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STATE OF INDIANA

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February 4, 2010

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

We have reviewed the audit report prepared by KPMG, LLP, Independent Public Accountants, for the period January 1, 2004 to December 31, 2004. 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, 2004, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

We call your attention to the findings in the report. The Single Audit Report contains seventeen current audit findings and $3,212,278 in questioned costs on pages 66 through 88. The auditors have issued an adverse opinion on compliance with applicable requirements for five of the ten major programs, and a qualified opinion on compliance with applicable requirements for four of the ten major programs. Management's Corrective Action Plan follows the Single Audit Report. The Status of Prior Year Findings contains the status of eleven prior audit findings.

STATE BOARD OF ACCOUNTS

MARION COUNTY, INDIANA

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year
Ended December 31, 2004

Prepared by
Martha A. Womacks
Auditor of Marion County

MARION COUNTY, INDIANA

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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Ended December 31, 2004

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Auditor of Marion County

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COMMISSIONERS • MARION COUNTY, INDIANA

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COMMISSIONERS • MARION COUNTY, INDIANA

AUDITOR OF MARION COUNTY
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CHIEF DEPUTY AUDITOR
D.TERRY NELSON

DEPUTY AUDITORS
DANIEL M. JONES
SHIRLEY J. MIZEN, C.P.A.
THERESA A. JOHNSON

June 30, 2005

To: The Honorable Bart Peterson
Mayor, City of Indianapolis,
and
The Honorable Steve Talley, President, and
Members of the City-County Council

The comprehensive annual financial report of Marion County, Indiana, (a component unit of the Consolidated City of Indianapolis– Marion County) (County) for the fiscal year ended December 31, 2004 is submitted herewith. This report is presented pursuant to Section 5-11-1-4 of the State of Indiana Code. This report is presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and is audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The County has a responsibility to inform both the taxpayers of Marion County and its investors of its financial condition. We believe that this report fulfills that responsibility.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the fiscal year ended December 31, 2004, are free of material misstatement. The independent audit involved 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; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that the County's financial statements for the fiscal year ended December 31, 2004, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting presented to the County for its 2003 comprehensive annual financial report, a list of principal County officials and City-County Council members, and the County's organizational chart. The financial section includes the basic financial statements including the MD&A, footnotes, the independent auditors' report on the basic financial statements, required supplementary information, and the combining and individual fund financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

PROFILE OF THE COUNTY

The County's comprehensive annual financial report for 2004 encompasses all funds for which the County is financially accountable and all accounts mandated to the County by the Constitution of the State of Indiana and the State of Indiana General Assembly. The County provides property tax administration, data processing services and other services. Financial accountability is demonstrated by the ability of the County to appoint the voting majority of an organization's governing body and (1) its ability to impose its will on the organization or (2) a potential for the organization to provide specific financial benefits or to impose specific financial burdens on the County.

Information regarding the Indianapolis-Marion County Building Authority, a joint venture with the Consolidated City of Indianapolis, is disclosed in the notes to the basic financial statements.

In accordance with GASB Statement 14, *The Financial Reporting Entity*, Marion 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. Accordingly, the basic financial statements of the County are included in the comprehensive annual financial report of the Consolidated City of Indianapolis – Marion County in accordance with guidelines established by the GASB. Note 1 of the basic financial statements provides a further discussion of the County as a financial reporting entity.

ECONOMIC CONDITION AND OUTLOOK

Marion County has a diversified economic base with unemployment rates and per capita income levels consistently higher than state and national averages. Strategically located on the major east-west and north-south transportation routes across North America, Marion County has become a major transportation industrial center. Marion County is also the geographic, financial, and cultural center of Indiana.

The Marion County economy is continuing to slowly improve from the downturn in the economy. Lower interest rates have increased new housing construction and existing home sales. This increased mortgage lending activity has increased fee collections in the County Recorder's Office, the Auditor's Office, and the Surveyor's Office. Unemployment in Indianapolis/Marion County has risen to around 5.4% and is approximately the same as the state average.

The Indianapolis – Marion County City-County Council voted in the early spring of 2005 to rescind the freeze on the local option income tax rate. The tax rate had been frozen by the Council at 0.7% since 1990. By rescinding the freeze, the rate will automatically increase each year by 0.1% each year until a maximum rate of 1.0% is reached. Each 0.1% is projected to generate approximately $15 million with the first two years' revenues dedicated to funding criminal justice and public safety needs. More specifically, the additional funding is to address the problem of jail overcrowding and eliminating the emergency release of prisoners. A special task force has been appointed to establish the funding priorities and actions that will have the most direct impact on alleviating this serious public safety issue.

Major Initiatives for the Year: Marion County has had a continuous problem with inmate overcrowding at the County Jail and lockup. Since 1994 the County has added 80% additional capacity for holding prisoners and the problem persists. In 2003, the County opened a state-of-the-art Arrestee Processing Center (APC). The APC combines the processes of booking, identification, health screenings and the initial hearings of arrestees. A primary goal of the new facility was to immediately adjudicate lesser offenses and keep those individuals from entering the criminal justice system. Reports from the first year of operation indicate that approximately 60% of arrestees are released after the initial hearing with a substantial portion of the arrestees being diverted from the criminal justice system or placed in a supervised release program.

Major Initiatives For the Future: A major challenge facing Marion County is the continuing cost of housing juveniles in state institutions. The amount owed to the State of Indiana for custody of Marion County juveniles sentenced to state institutions continues to strain the County general fund. The amount charged to the County exceeded $11 million in 2004. The County is currently four years in arrears and as of December 31, 2004, has recorded a payable to the State of Indiana of approximately $62.6 million. Indiana is one of only six states that charges county governments for detention costs of post-adjudicated juveniles sentenced to state institutions, and the counties have no control over the costs of operating these facilities or how many juveniles are sentenced by the state. A recent audit of the Department of Corrections initiated by the Marion County Auditor and reviews performed by the Indiana State Board of Accounts have resulted in substantial credits for overcharges in the billings for years 2001 and 2002, and also resulted in substantial decreases in the annual bills to counties. Furthermore, the General Assembly in 2005 placed a limit on the per diems that the state may charge for incarcerated juveniles. The General Assembly also took action to assure that those counties in arrears become current. Counties with delinquent balances must reach an agreed-upon repayment plan with the State Budget Agency by August 15, 2005. Those counties, which are non-compliant, will have their next distribution of property tax replacement credit reduced by the amount of the outstanding account.

Departmental Focus: The Marion County Jail has been operating under a federal court order to: limit the population of the Jail; improve the quality of medical care provided to the prisoners; improve the quality of food served to prisoners; and to make substantive improvements to the Jail facility. To comply with the court order limiting the Jail population, the County has purchased all available capacity at the County's privatized facility, Jail II, which is managed by Corrections Corporation of America. The Marion County Health and Hospital Corporation provides medical care for the prisoners. The corporation has a contractual vendor providing services to the facility. The quality of food served to prisoners was substantially improved by the selection of a new vendor for food services. Improvements to the Jail facility were performed by the Indianapolis – Marion County Building Authority.

The County has responded to jail overcrowding by aggressively monitoring the daily population within the facility. A committee of criminal justice system employees has been assembled to regularly monitor the population and continuously improve the movement of prisoners to the appropriate facilities. An emergency release protocol has been developed to identify low risk prisoners eligible for release when the main Jail facility begins to reach maximum capacity. Also, the County has invested substantial sums to expand the Community Corrections programs available to the judiciary for alternative sentencing. The limit on the Jail population began in July of 2003 with a gradual reduction in the limit until the level recommended by the state jail inspector was achieved. Marion County is currently in compliance with every aspect of the federal court order.

Deferred Compensation: During 1997, the deferred compensation plan was revised to comply with the amendments to Section 457 of the Internal Revenue Code. 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. In conjunction with these amendments, the County has elected to implement the provision of Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* As a result, the assets and liabilities of the deferred compensation plan are no longer included in the basic financial statements. Previously, plan assets were solely the property and rights of the County, subject only to the claims of the County's general creditors.

Debt Administration: At December 31, 2004 the County had no outstanding general obligation notes. Prior to December 31, 2003, the County had issued notes to finance operating deficits incurred by the state-managed Family and Social Services Agency. Those notes were repaid in their entirety at the end of 2003. The County issued in 2003, $11.1 million in limited recourse notes to purchase a new countywide election system. The notes were refinanced 2004 leaving an outstanding balance of $9.4 million. Under state statutes, the County's general obligation bonded debt issuances are subject to a legal limitation. The legal bonded debt limit for the County is $264,643,170.

Pension Benefits: The County contributes to the Indiana Public Employees' Retirement Fund (PERF), an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. PERF was created and is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such it is PERF's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. Additional information on the County's pension arrangements can be found in Note 12 in the notes to the financial statements.

Cash Management: Cash temporarily idle during the year for all funds except the pension trust was invested by the County Treasurer in demand deposits, certificates of deposit, obligations of the U.S. government and U.S. government agencies and repurchase agreements as prescribed by State statute. The investments held by the County, except the pension trust fund, do not meet the requirements for accounting under GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* The Pension Trust Funds are authorized to invest in bonds, debentures, notes, obligations of the U.S. Treasury, U.S. government agencies, mutual funds, and other corporate securities. Interest rates for investments in governmental fund types at year-end ranged between 1.47% and 1.75% depending on maturity. The County earned interest revenue of $4.0 million on governmental fund type investments for the year ended December 31, 2004. The County's investment policy is governed by State statute and is intended to minimize credit and market risks while maintaining a competitive yield on its portfolio.

Risk Management: The County has various insurance policies in force, which are described in Table XIII in the Statistical Section of this report. These policies are related to auto liability, property coverage, and blanket employee bonds. The County is self-insured for vehicle and general liability through the City of Indianapolis. Uninsured claims are recorded when a determinable loss has been incurred. Past experience indicates that incurred but not reported claims, in the aggregate, do not represent a material amount and therefore have not been accrued as required by GASB 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.* The County's liability is protected by a statutory limit. The County's contract with Indiana Public Employers Plan, Inc. (IPEP) ended June 30, 2004. The County is now self-insured for all work-related injuries and accidents as of July 1, 2004. Sufficient funds are appropriated to cover anticipated losses and sufficient reserves for on-the-job injuries and subsequent claims. The City of Indianapolis' Risk Management Division monitors the County's insurance needs and programs.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the fiscal year ended December 31, 2003. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This was the twentieth consecutive year that the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. This report satisfied both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA has also awarded Marion County the Distinguished Budget Presentation Award for the year 2004. This is the ninth consecutive year Marion County has received the GFOA budget award. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.

The preparation of the comprehensive annual financial report was made possible by the dedicated service and cooperation of all Marion County agencies. I especially want to express my sincere appreciation for the contributions made by my staff in the preparation of this report.

Very truly yours,

Martha A. Womacks

Martha A. Womacks
Auditor of Marion County

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Marion County, Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Nancy L. Zielke

President

Jeffrey L. Esser

Executive Director

2004 County Elected Officials

		TERM
Auditor	Martha A. Womacks	1-01-03 to 12-31-06
Treasurer	Gregory N. Jordan	1-01-01 to 12-31-04*
Clerk	Doris Anne Sadler	1-01-03 to 12-31-06
Sheriff	Frank Anderson	1-01-03 to 12-31-06
Recorder	Wanda Martin	1-01-03 to 12-31-06
Assessor	Joan N. Romeril	1-01-03 to 12-31-06
Surveyor	Jack A. Irwin	1-01-01 to 12-31-04**
Coroner	John McGoff, M.D.	1-01-01 to 12-31-04***
Prosecutor	Carl Brizzi	1-01-03 to 12-31-06
County Executive	Bart Peterson	1-01-04 to 12-31-07
Board of County Commissioners	Gregory N. Jordan	1-01-01 to 12-31-04*
Board of County Commissioners	Martha A. Womacks	1-01-03 to 12-31-06
Board of County Commissioners	Joan N. Romeril	1-01-03 to 12-31-06

* Michael Rodman elected in 2004 – term 1-1-05 to 12-31-08
** Mary Catherine Barton elected in 2004 – term 1-1-05 to 12-31-08
*** Dr. Kenneth Ackles, Sr. elected in 2004 – term 1-1-05 to 12-31-08

2004 Other Elected Officials and Department Heads

		TERM
Center Township Assessor	James P. Maley	1-01-03 to 12-31-06
Decatur Township Assessor	Charles L. Coleman	1-01-03 to 12-31-06
Franklin Township Assessor	Becky L. Williams	1-01-03 to 12-31-06
Lawrence Township Assessor	Paul Ricketts	1-01-03 to 12-31-06
Perry Township Assessor	Katherine A. Price	1-01-03 to 12-31-06
Pike Township Assessor	Barbara M. Hurst	1-01-03 to 12-31-06
Warren Township Assessor	William A. Birkle	1-01-03 to 12-31-06
Washington Township Assessor	Joline Ohmart	1-01-03 to 12-31-06
Wayne Township Assessor	Charles Spears	1-01-03 to 12-31-06

Voters Registration	Sherry M. Beck* Cathline Mullin**
Marion County Cooperative Extension	Maryann Dickason
Criminal Probation	Robert Bingham
Court Administrator	Mark Renner
Guardian Home (Acting Director)	Rose Butler
Community Corrections	Brian Barton
Forensic Services	James Hamby***
Chief Public Defender	David Cook
Metropolitan Emergency Communication Agency	Linn Piper
Chief Information Officer	Michael Hineline

* Kyle Walker – appointed 8-16-05
** Joel Miller – appointed 1-1-05
*** Peter Mungovan – appointed Acting Director 4-1-04

2004 City-County Council Members

President, Rozelle Boyd*

Majority Leader, Monroe Gray, Jr.

