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October 23, 2012

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

We have reviewed the audit reports prepared by KPMG LLP, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. 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 Marion County, as of December 31, 2008, 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.

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, 2008

MARION COUNTY, INDIANA

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

ANNUAL FINANCIAL REPORT

For the Year
Ended December 31, 2008



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2008 County Elected Officials

	TERM
Auditor.....	Billie J. Breaux 01-01-07 to 12-31-10
Treasurer.....	Michael Rodman 01-01-05 to 12-31-08
Clerk.....	Elizabeth White 01-01-07 to 12-31-10
Sheriff.....	Frank Anderson 01-01-07 to 12-31-10
Recorder.....	Julie Voochies 01-01-07 to 12-31-10
Assessor.....	Greg Bowes 01-01-07 to 12-31-10
Surveyor.....	Debra S. Jenkins 01-01-08 to 12-31-11
Coroner.....	Dr. Kenneth Ackles, Sr. 01-01-05 to 12-31-08
Prosecutor.....	Carl Brizzi 01-01-07 to 12-31-10
County Chief Executive.....	Gregory Ballard 01-01-08 to 12-31-11
Board of County Commissioners (Ex-Officio).....	Michael Rodman 01-01-05 to 12-31-08
Board of County Commissioners (Ex-Officio).....	Billie J. Breaux 01-01-07 to 12-31-10
Board of County Commissioners (Ex-Officio).....	Greg Bowes 01-01-07 to 12-31-10

2008 Other Elected Officials and Department Heads

	TERM
Center Township Assessor.....	Eugene Akers 01-01-07 to 12-31-10
Decatur Township Assessor.....	Jason Holliday 01-01-07 to 12-31-10
Franklin Township Assessor.....	Becky L. Williams 01-01-07 to 12-31-10
Lawrence Township Assessor.....	Jeffrey Hill 01-01-07 to 12-31-10
Perry Township Assessor.....	Katherine A. Price 01-01-07 to 12-31-10
Pike Township Assessor.....	Barbara M. Hurst 01-01-07 to 12-31-10
Warren Township Assessor.....	Arlene Crooke 01-01-07 to 12-31-10
Washington Township Assessor.....	Joline Ohmart 01-01-07 to 12-31-10
Wayne Township Assessor.....	Michael McCormack 01-01-07 to 12-31-10
Voters Registration.....	Cindy Mowery John Riordan*
Marion County Cooperative Extension.....	Ronald Hoyt
Criminal Probation.....	Robert Bingham
Court Administrator.....	Glenn Lawrence
Guardian Home (Acting Director).....	Rose Butler
Community Corrections.....	Brian Barton**
Forensic Services.....	Michael Medler
Chief Public Defender.....	Robert Hill
Metropolitan Emergency Communication Agency.....	Wendell R. Raney
Acting Chief Information Officer.....	Kevin Ortell

*Terry Burns appointed 12/30/08

**Thomas Marendt appointed 12/08/08

2008 City-County Council Members

President, Bob Cockrum
 Vice President, Kent Smith
 Paul Bateman, Jr.
 Vernon Brown
 Virginia Alig Cain
 Jeffrey Cardwell
 Ed Coleman
 N. Susie Day
 Jose Evans
 Monroe Gray, Jr.
 Ben Hunter
 Maggie Lewis

Robert Lutz
 Brian Mahern
 Dane Mahern
 Barbara Malone
 Angela Mansfield
 Janice McHenry
 Michael McQuillen
 Doris Minton-McNeil
 Mary Moriarty Adams
 Jackie Nytes
 William C. Oliver
 Marilyn Pfisterer

Lincoln Plowman
 Joanne Sanders
 Christine Scales
 Mike Speedy
 Ryan Vaughn

2008 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 Mark D. Stoner
 Court 7 Misdemeanor William J. Nelson
 Court 8 Misdemeanor Barbara Collins
 Court 9 D-Felony Heather A. Welch
 Court 10 Misdemeanor Linda E. Brown
 Court 11 Initial Hearing/APC Commissioners
 Court 12 Community Court Magistrate Louis Rosenberg
 Court 13 Traffic/Misdemeanor Marc Rothenberg, Commissioner
 Court 14 D-Felony Drug Court/Re-entry Court Jose D. Salinas
 Court 15 Felony Lisa F. Borges
 Court 16 Domestic Violence Clark Rogers
 Court 17 Domestic Violence Annie Christ-Garcia
 Court 18 D-Felony Reuben Hill
 Court 19 Misdemeanor R. F. Pierson-Treacy
 Court 20 Felony Drug William Young
 Court 21 Domestic Violence David J. Certo
 Court 22 Major Felony Carol J. Orbison
 Court 23 Major Felony Drug Steve Eichholtz
 Court 24 D Felony John W. Hammel

Civil Division:

Court 1 David Shaheed
 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





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, 2008, 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.

As more fully described in Note 1 to the basic financial statements, the County prepared its financial statements on 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, 2008, 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 September 3, 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 49, 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 45 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
September 3, 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, 2008

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:	\$ 32,507,850	\$ 15,287,160	\$ 1,312,164	\$ (15,908,526)	\$ —	\$ (15,908,526)
Administration and finance	76,891,958	18,463,919	10,423,932	(48,004,107)	—	(48,004,107)
Protection of people and property program	74,870,908	2,673,763	8,085,782	(64,111,363)	—	(64,111,363)
Corrections program	78,518,267	12,870,605	7,713,937	(57,933,725)	—	(57,933,725)
Judicial program	1,909,988	—	704,293	(1,205,695)	—	(1,205,695)
Culture and recreation program	10,752,040	3,234,657	—	(7,517,383)	—	(7,517,383)
Real estate and assessments program	77,546,295	357,650	1,084,158	(76,104,487)	—	(76,104,487)
Health and welfare	124,397,805	—	—	(124,397,805)	—	(124,397,805)
Principal and interest on tax anticipation warrants	7,428,394	—	—	(7,428,394)	—	(7,428,394)
Principal and interest on long-term debt	—	—	—	—	—	—
Total governmental activities	484,823,506	52,887,754	29,324,266	(402,611,486)	—	(402,611,486)
Business-type activities:	648,361	752,854	—	—	104,493	104,493
Drug testing laboratory	648,361	752,854	—	—	104,493	104,493
Total business-type activities	648,361	752,854	—	—	104,493	104,493
Total	\$ 485,471,867	\$ 53,640,608	\$ 29,324,266	(402,611,486)	104,493	(402,506,993)
General cash receipts:						
Property taxes				175,573,085	—	175,573,085
Financial institution tax				1,867,461	—	1,867,461
Excise tax				16,905,517	—	16,905,517
County option income tax				77,287,490	—	77,287,490
Other state and local taxes				339,448	—	339,448
State wagering taxes				2,452,341	—	2,452,341
Unrestricted investment earnings				10,678,062	—	10,678,062
Other				5,338,335	—	5,338,335
Tax anticipation warrant proceeds				137,866,575	—	137,866,575
Total general cash receipts				428,308,314	—	428,308,314
Change in net assets				25,696,828	104,493	25,801,321
Net assets - beginning of year				70,425,205	(217,272)	70,207,933
Net assets - end of year				\$ 96,122,033	\$ (112,779)	\$ 96,009,254
Cash and Investment Assets - December 31, 2008						
Cash and cash equivalents				\$ 93,712,067	\$ (112,779)	\$ 93,599,288
Cash with fiscal agents				1,032,599	—	1,032,599
Restricted cash and cash equivalents				377,367	—	377,367
Certificates of deposit				1,000,000	—	1,000,000
Total cash and investment assets - December 31, 2008				\$ 96,122,033	\$ (112,779)	\$ 96,009,254
Cash and Investment Net Assets - December 31, 2008						
Restricted for:				\$ 1,032,599	\$ —	\$ 1,032,599
Debt service				513,822	—	513,822
Capital projects				2,419,662	—	2,419,662
Grantor purposes				27,474,497	—	27,474,497
Statutory purposes				64,681,453	(112,779)	64,568,674
Unrestricted				\$ 96,122,033	\$ (112,779)	\$ 96,009,254
Total cash and investment net assets - December 31, 2008				\$ 96,122,033	\$ (112,779)	\$ 96,009,254

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, 2008

	General	Welfare Sinking	Nonmajor Governmental Funds	Total Governmental Funds
Receipts				
Taxes	\$ 257,460,265	\$ 9,020,107	\$ 7,944,970	\$ 274,425,342
Intergovernmental	17,822,360	--	11,501,906	29,324,266
Interest	10,660,093	--	17,969	10,678,062
Charges for services	15,894,040	--	22,161,697	38,055,737
Miscellaneous	5,079,080	--	208,584	5,287,664
Total receipts	306,915,838	9,020,107	41,835,126	357,771,071
Disbursements				
Current:				
General government	91,153,929	--	10,932,852	102,086,781
Public safety	128,271,646	--	25,087,332	153,358,978
Welfare	73,658,273	--	1,445,545	75,103,818
Culture and recreation	899,466	--	269	899,735
Capital outlay	290,516	--	823,301	1,113,817
Debt service:				
Principal on notes	5,180,632	--	1,969,368	7,150,000
Principal and interest on tax anticipation warrants	112,622,700	6,635,870	5,139,235	124,397,805
Interest on notes	--	--	278,394	278,394
Total disbursements	412,077,162	6,635,870	45,676,296	464,389,328
Excess (deficiency) of receipts over disbursements	(105,161,324)	2,384,237	(3,841,170)	(106,618,257)
Other Financing Sources (Uses)				
Transfers in (out)	(3,500,000)	--	3,500,000	--
Proceeds from tax anticipation warrants	126,091,470	6,635,870	5,139,235	137,866,575
Sale of capital assets	50,672	--	--	50,672
Total other financing sources (uses)	122,642,142	6,635,870	8,639,235	137,917,247
Excess of receipts and other financing sources over disbursements and other financing uses	17,480,818	9,020,107	4,798,065	31,298,990
Cash and investment fund balance - beginning of year	25,901,467	11,603,581	18,525,925	56,030,973
Cash and investment fund balance - end of year	\$ 43,382,285	\$ 20,623,688	\$ 23,323,990	\$ 87,329,963

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 are included in governmental activities in the statement of activities and net assets - modified cash basis.

8,792,070

Cash and investment net assets of governmental activities

\$ 96,122,033

Cash and Investment Assets - December 31, 2008

Cash and cash equivalents	\$ 41,349,686	\$ 20,623,688	\$ 23,323,990	\$ 85,297,364
Cash with fiscal agents	1,032,599	--	--	1,032,599
Certificates of deposit	1,000,000	--	--	1,000,000
Total cash and investment assets - December 31, 2008	\$ 43,382,285	\$ 20,623,688	\$ 23,323,990	\$ 87,329,963

Cash and Investment Fund Balances - December 31, 2008

Unreserved, reported in:				
General fund	\$ 43,382,285	\$ --	\$ --	\$ 43,382,285
Special revenue funds	--	--	18,910,649	18,910,649
Debt service funds	--	20,623,688	5,262,918	25,886,606
Capital project funds	--	--	(849,577)	(849,577)
Total cash and investment fund balances - December 31, 2008	\$ 43,382,285	\$ 20,623,688	\$ 23,323,990	\$ 87,329,963

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, 2008

	<u>Enterprise Fund</u>	
	<u>Drug Testing Laboratory</u>	<u>Internal Service Fund</u>
Operating receipts:		
Charges for services	\$ 752,854	\$ 27,681,207
Miscellaneous	---	45,527
Total operating receipts	<u>752,854</u>	<u>27,726,734</u>
Operating disbursements:		
Services and charges	648,361	30,770,959
Administration including salaries and wages	—	2,544,847
Other	—	13,090
Total operating disbursements	<u>648,361</u>	<u>33,328,896</u>
Excess (deficit) of operating receipts over operating disbursements	104,493	(5,602,162)
Cash and investment net assets – beginning of year	<u>(217,272)</u>	<u>14,394,232</u>
Cash and investment net assets – end of year	<u>\$ (112,779)</u>	<u>\$ 8,792,070</u>
 <u>Cash and Investment Assets - December 31, 2008</u>		
Cash and cash equivalents	\$ (112,779)	\$ 8,414,703
Restricted cash and cash equivalents	<u>—</u>	<u>377,367</u>
Total cash and investment assets - December 31, 2008	<u>\$ (112,779)</u>	<u>\$ 8,792,070</u>
 <u>Cash and Investment Net Assets - December 31, 2008</u>		
Cash and investment net assets (unrestricted) - December 31, 2008	<u>\$ (112,779)</u>	<u>\$ 8,792,070</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, 2008

	Pension Trust Funds	Agency Funds
Additions		
Contributions:		
Employer	\$ 5,082,972	
Employee	1,603,423	
Total contributions	6,686,395	
Investment income (loss):		
Interest and dividends	1,645,132	
Realized loss on sales, net	(4,180,438)	
Net investment loss	(2,535,306)	
Total additions	4,151,089	
Deductions		
Investment management fees	414,612	
Benefits paid	10,907,497	
Total deductions	11,322,109	
Deficiency of total additions over total deductions	(7,171,020)	
Cash and investment fund balance – beginning of year	148,713,802	
Cash and investment fund balance – end of year	\$ 141,542,782	
<u>Cash and Investment Assets - December 31, 2008</u>		
Cash and cash equivalents	\$ 2,544,400	\$ 226,442,194
Investments (cost basis):		
Common stocks	22,799,511	—
Mutual funds	116,198,871	—
Total cash and investment assets-December 31, 2008	\$ 141,542,782	\$ 226,442,194
<u>Cash and Investment Net Assets - December 31, 2008</u>		
Cash and investment net assets-December 31, 2008	\$ 141,542,782	\$ 226,442,194

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, 2008

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, 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 statement (i.e., statement of activities and net assets - modified cash basis) reports information on all of the nonfiduciary activities of the County. The effect of significant 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. The County also has two fiduciary fund types: pension trust funds and agency funds.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

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.

