (30) expenditures (total of \$102,135), which were claimed in 2006 on the quarterly financial reports submitted to the grantor as match amounts. We noted eleven (11) exceptions as follows:

- Two (2) items were for payroll expenditures totaling \$3,692; however, the payroll expenditures were claimed against another federal award.
- One (1) item was for a payroll expenditure totaling \$1,885 and the information on the employee's timesheet indicated that the individual worked on another federal grant. We noted, however, that the individual's payroll expenditure was not charged in the general ledger to the federal grant indicated on the timesheet but was charged to another County fund that did not have federal awards as its source of revenue. We could not determine whether the timesheet or the general ledger coding was correct.
- Five (5) items with exceptions totaling \$5,097, which represent internally allocated computer charges and which could not be fully supported by the actual costs charged to the various County agencies.
- Two (2) items with exceptions totaling \$496, which represent internally allocated rent expenditures which could not be fully substantiated by the actual amounts paid and allocated for rent charges.
- One (1) item totaling \$29,359, which represented third-party vendor payments for which the County could not provide a listing of payments, which made up the amount and thus we could not test the expenditure(s).

Additionally, we noted that for all grants in 2006, the County reported \$734,874. Of this amount, \$519,329 was related to payroll expenditures for agencies of the County for which we determined no time certifications were being performed (see finding 06-07). Therefore, we did not test any of these amounts and consider them to be exceptions.

***Questioned Costs***

The total 2006 match amounts reported by the County were \$734,874. The total actual match amounts tested and found to be an exception were \$40,529, which represents 39.7% of our total sample tested. Total most likely exceptions were \$604,900 and were calculated as the sum of the total payroll expenditures for which time certifications were not maintained of \$519,329 and the extrapolated error amount of \$85,571. The extrapolated error amount of \$85,571 was calculated based on the total population of \$734,874 less the \$519,329 of payroll amounts not certified and

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the error rate in the sample of 39.7%. We also noted that the program requires a 25% grantee match.

***Possible Asserted Cause and Effect***

The asserted cause of this finding is that the County has not maintained appropriate documentation to support match amounts claimed for this grant program. Additionally, employees of the County are not properly certifying their time spent on grant programs and thus the related amounts used for matching requirements are not verifiable. The effect is that the County may not incur appropriate costs to meet the matching requirements of this program.

***Recommendation***

We recommend that the County maintain appropriate documentation to adequately support match amounts reported and that verification of such amounts is reviewed by a management level employee prior to submission of the quarterly financial report which reports the match amounts. Additionally, a procedure should be implemented to ensure that employees working on grant programs are appropriately certifying their time according to the A-87 cost principles.

***Views of Responsible Officials***

The County concurs with this finding. As noted in finding 06-07, forms have been designed to implement the certification requirement, however, this procedure was not implemented until late 2009, therefore, improvement in this area will not be immediately evident. The County will also work with the agencies and provide training regarding match requirements to assure that the agencies fully understand allowable match under the federal guidelines.

**06-18 Period of Availability of Federal Funds**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 16.579, *Edward Byrne Memorial Formula Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute and Johnson County, Various Grant Numbers

***Criteria***

According to the March 2006 Compliance Supplement, federal awards may specify a time period during which the nonfederal entity may use the federal funds. Where a funding period is specified, a nonfederal entity may charge to the award only costs resulting from obligations incurred during the funding period and any award costs authorized by the federal awarding agency.

***Condition Found***

During our period of availability of federal funds testwork for the program, we noted that the County did not have adequate internal controls in place to assure that its obligations were incurred during the award period for payroll costs. In a sample of seventy-two (72) payroll items selected for testing, a lack of supervisor approval was found on twenty-one (21) of the items.



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***Questioned Costs***

There are no questioned costs associated with this finding.

***Possible Asserted Cause and Effect***

The effect of this condition is that the County could incur expenditures that are not within the stated grant period. During our testing, we found that none of the expenditures were incurred outside of the related grant's period of availability.

***Recommendation***

We recommend that the County implement policies and procedures to make sure that all employees' time sheets are appropriately approved by a supervisory individual.

***Views of Responsible Officials***

It is County policy for a supervisor to approve an employee's time sheet prior to the time being submitted for payment. The County will correspond with each of the agencies and remind them of the necessity of supervisory approval of time. Additionally, the County is in the initial stages of selecting a new Enterprise Resource Planning (ERP) system, which includes a time and attendance system. With the implementation of this system, time cards will be automated and will require supervisory approval before they can be submitted for payment.

**06-19 Reporting**

***Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number***

CFDA No. 16.xxx, *Federal Equitable Sharing Program*, U.S. Department of Justice, Grant Numbers Not Applicable

***Criteria***

The *Guide to Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies (March 1994 as amended March 1998)* (Guide) specifies that a log and copies should be maintained of all DAG-71 forms that are forwarded to the Department of Justice. A consecutive numbering system should be used for control purposes. The log should contain seizure type (property of currency), amount, share amount requested, amount received, and date received. The log should be updated when a check is received from the Department of Justice as the amount received may differ from the amount requested.