Minority Leader, Philip Borst

Patrice Abduallah
Greg Bowes
James Bradford
Vernon Brown
Virginia Cain

Bob Cockrum
Lonnell "King Ro" Conley
N. Susie Day
Sherron Franklin
Ron Gibson
Scott Keller
Lance Langsford**
Dane Mahern
Angela Mansfield
Lynn McWhirter
Mary B. Moriarity-Adams

Jackie Nytes
William Oliver
Marilyn Pfisterer
Lincoln Plowman
Isaac Randolph, Jr.
Earl Salisbury
Joan Sanders
Scott Schneider
Mike Speedy
Steve Talley

*Steve Talley elected Council President 1-05
**Acting: Becky Langsford, 4-12-04

2004 Judiciary

CIRCUIT COURT........Theodore Sosin

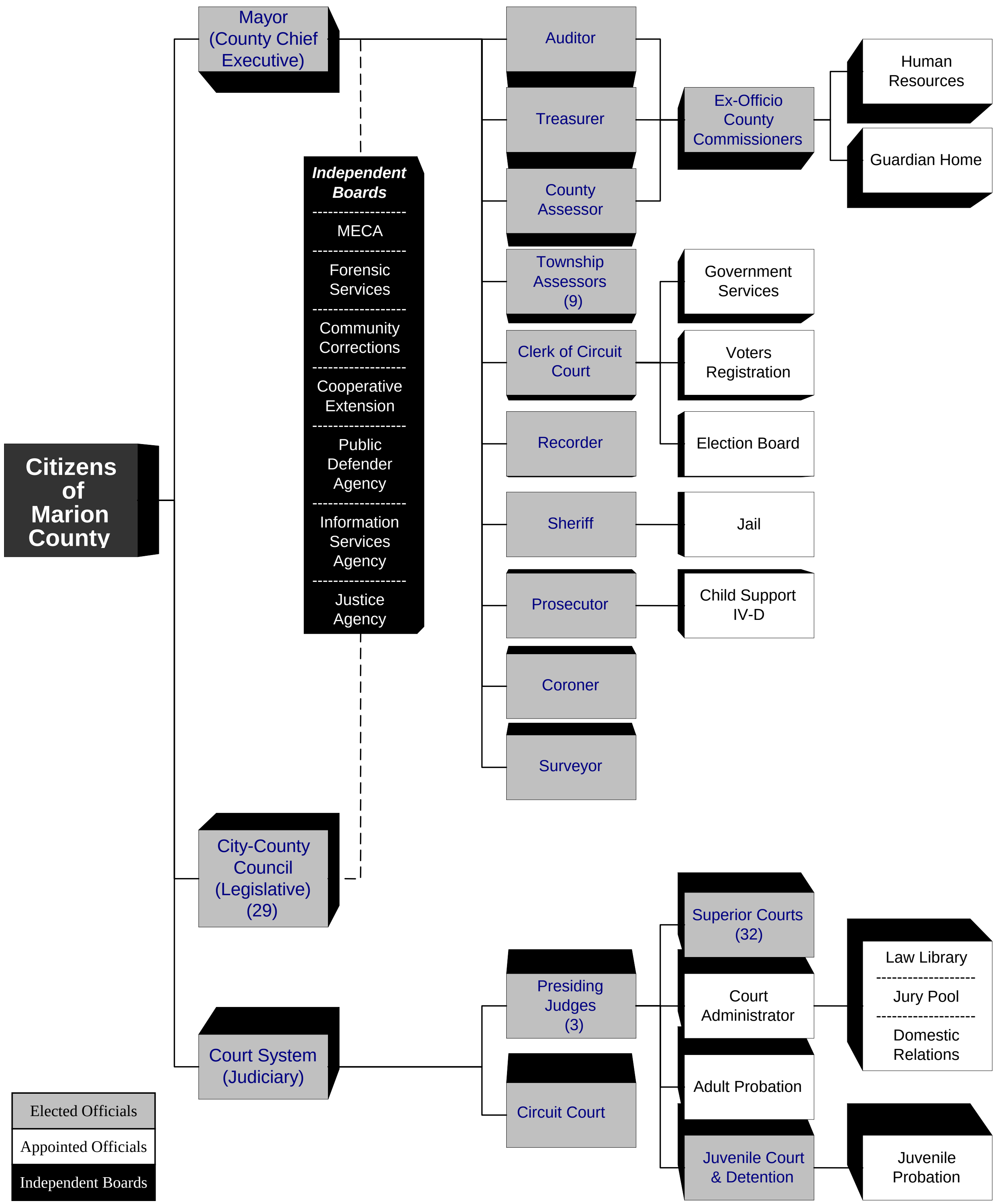
SUPERIOR COURT

Criminal Division:	Court 1		Tanya Walton-Pratt	
	Court 2		Robert Altice Jr.	
	Court 3		Sheila Carlisle	
	Court 4		Patricia J. Gifford	
	Court 5		Grant Hawkins	
	Court 6		Jane Magnus-Stinson	
	Court 7	Misdemeanor	William T. Nelson	
	Court 8	Misdemeanor	Barbara Collins	
	Court 9	D-Felony	Mark Stoner	
	Court 10	Misdemeanor	Linda E. Brown	
	Court 11	Initial Hearing/ APC	Commissioner	
	Court 12	Environmental	Michael Keele	**
	Court 13	Traffic/Misdemeanor	Jane Conley, Commissioner	
	Court 14	D-Felony Drug Court	David Shaheed	
	Court 15	Felony	Evan Goodman	
	Court 16	Domestic Violence	Clark Rogers	
	Court 17	Domestic Violence	Carol Orbison	
	Court 18	D-Felony	Reuben Hill	
	Court 19	Misdemeanor	R. F. Pierson-Treacy	
	Court 20	Felony Drug	William Young	
	Court 21	Domestic Violence	John Hammel	
	Expedited Drug Court		Patrick Murphy, Commissioner	
	Community Court		Annie Christ, Commissioner	
Civil Division:	Court 1		Cale Bradford	*
	Court 2		Kenneth H. Johnson	
	Court 3		Patrick L. McCarty	
	Court 4		Cynthia J. Ayers	
	Court 5		Gary Miller	
	Court 6		Thomas J. Carroll	
	Court 7		Gerald S. Zore	**
	Court 8	Probate Division	Charles J. Deiter	
	Court 9	Juvenile Division	James W. Payne	
	Court 10		David Dreyer	
	Court 11		John Hanley	
	Court 12		Robyn Moberly	
	Court 13		S. K. Reid	
	Title IV-D Court		Carol Terzo, Commissioner	

* Presiding Judge
** Associate Presiding Judge

Marion County, Indiana

Government Organization Chart



FINANCIAL SECTION

KPMG LLP
2400 First Indiana Plaza
135 North Pennsylvania Street
Indianapolis, IN 46204-2452

Independent Auditors' Report

The Honorable Martha A. Womacks
Auditor of Marion County
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, 2004 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2005 on our consideration of Marion County, Indiana internal control over financial reporting and 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 and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in connection with this report in considering the results of our audit.

The management's discussion and analysis (MD&A) on pages 13 through 21; the budgetary comparison information on pages 60 through 62; the schedules of funding progress and the employer contributions on pages 63-64; and the notes to the required supplementary information on pages 65-66 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 information presented in the Combining and Individual Fund Financial Statements and Schedules – Other Supplementary Information Section is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subject 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.

The Introductory and Statistical Sections are presented for purposes of additional analysis and are 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 them.

KPMG LLP

Indianapolis, Indiana
July 1, 2005

MARION COUNTY
Management's Discussion And Analysis
Year ended December 31, 2004

As management of Marion County (County), Indiana, we offer readers of the County's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the Marion County government for the fiscal year ended December 31, 2004. A comparative financial analysis is presented with prior year information. For a better understanding of the financial information presented in the CAFR, we encourage readers to review the transmittal letter prior to this analysis and the financial statements following it.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the County's assets exceeded its liabilities at the close of 2004 by $5.8 million (net assets).
- Governmental activities had net assets of $2 million, and business-type activities had net assets of $3.8 million.
- As of December 31, 2004, the County's governmental funds reported combined ending deficit fund balances of ($39.7 million), a decrease of $20 million compared to the prior year.
- At the end of the fiscal year, the unreserved deficit fund balance for the General Fund was ($65.2 million).
- On a government-wide basis, the County's total expenses in 2004 were $263.4 million, or $24 million more than the $239.4 million generated in charges for services, grants, taxes, and other revenues.
- The General Fund revenues (budgetary basis) of $187.7 million were 98.9% of the original budget estimates.
- The County's total long-term liabilities decreased by $3.2 million during the current fiscal year. This decrease is largely attributable to capital lease payments of $3.1 million, payments of $1.7 million in 2004 related to voting machines financed in 2003, and a net decrease in other long-term liabilities of $1.6 million.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other information to supplement the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances using accounting methods similar to those used by private-sector companies. In these statements, a distinction is made between governmental activities and business-type activities. Governmental activities are those activities normally associated with the operation of a government that are principally supported by taxes and intergovernmental revenues. Business-type activities are those activities that are designed to be self-supportive through user fees and charges. There are two government-wide statements, the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference being the net assets. Changes in the net assets may serve as a useful indicator of whether or not the financial position of the County is improving or deteriorating.

The Statement of Net Activities presents information showing how the County's net assets changed during the most recent fiscal year. All current year revenues and expenses are accounted for in the statement of activities, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. This statement also presents the various programs of the County and the extent to which they are supported by charges for services, grants and contributions, taxes, and investment income. The governmental activities of the County include administration and finance, protection of people and property, judicial, corrections, recreation, and health and welfare. The business-type activities of the County include a juvenile alternative school, a forensic services training program and drug testing laboratory program.

Fund Financial Statements

The second set of financial statements are fund financial statements, which provide information about groupings of related accounts (funds) that are used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds tell how general government services were financed in the short term as well as what financial resources remain available for future spending to finance County programs.

The County maintains several individual governmental funds according to their type (general, special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, State and Federal Grants Fund, Property Reassessment Fund and Cumulative Capital Development Fund, which are considered to be major funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements as supplementary information.

Proprietary Funds. Proprietary funds offer short-term and long-term financial information about services for which the County charges customers, both external customers and internal departments of the County. The County maintains the following two types of proprietary funds:

- Enterprise Funds are used to report information similar to business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the operations of the Juvenile Court Alternative School Services, Forensics Services Training and the Drug Testing Laboratory Fund, all of which are considered major funds.
- Internal Service Funds are used to report activities that provide services for certain County programs and activities. The County uses an internal service fund to provide for the financing of information technology.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of individuals or units of other governments. The County is the trustee or fiduciary responsible for assets that can be used for the trust beneficiaries per trust arrangements. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. Agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the County's own programs, they are not reflected in the government-wide financial statements.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that allows for a better understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and notes to the basic financial statements, this report also presents required supplementary information concerning the County's budgetary comparisons for the General Fund, State and Federal Grants, and Property Reassessment, and required information pertaining to the County's progress in funding its obligation to provide pension benefits to its employees.

Additional Supplementary Information

The combining statements and schedules provide fund level detail for all non-major governmental funds, pension trust funds, and agency funds. Also in this section are comparisons of actual to budget for all other annually-budgeted funds.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

This is the third year the County has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB No. 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* The County has included prior years financial information to provide comparative information for Management's Discussion and Analysis.

Net assets. The County's combined net assets at December 31, 2004 were approximately $5.8 million. Looking at the net assets of governmental and business-type activities separately provides additional information.