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 or losses.

Cash and cash equivalents are defined as all highly liquid investments including certificates of deposit 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 JUSTIS.Net, amounting to \$377,367 at December 31, 2008, are classified as restricted cash and cash equivalents on the statement of activities and net assets - modified cash basis, as these funds are restricted for the purchase of software or hardware equipment relating to JUSTIS.Net, the Marion County Court's case management IT system.

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 City and the other governmental entities at June 30 and December 31 of each year. The City and the other governmental entities can request advances of their portion of the collected taxes from the Treasurer once the levy and tax rates are certified by the Indiana Department of Local Government Finance. The Indiana 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 2008 property taxes were levied based on assessed valuations determined by the Auditor as of the March 1, 2007 assessed valuations, which were adjusted for estimated appeals, tax credits and deductions. The lien date for the 2008 property taxes was March 1, 2007 (assessment date); the amount of property tax to be collected cannot be measured until the levy and tax rates are certified in the subsequent year. Taxable property is assessed at 100% of the true tax value. However, due to continuing issues with assessed valuations, tax bills were delayed in 2007 as well as 2008. In 2008, first half of the year 2008 taxes were due and payable to the Treasurer in December 2008. Second half of the year 2008 tax bills were sent to taxpayers in June 2009 with a due date of July 9, 2009.

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F. Capital Assets

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

G. Debt

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.

County Option Income Tax

In 2007, Marion County received \$9,600,000 in proceeds from the City of Indianapolis from the City's issuance of \$36,000,000 of County Option Income Tax Anticipation Notes during the year. These notes matured on January 12, 2009, and the County repaid the City its portion of the proceeds at this time. As of December 31, 2008, the County has pledged future County Option Income Tax receipts to repay this debt and related interest.

Notes payable

The County repaid \$7,428,394 in principal and interest during the year. There are no notes outstanding as of the end of the year.

Tax anticipation warrants

During 2008, tax anticipation warrants were issued on the taxes levied in 2007 and collected in 2008. 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 disbursements between the property tax distribution dates.

<u>Fund</u>	<u>Balance January 1, 2008</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance December 31, 2008</u>
General fund	\$ 36,547,699	126,091,470	109,837,358	\$ 52,801,811
Welfare sinking fund	—	6,635,870	6,635,870	—
Nonmajor funds	—	5,139,235	5,139,235	—
Total	\$ <u>36,547,699</u>	<u>137,866,575</u>	<u>121,612,463</u>	\$ <u>52,801,811</u>

The General fund includes tax anticipation warrant proceeds of \$47,777,390 and redemptions of \$39,956,406 used for the Family and Children Services agency fund. These warrants had an outstanding balance of \$21,304,111 as of December 31, 2008.

As of December 31, 2008, the County has pledged future property tax receipts to repay these outstanding warrants and related interest.

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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.

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 cash receipts rather than program cash receipts. Likewise, general cash receipts include all taxes.

Operating Receipts and Disbursements

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

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

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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 1st. 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 for tax supported funds require approval of the City-County Council and the State of Indiana Department of Local Government Finance.

NOTE 3—CASH AND INVESTMENTS

A summary of all cash and investments on the financial statements at December 31, 2008 is as follows:

Cash and cash equivalents and certificates of deposit	\$	94,599,288
Cash with fiscal agents		1,032,599
Restricted cash and cash equivalents		377,367
Cash and cash equivalents and investments		
-- Pension Trust Funds		
Cash and cash equivalents		2,544,400
Investment (cost basis)		138,998,382
Cash and cash equivalents – Agency Funds		226,442,194
	\$	463,994,230

Investment Policy - Primary Government (excluding Sheriff's Department Personnel Retirement and Disability Benefit Plans)

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.

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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.

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 fair 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.

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As of December 31, 2008, 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>		
Certificate of deposit	\$ 1,000,000	\$ 1,000,000	\$	1,000,000
Common stocks	22,799,511	22,799,511		18,474,586
Mutual funds	116,198,871	116,198,871		102,419,846
	<u>\$ 139,998,382</u>	<u>\$ 138,998,382</u>	<u>\$</u>	<u>121,894,432</u>

Fair values for investments are determined by closing market prices at year-end as reported by the investment custodian.

Total cash deposits at December 31, 2008 amounted to \$323,995,848.

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, which are rated, to 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, 2008:

<u>Investments</u>	<u>Cost</u>	<u>Rating</u>	<u>Fair value</u>
Certificates of deposit	\$ 1,000,000	Not rated	\$ 1,000,000
Common stocks	22,799,511	Not rated	18,474,586
Mutual funds	116,198,871	Not rated	102,419,846
	<u>\$ 139,998,382</u>		<u>\$ 121,894,432</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, 2008 in the amount of \$1,000,000, which represents approximately 0.2% of total cash and investments and is included in cash and cash equivalents at December 31, 2008.

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, 2008 consisted of the following:

<u>Transfer to</u>	<u>Transfer from General fund</u>
Nonmajor governmental funds	\$ 3,500,000
	<u>\$ 3,500,000</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, 2008, there are 91 fully vested employees (over 20 years of service), 91 partially vested (between 10 and 20 years of services), and 158 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, 2008, there are 308 retirees and beneficiaries receiving benefits, 7 terminated members entitled to benefits but not yet receiving benefits, and 340 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, 2008, there are 83 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 5.50% 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 5.50% as of July 1, 2008.

The annual required contribution and actual contribution made for each plan is as follows for the year ended December 31, 2008:

<u>Plan</u>	<u>Annual required contribution (ARC)</u>	<u>Actual contribution</u>
Retirement	\$ 3,648,340	\$ 3,781,238
Disability	1,152,718	1,152,718
PERF	5,066,799	5,452,487

C. Concentration of Investments

As of December 31, 2008, investments that represent 5% or more of the Retirement and Disability Plans' assets included the following:

<u>Investment</u>	<u>Retirement</u>	<u>Disability</u>
Mutual funds:		
Passive Bond Market Fund	\$ —	\$ 11,085,296
Hartford Retirement Fund	21,310,955	—
Vanguard Institutional Index Fund 94	48,253,368	—
Fidelity Diversified International Fund 325	17,069,654	—
Barrow Hanley	9,174,032	—
Mutual funds total	<u>\$ 95,808,009</u>	<u>\$ 11,085,296</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, 2008, are as follows:

	<u>Retirement</u>	<u>Disability</u>	<u>Total</u>
Additions			
Contributions:			
Employer	\$ 4,037,066	\$ 1,045,906	\$ 5,082,972
Employee	<u>1,603,423</u>	<u>—</u>	<u>1,603,423</u>
Total contributions	<u>5,640,489</u>	<u>1,045,906</u>	<u>6,686,395</u>
Investment income (loss):			
Interest and dividends	1,632,385	12,747	1,645,132
Realized gain (loss) on sales, net	<u>(4,288,701)</u>	<u>108,263</u>	<u>(4,180,438)</u>
Net investment receipts (loss)	<u>(2,656,316)</u>	<u>121,010</u>	<u>(2,535,306)</u>
Total additions	<u>2,984,173</u>	<u>1,166,916</u>	<u>4,151,089</u>
Deductions			
Investment management fees	399,677	14,935	414,612
Benefits paid	<u>9,721,571</u>	<u>1,185,926</u>	<u>10,907,497</u>
Total deductions	<u>10,121,248</u>	<u>1,200,861</u>	<u>11,322,109</u>
Deficiency of total additions over total deductions	(7,137,075)	(33,945)	(7,171,020)
Cash and investment net assets – beginning of year	<u>137,092,184</u>	<u>11,621,618</u>	<u>148,713,802</u>
Cash and investment net assets – end of year	<u>\$ 129,955,109</u>	<u>\$ 11,587,673</u>	<u>\$ 141,542,782</u>
<u>Cash and Investment Assets - December 31, 2008</u>			
Cash and cash equivalents	\$ 2,042,023	\$ 502,377	\$ 2,544,400
Investment (cost basis):			
Common stocks	22,799,511	—	22,799,511
Mutual funds	<u>105,113,575</u>	<u>11,085,296</u>	<u>116,198,871</u>
Total cash and investment assets – December 31, 2008	<u>\$ 129,955,109</u>	<u>\$ 11,587,673</u>	<u>\$ 141,542,782</u>
<u>Cash and Investment Net Assets - December 31, 2008</u>			
Cash and investment net assets – December 31, 2008	<u>\$ 129,955,109</u>	<u>\$ 11,587,673</u>	<u>\$ 141,542,782</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 of accounting, 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	1/01/09	1/01/09	7/01/08
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	**	**	1.5% compounded annually after retirement
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 retirement, 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 2000-2005.

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Marion County Law Enforcement Personnel Retirement Plan

For the plan year 2008, the County's annual pension cost of \$3,887,227 for the Retirement Plan was more than the required annual contribution of \$3,648,340 and the actual County contribution of \$3,781,238. The required contribution was determined as part of the January 1, 2008 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)	\$	3,648,340
Interest on net pension asset		(209,516)
Adjustment to ARC		<u>448,403</u>
Annual pension cost		3,887,227
Actual contribution made		<u>(3,781,238)</u>
Decrease in net pension asset		(105,989)
Net pension asset at beginning of year		<u>2,793,553</u>
Net pension asset at end of year	\$	<u><u>2,687,564</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 2008, the County's annual pension cost of \$1,153,846 for the Disability Plan was more than the required annual contribution and actual County contribution of \$1,152,718. The required contribution was determined as part of the January 1, 2008 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)	\$	1,152,718
Interest on net pension asset		(989)
Adjustment to ARC		<u>2,117</u>
Annual pension cost		1,153,846
Actual contribution made		<u>(1,152,718)</u>
Decrease in net pension asset		(1,128)
Net pension asset at beginning of year		<u>13,186</u>
Net pension asset at end of year	\$	<u><u>12,058</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 2008, the County's annual pension cost of \$5,084,158 for PERF was more than the required annual contribution of \$5,066,799 and less than the actual County contribution of \$5,452,487. The required contribution was determined as part of the July 1, 2008 valuation using entry age normal cost liability method.

MARION COUNTY, INDIANA
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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)	\$	5,066,799
Interest on net pension asset		(124,367)
Adjustment to ARC		<u>141,726</u>
Annual pension cost		5,084,158
Actual contribution made		<u>(5,452,487)</u>
Increase in net pension asset		368,329
Net pension asset at beginning of year		<u>1,715,413</u>
Net pension asset at end of year	\$	<u><u>2,083,742</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, 2007, and 2008 is as follows:

Valuation date	Annual pension cost	Percentage contributed	Net pension asset
Marion County law enforcement personnel:			
Retirement plan			
1/01/06	\$ 4,857,256	105 %	\$ 2,415,041
1/01/07	4,011,294	109	2,793,553
1/01/08	3,887,227	97	2,687,564
Disability plan			
1/01/06	965,256	100	14,419
1/01/07	1,047,140	100	13,186
1/01/08	1,153,846	100	12,058
County employees (PERF)			
6/30/06	4,283,714	92	2,168,295
6/30/07	4,947,083	91	1,715,413
6/30/08	5,084,158	107	2,083,742

MARION COUNTY, INDIANA
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NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

C. Funded Status

The funded status of the plans as the most recent actuarial valuation date is as follows:

<u>Valuation Date</u>	<u>(1) Net assets available for benefits</u>	<u>(2) Actuarial accrued liability</u>	<u>(3) Assets in excess of actuarial accrued liability (AEAAL) (1)-(2)</u>	<u>(4) Funded Ratio (1)/(2)</u>	<u>(5) Annual covered payroll</u>	<u>AEAAL as percentage of covered payroll (3)/(5)</u>
Marion County Law Enforcement Personnel:						
Retirement Plan						
1/1/09	\$ 136,565,438	\$ 176,464,368	\$ (39,898,930)	77.4%	\$ 20,966,053	190.3%
Disability Plan*						
1/1/09	\$ 15,767,856	\$ 15,767,856	—	100.0%	\$ 20,966,053	0.0%
County Employees (PERF)						
7/1/2008	\$ 94,535,150	\$ 102,578,511	\$ (8,043,361)	92.2%	\$ 96,287,170	8.4%

*Funded status for the Disability Plan was calculated using the aggregate actuarial cost method.