Additionally, the Guide specifies that the DAG-71 forms are to be submitted within sixty (60) days from the date of the related seizure of assets.

***Condition Found***

The County has three participating law enforcement agencies which participate in the Federal Equitable Sharing Program as well as the Marion County Justice Agency which serves in an administrative capacity over the three agencies for this program. The County did not maintain a

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log(s) of the DAG-71 forms, which were submitted to the Department of Justice for each of the three (3) participating agencies. For audit purposes, the County attempted to recreate the log from copies of DAG-71 forms and notification of receipts that were able to be located. The DAG-71 forms were not numbered sequentially, and thus, we were unable to determine if the log was complete and accurate.

We selected a total sample of sixty (60) DAG-71 forms, thirty (30) of which had associated receipts in fiscal year 2006 and thirty (30) additional which were submitted in 2006 to determine if the forms were submitted within the required 60 days. We identified five (5) DAG-71 forms for which the form was submitted in excess of 60 days from the date of the related seizure. We noted that all 5 exceptions were for DAG-71 forms which were submitted in 2004 and 2005 and for which sharing proceeds had been received by the County. There were no exceptions for the DAG-71 forms submitted in 2006. Additionally, we noted that two (2) of the DAG-71 forms did not have an authorizing County signature on the form.

***Questioned Costs***

There are no questioned costs associated with this finding.

***Possible Asserted Cause and Effect***

The asserted cause of this finding is that the Marion County Justice Agency dissolved in early 2009 and thus while the County believes that a log(s) of the DAG-71 forms was maintained, the logs were not able to be located. The effect of this condition is that the County may not be accurately tracking the receipt of federal sharing receipts and thus there is the risk that receipts could be deposited in a fund other than the designated federal equitable sharing account. Additionally, the risk exists that the County may not have received sharing receipts that were due to them as inadequate monitoring of open DAG-71 forms could have occurred.

***Recommendation***

We recommend that the County implement policies and procedures to ensure that a log of DAG-71 forms is maintained. In addition, the forms should be sequentially numbered so that a determination can be made as to the accuracy and completeness of the log. From the results of our testwork on the timeliness of the submission of the DAG-71 forms, it appears that adequate internal controls and processes have been implemented subsequent to 2005 as all 2006 DAG-71 forms were submitted timely.

***Views of Responsible Officials***

The County concurs with this finding and will work with the individual law enforcement agencies involved to assure that an adequate log of DAG-71 forms is maintained as they are submitted so that subsequent receipt of funds can be documented and assured that they are deposited into the appropriate fund. In 2010, this fund will transition to the City of Indianapolis, Indianapolis Metropolitan Police Department.

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**06-20 Equipment and Real Property Management**

*Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number*

CFDA No. 16.xxx, *Federal Equitable Sharing Program*, U.S. Department of Justice, Grant Numbers Not Applicable

*Criteria*

The March 2006 Compliance Supplement and the A-102 Common Rule specify that a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records.

*Condition Found*

The County has not conducted a physical inventory since the 2002 fiscal year.

*Questioned Costs*

There are no questioned costs associated with this finding.

*Possible Asserted Cause and Effect*

Management does not monitor the requirement for a physical inventory and there is no employee that is responsible for the inventory being conducted. The effect of this finding is that equipment may be maintained in the records but may not exist.

*Recommendation*

We recommend the County implement internal controls to ensure that the requirement for a physical inventory at least every two years is monitored and completed. These procedures should also ensure that the results obtained are reconciled with the County's accounting records and any differences are investigated and resolved.

*Views of Responsible Officials*

A complete inventory of all County assets was done at the end of 2002 when the County implemented a new fixed asset system. In July of 2005, legislative changes gave the responsibility of maintaining the County assets to the City of Indianapolis, Office of Finance and Management. The transition of this responsibility was not complete until mid-2006. In 2007, the Office of Finance and Management provided a listing of capitalized assets to each County agency. The agencies were responsible for reviewing this listing and documenting any additions or disposals, and the Office of Finance and Management made the adjustments in the fixed asset system. This process is done every two years for assets purchased with federal monies.

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**06-21 Cash Management**

*Federal Program, Federal Agency, Pass-Through Entity, Federal Grant(s) Number*

CFDA No. 16.xxx, *Federal Equitable Sharing Program*, U.S. Department of Justice, Grant Numbers Not Applicable

*Criteria*

The Guide requires that law enforcement agency recipients of federal equitable sharing funds expend the receipts within two year of their receipt.

*Condition Found*

For two (2) of the participating County agencies (Prosecutor's Office and Sheriff's Department), we found that the agency did not expend \$13,894 and \$18,679, respectively, of receipts within this timeframe.

*Questioned Costs*

There are no questioned costs associated with this finding.

*Possible Asserted Cause and Effect*

Management does not adequately monitor the requirement for the two-year requirement. The effect is that federal equitable sharing receipts are retained for a longer period than the Guide specifies.

*Recommendation*

We recommend the County implement internal controls to ensure that federal equitable sharing receipts are expended in a timely manner.

*Views of Responsible Officials*

The County concurs with this finding and will work with the agencies involved to implement procedures to assure that federal equitable sharing revenues are expended timely.