Marion County, Indiana
Schedule of Net Assets
December 31, 2004

	Governmental activities 2004	Governmental activities 2003	Business-type activities 2004	Business-type activities 2003	Total 2004	Total 2003
Assets:						
Current and other assets	$ 65,205,616	$ 75,816,377	$ 540,859	$ 880,103	$ 65,746,475	$ 76,696,480
Capital assets, net of accumulated depreciation	73,303,223	76,844,874	3,480,000	3,560,000	76,783,223	80,404,874
Total assets	138,508,839	152,661,251	4,020,859	4,440,103	142,529,698	157,101,354
Liabilities:						
Long-term liabilities	34,076,724	35,640,512	—	—	34,076,724	35,640,512
Other liabilities	102,469,182	91,275,357	177,855	349,004	102,647,037	91,624,361
Total liabilities	136,545,906	126,915,869	177,855	349,004	136,723,761	127,264,873
Net assets:						
Invested in capital assets, net of related debt	43,163,608	33,589,021	3,480,000	3,560,000	46,643,608	37,149,021
Restricted	—	686,428	—	—	—	686,428
Unrestricted	(41,200,675)	(8,530,067)	363,004	531,099	(40,837,671)	(7,998,968)
Total net assets	$ 1,962,933	$ 25,745,382	$ 3,843,004	$ 4,091,099	$ 5,805,937	$ 29,836,481

ANALYSIS OF NET ASSETS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In Marion County, assets exceeded liabilities by $5.8 million at the close of fiscal year 2004. The largest portion of the County's net assets reflects its investment of $46.6 million in capital assets (e.g. land, buildings, and equipment), less related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

All net assets generated by governmental activities are invested in capital assets or had no restrictions on how they may be used. Consequently, unrestricted governmental net assets showed a ($41.2 million) deficit at the end of the year as compared to a deficit ($8.5 million) for the prior year. This deficit does not mean that the County does not have resources available to pay it bills. This deficit can be greatly attributed to a large liability due the state for the continually rising cost of incarcerated juveniles housed in state facilities.

All net assets generated by business-type activities are invested in capital assets or have no restrictions on how they may be used. Unrestricted net assets of the business-type activities were $363 thousand at the end of the year, a decrease of $168 thousand over the prior year. This decrease can be primarily tied to the Forensics Training Fund. The programs supporting this fund were ceased in 2004.

Changes in net assets. The County's total revenue on a government-wide basis for 2004 was $239.4 million. Taxes represent 68% of the County's revenue. Another 18% came from fees charged for services and 12% from grants and contributions. The remaining 2% came from interest earnings and miscellaneous revenues.

The total cost of all programs and services was $263.4 million. The County's expenses cover a range of typical County services. The programs with the largest burden on general revenues were Protection of People and Property, Corrections, and Judicial.

Marion County, Indiana
Schedule of Changes in Net Assets
For the year ended December 31, 2004

	Governmental activities 2004	Governmental activities 2003	Business-type activities 2004	Business-type activities 2003	Total 2004	Total 2002
Revenues:						
Program revenues:						
Charges for services	$ 43,930,966	$ 53,003,281	$ 796,920	$ 766,684	$ 44,727,886	$ 53,769,965
Operating grants and contributions	27,461,385	10,139,889	—	—	27,461,385	10,139,889
General revenues:						
Property tax	115,165,095	130,505,630	—	—	115,165,095	130,505,630
Other taxes	47,989,550	49,579,977	—	—	47,989,550	49,579,977
Other general revenues	4,047,375	3,237,500	—	—	4,047,375	3,237,500
Total revenues	238,594,371	246,466,277	796,920	766,684	239,391,291	247,232,961
Expenses:						
Administration and finance	40,536,550	44,317,424	—	—	40,536,550	44,317,424
Protection of people and property	87,531,515	78,641,150	—	—	87,531,515	78,641,150
Corrections	59,245,279	68,188,721	—	—	59,245,279	68,188,721
Judicial	52,956,427	39,923,909	—	—	52,956,427	39,923,909
Culture and recreation	1,347,487	1,444,132	—	—	1,347,487	1,444,132
Real estate and assessment	11,022,079	10,605,270	—	—	11,022,079	10,605,270
Health and welfare	7,291,301	12,635,686	—	—	7,291,301	12,635,686
Interest	2,446,182	2,914,439	—	—	2,446,182	2,914,439
Forensics training	—	—	147,646	115,902	147,646	115,902
Juvenile court alternative school services	—	—	518,375	515,540	518,375	515,540
Drug Testing Laboratory	—	—	378,994	14,571	378,994	14,571
Total expenses	262,376,820	258,670,731	1,045,015	646,013	263,421,835	259,316,744
Increase (decrease) in net assets	(23,782,449)	(12,204,454)	(248,095)	120,671	(24,030,544)	(12,083,783)
Net assets – beginning of year	25,745,382	37,949,836	4,091,099	3,970,428	29,836,481	41,920,264
Net assets – end of year	$ 1,962,933	$ 25,745,382	$ 3,843,004	$ 4,091,099	$ 5,805,937	$ 29,836,481

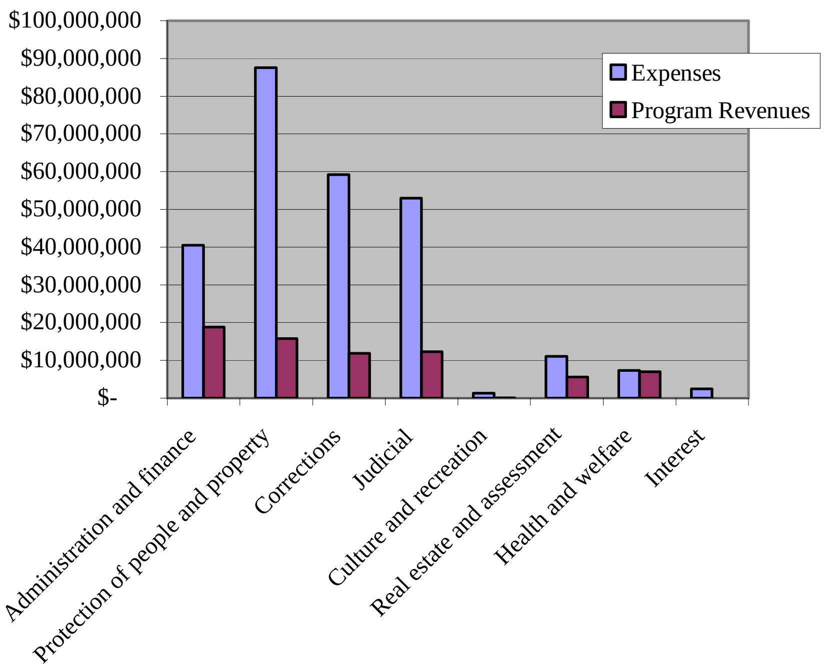
Governmental Activities. Governmental activities decreased the County's net assets by $23.8 million. This continuing decrease in net assets can be primarily attributed to an unfunded debt to the State of Indiana for the incarceration of juveniles, both boys and girls, in state institutions. The total debt to the State as of the end of 2004 is $62.6 million.

Total revenues for governmental activities in 2004 were $238.6 million, a decrease of $7.9 million over the prior year, mainly due to a decrease of $15.3 million in property taxes offset by increases in other categories. The decrease in property taxes is primarily due to property tax refunds for the 2002 property tax reassessments paid in 2003 and the associated refunds in 2004 as a result of appeals.

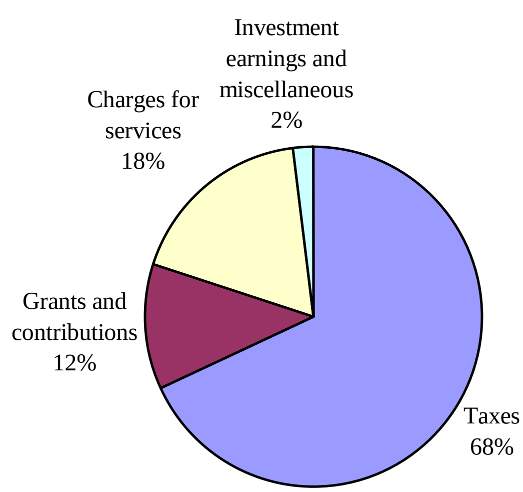
Total expenses for governmental activities for 2004 were $262.4 million, an increase of $3.7 million over the previous year. Protection of People and Property and Judicial increased a combined $22.0 million over the previous year. This increase is largely attributable to a full year's operation of the Arrestee Processing Center (APC). Corrections decreased by $9.0 million, mainly due to the utilization of the APC rather than incarceration. Administration and finance decreased $3.8 primarily due to budget restrictions and the refinancing of the County's voting system.

The following charts provide comparisons of the County's governmental program revenues and expenses by function and revenues by source. As shown, Protection of People and Property and Corrections are the largest functions in expense. General revenues such as property tax are not shown by program, but are included in the revenues by source chart to show their significance. Taxes are used to support program activities countywide.

Expenses and Program Revenues - Governmental Activities

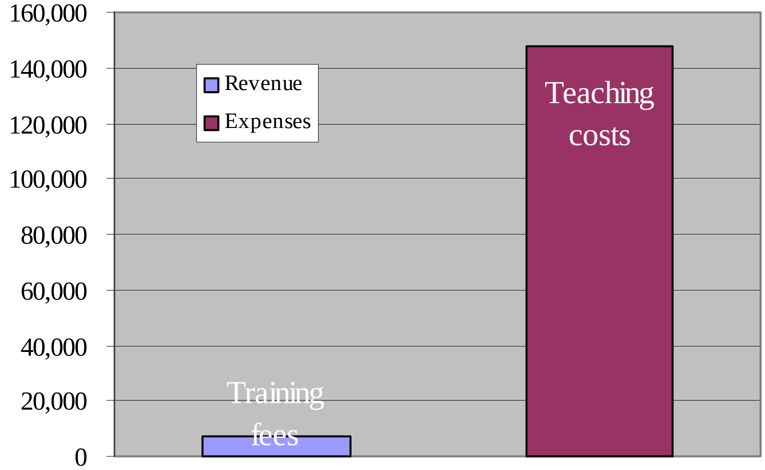


Revenues by Source - Governmental Activities

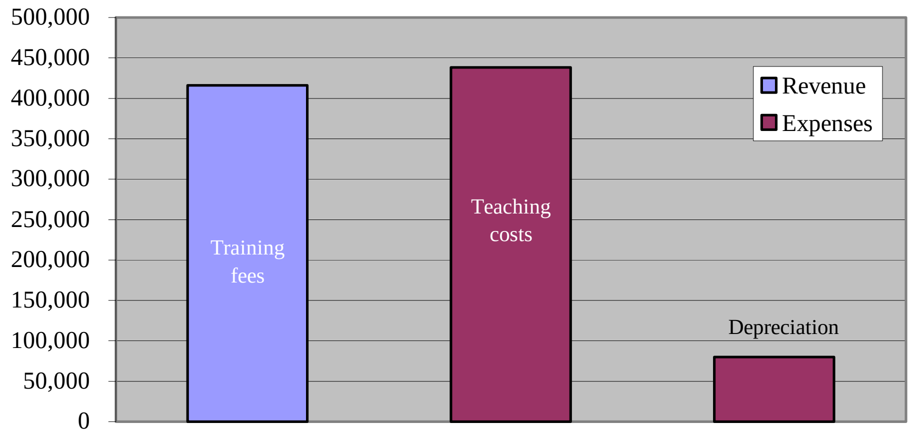


Business-type activities. At the juvenile alternative school, operating revenues were down $31 thousand over last year with only a slight decrease in expenses of $3 thousand. Operating revenues in the forensic services training fund were down by $21 thousand with an increase in expenditures of $32 thousand over last year. The decision was made in mid-2004 to end the forensic training program. Revenues for the Drug Testing Lab Fund were $373 thousand with expenses of $379 thousand. This is an increase in revenues of $82 thousand and expenses of $364 thousand, both attributable to 2004 being the first full year of operation.

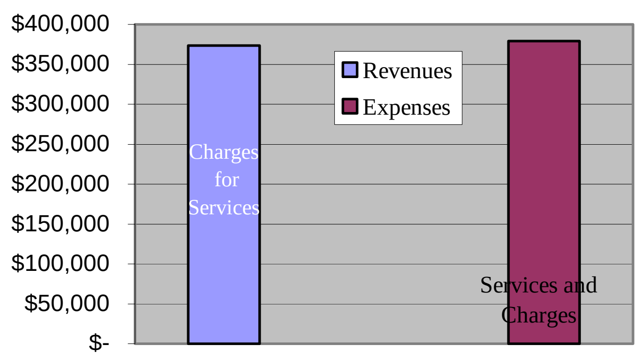
Forensic Training
Revenues and Expenses



Juvenile Court Alternative School Services
Revenues and Expenses



Drug Lab Services Revenues and Expenses



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The focus of the County's governmental funds is to provide information on inflows and balances of resources that are available for spending. An unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At December 31, 2004, the unreserved fund balance (deficit) of the General Fund was ($65.2 million), as compared to ($43.2 million) in 2003 while the total General Fund balance (deficit) was ($64.8 million) as compared to ($42.0 million) in 2003. The fund balance in the County's General Fund decreased by $22.8 million. The decrease in the General Fund is primarily due to the increase in the debt owed to the State of Indiana for the incarceration of Marion County juveniles. This debt increased by $11.5 million in 2004, with the remaining decrease due to a decrease in tax revenues. The Property Reassessment Fund had an unreserved and total fund balance of $3.2 million (as compared to $3.8 million in 2003). The change in fund balance is primarily due to a decrease in tax revenues. The unreserved and total fund balance of the Cumulative Capital Development Fund was a deficit ($90 thousand) (as compared to $662 thousand in 2003). This change in total fund balance ($752 thousand) is primarily due to the decrease in tax revenues.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, the unrestricted net assets were $91 thousand in the Juvenile Court Alternative School Services Fund (a decrease of $23 thousand over 2003) and $272 thousand for the Drug Testing Laboratory Fund (a decrease of $5 thousand over 2003). The internal service fund, which is used to account for the operations of the County's management information systems, had $3.3 million in unrestricted net assets at year-end, a decrease of $2.8 million over 2003. This is primarily due to $2 million in credits given back to the City and County in 2004. The unrestricted net assets for the Forensic Training Fund were minimal at the end of the year as this program ended.