The projection of future benefit payments for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information.

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 four years. Due to the cash and investment basis of accounting, unpaid claims are not recorded within the accompanying financial statements.

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.

MARION COUNTY, INDIANA
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NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

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 chief 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 2008, the County paid \$3,595,000 and \$6,768,443 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 chief 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 \$14,210,794 in 2008. In 2008, the County received \$257,121 of 911 dispatch fees from the City.

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 2008.

**MARION COUNTY, INDIANA
 (COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2008**

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 2008, the cost of medical care provided to inmates for Marion County was \$4,645,534. Additionally, in 2008, the County made \$1,455,962 in mental health distributions to HHC as allowed by law.

Individual township assessor offices were consolidated with the County Assessor with the November 2008 General Election, with an effective date of January 1, 2009.

NOTE 11—COMMITMENTS AND CONTINGENCIES

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

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, 2008, the following nonmajor governmental and enterprise funds had a deficit fund balance/net assets:

<u>Nonmajor Capital Projects Funds</u>	
Public Safety Capital Projects	\$ (12,244)
Capital Improvement Lease	(1,351,155)
<u>Nonmajor Special Revenue Fund</u>	
Community Corrections Home Detention	\$ (105,711)
Property Reassessment	(609,709)
<u>Enterprise</u>	
Drug Testing Laboratory	\$ (112,779)

The County intends to reduce the deficit in the Drug Testing Laboratory funds by increasing charges for services accounted for in the fund. The Property Reassessment fund deficit will be covered by future property tax collections. The deficit in the Public Safety Capital Projects, Capital Improvement Lease, and Community Corrections Home Detention funds will be funded by a transfer from the General Fund.

NOTE 13—SUBSEQUENT EVENTS

A. Property Tax Assessment

In 2007 the Governor ordered a state-wide reassessment. Due to this reassessment the 2007 billing was delayed which then delayed the 2008 billing. The first half 2008 taxes were due and payable to the Treasurer in December 2008. Second half 2008 tax bills were sent to taxpayers in June 2009 with a due date of July 2009. 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 2009 (see note 13.B below).

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008

B. Issuance of Tax Anticipation Warrants

The County issued tax anticipation warrants in advance of property tax collections in each of the years 2008 through 2010. 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 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>2009</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>December 31, 2009</u>
General Fund	\$ 52,801,811	150,052,094	105,466,642	\$ 97,387,263

The general fund includes tax anticipation warrant of \$21,304,111 as of January 1, 2009 used for the Family and Children Services Agency fund. These warrants were fully redeemed in 2009.

<u>2010</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance at Financial statement issuance date</u>
General Fund	\$ 97,387,263	\$ —	97,387,263	\$ —

C. 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.

D. 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.

E. Closure of Children’s Guardian Home

As of June 1, 2009, no additional juveniles were placed in the Children’s Guardian Home. As such, the Children’s Guardian Home was closed in July 2009. In May 2010 Irvington Preparatory Academy signed a fifteen year lease with Marion County to utilize the former Guardian Home starting for their 2010-2011 school year which began on August 9, 2010.

F. Township Assessor Consolidation

Effective July 1, 2008, the Decatur Township Assessor’s Office was consolidated with the Marion County Assessor’s Office, as it did not contain the minimum number of land parcels to remain a local township office. Effective January 1, 2009, the remaining eight Township Assessor Offices were consolidated into the Marion County Assessor’s Office by vote of the citizens of Marion County via a referendum on the ballot of the November 2008 general election.



**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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 193,981,499	\$ 254,501,613	\$ 214,465,881	\$ (40,035,732)
Intergovernmental	14,011,250	14,011,250	11,855,974	(2,155,276)
Charges for services	22,654,696	22,654,696	10,991,377	(11,663,319)
Interest	8,655,000	8,655,000	10,660,090	2,005,090
Miscellaneous	473,362	473,362	3,174,303	2,700,941
Total revenues	<u>239,775,807</u>	<u>300,295,921</u>	<u>251,147,625</u>	<u>(49,148,296)</u>
Expenditures				
Current:				
General government	94,742,171	98,387,514	95,248,783	3,138,731
Public safety	138,265,014	144,041,610	142,950,482	1,091,128
Welfare	6,352,436	74,693,534	74,560,936	132,598
Culture and recreation	965,568	922,482	919,126	3,356
Debt Service:				
Principal on notes	—	5,180,632	5,180,632	—
Principal and interest on tax anticipation warrants	—	109,837,358	109,837,358	—
Total expenditures	<u>240,325,189</u>	<u>433,063,130</u>	<u>428,697,317</u>	<u>4,365,813</u>
Excess (deficiency) of revenues over expenditures	<u>(549,382)</u>	<u>(132,767,209)</u>	<u>(177,549,692)</u>	<u>(44,782,483)</u>
Other financing sources:				
Bond and note proceeds	—	(9,600,000)	—	9,600,000
Proceeds on tax anticipation warrants	—	126,091,470	126,091,470	—
Sale of capital assets	45,800	45,800	50,672	4,872
Transfers out	—	—	(3,500,000)	(3,500,000)
Total other financing sources	<u>45,800</u>	<u>116,537,270</u>	<u>122,642,142</u>	<u>6,104,872</u>
Excess (deficiency) of revenues over expenditures and other financing sources	<u>\$ (503,582)</u>	<u>\$ (16,229,939)</u>	<u>\$ (54,907,550)</u>	<u>\$ (38,677,611)</u>

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, 2008

<u>Valuation date</u>	(1) <u>Net assets available for benefits</u>	(2) <u>Actuarial accrued liability</u>	(3) <u>Assets in excess of actuarial accrued liability (AEAAL) (1)-(2)</u>	(4) <u>Funded ratio (1)/(2)</u>	(5) <u>Annual covered payroll</u>	AEAAL as a percentage of covered payroll (3)/(5)
Marion County Law Enforcement Personnel:						
Retirement Plan						
01/01/04	\$ 129,541,475	\$ 139,649,262	\$(10,107,878)	92.8%	\$ 21,262,246	47.5%
01/01/05	136,580,198	146,179,457	(9,599,259)	93.4	22,106,306	43.4
01/01/06	144,128,766	156,011,793	(11,883,027)	92.4	23,202,469	51.2
01/01/07	153,072,407	164,402,575	(11,330,168)	93.1	21,774,201	52.0
01/01/08	160,461,469	170,363,749	(9,902,280)	94.2	21,337,954	46.4
01/01/09	136,565,438	176,464,368	(39,898,930)	77.4	20,966,053	190.3
Disability Plan**						
01/01/09	\$ 15,767,856	\$ 15,767,856	\$ —	100.0	\$ 21,262,246	0.0
County Employees (PERF)*						
07/01/06	\$ 77,213,769	\$ 78,541,458	\$(1,327,689)	98.0%	\$ 83,278,350	1.6%
07/01/07	85,898,382	85,370,625	527,757	101.0	86,572,232	0.6
07/01/08	94,535,150	102,578,511	(8,043,361)	92.2	96,287,170	8.4

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

**Funded status for the Disability Plan was calculated using the aggregate actuarial cost method.

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.

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, 2008

<u>Valuation date</u>	<u>Annual required contributions</u>	<u>Percentage contributed</u>
Marion County Law Enforcement Personnel:		
Retirement Plan		
01/01/03	\$ 3,434,668	110.5%
01/01/04	4,061,769	110.3
01/01/05	4,270,397	108.5
01/01/06	4,672,018	109.3
01/01/07	3,804,775	115.4
01/01/08	3,648,340	96.5
Disability Plan		
01/01/03	\$ 956,210	100.0%
01/01/04	928,311	100.0
01/01/05	961,883	105.0
01/01/06	963,908	100.0
01/01/07	1,045,907	100.0
01/01/08	1,152,718	100.0
County Employees		
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
07/01/07	4,925,141	91.3
07/01/08	5,066,799	92.9

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, 2008

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 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), Court Violations Bureau (Special Revenue Fund), and Sheriff's Continuing Education (Special Revenue Fund) which are not legally required to do so. County Sinking (Debt Service Fund), Capital Improvement Sinking (Debt Service Fund), Welfare Sinking (Debt Service Fund), Public Safety Interest Escrow (Capital Projects Fund), and Public Safety Capital Projects (Capital Projects Fund) were not budgeted during 2008 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:

June 1	Office of Finance and Management provides guidelines to County agencies
July 1	County officials submit budgets
August	County Chief Executive recommends budget to City-County Council
August	Council committees review/amend budgets based on public testimony
September	Council approves budget by last meeting of September
December	State of Indiana, Department of Local Government Finance reviews/adjusts and gives final approval to budget
January 1	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>General Fund</u>
Original appropriation	\$ 240,325,189
Revisions	<u>192,737,941</u>
Revised appropriation	<u>\$ 433,063,130</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
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS-MARION COUNTY)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
UNAUDITED (CONTINUED)
DECEMBER 31, 2008

NOTE 2—BUDGET / CASH AND INVESTMENT BASIS REPORTING DIFFERENCES

Adjustments required to convert the results of 2008 operations from a budgetary basis to a cash and investment basis are as follows:

	<u>General Fund</u>
Excess (deficiency) of revenues over expenditures and other financing sources (budgetary basis)	\$ (54,907,550)
Adjustments:	
Prior year revenue	37,021,195
Prior year expense	(3,679,104)
Expenditures from prior year encumbrances	10,859,804
Vouchers payable outstanding	28,186,473
Excess of receipts and other financing sources over disbursements and other financing uses	\$ 17,480,818





**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 monies 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 monies 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 2008.