Fiduciary Funds

The County maintains fiduciary funds for the assets of the pension and disability trust funds for the sheriff's deputies. As of the end of 2004, the net assets of the funds totaled $143.9 million, representing an increase of $10.6 million in total net assets during the year.

The County is the custodian of certain agency funds, and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of the other entities, there are no net assets. As of the end of 2004, the combined gross assets of the agency funds totaled $132.8 million ($140.5 million in 2003).

General Fund Budgetary Highlights

The final budget for the County's General Fund represents the original budget plus any additional supplemental appropriations during the year. It does not include encumbrances carried over from the prior year. In 2004, appropriations in the General Fund were reduced by $4.5 million. These cuts were taken in an effort to reduce expenditures and minimize the estimated deficit in revenues over expenditures.

Excluding prior year encumbrances, the original General Fund budget for 2004 was $200.7 million. The final General Fund budget was $196.2 million. Actual expenditures were $193.2 million on a budgetary basis. General revenues and other resources were originally estimated at $189.7 million with final estimates of $185.9 million. The actual revenues were $187.7 million, or 98.9 % of the original and 101% of the final estimates, on a budgetary basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County had a net investment of $73.3 million in capital assets at December 31, 2004 (net of accumulated depreciation of $70.3 million), in a broad range of capital assets for governmental activities. This amount represents a net decrease for the current year (including additions and deductions) of $3.5 million.

Marion County, Indiana
Schedule of Capital Assets
Net of Depreciation
December 31, 2004

	Governmental activities December 31, 2004	Governmental activities December 31, 2003	Business-type activities December 31, 2004	Business-type activities December 31, 2003	Total 2004	Total 2003
Land	$ 29,555	$ 29,555	$ —	—	$ 29,555	$ 29,555
Construction in progress	—	—	—	—	—	—
Buildings and improvements	48,571,344	50,324,186	3,480,000	3,560,000	52,051,344	53,884,186
Furniture and equipment	13,075,499	14,539,686	—	—	13,075,499	14,539,686
Vehicles	11,626,825	11,951,447	—	—	11,626,825	11,951,447
Total	$ 73,303,223	$ 76,844,874	$ 3,480,000	$ 3,560,000	$ 76,783,223	$ 80,404,874

Major capital assets additions in 2004 included:

- Furniture and Equipment $ 1.5 million
- Vehicles $ 2.4 million

Depreciation expense for 2004 for governmental activities was $7.1 million.

Additional information on the County's capital assets can be found in Note 7 of the Notes to the Basic Financial Statements.

Long-term Debt

At the end of 2004, the County had outstanding long-term debt and other long-term obligations for governmental activities of $53.8 million compared to $57 million at December 31, 2003, as shown below.

Marion County, Indiana
Schedule of Long-term Debt Obligations

	December 31, 2004	December 31, 2003
Governmental activities:		
General obligation notes	$ 9,400,000	$ 11,100,000
Capital leases payable	33,763,608	36,860,978
Claims and judgments	2,275,932	1,726,228
Operating lease escalation	835,973	573,450
Compensated absences	7,505,034	6,761,280
Total	$ 53,780,547	$ 57,021,936

Bond ratings. The County's general obligation bonds have been rated Aa by all three bond rating agencies.

Limitation on debt. The state limits the amount of general obligation debt the County can issue to 0.67% of assessed value, as shown in the statistical section. The County's outstanding debt is well below the limit.

Additional information on the County's long-term debt can be found in Note 9-Long-term Liabilities of this report.

ECONOMIC FACTORS AND THE 2005 BUDGET

The original budget for all annually-budgeted funds was $250.6 million plus the Family and Children's Fund budget of $66.3 million. Revisions of $718 thousand have been made in 2005.

The 2005 General Fund original budget was $195.2 million, a decrease of $600 thousand over the 2004 original General Fund budget of $195.8 million. A revision of $302,216 has been made through June 2005.

List of additional appropriations made 1/1/05-6/30/05

Metropolitan Communication Agency	Wireless E-911 PSA Phase II	$ 302,216

- The County's unemployment rate decreased from 4.7% for May 2004 to 4.2% for May 2005. This compares with the state's rate decreasing from 5.1% to 4.8% and the national rate decreasing from 5.6% to 5.1%.

- The County expects to continue to face increasing costs for its Boys/Girls School obligations.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives.

If you have any questions about this report or need additional information, please contact Marion County Auditor's Office, Suite 801, 200 East Washington Street, Indianapolis, Indiana 46204.

BASIC
FINANCIAL STATEMENTS

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investment	$ 40,250,888	$ 540,859	$ 40,791,747
Receivables (net of allowance for uncollectibles):			
Taxes	12,248,552	—	12,248,552
Accrued interest	108,400	—	108,400
Intergovernmental	7,105,254	—	7,105,254
Other	934,577	—	934,577
Net pension asset	4,557,945	—	4,557,945
Capital assets (net of accumulated depreciation):			
Land	29,555	—	29,555
Buildings and improvements	48,571,344	3,480,000	52,051,344
Furniture and equipment	13,075,499	—	13,075,499
Vehicles	11,626,825	—	11,626,825
Total assets	138,508,839	4,020,859	142,529,698
Liabilities			
Accounts payable	16,621,271	6,704	16,627,975
Accrued liabilities	3,097,797	6,651	3,104,448
Intergovernmental payables	62,584,193	—	62,584,193
Unearned revenue	462,098	164,500	626,598
Long-term liabilities:			
Due within one year	19,703,823	—	19,703,823
Due in more than one year	34,076,724	—	34,076,724
Total liabilities	136,545,906	177,855	136,723,761
Net Assets			
Invested in capital assets, net of related debt	43,163,608	3,480,000	46,643,608
Unrestricted	(41,200,675)	363,004	(40,837,671)
Total net assets	$ 1,962,933	$ 3,843,004	$ 5,805,937

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
Administration and finance	$ 40,536,550	$ 15,760,036	$ 3,032,622	$ (21,743,892)	$ —	$ (21,743,892)
Protection of people and property program	87,531,515	8,341,602	7,428,198	(71,761,715)	—	(71,761,715)
Corrections program	59,245,279	7,976,520	3,902,264	(47,366,495)	—	(47,366,495)
Judicial program	52,956,427	5,137,868	7,154,036	(40,664,523)	—	(40,664,523)
Culture and recreation program	1,347,487	—	61,408	(1,286,079)	—	(1,286,079)
Real estate and assessments program	11,022,079	5,599,138	16,202	(5,406,739)	—	(5,406,739)
Health and welfare	7,291,301	1,115,802	5,866,655	(308,844)	—	(308,844)
Interest on long-term debt	2,446,182	—	—	(2,446,182)	—	(2,446,182)
Total governmental activities	262,376,820	43,930,966	27,461,385	(190,984,469)	—	(190,984,469)
Business-type activities:						
Forensic training	147,646	7,500	—	—	(140,146)	(140,146)
Juvenile court alternative school services	518,375	415,974	—	—	(102,401)	(102,401)
Drug testing laboratory	378,994	373,446	—	—	(5,548)	(5,548)
Total business-type activities	1,045,015	796,920	—	—	(248,095)	(248,095)
Total	$ 263,421,835	$ 44,727,886	$ 27,461,385	(190,984,469)	(248,095)	(191,232,564)
General revenues:						
Property taxes				115,165,095	—	115,165,095
Financial institution tax				1,364,638	—	1,364,638
Excise tax				10,392,552	—	10,392,552
Local option income tax				33,294,135	—	33,294,135
Other state and local taxes				473,109	—	473,109
State wagering taxes				2,465,116	—	2,465,116
Unrestricted investment earnings				4,047,375	—	4,047,375
Total general revenues				167,202,020	—	167,202,020
Change in net assets				(23,782,449)	(248,095)	(24,030,544)
Net assets – beginning of year				25,745,382	4,091,099	29,836,481
Net assets – end of year				$ 1,962,933	$ 3,843,004	$ 5,805,937

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General	State and Federal Grants	Property Reassessment	Cumulative Capital Development	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	$ 12,417,526	$ 8,183	$ 3,292,939	$ 573,715	$ 22,385,675	$ 38,678,038
Receivables (net of allowance for uncollectibles)						
Accrued interest	105,046	—	3,010	—	344	108,400
Intergovernmental	3,179,750	2,247,115	—	—	29,593	5,456,458
Other	350,538	21	—	—	459,654	810,213
Due from other funds	11,989,273	—	66,839	187,147	66,839	12,310,098
Total assets	$ 28,042,133	$ 2,255,319	$ 3,362,788	$ 760,862	$ 22,942,105	$ 57,363,207
Liabilities and Fund Balances (Deficits)						
Liabilities:						
Accounts payable	$ 7,370,302	$ 716,952	$ 13,299	$ 594,685	$ 696,728	$ 9,391,966
Accrued liabilities	2,611,570	91,671	45,295	—	169,584	2,918,120
Intergovernmental payables	62,584,193	—	—	—	—	62,584,193
Due to other funds	7,486,557	16,486	—	—	12,244	7,515,287
Deferred revenue	12,766,568	1,430,210	91,605	256,492	66,839	14,611,714
Total liabilities	92,819,190	2,255,319	150,199	851,177	945,395	97,021,280
Fund balances (deficit):						
Reserved for:						
Encumbrances	424,454	—	—	—	31,097	455,551
Unreserved, reported in:						
General fund	(65,201,511)	—	—	—	—	(65,201,511)
Special revenue funds	—	—	3,212,589	—	21,962,194	25,174,783
Debt service	—	—	—	—	10,780	10,780
Capital projects funds	—	—	—	(90,315)	(7,361)	(97,676)
Total fund balances	(64,777,057)	—	3,212,589	(90,315)	21,996,710	(39,658,073)
Total liabilities and fund balances	$ 28,042,133	$ 2,255,319	$ 3,362,788	$ 760,862	$ 22,942,105	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds statements	69,730,313
Revenues not available in fund statements but earned and recognized in statement of net assets	14,149,616
Internal service fund is used by management to charge the costs of information technology to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets	5,325,135
Net pension asset not recorded in the funds statement	4,557,945
Accrued interest payable not in the funds statement	(54,217)
Long-term liabilities including capital leases are not due and payable in the current period and, therefore, are not reported in the funds, (see note 19)	(52,087,786)
Net assets of governmental activities	$ 1,962,933

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	State and Federal Grants	Property Reassessment	Cumulative Capital Development	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 151,713,002	$ —	$ 1,879,080	$ 8,370,448	$ 2,485,858	$ 164,448,388
Intergovernmental	16,037,762	9,695,007	—	—	7,922,392	33,655,161
Interest	4,108,567	—	46,515	—	3,411	4,158,493
Charges for services	10,558,530	—	—	—	12,108,508	22,667,038
Miscellaneous	1,048,064	—	1,200	98,110	21,704	1,169,078
Total revenues	183,465,925	9,695,007	1,926,795	8,468,558	22,541,873	226,098,158
Expenditures						
Current:						
General government	73,629,322	2,403,487	2,499,839	18,014	5,741,899	84,292,561
Public safety	128,023,667	7,291,520	—	152,317	9,868,944	145,336,448
Welfare	5,531,550	—	—	—	—	5,531,550
Capital outlay	—	—	—	4,743,287	—	4,743,287
Distribution to the City of Indianapolis	—	—	—	4,306,846	—	4,306,846
Debt service:						
Principal	—	—	—	—	1,700,000	1,700,000
Interest and fiscal charges	—	—	—	—	220,267	220,267
Total expenditures	207,184,539	9,695,007	2,499,839	9,220,464	17,531,110	246,130,959
Excess (deficiency) of revenues over expenditures	(23,718,614)	—	(573,044)	(751,906)	5,010,763	(20,032,801)
Other Financing Sources (Uses)						
Transfers in	920,683	—	—	—	—	920,683
Transfers out	—	—	—	—	(920,683)	(920,683)
Total other financing sources and uses	920,683	—	—	—	(920,683)	—
Net change in fund balances	(22,797,931)	—	(573,044)	(751,906)	4,090,080	(20,032,801)
Fund balances (deficit) – beginning of year	(41,979,126)	—	3,785,633	661,591	17,906,630	(19,625,272)
Fund balances (deficit) – end of year	$ (64,777,057)	$ —	$ 3,212,589	$ (90,315)	$ 21,996,710	$ (39,658,073)