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, 2008

	Special Revenues Funds											
	Identification Security Protection	Adult Probation	Section 102 HAVA Reimbursement	Surveyor's Corner Perpetuation	County Records Perpetuation	Property Reassessment	Prosecutor's Diversion	Prosecutor's Law Enforcement	Clerk's Title IV-D Incentive	Sheriff Commissary	County Extrajudicial	County Misdeemeanor
Receipts:												
Taxes	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 436,803	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Intergovernmental	--	--	--	--	--	--	--	371,752	--	--	--	603,601
Interest	--	339	--	--	--	8,042	--	--	--	--	--	--
Charges for services	352,226	2,337,512	--	177,116	638,032	--	936,156	397,783	--	3,450,578	55,300	--
Miscellaneous	--	4,876	--	--	30,738	51	--	82	477	--	--	--
Total receipts	<u>352,226</u>	<u>2,392,627</u>	<u>--</u>	<u>177,116</u>	<u>668,770</u>	<u>344,901</u>	<u>936,156</u>	<u>397,872</u>	<u>372,329</u>	<u>3,450,578</u>	<u>55,300</u>	<u>603,601</u>
Disbursements:												
Current:												
General government	--	2,316,986	148,513	69,236	1,710,168	1,450,411	--	--	341,329	--	--	--
Public safety	--	--	--	--	--	--	761,679	822,713	--	2,932,916	62,821	459,870
Health and welfare	--	--	--	--	--	--	--	--	--	--	--	--
Capital outlay	--	--	--	--	147,611	2,858	--	79,711	2,372	--	--	--
Debt service:												
Principal	--	--	1,969,368	--	--	--	--	--	--	--	--	--
Principal and interest on tax anticipation warrants	--	--	--	--	--	308,829	--	--	--	--	--	--
Interest and fiscal charges	--	--	278,294	--	--	--	--	--	--	--	--	--
Total disbursements	<u>--</u>	<u>2,316,986</u>	<u>2,396,275</u>	<u>69,236</u>	<u>1,857,779</u>	<u>1,759,278</u>	<u>761,679</u>	<u>902,424</u>	<u>343,601</u>	<u>2,932,916</u>	<u>62,821</u>	<u>459,870</u>
Excess (deficiency) of receipts over disbursements	352,226	75,641	(2,396,275)	107,880	(1,189,009)	(1,229,197)	174,477	(504,552)	28,628	517,662	(7,321)	133,731
Other financing sources (uses):												
Transfers in	--	--	--	--	--	--	--	--	--	--	--	--
Proceeds from tax anticipation warrants	--	--	--	--	--	308,829	--	--	--	--	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>308,829</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>352,226</u>	<u>75,641</u>	<u>(2,396,275)</u>	<u>107,880</u>	<u>(1,189,009)</u>	<u>(1,020,368)</u>	<u>174,477</u>	<u>(504,552)</u>	<u>28,628</u>	<u>517,662</u>	<u>(7,321)</u>	<u>133,731</u>
Cash and investment fund balance-beginning	707,241	424,436	2,396,275	1,397,499	3,351,112	410,639	302,955	1,538,042	\$91,317	315,845	117,181	168,336
Cash and investment fund balance-ending	<u>\$ 959,467</u>	<u>\$ 500,077</u>	<u>\$ --</u>	<u>\$ 1,505,359</u>	<u>\$ 2,164,103</u>	<u>\$ (609,709)</u>	<u>\$ 484,432</u>	<u>\$ 1,033,497</u>	<u>\$ 919,945</u>	<u>\$ 743,507</u>	<u>\$ 109,860</u>	<u>\$ 292,067</u>
Cash and Investment Assets - December 31, 2008												
Cash and cash equivalents	\$ 959,467	\$ 500,077	\$ --	\$ 1,505,359	\$ 2,164,103	\$ (609,709)	\$ 484,432	\$ 1,033,497	\$ 919,945	\$ 743,507	\$ 109,860	\$ 292,067
Total cash and investment assets - December 31, 2008	<u>\$ 959,467</u>	<u>\$ 500,077</u>	<u>\$ --</u>	<u>\$ 1,505,359</u>	<u>\$ 2,164,103</u>	<u>\$ (609,709)</u>	<u>\$ 484,432</u>	<u>\$ 1,033,497</u>	<u>\$ 919,945</u>	<u>\$ 743,507</u>	<u>\$ 109,860</u>	<u>\$ 292,067</u>
Cash and Investment Fund Balance - December 31, 2008												
Unreserved	\$ 959,467	\$ 500,077	\$ --	\$ 1,505,359	\$ 2,164,103	\$ (609,709)	\$ 484,432	\$ 1,033,497	\$ 919,945	\$ 743,507	\$ 109,860	\$ 292,067
Total cash and investment fund balances - December 31, 2008	<u>\$ 959,467</u>	<u>\$ 500,077</u>	<u>\$ --</u>	<u>\$ 1,505,359</u>	<u>\$ 2,164,103</u>	<u>\$ (609,709)</u>	<u>\$ 484,432</u>	<u>\$ 1,033,497</u>	<u>\$ 919,945</u>	<u>\$ 743,507</u>	<u>\$ 109,860</u>	<u>\$ 292,067</u>

	Debt Service Funds				Capital Projects Funds				
	County Stadium	Juvvenile Incarceration Stadium	Total Debt Service	Public Safety Capital Projects	Cumulative Capital Development	Public Safety Interest Estren	Capital Improvement Lease Fund	Total Capital Project	Total Nonmajor Funds
Receipts:									
Taxes	\$ --	\$ 5,248,821	\$ 5,248,821	\$ --	\$ 2,195,897	\$ --	\$ 63,444	\$ 2,259,341	\$ 7,944,970
Intergovernmental	--	--	--	--	--	--	--	--	11,501,906
Interest	--	--	--	--	--	--	--	--	17,569
Charges for services	--	--	--	--	--	--	--	--	22,161,697
Miscellaneous	--	--	--	--	--	--	--	--	208,584
Total receipts	<u>--</u>	<u>5,248,821</u>	<u>5,248,821</u>	<u>--</u>	<u>2,195,897</u>	<u>--</u>	<u>63,444</u>	<u>2,259,341</u>	<u>41,835,126</u>
Disbursements:									
Current:									
General government	--	--	--	--	1,717,591	--	--	1,717,591	10,932,852
Public safety	--	--	--	--	--	--	2,007,000	2,007,000	25,687,332
Health & Welfare	--	--	--	--	--	--	--	--	1,445,545
Culture and recreation	--	--	--	--	--	--	--	--	269
Capital outlay	--	--	--	--	42,560	--	--	42,560	823,301
Debt service:									
Principal	--	--	--	--	--	--	--	--	1,969,368
Principal and interest on tax anticipation warrants	--	3,642,601	3,642,601	--	1,132,374	--	55,431	1,187,805	5,139,235
Interest and fiscal charges	--	--	--	--	--	--	--	--	278,394
Total disbursements	<u>--</u>	<u>3,642,601</u>	<u>3,642,601</u>	<u>--</u>	<u>2,890,435</u>	<u>--</u>	<u>2,062,431</u>	<u>4,992,866</u>	<u>45,676,296</u>
Excess (deficiency) of receipts over disbursements	--	1,606,220	1,606,220	--	(694,538)	--	(1,998,987)	(2,693,525)	(3,841,170)
Other financing sources (uses):									
Transfers in	--	--	--	--	--	--	--	--	3,500,000
Proceeds from tax anticipation warrants	--	3,642,601	3,642,601	--	1,132,374	--	55,431	1,187,805	5,139,235
Total other financing sources (uses)	<u>--</u>	<u>3,642,601</u>	<u>3,642,601</u>	<u>--</u>	<u>1,132,374</u>	<u>--</u>	<u>55,431</u>	<u>1,187,805</u>	<u>3,500,000</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>--</u>	<u>5,248,821</u>	<u>5,248,821</u>	<u>--</u>	<u>497,835</u>	<u>--</u>	<u>(1,943,556)</u>	<u>(1,505,720)</u>	<u>4,798,065</u>
Cash and investment fund balance-beginning	10,781	3,216	14,097	(12,244)	74,302	1,684	592,291	656,143	18,525,925
Cash and investment fund balance-ending	<u>\$ 10,781</u>	<u>\$ 5,252,137</u>	<u>\$ 5,262,918</u>	<u>\$ (12,244)</u>	<u>\$ 512,138</u>	<u>\$ 1,684</u>	<u>\$ (1,351,155)</u>	<u>\$ (849,577)</u>	<u>\$ 23,323,990</u>
Cash and Investment Assets - December 31, 2008									
Cash and cash equivalents	\$ 10,781	\$ 5,252,137	\$ 5,262,918	\$ (12,244)	\$ 512,138	\$ 1,684	\$ (1,351,155)	\$ (849,577)	\$ 23,323,990
Total Cash and Investment assets - December 31, 2008	<u>\$ 10,781</u>	<u>\$ 5,252,137</u>	<u>\$ 5,262,918</u>	<u>\$ (12,244)</u>	<u>\$ 512,138</u>	<u>\$ 1,684</u>	<u>\$ (1,351,155)</u>	<u>\$ (849,577)</u>	<u>\$ 23,323,990</u>
Cash and Investment Fund Balance - December 31, 2008									
Unreserved	\$ 10,781	\$ 5,252,137	\$ 5,262,918	\$ (12,244)	\$ 512,138	\$ 1,684	\$ (1,351,155)	\$ (849,577)	\$ 23,323,990
Total cash and investment fund balances - December 31, 2008	<u>\$ 10,781</u>	<u>\$ 5,252,137</u>	<u>\$ 5,262,918</u>	<u>\$ (12,244)</u>	<u>\$ 512,138</u>	<u>\$ 1,684</u>	<u>\$ (1,351,155)</u>	<u>\$ (849,577)</u>	<u>\$ 23,323,990</u>

See accompanying independent auditor's report

Special Revenues Funds

Alcohol and Drug Services	Community Corrections House 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 1V D Incentive	MC Sheriff's Civil Diversion Fees	Auditor's Endorsement Fee	County Sales Disclosure	Other	Total Special Revenue
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
752,340	2,028,291	217,095	4,738,849	422,905	263,312	10,031,154	319,445	9,653	458,952	3,560,725	214,505	97,556	1,145,450	22,161,697
839	51,278	11,643	13,643	422,905	439	10,031,154	319,445	1,301	44,232	3,560,725	314,905	97,556	69,666	203,584
753,179	2,079,569	217,095	4,752,492	422,905	263,801	10,031,154	319,445	105,549	503,184	3,560,725	314,905	97,556	1,215,116	34,265,281
757,145	4,370,147	168,635	4,365,182	118,201	282,673	961,691	47,833	176,345	459,233	133,410	---	---	1,113,777	9,213,351
---	3,885	---	11,782	434,858	---	7,650,360	---	26,237	---	---	---	---	128,124	23,680,332
---	---	---	---	---	---	1,445,345	---	---	---	---	---	---	15,261	1,445,345
---	---	---	---	---	---	491,124	---	---	---	---	---	---	---	782,741
---	---	---	---	---	---	---	---	---	---	---	---	---	---	1,969,368
---	---	---	---	---	---	---	---	---	---	---	---	---	---	908,839
---	---	---	---	---	---	---	---	---	---	---	---	---	---	278,194
---	---	---	---	---	---	---	---	---	---	---	---	---	---	1,257,431
---	---	---	---	---	---	---	---	---	---	---	---	---	---	37,681,839
757,145	4,374,032	168,635	4,376,964	553,052	282,673	10,550,120	47,833	207,553	459,233	133,410	---	---	---	---
(3,966)	(2,294,453)	43,459	375,534	(130,554)	(18,872)	(518,966)	271,607	(96,034)	13,951	3,427,315	214,505	97,556	(10,838)	(2,753,855)
---	---	---	---	---	---	---	---	---	---	---	---	---	---	3,500,000
---	---	---	---	---	---	---	---	---	---	---	---	---	---	308,829
---	---	---	---	---	---	---	---	---	---	---	---	---	---	3,500,000
(3,966)	1,205,537	43,459	375,534	(130,554)	(18,872)	(518,966)	271,607	(96,034)	13,951	3,427,315	214,505	97,556	(10,838)	1,054,564
717,027	(1,311,243)	(28,717)	1,952,316	381,665	769,168	1,642,224	708,851	414,560	6,278	(2,743,741)	511,508	127,799	1,777,699	17,855,655
713,061	(105,211)	19,742	3,327,850	251,111	750,296	1,123,258	580,458	318,926	20,229	683,574	726,013	225,385	1,766,852	18,910,642
713,061	(105,211)	19,742	3,327,850	251,111	750,296	1,123,258	580,458	318,926	20,229	683,574	726,013	225,385	1,766,852	18,910,642
713,061	(105,211)	19,742	3,327,850	251,111	750,296	1,123,258	580,458	318,926	20,229	683,574	726,013	225,385	1,766,852	18,910,642
713,061	(105,211)	19,742	3,327,850	251,111	750,296	1,123,258	580,458	318,926	20,229	683,574	726,013	225,385	1,766,852	18,910,642

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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget— Positive (Negative)
	Original	Final		
Adult Probation				
Revenues:				
Charges for services	\$ 2,355,000	\$ 2,355,000	\$ 2,199,262	\$ (155,738)
Interest	—	—	240	240
Miscellaneous	—	—	4,876	4,876
Total revenues	<u>2,355,000</u>	<u>2,355,000</u>	<u>2,204,378</u>	<u>(150,622)</u>
Expenditures:				
General government	<u>2,951,946</u>	<u>2,344,932</u>	<u>2,316,986</u>	<u>27,946</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (596,946)</u>	<u>\$ 10,068</u>	<u>\$ (112,608)</u>	<u>\$ (122,676)</u>
Section 102 HAVA Reimbursement				
Revenues:				
Total revenues	\$ —	\$ —	\$ —	\$ —
Expenditures:				
General government	—	148,513	2,396,275	(2,247,762)
Deficiency of revenues over expenditures	<u>\$ —</u>	<u>\$ (148,513)</u>	<u>\$ (2,396,275)</u>	<u>\$ (2,247,762)</u>
Surveyor's Corner Perpetuation				
Revenues:				
Charges for services	\$ 260,000	\$ 260,000	\$ 177,115	\$ (82,885)
Expenditures:				
General government	<u>136,329</u>	<u>136,329</u>	<u>68,354</u>	<u>67,975</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 123,671</u>	<u>\$ 123,671</u>	<u>\$ 108,761</u>	<u>\$ (14,910)</u>
Prosecutor's Diversion				
Revenues:				
Charges for services	\$ 680,000	\$ 680,000	\$ 861,361	\$ 181,361
Expenditures:				
Public safety	<u>767,672</u>	<u>767,672</u>	<u>759,734</u>	<u>7,938</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (87,672)</u>	<u>\$ (87,672)</u>	<u>\$ 101,627</u>	<u>\$ 189,299</u>
Prosecutor's Law Enforcement				
Revenues:				
Charges for services	\$ 300,000	\$ 300,000	\$ 320,383	\$ 20,383
Miscellaneous	<u>65,000</u>	<u>65,000</u>	<u>4</u>	<u>(64,996)</u>
Total revenues	<u>365,000</u>	<u>365,000</u>	<u>320,387</u>	<u>(44,613)</u>
Expenditures:				
Public safety	<u>896,269</u>	<u>959,469</u>	<u>843,890</u>	<u>115,579</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (531,269)</u>	<u>\$ (594,469)</u>	<u>\$ (523,503)</u>	<u>\$ 70,966</u>
Clerk's Title IV D Incentive F				
Revenues:				
Miscellaneous	\$ —	\$ —	\$ 477	\$ 477
Expenditures:				
General government	—	—	354,361	(354,361)
Deficiency of revenues over expenditures	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (353,884)</u>	<u>\$ (353,884)</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget— Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
County Extradition				
Revenues:	\$ 50,000	\$ 50,000	\$ 55,500	\$ 5,500
Charges for services			76,888	7,000
Expenditures:	83,888	83,888	(21,388)	12,500
Public safety	(33,888)	(33,888)		
Excess (deficiency) of revenues over expenditures				
County Misdemeanant				
Revenues:	\$ —	\$ 600,551	\$ 600,601	\$ 50
Intergovernmental	600,551	—	—	—
Miscellaneous	600,551	600,551	600,601	50
Total revenues			618,614	19,414
Expenditures:	638,028	638,028	(18,013)	19,464
Public safety	(37,477)	(37,477)		
Deficiency of revenues over expenditures				
Alcohol and Drug Services				
Revenues:	\$ 825,000	\$ 825,000	\$ 698,186	\$ (126,814)
Charges for services			756,959	4,783
Expenditures:	761,742	761,742	(58,773)	(122,031)
General government	63,258	63,258		
Excess (deficiency) of revenues over expenditures				
County Records Perpetuation				
Revenues:	\$ 570,023	\$ 570,023	\$ 638,032	\$ 68,009
Charges for services	—	—	30,738	30,738
Miscellaneous	570,023	570,023	668,770	98,747
Total revenues			1,984,611	293,641
Expenditures:	2,399,200	2,278,252	(1,315,841)	392,388
General government	(1,829,177)	(1,708,229)		
Excess (deficiency) of revenues over expenditures				
Community Corrections Home Detention				
Revenues:	\$ 4,784,820	\$ 4,784,820	\$ 2,028,304	\$ (2,756,516)
Charges for services	34,000	34,000	51,187	17,187
Miscellaneous	4,818,820	4,818,820	2,079,491	(2,739,329)
Total revenues			4,321,128	20,823
Expenditures:	4,341,951	4,341,951	(2,241,637)	(2,718,506)
Public safety	476,869	476,869		
Excess (deficiency) of revenues over expenditures				
Other financing sources (uses):			3,500,000	(3,500,000)
Transfers in (out)			3,500,000	(3,500,000)
Total other financing sources (uses)				
Excess (deficiency) of revenues over expenditures and other financing sources	\$ 476,869	\$ 476,869	\$ 1,258,363	\$ (6,218,506)

(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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget— Positive (Negative)
	Original	Final		
Supplemental Public Defender Fee				
Revenues:				
Charges for services	\$ 200,000	\$ 200,000	\$ 205,700	\$ 5,700
Expenditures:				
General government	200,000	200,000	168,636	31,364
Excess of revenues over expenditures	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 37,064</u>	<u>\$ 37,064</u>
Deferral Program Fees				
Revenues:				
Charges for services	\$ 3,700,000	\$ 3,700,000	\$ 4,320,228	\$ 620,228
Miscellaneous	—	—	8,074	8,074
Total revenues	3,700,000	3,700,000	4,328,302	628,302
Expenditures:				
Public safety	4,485,956	4,485,956	4,472,499	13,457
Excess (deficiency) of revenues over expenditures	<u>\$ (785,956)</u>	<u>\$ (785,956)</u>	<u>\$ (144,197)</u>	<u>\$ 641,759</u>
Property Reassessment				
Revenues:				
Taxes	\$ 1,771,613	\$ 1,771,613	\$ 115,614	\$ (1,655,999)
Interest	50,000	50,000	8,042	(41,958)
Total revenues	1,821,613	1,821,613	123,656	(1,697,957)
Expenditures:				
General government	1,695,642	1,645,120	1,445,063	200,057
Excess (deficiency) of revenues over expenditures	<u>\$ 125,971</u>	<u>\$ 176,493</u>	<u>\$ (1,321,407)</u>	<u>\$ (1,497,900)</u>
County Drug Free Community				
Revenues:				
Charges for services	\$ 475,000	\$ 475,000	\$ 390,196	\$ (84,804)
Expenditures:				
General government	111,250	119,751	119,360	391
Public safety	388,750	413,750	412,650	1,100
Total expenditures	500,000	533,501	532,010	1,491
Deficiency of revenues over expenditures	<u>\$ (25,000)</u>	<u>\$ (58,501)</u>	<u>\$ (141,814)</u>	<u>\$ (83,313)</u>
Conditional Release				
Revenues:				
Charges for services	\$ 300,000	\$ 300,000	\$ 260,327	\$ (39,673)
Miscellaneous	—	—	489	489
Total revenues	300,000	300,000	260,816	(39,184)
Expenditures:				
Public safety	271,188	271,188	271,188	—
Excess (deficiency) of revenues over expenditures	<u>\$ 28,812</u>	<u>\$ 28,812</u>	<u>\$ (10,372)</u>	<u>\$ (39,184)</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget— Positive (Negative)
	Original	Final		
Enhanced Access				
Revenues:				
Charges for services	\$ 388,946	\$ 388,946	\$ 319,445	\$ (69,501)
Expenditures:				
General government	100,000	—	—	—
Excess (deficiency) of revenues over expenditures	<u>\$ 288,946</u>	<u>\$ 388,946</u>	<u>\$ 319,445</u>	<u>\$ (69,501)</u>
Prosecutor's Law Enforcement Equitable Share				
Revenues:				
Charges for services	\$ —	\$ —	\$ 95,661	\$ 95,661
Interest	—	—	9,688	9,688
Miscellaneous	—	—	1,200	1,200
Total revenues	—	—	106,549	106,549
Expenditures:				
Public safety	267,566	306,294	295,301	10,993
Excess (deficiency) of revenues over expenditures	<u>\$ (267,566)</u>	<u>\$ (306,294)</u>	<u>\$ (188,752)</u>	<u>\$ 117,542</u>
Auditor's Endorsement Fee				
Revenues:				
Charges for services	\$ 275,000	\$ 275,000	\$ 204,230	\$ (70,770)
Total revenues	275,000	275,000	204,230	(70,770)
Expenditures:				
Total expenditures	—	—	—	—
Excess (deficiency) of revenues over expenditures	<u>\$ 275,000</u>	<u>\$ 275,000</u>	<u>\$ 204,230</u>	<u>\$ (70,770)</u>
Prosecutor's Title IV D Incentive				
Revenues:				
Miscellaneous	\$ —	\$ —	\$ 35,668	\$ 35,668
Total revenues	—	—	35,668	35,668
Expenditures:				
Public safety	—	—	489,398	(489,398)
Total expenditures	—	—	489,398	(489,398)
Deficiency of revenues over expenditures	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (453,730)</u>	<u>\$ (453,730)</u>
MC Sheriff's Civil Div Fees				
Revenues:				
Charges for services	\$ 1,710,000	\$ 1,710,000	\$ 2,033,725	\$ 323,725
Total revenues	1,710,000	1,710,000	2,033,725	323,725
Expenditures:				
Public safety	148,616	148,616	58,416	90,200
Total expenditures	148,616	148,616	58,416	90,200
Excess of revenues over expenditures	<u>\$ 1,561,384</u>	<u>\$ 1,561,384</u>	<u>\$ 1,975,309</u>	<u>\$ 413,925</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget— Positive (Negative)
	Original	Final		
County Sales Disclosure				
Revenues:				
Charges for services	\$ 105,000	\$ 105,000	\$ 91,159	\$ (13,841)
Total revenues	<u>105,000</u>	<u>105,000</u>	<u>91,159</u>	<u>(13,841)</u>
Expenditures:				
Total expenditures	—	—	—	—
Excess (deficiency) of revenues over expenditures	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 91,159</u>	<u>\$ (13,841)</u>
Identification Security Protection				
Revenues:				
Charges for services	\$ 105,000	\$ 105,000	\$ 91,159	\$ (13,841)
Expenditures:				
Total expenditures	—	—	—	—
Excess (deficiency) of revenues over expenditures	<u>\$ 105,000</u>	<u>\$ 105,000</u>	<u>\$ 91,159</u>	<u>\$ (13,841)</u>
Other – MC Sheriff Medical Care for Inmates				
Revenues:				
Charges for services	\$ 19,500	\$ 19,500	\$ 8,497	\$ (11,003)
Expenditures:				
Total expenditures	—	—	—	—
Excess (deficiency) of revenues over expenditures	<u>\$ 19,500</u>	<u>\$ 19,500</u>	<u>\$ 8,497</u>	<u>\$ (11,003)</u>
Other – Guardian Ad Litem				
Revenues:				
Charges for services	\$ 600,000	\$ 600,000	\$ 328,387	\$ (271,613)
Expenditures:				
General government	600,000	600,000	491,383	108,617
Deficiency of revenues over expenditures	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (162,996)</u>	<u>\$ (162,996)</u>
Other – County Grants				
Revenues:				
Intergovernmental	\$ —	\$ 6,000	\$ 105,914	\$ 99,914
Expenditures:				
General government	1,500	23,626	21,971	1,655
Public safety	—	119,337	101,936	17,401
Total expenditures	<u>1,500</u>	<u>142,963</u>	<u>123,907</u>	<u>19,056</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,500)</u>	<u>\$ (136,963)</u>	<u>\$ (17,993)</u>	<u>\$ 118,970</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget— Positive (Negative)
	Original	Final		
Other – Child Advocacy				
Revenues:				
Charges for services	\$ 4,000	\$ 4,000	\$ 3,718	\$ (282)
Expenditures:				
Total expenditures	—	—	—	—
Excess (deficiency) of revenues over expenditures	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 3,718</u>	<u>\$ (282)</u>
Other – Clerk's Perpetuation Fund				
Revenues:				
Intergovernmental	\$ —	\$ —	\$ 1,363	\$ 1,363
Charges for services	260,100	260,100	337,024	76,924
Total revenues	<u>260,100</u>	<u>260,100</u>	<u>338,387</u>	<u>78,287</u>
Expenditures:				
General government	426,092	426,092	269,585	156,507
Excess (deficiency) of revenues over expenditures	<u>\$ (165,992)</u>	<u>\$ (165,992)</u>	<u>\$ 68,802</u>	<u>\$ 234,794</u>
Other – Drug Treatment Diversion				
Revenues:				
Charges for services	\$ —	\$ —	\$ 11,944	\$ 11,944
Expenditures:				
General government	—	20,185	19,912	273
Excess (deficiency) of revenues over expenditures	<u>\$ —</u>	<u>\$ (20,185)</u>	<u>\$ (7,968)</u>	<u>\$ 12,217</u>
Other – Juvenile Probation				
Revenues:				
Charges for services	\$ 150,000	\$ 150,000	\$ 165,676	\$ 15,676
Expenditures:				
General government	429,411	238,269	238,269	—
Excess (deficiency) of revenues over expenditures	<u>\$ (279,411)</u>	<u>\$ (88,269)</u>	<u>\$ (72,593)</u>	<u>\$ 15,676</u>
Other – Sheriff's Continuing Education				
Revenues:				
Charges for services	\$ 13,857	\$ 13,857	\$ —	\$ (13,857)
Expenditures:				
Total expenditures	—	—	—	—
Excess (deficiency) of revenues over expenditures	<u>\$ 13,857</u>	<u>\$ 13,857</u>	<u>\$ —</u>	<u>\$ (13,857)</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, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget— Positive (Negative)
	Original	Final		
Other – Jury Pay				
Revenues:				
Charges for services	\$ 110,000	\$ 110,000	\$ 133,526	\$ 23,526
Expenditures:				
General government	100,000	100,000	—	100,000
Excess of revenues over expenditures	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 133,526</u>	<u>\$ 123,526</u>
Other – Campaign Finance Fines				
Revenues:				
Miscellaneous	\$ —	\$ —	\$ 494	\$ 494
Expenditures:				
General government	—	—	3,485	(3,485)
Deficiency of revenues over expenditures	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (2,991)</u>	<u>\$ (2,991)</u>
Other – Alternate Dispute Resolution				
Revenues:				
Charges for services	\$ 75,000	\$ 75,000	\$ 80,711	\$ 5,711
Miscellaneous	—	—	1,525	1,525
Total revenues	75,000	75,000	82,236	7,236
Expenditures:				
General government	80,530	80,530	66,021	14,509
Excess (deficiency) of revenues over expenditures	<u>\$ (5,530)</u>	<u>\$ (5,530)</u>	<u>\$ 16,215</u>	<u>\$ 21,745</u>
Other – Local Emergency Planning				
Revenues:				
Miscellaneous	\$ 50,000	\$ 50,000	\$ 58,650	\$ 8,650
Expenditures:				
Public safety	100,000	100,000	26,188	73,812
Excess (deficiency) of revenues over expenditures	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ 32,462</u>	<u>\$ 82,462</u>

See accompanying independent auditors' report.