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES

Amounts reported for governmental activities in the statement of activities (page 25) are different because:

Net change in fund balances—total governmental funds (page 27)	$ (20,032,801)
Depreciation expense reported in the statement of activities but not in the funds statements (excluding internal service fund depreciation expense)	(5,937,821)
Capital expenditures reported in the funds statements but not reported as additions to capital assets in the statement of activities	3,933,346
Loss on disposal of capital assets not recorded in the funds statement	(382,586)
Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds statement	14,149,616
Revenues in the funds statements but not in current year statement of activities due to the current financial resources focus of the governmental funds	(15,481,674)
Notes principal payments reported as expenditures in the funds statements but as reductions of long-term liabilities in the statement of activities	1,700,000
Capital lease principal payments reported as expenditures in the funds statements but as reductions of long-term liabilities in the statement of activities	1,995,134
Operating lease escalation expense reported in the statement of activities is not reported as an expense in the funds as did not require current financial resources	(262,523)
Increase in net pension asset which is not reported in the funds statement	683,799
Increase in claims and judgments not reported in the funds statement	(549,704)
Increase in compensated absences not reported in the funds statement	(731,047)
Accrued interest on notes payable through December 31, 2003 reported as expenses in the statement of activities but reported when paid in the fund statement	(144,340)
Change in net assets of internal service funds reported with governmental activities	(2,721,848)
Change in net assets of governmental activities (page 25)	$ (23,782,449)

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004

	Business-type Activities – Enterprise Funds				
	Forensics Training	Juvenile Court Alternative School Services	Drug Testing Laboratory	Total	Governmental Activities— Internal Service Fund
Assets					
Current assets:					
Cash and investments	$ 1,513	$ 255,958	$ 283,388	$ 540,859	$ 1,572,851
Due from other funds	—	—	—	—	2,322,775
Intergovernmental receivables	—	—	—	—	1,648,796
Total current assets	1,513	255,958	283,388	540,859	5,544,422
Non-current assets:					
Capital assets:					
Buildings and improvements	—	4,000,000	—	4,000,000	—
Furniture and equipment	—	—	—	—	11,716,148
Less accumulated depreciation	—	(520,000)	—	(520,000)	(8,143,238)
Total capital assets (net of accumulated depreciation)	—	3,480,000	—	3,480,000	3,572,910
Total noncurrent assets	—	3,480,000	—	3,480,000	3,572,910
Total assets	1,513	3,735,958	283,388	4,020,859	9,117,332
Liabilities					
Current liabilities:					
Accounts payable	1,504	—	5,200	6,704	2,053,279
Accrued liabilities	—	—	6,651	6,651	46,157
Compensated absences	—	—	—	—	133,520
Unearned income	—	164,500	—	164,500	—
Capital leases payable-current	—	—	—	—	775,016
Total current liabilities	1,504	164,500	11,851	177,855	3,007,972
Noncurrent liabilities:					
Capital leases payable	—	—	—	—	784,225
Total noncurrent liabilities	—	—	—	—	784,225
Total liabilities	1,504	164,500	11,851	177,855	3,792,197
Net Assets					
Invested in capital assets, net of related debt	—	3,480,000	—	3,480,000	2,013,669
Unrestricted	9	91,458	271,537	363,004	3,311,466
Total net assets	$ 9	$ 3,571,458	$ 271,537	$ 3,843,004	$ 5,325,135

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities – Enterprise Funds				
	Forensics Training	**Juvenile Court Alternative School Services**	**Drug Testing Laboratory**	**Total**	**Governmental Activities— Internal Service Fund**
Operating revenues:					
Training fees	$ 7,500	$ —	$ —	$ 7,500	$ —
Student tuition	—	415,974	—	415,974	—
Charges for services	—	—	373,446	373,446	26,642,824
Miscellaneous	—	—	—	—	190
Total operating revenues	7,500	415,974	373,446	796,920	26,643,014
Operating expenses:					
Costs of teaching	147,646	438,375	—	586,021	—
Services and charges	—	—	378,994	378,994	26,016,779
Administration including salaries and wages	—	—	—	—	2,030,290
Depreciation	—	80,000	—	80,000	1,154,590
Other	—	—	—	—	67,541
Total operating expenses	147,646	518,375	378,994	1,045,015	29,269,200
Operating loss	(140,146)	(102,401)	(5,548)	(248,095)	(2,626,186)
Nonoperating expenses:					
Interest expense	—	—	—	—	95,662
Total nonoperating expenses	—	—	—	—	95,662
Change in net assets	(140,146)	(102,401)	(5,548)	(248,095)	(2,721,848)
Net assets – beginning of year	140,155	3,673,859	277,085	4,091,099	8,046,983
Net assets – end of year	$ 9	$ 3,571,458	$ 271,537	$ 3,843,004	$ 5,325,135

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities – Enterprise Funds				
	Forensics Training	Juvenile Court Alternative School Services	Drug Testing Laboratory	Total	Governmental Activities— Internal Service Fund
Cash Flows from Operating Activities					
Receipts from customers and users	$ 7,500	$ 483,525	$ 385,014	$ 876,039	$ 13,947,541
Receipts from interfund services provided	—	—	—	—	10,472,750
Payments to suppliers	(186,225)	(438,376)	(393,282)	(1,017,883)	(24,332,114)
Payments to employees	—	—	—	—	(2,074,744)
Net cash provided by (used in) operating activities	(178,725)	45,149	(8,268)	(141,844)	(1,986,567)
Cash Flows from Capital and Related Financing Activities					
Purchases of capital assets	—	—	—	—	(137,630)
Principal paid on capital leases	—	—	—	—	(1,101,826)
Interest paid on capital leases	—	—	—	—	(95,661)
Net cash used in capital and related financing activities	—	—	—	—	(1,335,117)
Net increase (decrease) in cash and cash equivalents	(178,725)	45,149	(8,268)	(141,844)	(3,321,684)
Cash and cash equivalents – beginning of year	180,238	210,809	291,656	682,703	4,894,535
Cash and cash equivalents – end of year	$ 1,513	$ 255,958	$ 283,388	$ 540,859	$ 1,572,851
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating loss	$ (140,146)	$ (102,401)	$ (5,548)	$ (248,095)	$ (2,626,186)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	—	80,000	—	80,000	1,154,589
Decrease (increase) in intergovernmental receivables	—	197,400	—	197,400	(321,415)
Decrease in due from other funds	—	—	—	—	(1,118,555)
Increase (decrease) in accounts payable	(38,579)	—	(6,368)	(44,947)	969,454
Increase (decrease) in accrued liabilities	—	—	3,648	3,648	(57,161)
Increase in compensated absences payable	—	—	—	—	12,707
Decrease in unearned income	—	(129,850)	—	(129,850)	—
Total adjustments	(38,579)	147,550	(2,720)	106,251	639,619
Net cash provided by (used in) operating activities	$ (178,725)	$ 45,149	$ (8,268)	$ (141,844)	$ (1,986,567)

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004

	Pension Trust Funds	Agency Funds
Assets		
Cash	$ 54,443,776	$ 59,651,397
Investments		
US government securities	21,169,593	—
Corporate obligations	23,402,012	—
Corporate equity securities	39,015,163	—
Receivables:		
Property taxes	—	67,944,435
Accrued interest	740,134	—
Other	53,927	—
Due from other funds	5,415,368	5,228,736
Total assets	$ 144,239,973	$ 132,824,568
Liabilities		
Accrued liabilities	$ 83,652	$ —
Due to other funds	22,048	17,739,642
Amounts held in custody for others	225,225	115,084,926
Total liabilities	330,925	$ 132,824,568
Net Assets		
Net assets for employees' pension benefits	$ 143,909,048	

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

		Pension Trust Funds
Additions		
Contributions:		
Employer	$	5,180,723
Employee		862,829
Total contributions		6,043,552
Investment earnings:		
Interest		3,707,834
Net increase in the fair value of investments		7,903,379
Less investment expense		(443,692)
Net investment earnings		11,167,521
Miscellaneous		22,049
Total additions		17,233,122
Deductions		
Benefits		6,584,927
Total deductions		6,584,927
Change in net assets		10,648,195
Net assets – beginning of year		133,260,853
Net assets – end of year	$	143,909,048

See accompanying notes to the basic financial statements.

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 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. Accordingly, the basic financial statements of the County are included in the reporting entity of the Consolidated City of Indianapolis-Marion County in accordance with guidelines established by the Governmental Accounting Standards Board (GASB).

Based on the criteria established in GASB 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; a joint venture with the Consolidated City of Indianapolis (City). Because the County shares joint control equally with the City, and the County and City retain an ongoing financial responsibility, information concerning this joint venture is included in Note 15.

B. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues 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 revenues rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenue.

Following the government-wide financial statements are separate financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 Fund, State and Federal Grants, Property Reassessment, and Cumulative Capital Development funds are major governmental funds. All other governmental funds are reported in one column labeled "Other Governmental Funds." The total fund balances for all governmental funds is reconciled to net assets for governmental activities as shown on the statement of net assets. The net change in fund balances for all governmental funds is reconciled to the total change in net assets for governmental activities as shown on the statement of activities in the government-wide statements. The County has three enterprise funds (business-type activities), Juvenile Court Alternative School Services, Forensics Training and Drug Testing Laboratory. Each of these enterprise funds is considered a major fund within the fund financial statements. Additionally, the County has one internal service fund (governmental activities) which accounts for the operations of the Information Services Agency. All internal service fund activity is combined into a single column on the proprietary fund statements, since major fund reporting requirements do not apply to internal service funds. The County also has two fiduciary fund types: pension trust funds and agency funds.

C. Financial Statement Presentation, Measurement Focus and 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 assets, liabilities, fund balances/net assets, revenue and expenditures, or expenses. 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 and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The governmental fund types utilize the current resources measurement focus.

The following are the County's major governmental funds:

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

The State and Federal Grants Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This fund accounts for the majority of the County's state and federal grants programs received from the U.S. Marshall, U.S. Department of Justice, U.S. National Highway Traffic Safety Administration, U.S. Department of Health and Human Services, State of Indiana Department of Corrections, Indiana Criminal Justice Institute, Indiana Division of Family and Children and various other state and federal agencies.

The Property Reassessment Fund is used for the purpose of receiving and holding in escrow tax distribution for the funding for the next property reassessment. Funds are held in escrow until distribution is authorized by the State Legislature; whereby, the distribution is made to each township assessor.

The Cumulative Capital Development Fund is 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.

The other governmental funds of the County are considered nonmajor. They are special revenue funds which account for the proceeds of specific revenue sources that are legally restricted to expenditures 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. Proprietary funds utilize the economic resources measurement focus.

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 (including depreciation) of operations are financed primarily through user charges. Enterprise funds have been established for the Juvenile Court Alternative School Services, Forensics Training and Drug Testing Laboratory. The Juvenile Court Alternative School Services Fund accounts for the operation of the "New Directions Academy." The Academy is financed through fees collected from local municipal school systems (note 21). The Forensics Training Fund is used to account for fees collected in providing training in forensic science to domestic and foreign students. The cost associated with training is to be recovered through the training fees charged. The Drug Testing Laboratory fund is used to account for fees collected by the Marion Superior Court drug testing laboratory.

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.

In accordance with the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected, in addition to applying Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30,1989, to apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements within the business-type activities in the government-wide financial statements and the enterprise fund financial statements.

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 accounted for and reported similar to the proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for the collection, distribution and escrow of various tax types, fees and set aside funding.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and the tax rates are certified in the subsequent year. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized as they become susceptible to accrual, generally as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers taxes to be available if they are collected and distributed within 60 days of the end of the current fiscal period. For all other revenue items, the County considers revenues to be available if they are collected within 120 days of the end of the current fiscal

(Continued)

period. Significant revenues susceptible to accrual include property and other taxes, grants and interest on investments. Charges for services in the governmental funds are recognized as revenues when received in cash because they are generally not measurable until actually received. Expenditures generally are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures to long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due (i.e., matured).

GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*, groups nonexchange transactions into four classes, based upon their principal characteristics: derived tax revenues, imposed exchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

The County recognizes assets from derived tax revenue transactions in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of the exchange.