MARION COUNTY, INDIANA
 (COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS - MARION COUNTY)
 SCHEDULES OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
 DEBT SERVICE AND CAPITAL PROJECTS FUNDS
 (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Cumulative Capital Development - Capital Projects Fund</u>				
Revenues:				
Taxes	\$ 5,831,453	\$ 5,831,453	\$ 448,149	\$ (5,383,304)
Total revenues	<u>5,831,453</u>	<u>5,831,453</u>	<u>448,149</u>	<u>(5,383,304)</u>
Expenditures:				
Capital outlay	1,938,000	1,938,000	1,918,961	19,039
Total expenditures	<u>1,938,000</u>	<u>1,938,000</u>	<u>1,918,961</u>	<u>19,039</u>
Excess (deficiency) of revenues over expenditures	\$ <u>3,893,453</u>	\$ <u>3,893,453</u>	\$ <u>(1,470,812)</u>	\$ <u>(5,364,265)</u>

Capital Improvement Lease - Capital Projects Fund

Revenues:				
Taxes	\$ 307,424	\$ 307,424	\$ 19,574	\$ (287,850)
Total revenues	<u>307,424</u>	<u>307,424</u>	<u>19,574</u>	<u>(287,850)</u>
Expenditures:				
Capital outlay	2,007,000	2,007,000	2,007,000	—
Total Expenditures	<u>2,007,000</u>	<u>2,007,000</u>	<u>2,007,000</u>	<u>—</u>
Deficiency of revenues over expenditures	\$ <u>(1,699,576)</u>	\$ <u>(1,699,576)</u>	\$ <u>(1,987,426)</u>	\$ <u>(287,850)</u>

Juvenile Incarceration Debt Service - Debt Service Fund

Revenues:				
Taxes	\$ 19,890,951	\$ 19,890,951	\$ 1,353,885	\$ (18,537,066)
Total revenues	<u>19,890,951</u>	<u>19,890,951</u>	<u>1,353,885</u>	<u>(18,537,066)</u>
Expenditures:				
Capital outlay	19,890,951	19,890,951	—	19,890,951
Total Expenditures	<u>19,890,951</u>	<u>19,890,951</u>	<u>—</u>	<u>19,890,951</u>
Excess of revenues over expenditures	\$ <u>—</u>	\$ <u>—</u>	\$ <u>1,353,885</u>	\$ <u>1,353,885</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 monies to taxpayers where an error or overpayment has occurred in the payment of excise tax.

PROPERTY TAX REFUNDS—Established to refund monies 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.

HOMESTEAD CREDIT REBATE—Established to account for monies related to the property tax relief approved by the Indiana General Assembly in 2007. The rebates were distributed to homeowners who had a valid homestead deduction and were not delinquent on their property taxes.

LOCAL OPTION INCOME TAX—Established to account for monies related to the local option income tax. The monies collected shall be distributed to the appropriate taxing units.

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.

OTHER—Represents 18 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, 2008

	<u>Retirement</u>	<u>Disability</u>	<u>Total</u>
Additions			
Contributions:			
Employer	\$ 4,037,066	\$ 1,045,906	\$ 5,082,972
Employee	1,603,423	—	1,603,423
Total contributions	<u>5,640,489</u>	<u>1,045,906</u>	<u>6,686,395</u>
Investment income (loss):			
Interest and dividends	1,632,385	12,747	1,645,132
Realized gain (loss) on sales, net	<u>(4,288,701)</u>	<u>108,263</u>	<u>(4,180,438)</u>
Net investment income (loss)	<u>(2,656,316)</u>	<u>121,010</u>	<u>(2,535,306)</u>
Total additions	<u>2,984,173</u>	<u>1,166,916</u>	<u>4,151,089</u>
Deductions			
Investment management fees	399,677	14,935	414,612
Benefits paid	9,721,571	1,185,926	10,907,497
Total deductions	<u>10,121,248</u>	<u>1,200,861</u>	<u>11,322,109</u>
Deficiency of total additions over total deductions	(7,137,075)	(33,945)	(7,171,020)
Cash and investment fund balance – beginning of year	<u>137,092,184</u>	<u>11,621,618</u>	<u>148,713,802</u>
Cash and investment fund balance – end of year	<u>\$ 129,955,109</u>	<u>\$ 11,587,673</u>	<u>\$ 141,542,782</u>
<u>Cash and Investment Assets - December 31, 2008</u>			
Cash and cash equivalents	\$ 2,042,023	\$ 502,377	\$ 2,544,400
Investments:			
Common Stocks	22,799,511	—	22,799,511
Mutual funds	<u>105,113,575</u>	<u>11,085,296</u>	<u>116,198,871</u>
Total cash and investment assets-December 31, 2008	<u>\$ 129,955,109</u>	<u>\$ 11,587,673</u>	<u>\$ 141,542,782</u>
<u>Cash and Investment Net Assets - December 31, 2008</u>			
Cash and investment net assets-December 31, 2008	<u>\$ 129,955,109</u>	<u>\$ 11,587,673</u>	<u>\$ 141,542,782</u>

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, 2008
(With Independent Auditors' Reports Thereon)

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, 2008

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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, 2008

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 Child Nutrition Cluster						
	Indiana Department of Education	C2-4-49-K1160 and C2-4-49-K1162 C2-4-49-K1160 and C2-4-49-K1162	School Breakfast Program	10.553	\$ —	37,114
	Indiana Department of Education		National School Lunch Program Total Child Nutrition Cluster	10.555	—	79,957 117,071 117,071
Total U.S. Department of Agriculture						
U.S. Department of Justice						
	Indiana Department of Corrections	2002-RE-CX-002	Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	—	183
	City of Indianapolis, Indiana	2005-VT-BX-1160	DNA Conversion Project	16.306	—	(34,611)
			Services for Trafficking Victims	16.320	—	20,826
		04-JB-016 05-JB-014 05-JB-015 06-JB-014 06-JB-101 01-DB-041	Juvenile Accountability Incentive Block Grants Juvenile Accountability Incentive Block Grants Total 16.323	16.523	118,808	118,808 43,929 9,897 91,850 76,807 86 341,377
		05JF019 06JF018 06JF019 07JF014 07JF015	Juvenile Justice and Delinquency Prevention - Mental Health of Juveniles Juvenile Justice and Delinquency Prevention - Restorative Justice Juvenile Justice and Delinquency Prevention - Reception Assessment Center 0708 Juvenile Justice and Delinquency Prevention - Restorative Justice 08 Juvenile Justice and Delinquency Prevention - Reception Assessment Center Total 16.540	16.540	5,750 24,853 16,540 22,920 75,000 194,148	5,750 24,853 65,625 22,920 75,000 194,148
		2007-JL-FX-0065	Title V Delinquency Prevention Program - Youth Offender Reentry	16.548	—	62,279
		06-FS-002 2007-D-BX-022 07-FS-002	National Institute of Justice Research, Evaluation, and Development Project Grants - Forensic Improvement Program 06/07 National Institute of Justice Research, Evaluation, and Development Project Grants - Solving Cold Cases with DNA National Institute of Justice Research, Evaluation, and Development Project Grants - Paul Coverdell Forensic Science Grant Total 16.560	16.560	—	30,609 17,654 75,200 123,463
	Indiana State Police Indiana State Police	2005-DN-BX-K082 2006-DN-BX-K190	National Institute of Justice Research, Evaluation, and Development Project - DNA Backlog Reduction National Institute of Justice Research, Evaluation, and Development Project - DNA Capacity Enhancement Program Total 16.564	16.564	—	30,232 146,531 176,763
		08VA167 07VA079 07VA229 07VA228 07VA304 07VA305	Crime Victim Assistance - Victim Advocate 07/08 Crime Victim Assistance - Child Interviewer 07/08 Crime Victim Assistance - Child Interviewer 08 Crime Victim Assistance - Victim Advocate 08 Crime Victim Assistance - Child Interviewer 08/09 Crime Victim Assistance - Victim Advocate 08/09 Total 16.575	16.575	—	150,940 50,132 23,809 67,551 20,778 67,156 380,366

(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, 2008

Federal grantor	Pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
		2007-DD-BX-0641	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant Program - Operation Clean Sweep	16.530	\$ -	45,932
	City of Indianapolis, Indiana	2005WEAX0010	The Community - Defined Solutions to Violence Against Women Grant Program - Partnership to Combat Domestic Violence	16.590	-	57,183
	City of Indianapolis, Indiana	ATF89	Community Capacity Development Office - Asset Sharing OT-ATF	16.595	-	(608)
	City of Indianapolis, Indiana	2004WSQ40663	Community Capacity Development Office - Weed and Seed Conflict Resolution 05/06	16.595	-	212
	City of Indianapolis, Indiana	2007-WS-Q70658	Community Capacity Development Office - Weed and Seed Conflict Resolution	16.595	-	195
	City of Indianapolis, Indiana	2006-WS-06-0202	Community Capacity Development Office - Weed and Seed Conflict Resolution 06/07	16.595	-	1,140
	City of Indianapolis, Indiana	2007-WS-Q7-0244	Community Capacity Development Office - Weed and Seed	16.595	-	1,686
			Total 16.595			2,625
			State Criminal Alien Assistance Program 05/06	16.606	-	13,687
			Bulletproof Vest Partnership Program - 2005	16.607	-	5,807
			Bulletproof Vest Partnership Program - 2006	16.607	-	6,454
			Total 16.607			12,261
	City of Indianapolis, Indiana	06-DJ-061	Edward Byrne Memorial Justice Assistance Grant Program - Community Prosecution 08	16.738	-	266,667
	City of Indianapolis, Indiana	07-DJ-031	Edward Byrne Memorial Justice Assistance Grant Program - Juvenile Disposition Grant 08	16.738	-	33,897
	City of Indianapolis, Indiana	07-DJ-023	Edward Byrne Memorial Justice Assistance Grant Program - Metro Drug Task Force 08	16.738	-	189,892
	City of Indianapolis, Indiana	05-DJ-098	Edward Byrne Memorial Justice Assistance Grant Program - Technology Grant 2008	16.738	-	4,070
	City of Indianapolis, Indiana	2005-DJ-BX-0215	Edward Byrne Memorial Justice Assistance Grant Program - JAG Grant #1	16.738	-	10,455
	City of Indianapolis, Indiana	06-DJ-060	Edward Byrne Memorial Justice Assistance Grant Program - Drug Treatment Diversion 08	16.738	-	213,779
	City of Indianapolis, Indiana	06-DJ-014	Edward Byrne Memorial Justice Assistance Grant Program - Alternative to Incarceration 07/08	16.738	-	5,217
	City of Indianapolis, Indiana	06-DJ-017	Edward Byrne Memorial Justice Assistance Grant Program - Community Court 2007	16.738	-	2,128
	City of Indianapolis, Indiana	06-DJ-023	Edward Byrne Memorial Justice Assistance Grant Program - Metro Drug Task Force 2007	16.738	-	29,110
	City of Indianapolis, Indiana	06-DJ-056	Edward Byrne Memorial Justice Assistance Grant Program - Addictions Treatment 07/08	16.738	5,445	5,445
	City of Indianapolis, Indiana	06-DJ-057	Edward Byrne Memorial Justice Assistance Grant Program - Juvenile Disposition Grant 07/08	16.738	-	6,111
	City of Indianapolis, Indiana	07-DJ-032	Edward Byrne Memorial Justice Assistance Grant Program - JAG Grant #3	16.738	60,350	330,728
	City of Indianapolis, Indiana	07-DJ-032	Edward Byrne Memorial Justice Assistance Grant Program - Duwali Residential Addictions Treatment Program	16.738	60,350	60,350
	City of Indianapolis, Indiana	07-DJ-033	Edward Byrne Memorial Justice Assistance Grant Program - Forensic Diversion 08	16.738	-	48,648
	City of Indianapolis, Indiana	07-DJ-037	Edward Byrne Memorial Justice Assistance Grant Program - Community Court 2008	16.738	-	76,083
			Total 16.738		65,795	1,282,480
			Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	-	25,000
			Forensic DNA Backlog Reduction Program	16.743	-	110,514
			Forensic DNA Backlog Reduction Program 06	16.743	-	12,981
			Total 16.743		-	123,495
			Anti-Gang Initiative	16.744	-	29,674
			Joint Terrorism Task Force 05/06	16.900	-	144
			Federal Equitable Share	16.900	-	202,583
			Total 16.900		-	202,727
			Total U.S. Department of Justice		\$ 427,533	3,059,956

(continued)

National Highway Traffic Safety Administration

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, 2008

Federal grantor State and Community Highway Safety Program Cluster:	Pass-through grantor number	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
U.S. Department of Health and Human Services Indiana Department of Child Services	ICJ***	154HE-2007-08-01-02	Alcohol Impaired Driving Countermeasures Incentive Grants - Facility Crash Reduction Effort	20,601	\$	211,859
		PT09-04-01-07	Alcohol Impaired Driving Countermeasures Incentive Grants - Big City County Seat Belt 08/09	20,601		19,040
		K4-2009-03-02-05	Alcohol Impaired Driving Countermeasures Incentive Grants - Fatal Alcohol Crash Team 08/09	20,601		34,624
		K4-2008-02-02-05	Alcohol Impaired Driving Countermeasures Incentive Grants - Fatal Alcohol Crash Team 07/08	20,601		172,285
		K4-2009-08-01-13	Alcohol Impaired Driving Countermeasures Incentive Grants - Aggressive Driving Enforcement 08/09	20,601		10,284
		K4-2008-02-03-18	Alcohol Impaired Driving Countermeasures Incentive Grants - DUI Task Force Enforcement 07/08	20,601		257,018
		PT-08-04-01-06	Alcohol Impaired Driving Countermeasures Incentive Grants - Big City County Belts 07/08	20,601		227,313
		K4-2009-03-03-20	Alcohol Impaired Driving Countermeasures Incentive Grants - DUI Task Force Enforcement 08/09	20,601		27,449
			Total 20,601			958,872
			Total National Highway Traffic Safety Administration			
U.S. Election Assistance Commission: Indiana Secretary of State Total U.S. Election Assistance Commission	N/A		Help America Vote Act Requirements Payments	90,401		2,396,275
						2,396,275
U.S. Department of Health and Human Services Indiana Department of Child Services	N/A		Child Support Enforcement	93,363		5,863,912
						5,863,912
Department of Homeland Security State Emergency Management Agency Total Department of Homeland Security	N/A		State Domestic Preparedness Equipment Support Program	97,004		234
						234
Total Expenditures of Federal Awards					\$	12,397,320

See accompanying notes to schedule of expenditures of federal awards and independent auditors' reports.
*** 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, 2008

(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.



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, 2008, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 3, 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, modified to include reference to a note in the basic financial statements for which we expressed no opinion, and modified to include reference to 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, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings



and questioned costs as item 08-03 to be a significant deficiency in internal control over financial reporting.

A deficiency in internal control over financial reporting 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the County's internal control over financial reporting described in the accompanying schedule of findings and questioned costs as items 08-01 and 08-02 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
September 3, 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, 2008. 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.

Except as discussed in the following first and third paragraphs, 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 item 08-07 in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the County with the Crime Victim Assistance program regarding reporting, nor were we able to satisfy ourselves as to the County's compliance with that requirement by other auditing procedures. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the County's compliance with the requirements of the Crime Victim Assistance program regarding reporting, the County complied, in all material respects, with the requirements referred to above that are applicable to its Crime Victim Assistance program for the year ended December 31, 2008. However, the results of our auditing procedures also disclosed an other instance of noncompliance with



those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 08-13.

As described in items 08-05, 08-06, and 08-14 in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding activities allowed or unallowed; allowable costs/cost principles; subrecipient monitoring; or matching, level of effort, earmarking 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, 2008.

As described in item 08-07 in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the County with the State and Community Highway Safety Program Cluster regarding reporting, nor were we able to satisfy ourselves as to the County's compliance with that requirement by other auditing procedures. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the County's compliance with the requirements of the State and Community Highway Safety Program Cluster regarding reporting, the County complied, in all material respects, with the requirements referred to above that are applicable to its State and Community Highway Safety Program Cluster program for the year ended December 31, 2008. However, the results of our auditing procedures also disclosed an other instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 08-05.

As described in items 08-05, 08-08, 08-09, 08-10, 08-11, 08-12, and 08-15 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding activities allowed or unallowed; allowable costs/cost principles; procurement and suspension and debarment; or matching, level of effort, earmarking 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, 2008.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its Help America Vote Act Requirements Payments program for the year ended December 31, 2008.

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 the 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 08-04 through 08-15 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 08-04, 08-05, 08-06, 08-07, 08-09, 08-11, 08-12, and 08-14 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, 2008, and have issued our report thereon dated September 3, 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, modified to include reference to a note in the basic financial statements for which we expressed no opinion, and modified to include reference to the exclusion of Management's Discussion and Analysis, which is 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
January 21, 2011, except as to the paragraph relating
to the schedule of expenditures of federal awards,
which is as of September 3, 2010

MARION COUNTY, INDIANA
 (A Component Unit of the Consolidated
 City of Indianapolis – Marion County)
 Schedule of Findings and Questioned Costs
 For the year ended December 31, 2008

(1) Summary of Auditors' Results

(a)	The type of report issued on the basic financial statements:	Unqualified opinions
(b)	Significant deficiencies in internal control were disclosed by the audit of the basic financial statements:	Yes
	Material weaknesses:	Yes
(c)	Noncompliance which is material to the basic financial statements:	No
(d)	Significant deficiencies in internal control over major programs:	Yes
	Material weaknesses:	Yes
(e)	The type of report issued on compliance for major programs:	
	Crime Victim Assistance (CFDA No. 16.575)	Qualified
	Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738)	Adverse
	State and Community Highway Safety Program Cluster (CFDA No. 20.601)	Qualified
	Help America Vote Act Requirements Payments (CFDA No. 90.401)	Unqualified
	Child Support Enforcement (CFDA No. 93.563)	Adverse
(f)	Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133:	Yes
(g)	Major programs:	
	Crime Victim Assistance, U.S. Department of Justice passed through Indiana Criminal Justice Institute (CFDA No. 16.575)	
	Edward Byrne Memorial Justice Assistance Grant Program, U.S. Department of Justice passed through Indiana Criminal Justice Institute and City of Indianapolis, Indiana (CFDA No. 16.738)	
	State and Community Highway Safety Program Cluster, National Highway Traffic Safety Administration passed through Indiana Criminal Justice Institute (CFDA No. 20.601)	

MARION COUNTY, INDIANA
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Schedule of Findings and Questioned Costs
For the year ended December 31, 2008

Help America Vote Act Requirements Payments, U.S. Election Assistance Commission passed through Indiana Secretary of State (CFDA No. 90.401)

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

- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$371,920
- (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*

08-01 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), specifically the Clerk's Office, had significant delays in reconciling cash accounts for 2008. Additionally, when bank reconciliations for all agencies were audited by us, a significant number of material adjustments were necessary to correct the financial statements. 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. Moreover, there is not a control in place to consolidate the reconciliations from the various County agencies and record amounts in the 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 with reconciling items being recorded on the reconciliation and in the general ledger, if necessary. Further, we recommend a control be designed to consolidate all reconciliations and record all cash in the financial statements.

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 2006 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

MARION COUNTY, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)
Schedule of Findings and Questioned Costs
For the year ended December 31, 2008

towards moving the remaining accounts onto the County's general ledger 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. The implementation of the ERP has various stages with the earliest beginning in April 2011 and continuing through the end of 2012.

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

08-02 Financial Reporting and Year-End Transactions – Material Weakness

Comment and Recommendation

During the current year audit, 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 that 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
- Inaccurate disclosure of pension information upon adoption of Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension disclosure-an amendment of GASB Statements No. 25 and No. 27.*
- 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 was 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 its 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

MARION COUNTY, INDIANA
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Schedule of Findings and Questioned Costs

For the year ended December 31, 2008

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 2007 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 the 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 financial reporting purposes.

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.

08-03 IT System Program Change Management and User Access – Significant Deficiency

Comment and Recommendation

The County contracts with two third-party contractors for its 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 system are properly reviewed and approved prior to migration into production. This is especially critical given the system developers' ability to move program changes into production. These approvals should be formally documented on the Production Implementation Plan. All change management policies should also be formally documented to provide guidance to both of the third-party contractors regarding the

MARION COUNTY, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)
Schedule of Findings and Questioned Costs
For the year ended December 31, 2008

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 2007 single audit report, part of this recommendation was implemented in 2009. The County will continue to work with its IT agency to review all policies and procedures surrounding data access and security to develop appropriate change and enhanced controls.

(3) Findings and Questioned Costs Relating to Federal Awards

08-01 to

08-03 See Section (2) – Findings related to the Financial Statements Reported in Accordance with *Government Auditing Standards*.

08-04 Procurement and Suspension and Debarment

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

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

CFDA No. 93.563, *Child Support Enforcement*, U.S. Department of Health and Human Services passed through Indiana Department of Child Services; 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).

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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:

- Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738) – exceptions found in one (1) of two (2) subrecipient agreements tested, which represented 100% of the relevant population. The sample item, which was an exception, was a subrecipient grant agreement executed in 2006 and represented 8% of the relevant expenditures.
- Child Support Enforcement (CFDA No. 93.563) – exceptions found in five (5) of five (5) vendor contracts tested. We sampled 78% 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.

Views of Responsible Officials

In 2005, a local ordinance was passed by the City-County Council requiring most County agencies to use the Central Purchasing Department, which is the appointed purchasing agent of the City and County. In 2007, these procedures were reinforced by requiring all County agencies

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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 2007 report, improvements have been made but will not be evident until future years because of the delinquency of our reports.

08-05 Activities Allowed and Unallowed, Allowable Costs/Cost Principles, and Period of Availability of Federal Funds

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

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

CFDA No. 20.601, *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 Department of Children Services; Grant Number Not Available

Criteria

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, Paragraph 8(h)(3) and (4), states that 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 grant programs listed below we selected a sample of expenditures that included payroll and fringe benefit expenditures. In general, most of the County employees

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work on one grant program; however, no personnel activity reports were available nor did the employees' execute semiannual certification statements indicating that 100% of their time was spent on that grant.

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>
Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738)	Exceptions in 51 of 78 payroll expenditures selected for testing	\$ 76,059	505,339
State and Community Highway Safety Program Cluster (CFDA No. 20.601)	Exceptions in 8 of 31 payroll expenditures selected for testing	1,766	7,151
Child Support Enforcement (CFDA No. 93.563)	Exceptions in 21 of 21 payroll expenditures selected for testing for Prosecuting Attorney, 26 of 26 payroll expenditures selected for testing for the Superior Court, 27 of 27 payroll expenditures selected for testing for the Circuit Court, and 24 of 24 payroll expenditures selected for testing for the Clerk's Office	90,557	3,564,460

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In addition to the exceptions in the table above, we noted additional internal control exceptions in the following programs:

- For the Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738), we identified thirty-two (32) of seventy-eight (78) time cards tested related to payroll expenditures that did not contain a supervisor approval.
- For the State and Community Highway Safety Program Cluster (CFDA No. 20.601), we identified six (6) of eleven (11) time cards tested related to payroll expenditures that did not contain a supervisor approval. Based on those results, we tested an additional twenty (20) payroll items for compliance; however, they were not tested for internal controls.
- For the Child Support Enforcement program (CFDA No. 93.563), we identified one (1) of twenty-one (21) time cards tested related to payroll expenditures for the Clerk's Office and one (1) of twenty-one (21) time cards tested related to payroll expenditures for the Prosecuting Attorney that 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 for the Activities Allowed and Unallowed and Allowable Costs/Cost Principles compliance requirements. The amount of most likely questioned costs was computed by multiplying the error rate percentage found in our sample population segregated by each of the relevant County agencies by the amount of total payroll-related expenditures for that particular County agency. There were no questioned costs for the Period of Availability of Federal Funds compliance requirement.

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 his/her individual

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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.

08-06 Subrecipient Monitoring

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

CFDA No. 16.738, *Edward Byrne Memorial Justice Assistance Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute 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

Condition Found

In 2008, this program had \$65,795 of expenditures related to grant funds passed through to subrecipients. 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. For the program, out of a total of two (2) subrecipients, the County was not able to locate the grant agreements for one (1) of the subrecipients, and thus, we could not determine that it was properly executed or that it contained the appropriate award information.

The County also indicates that it requests subrecipient audit reports from each of its 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 did not have any of the subrecipient audit reports

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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 Accountability Block Grants (CFDA No. 16.523) and the Juvenile Justice and Delinquency Prevention (CFDA No. 16.540) programs that were not audited as major federal programs in 2008 have \$167,590 and \$194,148, 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 or \$65,795.

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

It is important to note as well that at the end of 2008, the Justice Agency, which received funding under the Edward Byrne Memorial Justice Assistance Grant Program, was dissolved. Unfortunately, the records relating to that agency were not adequately secured, and many

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documents and files could not be located. All remaining records have since been secured; however, many records were lost or destroyed in-the transition.