The County recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted or at the same time as the assets of the government have not established time requirements. The County recognizes revenues from property taxes, net of estimated refunds and uncollectible amounts, in the period for which the tax is levied and the rates are certified. Imposed nonexchange revenues also include court fines and forfeitures.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB 33 have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Juvenile Court Alternative School Services are providing schooling to juveniles. The principal operating revenues of the Drug Testing Laboratory fund are charges for drug testing. All expenses in the enterprise funds are reported as operating expenses as they reflect cost of services, administration and depreciation of capital assets. Operating expenses for the Internal Service Fund include the cost of sales and services, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All agency funds are purely custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds use the accrual basis of accounting to recognize receivables and payables.

For the pension trust funds, under the accrual basis of accounting, contributions are recognized in the period in which they are due and benefits are recognized when they become due and payable.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 and Investments:

Investments are stated at fair value. Fair value for investments are determined by closing market prices at year-end as reported by the investment custodian. When funds pool cash for investment, income from the pooled investments is primarily allocated to the General Fund except when income is restricted by statute or an outside party to be used for a specific purpose.

E. Receivables and Payables:

All outstanding balances between funds are reported as due to / from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade and taxes receivable balances are shown net of an allowance for uncollectibles. See Note 1.F. for further discussion on property taxes.

F. Property Taxes:

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

The County's 2004 property taxes were levied based on assessed valuations determined by the Auditor as of the March 1, 2003 assessed valuations which were adjusted for estimated appeals and tax credits and deductions. The lien date for the 2004 property taxes was March 1, 2003 (assessment date), however, the County does not recognize a receivable on the lien date as the amount of property tax to be collected can not be measured until the levy and tax rates are certified in the subsequent year. Taxable property is assessed at 33 1/3% of the true tax value. In 2004, taxes were due and payable to the Treasurer in two installments on May 10, 2004 and November 10, 2004. The Auditor distributed all property taxes collected by November 10, 2004 to each applicable governmental entity based upon their levy amounts prior to December 31, 2004. All taxes collected by the Treasurer and not distributed at December 31, 2004 (i.e., collections from November 11, 2004 to December 31, 2004) were held in the Treasurer's Tax Collections Agency Fund and are not considered available for fund statement purposes to the County as these monies will not be settled and distributed to the County until at least 60 days after year-end. Delinquent property taxes outstanding at December 31, 2004, net of allowance for uncollectible accounts of $2,482,402 ($2,334,856 in General Fund, $38,828 in Property Reassessment Fund and $108,718 in Cumulative Capital Development Fund), are recorded as a property tax receivable in the funds in 2004 in the government-wide statements. The funds statements have recorded the same receivable as a due from other funds (i.e., Treasurer's Tax Collections Fund) with a corresponding amount in deferred revenue since the amounts are not available to the County.

G. Inventory:

Purchase of materials and supplies in the governmental fund types and governmental activities are charged to expenditures as incurred. Amounts of inventories in such funds are immaterial. The proprietary fund types do not have inventory.

H. Capital Assets:

Capital assets, which include land; buildings and improvements; furniture and equipment; vehicles and construction in progress are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the proprietary fund financial statements. The County does not have any infrastructure assets. Capital assets are defined by the County as assets with an initial, individual cost or donated value of more than $1,000 and an estimated useful life in excess of one year. Such purchased or constructed assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

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Depreciation, including depreciation recognized on assets acquired through government grants is computed on the straight-line method with no salvage over the estimated useful lives of the various classes of assets. Further, in the year of acquisition and disposal, the County's policy is to take one-half of a year's depreciation expense for the related capital assets. The following range of lives is generally used:

	Years
Buildings and improvements	20 to 50
Furniture and equipment	5 to 20
Vehicles	8 to 15

I. Deferred and Unearned Revenue:

Deferred revenue is reported in the fund statements for receivables not considered available at year-end or for which eligibility requirements have not been met. Deferred revenue is recognized as revenue when it is earned and considered measurable and available in the fund financial statements. See Note 1.C. for further discussion on the County's availability policy.

Unearned revenue is reported in the government-wide financial statements. The availability period does not apply; however, amounts may not be earned due to eligibility requirements or other reasons.

J. Compensated Absences:

Substantially all County employees earn benefit leave time. The County's benefit leave policy provides that, upon retirement or resignation, County employees are paid for their total unused benefit leave. In addition, upon retirement, an employee may be paid for accumulated sick time at a rate of two for one. The entire cost of benefit and sick leave is recorded in the government-wide statements and in the proprietary funds in the financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts are due (i.e., mature) at December 31, 2004.

K. Interfund Transactions:

In the fund financial statements, the County has the following types of transactions among funds:

<u>Transfers</u>
Legally authorized transfers are reported when incurred as transfers in by the recipient fund and as transfers out by the disbursing fund.

<u>Interfund Services Provided/Used</u>
Charges or collections for services rendered by one fund for another are recognized as revenues (interfund services provided) of the recipient fund and expenditures or expenses (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as revenues and expenditures or expenses if they involved organizations external to the County.

Within the accompanying activity from the statement of activities, direct expenses are not eliminated from the various functional categories. Indirect expenses are eliminated from the respective functional categories.

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

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

L. Fund Balance / Net Assets:

In the fund financial statements, governmental funds report reservations for fund balances for the amounts that are not available for future appropriation or are legally restricted by outside parties for the use for specific purposes. Amounts are reserved for funds to received from the State of Indiana, which can be used only for specific purposes as defined by the State.

(Continued)

Amounts are reserved for outstanding encumbrances and debt service. Designations of fund balance represent tentative management plans that are subject to change. At December 31, 2004, the County had no fund balance designations.

The government-wide and proprietary fund financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets, net of related debt, and unrestricted.

Invested in Capital Assets, Net of Related Debt
This category groups all capital assets into one component of net assets. Accumulated depreciation and outstanding balances of debt including capital leases that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Unrestricted Net Assets
This category represents net assets of the County not included in invested in capital assets, net of related debt, or restricted for any project or other purpose.

M. Pensions:

The County has separate defined benefit pension plans which cover substantially all employees. The Indiana Public Employees Retirement Fund (PERF), administered by the State of Indiana, applies to County employees. The Marion County Law Enforcement Personnel Retirement Plan (Retirement Plan) and the Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan (Disability Plan) cover employees of the Sheriff's Department. The policy of the County is to fund accrued pension costs for the plans. Past service costs are amortized over 40 years for all plans.

The plan assets of the Retirement and Disability Plans are accounted for under the accrual method. Employee and employer contributions are recognized as revenues in the period due pursuant to final commitments, as well as statutory or contractual requirements; and expenses, including benefits paid and refunds, are recorded when the corresponding payments are made. Investments are recorded at fair value. Bonds and stocks traded on a national exchange are valued at the reported sales price.

N. Estimates and Uncertainties:

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported changes in amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

O. Statement of Cash Flows:

For purposes of the statement of cash flows of the proprietary funds, cash and cash equivalents are considered deposits and any nonnegotiable certificates of deposits with a maturity within 90 days of purchase date.

P. New Accounting Pronouncements:

GASB has issued Statement No. 40, *Deposit and Investment Risk Disclosure*, Statement No. 42, *Accounting and Financial Reporting For Impairments of Capital Assets and Insurance Recoveries*, Statement No. 44, *Economic Condition Reporting: The Statistical Section*, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 46, *Net Assets Restricted by Enabling Legislation*. Additionally, the FASB has issued FASB Interpretation Number 47, *Accounting for Conditional Asset Retirement Obligations*, which applies to the proprietary funds. The Corporation intends to implement these GASB and FASB Statements on their respective effective dates.

NOTE 2—CASH AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds, except the Pension Trust Funds. Each fund type's portion of this pool is displayed in the financial statements as "cash and investments." In addition, investments are held separately in several of the County's funds. The deposits and investments of the Pension Trust Funds are held separately from those of other County funds.

The County's cash deposits (including cash equivalents) and non-negotiable certificates of deposit are insured in full at December 31, 2004 by the combination of federal depository insurance and the Indiana Public Deposit Insurance Fund. The County's cash equivalents held during 2004 consisted entirely of non-negotiable certificate of deposits with a maturity date within 90 days of date of purchase.

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. The Pension Trust Funds are authorized to invest in bonds, debentures, notes, obligations of the U.S. Treasury, U.S. government agencies, mutual funds, and other corporate securities.

The County's investments are categorized to give an indication of the level of custodial credit risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the County's name.

Investments in pools managed by other governments, mutual funds or in guaranteed investment contracts that are not evidenced by a physical security are not required to be categorized.

The following is a summary of the investments as well as a reconciliation of cash and investments as shown on the statement of net assets at December 31, 2004:

	Category – 3 carrying amount	Reported amount / fair value
U.S. government and agency obligations	$ 21,169,593	$ 21,169,593
Corporate obligations	23,402,012	23,402,012
Corporate equity securities	39,015,163	39,015,163
	$ 83,586,768	83,586,768
Non-negotiable certificate of deposits (maturity greater than 90 days)		20,000
Cash equivalents (non-negotiable certificate of deposits with maturity less than 90 days)		26,413,775
Cash deposits		128,453,145
Total cash and investments		$ 238,473,688

The following is a reconciliation of the County's deposit and investments balances at December 31, 2004:

	Government-wide statement of net assets	Fiduciary funds statement of fiduciary net assets	Total
Cash and investments	$ 40,791,747	$ 197,681,941	$ 238,473,688

NOTE 3—RECEIVABLES

All net receivables amounts outstanding at December 31, 2004 are scheduled for collection during the subsequent fiscal year.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2004, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Taxes receivable, net of allowance for uncollectible accounts	$ 12,758,787	$ —
Grant reimbursements not received within 120 days	7,781	—
Total General Fund	12,766,568	—
Grant draw downs prior to meeting all eligibility requirements	—	462,098
Grant reimbursements not received within 120 days	968,112	—
Total state and federal grants	968,112	462,098
Taxes receivable, net of allowance for uncollectible accounts	91,605	—
Total property reassessment	91,605	—
Taxes receivable, net of allowance for uncollectible accounts	256,492	—
Total cumulative capital development	256,492	—
Grant reimbursements not received within 120 days	66,839	—
Total nonmajor governmental funds	66,839	—
Total	$ 14,149,616	$ 462,098

NOTE 4—INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at December 31, 2004 are as follows:

	Governmental activities			
	General Fund	State & Federal Grants Fund	Nonmajor Governmental Funds	Internal Service
State of Indiana - Department of Corrections	$ 150,010	$ 147,463	$ —	$ —
Indiana Criminal Justice Institute	7,477	1,321,855	—	—
Indiana Division of Family and Children	1,046,734	68,743	—	—
State of Indiana – Other	789,817	70,276	—	—
U.S. Department of Justice	—	498,842	29,593	—
U.S. Marshall	122,188	—	—	—
City of Indianapolis	1,015,721	90,094	—	1,595,141
Other governmental entities	47,803	49,842	—	53,655
	$ 3,179,750	$ 2,247,115	$ 29,593	$ 1,648,796

All amounts are expected to be received in 2005.

(Continued)

NOTE 5—ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts, which have been deducted from the related receivable in the government-wide statement of net assets, consists of the following balances:

Governmental activities:	
Tax receivable – General Fund	$2,334,856
Tax receivable – Property Reassessment	38,828
Tax receivable – Cumulative Capital Development	108,718
Tax receivable – Capital Lease Fund	38,828

NOTE 6—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. The composition of due to / from other funds as of December 31, 2004, is as follows:

Receivable fund	Payable fund	Amount
General Fund	State and Federal Grants	$ 16,486
	Nonmajor Governmental Funds	12,244
	Fiduciary – Agency Funds	11,960,543
		11,989,273
Property Reassessment	Fiduciary – Agency Funds	66,839
Cumulative Capital Development	Fiduciary – Agency Funds	187,147
Nonmajor Governmental Funds	Fiduciary - Agency Funds	66,839
Internal Service Fund	General Fund	2,322,775
Fiduciary – Pension Trust Funds	General Fund	5,163,782
	Fiduciary – Agency Funds	251,586
		5,415,368
Fiduciary – Agency Funds	Fiduciary – Agency Funds	5,228,736
Total		$ 25,276,977

All of these interfund balances are due to (1) unsettled property taxes outstanding at December 31, 2004, (2) timing differences, (3) pension contributions, or (4) the elimination of negative cash balances with the various funds. All interfund balances are expected to be repaid during the fiscal year ending December 31, 2004 or when the property taxes are collected and settled.

Interfund transfers for the year ended December 31, 2004 consisted of the following:

		Transfer from
		Nonmajor Governmental Funds
Transfer to	General Fund	$ 920,683
		$ 920,683

Interfund transfers were used (1) to transfer fund balance from funds that were closed in 2004 to the General Fund, and move revenues from the fund that ordinance or budget requires to collect them to the fund which will ultimately expend them, or 2) move revenues in excess of current year expenditures to other funds.

NOTE 7—CAPITAL ASSETS

The following is a summary of changes in capital assets – governmental activities for the year ended December 31, 2004:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 29,555	$ —	$ —	$ 29,555
Total capital assets, not being depreciated	29,555	—	—	29,555
Capital assets, being depreciated:				
Buildings and improvements	88,994,533	—	(82,191)	88,912,342
Furniture and equipment	32,273,501	1,488,664	(525,560)	33,236,605
Vehicles	19,929,307	2,444,682	(946,191)	21,427,798
Total capital assets being depreciated	141,197,341	3,933,346	(1,553,942)	143,576,745
Less accumulated depreciation for:				
Buildings and improvements	(38,670,347)	(1,752,842)	82,191	(40,340,998)
Furniture and equipment	(17,733,815)	(2,927,118)	499,827	(20,161,106)
Vehicles	(7,977,860)	(2,412,451)	589,338	(9,800,973)
Total accumulated depreciation	(64,382,022)	(7,092,411)	1,171,356	(70,303,077)
Total capital assets, being depreciated, net	76,815,319	(3,159,065)	(382,586)	73,273,668
Governmental activities capital assets, net	$ 76,844,874	$ (3,159,065)	$ (382,586)	$ 73,303,223

The following is a summary of changes in capital assets – business type activities for the year ended December 31, 2004:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
Business-type activities:				
Capital assets, being depreciated:				
Building	$ 4,000,000	$ —	$ —	$ 4,000,000
Total capital assets being depreciated	4,000,000	—	—	4,000,000
Less accumulated depreciation for:				
Building	(440,000)	(80,000)	—	(520,000)
Total accumulated depreciation	(440,000)	(80,000)	—	(520,000)
Total capital assets, being depreciated, net	3,560,000	(80,000)	—	3,480,000
Business-type activities capital assets, net	$ 3,560,000	$ (80,000)	$ —	$ 3,480,000

All business-type activities capital assets are reported in the Juvenile Court Alternative School Services Fund.

(Continued)

Within the statement of activities, depreciation expense was charged to functions/programs of the County as follows:

Governmental activities:	
Administration and finance	$ 1,078,279
Protection of people and property program	2,894,238
Corrections program	961,310
Judicial program	819,088
Real estate and assessments program	127,747
Health and welfare	57,159
Depreciation on capital assets held by the government's internal services are charged to the administration and finance function	1,154,590
Total depreciation expense – governmental activities	$ 7,092,411
Business-type activities:	
Juvenile Court Alternative School Services	$ 80,000
Total depreciation expense – business-type activities	$ 80,000

NOTE 8—ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES DISAGGREGATION

Accounts payable and other current liabilities at December 31, 2004 are as follows:

	Vendors	Salaries and employee benefits	Intergovern-mental	Claims and settlements	Other – pension trust contributions	Total payables and other current liabilities
Governmental activities:						
General Fund	$ 7,316,481	$ 2,611,570	$ 62,584,193	$ 53,821	$ —	$ 72,566,065
State and Federal Grants	716,952	91,671	—	—	—	808,623
Property Reassessment	13,299	45,295				58,594
Cumulative Capital Development	594,685	—	—	—	—	594,685
Other nonmajor governmental funds	696,728	169,584	—	—	—	866,312
Internal Service Fund	2,053,279	179,677				2,232,956
Reconciliation of balances in fund financial statements to government-wide financial statements	12,244				5,163,782	5,176,026
Total – governmental activities	$ 11,403,668	$ 3,097,797	$ 62,584,193	$ 53,821	$ 5,163,782	$ 82,303,261
Business-type activities:						
Forensics Training	1,504					1,504
Drug Testing Laboratory	5,200	6,651	—	—	—	11,851
Total – business-type activities	$ 6,704	$ 6,651	$ —	$ —	$ —	$ 13,355

Intergovernmental payables of $62,584,193 in the General Fund consist of amounts due to the State of Indiana for juveniles that the County has sent to the Indiana Boys and Girls Schools for the years 2001 through 2004.

NOTE 9—LONG-TERM LIABILITIES

Changes in Long-term Liabilities

The following is a summary of long-term debt and other long-term liabilities for the year ended December 31, 2004:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due within one year
Governmental activities:					
General obligation notes	$ 11,100,000	$ —	$ (1,700,000)	$ 9,400,000	$ 9,400,000
Capital leases	36,860,978	—	(3,097,370)	33,763,608	2,913,511
Claims and judgments	1,726,228	1,142,653	(592,949)	2,275,932	860,932
Operating lease escalation	573,450	262,523	—	835,973	—
Compensated absences	6,761,280	7,505,034	(6,761,280)	7,505,034	6,529,380
Total – governmental activities	$ 57,021,936	$ 8,910,210	$ (12,151,599)	$ 53,780,547	$ 19,703,823

The business-type activities had no long-term liabilities at December 31, 2004. The Internal Service Fund predominantly serves the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, $133,520 of the Internal Service Fund's compensated absences are included in the above amounts as well as $1,559,241 in capital leases. In 2004, there were no capital lease additions for the Internal Service Fund or any governmental funds. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund. Capital leases payments for governmental activities are paid out of the General Fund and the Internal Services Fund. See Note 11 for further discussion on capital leases.

In 2003, the County entered into a new operating lease for office space which has escalating rental payments throughout its life, therefore, for purposes of the government-wide financial statements, the County has established a long term liability of $835,973 to account for the difference between the County's payments through 2004 and the expense amount measuring on a straight-line basis over the term of the lease. The County will not make an annual rent payment greater than the average annual payment until 2007.

General Obligation Notes

In 2003, the County entered into an agreement with the Indianapolis Local Public Improvement Bond Bank to issue $11,100,000 in notes. The proceeds of these notes were utilized to purchase new voting machines for all of Marion County. The notes carry a 1.79% annual interest rate and are to be repaid March 1, 2005.

Annual debt service requirements to maturity for the notes are as follows:

Year ending December 31	Principal	Interest	Total
2004	$ 9,400,000	$ 84,597	$ 9,484,597

The above notes are to be repaid from federal reimbursement and ad valorem taxes levied to the extent necessary against all taxable property within Marion County.

The County has a legal debt limit of $253,926,537, which represents .67 percent of the net assessed value of Marion County property, as certified by the State of Indiana, Department of Local Government Finance.

NOTE 10—SHORT-TERM DEBT ANALYSIS

During 2004, the County issued tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund and Family and Children Services Agency Fund. 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. These notes are necessary for operating purposes between the property tax distribution dates of June 30 and December 31 each year. Short-term debt activity for the year ended December 31, 2004 was as follows:

Fund	Balance January 1, 2004	Issued	Redeemed	Balance December 31, 2004
General Fund	$ —	$ 82,000,000	$ (82,000,000)	$ —
Family and Children Services	—	31,192,000	(31,192,000)	—
Total	$ —	$ 113,192,000	$ (113,192,000)	$ —

NOTE 11—LEASES

The County leases its office building and parking lot jointly with the City over a 50-year term expiring on December 2012. The County and City will jointly obtain title to the building and parking lot in the future. Accordingly, the County's portion of the lease is classified as a capital lease. As a result of the lessor's early retirement of bonds associated with the building, no additional lease payments on the building were required after the July 1988 semi-annual payment. The County and the City have continued the facilities management aspect of the lease agreement. In 2004, the County paid $3,203,968 for its share of building and maintenance costs. At December 31, 2004, the capitalized cost of the office building and parking lot was $19,034,240 ($17,701,841 of accumulated depreciation).

The County leased a jail addition over a 27-year lease term, expiring on December 2012. The lease had required the County to make annual average payments of $2,392,000 to December 31, 2001. The County continues to pay the building operation and maintenance costs ($1,348,150 in 2004). The County will obtain title to the property in the future. Accordingly, the lease is classified as a capital lease. At December 31, 2004 the capitalized cost of the jail addition was $20,900,000 ($8,150,999 of accumulated depreciation).

The County leases Jail II over a 19-year lease term expiring in 2016. The lease requires the County to make annual average payments of $1,050,579 ($1,038,000 in 2004) and to pay the building operation and maintenance costs ($51,000 in 2004). The County will obtain title to the property at the completion of the lease term. Accordingly, the lease is classified as a capital lease. At December 31, 2004, the capitalized cost of Jail II was $13,109,830 ($1,704,278 of accumulated depreciation).

On May 29, 2003, the County and the Building Authority entered into an addendum to the first amendment to the Jail II lease for the new arrestee processing center. The County will make semi-annual rental payments of $483,000 beginning December 31, 2003 with the last payment to be made on December 31, 2022. In addition, the County must pay the building operation and maintenance costs ($177,000 in 2004). The County will obtain title to the property at the completion of the lease term. Accordingly, the lease is classified as a capital lease. At December 31, 2004, the capitalized cost of the arrestee processing center was $12,676,117 ($380,164 of accumulated depreciation).

The County leases its juvenile detention center over a 25-year lease term expiring in June 2015. The lease requires the County to make semi-annual payments of $794,000 and to pay its share of building and maintenance costs ($675,850 in 2004). The County will obtain title to the property at the completion of the lease term. Accordingly, the lease is classified as a capital lease. At December 31, 2004, the capitalized cost of the juvenile detention center was $20,340,685 ($10,434,664 of accumulated depreciation).

The County also leases certain equipment under capital leases expiring in various years through 2010. At December 31, 2004, the capitalized cost of equipment was $14,666,284 ($10,434,664 of accumulated depreciation).

The following is a schedule of future minimum lease payments and the net present value of these minimum lease payments for the governmental activities at December 31, 2004:

	Governmental activities
2005	$ 4,966,735
2006	4,636,364
2007	3,692,287
2008	3,679,255
2009	3,662,712
2010 – 2014	19,211,160
2015 – 2019	5,901,000
2020 – 2024	2,898,000
	48,647,513
Less amount representing interest	(14,883,905)
Present value of net minimum lease payments	$ 33,763,608

The business-type activities had no capital leases outstanding.

The County leases equipment and properties under operating leases which expire in various years through 2015. Governmental activities operating lease expenditures totaled $4,210,404 for 2004 which included $407,974 of operating lease expense for the Internal Service Fund. The business-type activities had no lease activity during 2004.

The following is a schedule of future minimum lease payments for all significant noncancellable operating leases with initial or remaining terms of one year or more as of December 31, 2004:

	Governmental activities
2005	$ 3,846,574
2006	3,325,131
2007	3,081,328
2008	2,955,457
2009	2,886,360
2010 – 2014	8,435,739
2015 – 2019	31,991
Total future payments	$ 24,562,580

NOTE 12—PENSION OBLIGATIONS

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 Marion County Law Enforcement Personnel Retirement Plan (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% 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. In 2003, the Plan was amended to reduce the employee contribution from 5.25% of compensation to 4.25% of compensation effective January 1, 2002.

Retirement Plan benefits begin to vest after 10 years of service. As of December 31, 2004, there are 77 fully vested employees (over 20 years of service), 83 partially vested (between 10 and 20 years of services), and 20 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 2.5% of the highest monthly average of consecutive five year salary per year of service up to a maximum of 20 years; plus 2.0% of such salary per year of service in excess of 20 years, if any, up to an additional 12 years; plus $1.00 for each year of service up to a maximum of $20.00. 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, 2004, there are 244 retirees and beneficiaries receiving benefits, 2 terminated members entitled to benefits but not yet receiving benefits and 408 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 separate stand-alone financial statements for this plan as included as pension trust fund in this report.

Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan

The Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan (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 eighteen 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 Plan sound on an actuarial basis. Each employee shall be required to contribute an amount equal to 5% of base pay. 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. At December 31, 2004, there are 67 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) will be eligible for a cost of living increase. Benefit increases will not be 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 attained age 55. The amount of the annual increase, if any, will depend on the change in the Consumer Price Index and will never exceed two percent.

The County does not issue separate stand-alone financial statements for this plan as included as 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% of annual salary, which is mandated by State statute, in addition to the employer contribution amount, which is actuarially determined and is currently 3.00% 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 fifty years of age and have fifteen 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, Indiana 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% of annual salary, which is mandated by State statute, in addition to the employer contribution amount, which is actuarially determined and is currently 3.0%.

(c) Concentration of Investments

No investments in any one organization (other than those issued by the U.S. government) represent five percent of plan net assets.

(d) 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:

	Retirement Plan	Disability Plan	County Employees
Valuation date	1/1/05	1/1/05	6/30/04
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%
Projected salary increases	5.0%*	5.0%	*****
Post retirement increases	**	**	2% compounded annually after retirement for 5 years
Amortization method	Level percentage of payroll	N/A****	Level percentage of payroll
Amortization period	Closed 40-year period	N/A****	Open 30-year period***

* 4% increase due to inflation and 1% due to merit / seniority.

** The monthly benefit paid to retirees may increase each July 1 (on or after July 1, 1998) to reflect cost of living increases. The amount of annual increase, if any, will depend on the change in the Consumer Price Index and will never exceed 2%.