08-07 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 No. 20.601, *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 2008 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 2008 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 its performance reports for the above referenced programs.

Questioned Costs

There are no questioned costs associated with this finding.

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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 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 reports. An individual other than the individual preparing each 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 single audit 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 single audit reporting, improvement in this area should be evident.

08-08 Activities Allowed and Unallowed and 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 Department of Child Services; 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 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.

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Condition Found

In 2008, the Circuit Court submitted \$522,383 of payroll-related expenditures for which reimbursement of \$344,773 was received (i.e., reduced for 34% County-matching requirement). During our testwork, we selected payroll expenditures from the Circuit 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 Child Support Enforcement program. However, based upon conversations with management in the Circuit Court in previous years and correspondence with the pass-through entity in prior years, it appears that employees in the Circuit 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 Circuit Court in 2007 were \$344,773.

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. No approval from the pass-through entity has been obtained.

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 Circuit Court management to contact the grantor to obtain written documentation as to the allowability of these costs.

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08-09 Procurement and Suspension and Debarment

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 Department of Child Services; Grant Number Not Available

Criteria

According to the March 2008 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

We tested five (5) vendors with total expenditures of \$928,695 and which represented 77% of the total federal expenditures under this program subject to this compliance requirement for the Prosecuting Attorney. Of these vendors, none of the five (5) 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 are \$928,695 and were computed as the entire 2008 expenditures for the five (5) vendors in our sample. The most likely questioned costs are \$1,209,459 and were computed by extrapolating the error rate percentage of 100% found in our sample to the relevant population of \$1,209,459.

Possible Asserted Cause and Effect

The County asserts that the procurements 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 and the basis for selection of the vendor. 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.

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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.

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.

08-10 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 Department of Child Services; 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.

Condition Found

Based on findings and questioned costs reported in past single audit reports, we identified expenditures totaling \$508,455 that related to internal data processing charges (i.e., information technology or IT charges) submitted for reimbursement. Costs are reimbursed at 66% for this program, and therefore, the total federal reimbursement received for 2008 related to these expenditures was \$335,580. The County provided documentation for these costs consisting of amounts budgeted to be charged to each of these agencies by the central IT agency that services both the County and the City of Indianapolis, Indiana. We selected a sample of costs amounting to \$16,245,401 of the total \$26,424,777 of budgeted IT costs (62% coverage). The County was not able to provide documentation or the documentation did not adequately support the amounts charged of which \$70,555 was allocated to the Child Support Enforcement program. At the 66% reimbursement rate, this amounts to questioned costs of \$46,566. Additionally, the County did perform an after-the-fact determination as to the comparison of actual IT costs charged to the budgeted amount.

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Questioned Costs

Questioned costs are \$46,566, which is calculated as the total costs submitted for reimbursement in our sample at the 66% reimbursement rate. Most likely questioned costs were \$75,744 and were determined by applying the error rate in our sample of 0.43% to the total population of \$26,424,777 and then multiplying the result by the 66% reimbursement rate for the Child Support Enforcement program.

Possible Asserted Cause and Effect

Management is aware of these unsupported expenditures as this was a finding in the prior year; however, management has continued to submit them for reimbursement without appropriate supporting documentation. The effect is that costs are being charged to the federal programs, which are not adequately supported and, therefore, may not be accurate.

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. Additionally, if budgeted costs are being used to charge the federal program, management should ensure that a true-up to actual costs is performed and any discrepancies are appropriately adjusted in the federal reimbursements.

Views of Responsible Officials

It was the County's understanding that the agencies that participate in the Child Support Enforcement program were 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 the current processes with the agencies impacted by this finding. Improvements will not be evident until future years because of the delinquency of our reports.

08-11 Activities Allowed and Unallowed; Allowable Costs/Cost Principles; and Matching, Level of Effort, Earmarking

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 Department of Child Services; 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.

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There are restrictions imposed by federal and state law on the use of federal incentive funds. Specifically, 42 U.S.C. 658a(f) provides that a state to which a payment is made under this section shall expend the full amount of the payment to supplement, and not supplant, other funds used by the state (1) to carry out the state plan approved under this part; or (2) for any activity (including cost-effectiveness contracts with local agencies) approved by the federal agency Secretary, whether or not the expenditures for the activity are eligible for reimbursement under this part, which may contribute to improving the effectiveness or efficiency of the state program operated under this part. Also, Indiana Code 31-25-4-23(c) specifies that the amounts received as incentive payments must be used to supplement, rather than take the place of, other funds used for Title IV-D program activities.

Condition Found

The County receives incentive funds each year which are passed through from the state and are based on the County's program performance compared to other counties within the state. These incentive funds must be used to pay for costs of the Child Support Enforcement program and must be used to supplement and not supplant program funds. The County deposits the incentive funds received in three (3) different funds—the General Fund, the Prosecutor's IV-D Incentive Fund, and the Clerk's IV-D Incentive Fund. The County was not able to identify the expenditures in 2008 which were utilized in spending the incentive funds received. Total incentive funds deposited in the General Fund in 2008 were \$305,051.

Additionally, the County did not have internal controls in place and could not provide evidence that they complied with the requirement to supplement and not supplant funding for incentive funds received.

Questioned Costs

Known and most likely questioned costs for the finding related to the lack of identification of the expenditures related to the receipt of the incentive funds allocated to the General Fund were \$305,051 and represent the amount of incentive funds received by the County in 2008.

The known and most likely questioned costs for the finding related to the supplementing versus supplanting program funds were \$1,137,885 and represent 100% of the incentive fund expenditures in 2008 from all three of the County's funds as noted in the condition section above. These expenditures include the \$305,051 of expenditures identified in the previous paragraph.

Possible Asserted Cause and Effect

The asserted cause of this finding is that overall program expenditures are in excess of total amounts received by the County in reimbursement of such expenditures (include incentive funds and regular monthly claims submitted by the County to the State); however, as these expenditures are all accounted for in the County's General Fund, specific identification of the incentive-related

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expenditures could not be accomplished. Additionally, management was not fully aware of the supplementing versus supplanting requirement for incentive funds and thus appropriate internal controls and procedures were not designed and implemented. The effect is that costs are being charged to the federal programs, which are not adequately identified, and which are not being monitored for the supplementing not supplanting requirement.

Recommendation

We recommend management ensure that all costs charged to the program are adequately identified. Additionally, the County should implement internal controls and procedures to ensure that the County is in compliance with the requirement that incentive funds must be used to supplement and not supplant program funding and that such compliance can be adequately demonstrated.

Views of Responsible Officials

As mentioned in finding 08-01, the County is in the process of designing and implementing an ERP system, including a comprehensive financial module. During this process structure is being designed to allow for better tracking of the expenditures made against the incentive fund revenues allocated to the general fund.

08-12 Matching, Level of Effort, Earmarking

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 Department of Child Services; Grant Number Not Available

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. One of the basic criteria for acceptable matching is that the matching contribution is allowed under the applicable cost principles.

Condition Found

As noted in finding 08-05 above, the County's employees working on this program did not complete personnel activity reports nor did the employees' execute semiannual certification statements indicating that 100% of their time was spent on that program. The matching requirements under this program of 34% are accomplished by the County submitting 100% of incurred costs and the grantor reimbursing the County for 66% of the costs submitted. Therefore, the matching amounts shown for this program were not valid for the payroll costs submitted and cited as questioned costs in finding 08-05.

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Questioned Costs

There are no questioned costs associated with the matching portion of this finding. Known and most likely questioned costs of \$90,557 and \$3,564,460, respectively, were noted in finding 08-05 related to the payroll expenditures (including incentive fund expenditures). The matching contributions associated with these questioned costs were \$43,999 and \$1,530,094, respectively.

Possible Asserted Cause and Effect

The asserted cause of this finding is that employees are not accurately completing semiannual certifications of their time or completing personnel activity reports. The effect is that the County is not appropriately reporting its corresponding matching contributions.

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 concurs with this finding. As noted in finding 08-05, forms have been designed to implement the certification requirement; however, this procedure was not implemented until 2010, 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

08-13 Matching, Level of Effort, Earmarking

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

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

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- 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
- 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) individual matching expenditures for testing and determined that for four (4) of these expenditures which represented \$10,662 of our total sample of matching expenditures selected of \$38,198, were erroneously reported as in-kind contributions in the quarterly financial report. We determined that these items were all allowable matching items; however, the reporting was incorrect on the financial reports.

Questioned Costs

There are no questioned costs associated with this finding. We determined that the most likely amount of misreported matching amounts was \$20,461 which was calculated by extrapolating the error rate determined in our sample of 27.9% to the population of matching expenditures reported during calendar year 2008 of \$73,305.

Possible Asserted Cause and Effect

The asserted cause of this finding is that the error in the reporting is an oversight in the preparation of the quarterly financial report. The effect is that the County is not appropriately reporting its matching contributions.

Recommendation

We recommend the County increase its management oversight in the approval of the quarterly financial reports to ensure that matching contributions are appropriately presented.

Views of Responsible Officials

The County will work with the agencies and provide training regarding match requirements to assure that the agencies fully understand allowable match under the federal guidelines, and the importance of maintaining the appropriate support.

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08-14 Matching, Level of Effort, Earmarking

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

CFDA No. 16.738, *Edward Byrne Memorial Justice Assistance Grant Program*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute and City of Indianapolis, Indiana; 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
- 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 twenty-five (25) individual matching expenditures for testing and determined that for ten (10) of these expenditures, which all related to County payroll expenditures, the respective employees did not complete a personnel activity sheet or a semiannual certification indicating that 100% of their time was spent on the related program and thus we could not determine if the costs were allowable in eight (8) of the instances and the County could not provide documentation of the salary amount in one (1) of the instances. These exceptions amounted to \$27,141 of the \$158,880 of individual matching amounts tested.

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Questioned Costs

The total matching contributions, which were found to be exceptions in our sample amounted to \$27,141 and represented 18% of the total tested of \$158,880. Total most likely exceptions were \$312,032 and were calculated as the total payroll amounts reported as matching contributions in 2008 for the employees of the following County agencies: Courts, Public Defender, Justice Agency, and Community Corrections.

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 the 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, procedures 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 08-05, forms have been designed to implement the certification requirement; however, this procedure was not implemented until 2010. 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.

08-15 Activities Allowed/Unallowed and 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 Department of Child Services; Grant Number Not Available

Criteria

Most governmental entities provide services, such as accounting, purchasing, computer services, and fringe benefits, to operating agencies on a centralized basis. The central service cost allocation plan (CAP) provides a means to identify the central service costs and assign them to benefiting operating agency activities on a reasonable and consistent basis. The documentation requirements

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for all central service CAPs are contained in A-87, Circular C, paragraph E. The March 2008 Compliance Supplement indicates that the auditor should determine whether the governmental unit complied with the provisions of A-87, including determining whether charges to cost pools allocated to federal awards through the central service CAP were for allowable costs.

Condition Found

In a sample of eleven (11) amounts charged to the cost pool in the County's central service CAP, totaling \$6,642,162, the County was not able to provide documentation supporting four (4) of the amounts totaling \$2,508,023 in order for us to determine whether they were allowable costs. These costs related to the County's computer services operations and generally represented budgeted costs for the year for which no support could be provided for us to assess the reasonableness of such amounts.

Questioned Costs

The questioned costs associated with this finding are not determinable by us due to the multiple allocations involved within the County's central service CAP. However, in 2008, the County allocated \$926,445 of indirect costs to the Title IV-D Child Support program (i.e., Child Support Enforcement program) of which 66% or \$611,454 was received as reimbursement and which is included in the schedule of expenditures of federal awards. Of the \$926,445 of total costs, \$574,758 represents current (i.e., fiscal year 2006) costs included in the fiscal year 2008 CAP and \$351,687 represents the carryforward adjustment.

Possible Asserted Cause and Effect

The asserted cause of this finding is that the costs utilized in the developing the computer service costs are based on budgeted amounts for fiscal year 2006 and due to the length of time that has since passed and the nature of the item (i.e., budgeted amount), adequate support could not be provided. The effect of this finding is that costs included in the central service CAP are not adequately documented in accordance with OMB Circular A-87.

Recommendation

We recommend that management strengthen the organization's processes and controls to help ensure that indirect costs included in the County's central service CAP are adequately documented to support their allowability as required by OMB Circular A-87.

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Views of Responsible Officials

This was the first year that the County's Cost Allocation Plan has been reviewed. Because the calculations in the plan are based on two previous years (2006), combined with the delinquency of our report, the documentation to support the amounts for the information technology charges were no longer available as they could not be located in storage. As the County becomes current in their reporting, this should no longer be an issue.