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

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

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

Marion County Law Enforcement Personnel Retirement Plan

For the plan year 2004, the County's annual pension cost of $4,207,072 for the Retirement Plan was more than the required annual contribution of $4,061,769 but less than the actual County contribution of $4,481,932. The required contribution was determined as part of the January 1, 2004 valuation using frozen initial liability method. The calculation of the annual pension cost and the net pension asset (NPA) is as follows for the retirement plan:

Annual required contribution (ARC)	$	4,061,769
Interest on net pension asset		(127,439)
Adjustment to ARC		272,742
Annual pension cost		4,207,072
Actual contribution made		(4,481,932)
Increase in net pension asset		274,860
Net pension asset at beginning of year		1,699,182
Net pension asset at end of year	$	1,974,042

Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan

For the plan year 2004, the County's annual pension cost of $929,923 for the Disability Plan was more than the required annual contribution and the actual County contribution of $928,311. The required contribution was determined as part of the January 1, 2004 valuation using aggregate cost liability method. The calculation of the annual pension cost and the NPA is as follows for the disability plan:

Annual required contribution (ARC)	$	928,311
Interest on net pension asset		(1,414)
Adjustment to ARC		3,026
Annual pension cost		929,923
Actual contribution made		(928,311)
Decrease in net pension asset		(1,612)
Net pension asset at beginning of year		18,853
Net pension asset at end of year	$	17,241

PERF

For the plan year 2004, the County's annual pension cost of $2,581,052 for PERF was more than the required annual contribution of $2,559,233 but less than the actual County contribution of $2,991,603. The required contribution was determined as part of the June 30, 2004 valuation using entry age normal cost liability method. The calculation of the annual pension cost and the NPA is as follows for PERF:

Annual required contribution (ARC)	$	2,559,233
Interest on net pension asset		(156,318)
Adjustment to ARC		178,137
Annual pension cost		2,581,052
Actual contribution made		(2,991,603)
Increase in net pension asset		410,551
Net pension asset at beginning of year		2,156,111
Net pension asset at end of year	$	2,566,662

The total net pension asset of $4,557,945 as of December 31, 2004, is reflected as a net pension asset within the governmental activities in the government-wide financial statements.

(Continued)

(e) Trend Information

Selected trend information for the years ended December 31, 2004, 2003 and 2002 is as follows:

Valuation date	Annual pension cost	Percentage contributed	Net pension asset
Marion County law enforcement personnel:			
Retirement plan			
1/1/02	$ 2,784,350	103 %	$ 1,464,150
1/1/03	3,559,873	107	1,699,182
1/1/04	4,207,072	107	1,974,042
Disability plan			
1/1/02	$ 951,641	100 %	$ 20,616
1/1/03	957,973	100	18,853
1/1/04	929,923	100	17,241
County employees			
6/30/02	$ 2,047,180	106 %	$ 3,094,436
6/30/03	3,225,487	71	2,156,111
6/30/04	2,581,052	116	2,566,662

(f) Financial Statements

Combining Statement of Fiduciary Net Assets - Pension Trust Funds at December 31, 2004:

	Retirement	Disability	Total
Assets			
Cash	$ 53,905,613	$ 538,163	$ 54,443,776
Investments			
US government securities	16,776,206	4,393,387	21,169,593
Corporate obligations	17,130,211	6,271,801	23,402,012
Corporate equity securities	39,015,163	—	39,015,163
Receivables:			
Property taxes	—	—	—
Accrued interest	628,632	111,502	740,134
Other	53,927	—	53,927
Due from other funds	4,465,008	950,360	5,415,368
Total assets	131,974,760	12,265,213	144,239,973
Liabilities			
Accrued liabilities	83,651	—	83,651
Pending purchase of investments	22,049	—	22,049
Amounts held in custody for others	225,225	—	225,225
Total liabilities	330,925	—	330,925
Net Assets			
Net assets for employees' pension benefits	$ 131,643,835	$ 12,265,213	$ 143,909,048

Combining Statement of Changes in Fiduciary Net Assets - Fiduciary Funds - Pension Trust Funds for the year-ended December 31, 2004:

	Retirement	Disability	Total
Additions			
Contributions:			
Employer	$ 4,252,412	$ 928,311	$ 5,180,723
Employee	862,829	—	862,829
Total contributions	5,115,241	928,311	6,043,552
Investment income:			
Interest and dividends	3,144,825	563,009	3,707,834
Increase in fair value of investments	7,260,829	642,550	7,903,379
Less investment expenses	437,287	6,405	443,692
Net investment income	9,968,367	1,199,154	11,167,521
Miscellaneous	—	22,049	22,049
Total additions	15,083,608	2,149,514	17,233,122
Deductions			
Retirement benefits	5,265,501	713,681	5,979,182
Miscellaneous	505,333	100,412	605,745
Total deductions	5,770,834	814,093	6,584,927
Change in plan net assets	9,312,774	1,335,421	10,648,195
Net assets – beginning of year	122,331,061	10,929,792	133,260,853
Net assets – end of year	$ 131,643,835	$ 12,265,213	$ 143,909,048

NOTE 13—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 and general liability. In 2003 and from January 1, 2004 through June 30, 2004, the County participated in a public risk pool called Indiana Public Employers Plan, Inc. (IPEP) with relation to worker's compensation coverage. On July 1, 2004, the County became self-insured for workers compensation. Additionally, the County purchases commercial insurance for claims for all other risks of loss. Settled claims have not exceeded the insurance coverage in any of the past three years.

Uninsured claims for vehicle and general liability are recorded when a determinable loss has been incurred. Incurred but not reported claims, in the aggregate, do not represent a material amount and therefore have not been accrued. The change in claims for 2003 and 2004 is as follows:

Unpaid claims, December 31, 2002	$ —
Incurred claims and changes in estimates	200,825
Claims paid	(200,825)
Unpaid claims, December 31, 2003	—
Incurred claims and changes in estimates	220,825
Claims paid	(220,825)
Unpaid claims, December 31, 2004	$ —

Prior to July 1, 1994, the County was self insured for workers' compensation claims. Beginning July 1, 1994, the County joined the Indiana Public Employers Plan, Inc. (IPEP), an Indiana not-for-profit corporation. IPEP is a group self-funded worker's compensation program for local governmental units. IPEP is not intended to function as an insurance company;

rather it is a means of combining the administration of claims, of obtaining lower insurance rates and of sharing risks. IPEP is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $400,000. Although premiums billed are determined on an actuarial basis, fund members are subject to a supplemental assessment in the event of deficiencies and refunds in the event of excess. No annual premium was paid in 2004, as the County became self-insured subsequent to the expiration of the policy period on July 1, 2004. Additional assessments related to the year ended December 31, 2004 are not considered likely and, therefore, no liability has been provided. The unpaid claims are included in accrued liabilities at December 31, 2004. The change in claims for 2003 and 2004 is as follows:

Unpaid claims, December 31, 2002	$ —
Incurred claims and changes in estimates	688,000
Claims paid	(688,000)
Unpaid claims, December 31, 2003	—
Incurred claims and changes in estimates	246,684
Claims paid	(135,465)
Unpaid claims, December 31, 2004	$ 111,219

The County has established a reserve in the government-wide statements for pending claims and settlements which involve the County (note 18). The change in the reserve for pending claims and settlements for 2003 and 2004 is as follows:

Reserve for pending claims and settlements, December 31, 2002	$ 1,499,500
Additions to reserve	650,228
Payments	(423,500)
Reserve for pending claims and settlements, December 31, 2003	1,726,228
Additions to reserve	1,142,653
Payments	(592,949)
Reserve for pending claims and settlements, December 31, 2004	$ 2,275,932

NOTE 14—DEFERRED COMPENSATION PLAN

Employees of Marion County are eligible to participate in a deferred compensation plan (the 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 the 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 plan was amended to comply with the amendments to Section 457 of the Internal Revenue Code. 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.

NOTE 15—JOINT VENTURE

The Indianapolis-Marion County Building Authority (Building Authority) is a joint venture of the County and the Consolidated City of Indianapolis (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. See Note 11 for capital leases. 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 58% of 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 which houses the majority of the operations of the County and City. The City's share of the joint venture consists primarily of 42% of the City-County Building and parking lot, 100% of the Municipal Garage, Belmont Garage, and 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 of Indianapolis in his capacity as the municipal executive of Indianapolis, one by the Mayor of the City of Indianapolis in his capacity as the county executive of Marion 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 2004, the County paid $6,389,342 and $2,940,450 in rent and maintenance, respectively. The amount of the Building Authority's principal current portion and long-term portion at June 30, 2004 was $4,650,000 and $39,160,000, respectively. The amount of accumulated net revenues retained in operating accounts at June 30, 2004 was $64,274,931 and the amount of accumulated net revenues retained and used for building, site and project costs and related debt service was $36,099,453 at June 30, 2004.

A copy of the separately issued financial statements of the Indianapolis-Marion County Building Authority, which is prepared on a basis other than accounting principles generally accepted in the United States of America, is available upon request.

NOTE 16—RELATED PARTY TRANSACTIONS

The legislative body of the County is the same in several respects as that of the City, and the position of County Executive is held by the Mayor of the City. The County provides certain information technology and telephone services to the City. Revenues from these services were approximately $14,023,828 in 2004, and the amount owed by the City to the County for these services was $1,595,141 at December 31, 2004. In addition, the City owed the County $1,015,721 for 911 dispatch services. In 2004, the County received approximately $3,047,162 of 911 dispatch fees from the City. At December 31, 2004, the County owed the City $1,261,626 for fuel related to the Sheriff's fleet vehicles and $232,728 for court costs to municipalities.

The City and County purchase certain insurance policies which 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 county-wide tax levy. The County does not compensate the City for these 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 the County jail and lockup.

The County acts as either a subrecipient or a pass-through agent for various state and federal grant programs with the City of Indianapolis during 2004.

NOTE 17—DEFICIT FUND BALANCES

At December 31, 2004, the following funds had deficit fund balances:

General Fund	$ 64,777,057
Cumulative Capital Development (Capital Projects Fund)	90,315
Public Safety Capital Projects (Capital Projects Fund)	12,244

The County intends to request use of deferral program fees in future periods to eliminate the deficit in Public Safety Capital Projects. The County intends to reduce the deficit in the General Fund via property taxes and controlling spending.

(Continued)

The County's local option income tax rate will increase 0.1% each year until it reaches 1.0%. The County intends to use a portion of this increase to cover the deficit in the Cumulative Capital Development Fund.

NOTE 18—COMMITMENTS AND CONTINGENCIES

The County has established a reserve for pending lawsuits which involve the County in the government-wide statements. The County has provided for probable aggregate liability resulting from such claims where the potential claims are not covered by insurance. Indiana law limits the liability of municipalities to $300,000 per person and $5,000,000 per occurrence. In the opinion of legal counsel, potential claims against the County not covered by claims and judgment liability provided in the financial statements would not materially affect the financial statements of the County. The County is vigorously defending its interest in all of the foregoing litigations.

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 expenditures which 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 19—EXPLANATION OF CERTAIN DIFFERENCE BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Liability associated with an operating lease with scheduled rate increases is recognized in government-wide financial statements but not the fund final statements. All liabilities – both current and long term – are reported in the statement of net assets.

Balances at December 31, 2004 were as follows:

General obligation notes	$	9,400,000
Capital leases		33,763,608
Capital lease amounts recorded in internal service fund (already accounted for)		(1,559,241)
Claims and judgments		2,275,932
Operating lease escalation		835,973
Compensated absences		7,505,034
Compensated absences amounts recorded in internal service fund (already accounted for)		(133,520)
Combined adjustment	$	52,087,786

NOTE 20—SECTION 102 HAVA REIMBURSEMENT BUDGETARY INFORMATION

A budget for Section 102 Help America Voters Act (HAVA) Reimbursement (Special Revenue Fund) was not adopted in 2004. Thus, related expenditures exceeded appropriations by $1,920,267, of which $2,917,488 was offset by federal grant amounts received. A budget for Section 102 HAVA Reimbursement was adopted in 2005.

NOTE 21—SUBSEQUENT EVENTS

Effective, July 2005, the Indiana State Legislature passed Senate Bill 307 that combined several functions between the City of Indianapolis and Marion County that were previously separate functions for both entities. Under Senate Bill 307, the Controller is appointed the fiscal officer of the Consolidated City and the County. A new Office of Finance and Management was established, of which the Controller serves as the director. The responsibilities of the Office of Finance and Management include budgeting, financial reporting and audits, purchasing, and capital assets for the City of Indianapolis and Marion County. The County Auditor is responsible for accounting, payroll, accounts payable, accounts receivable, revenue and tax distributions, and maintenance of property records for the City of Indianapolis and Marion County. Additionally, the County Auditor is responsible for the issuance of warrants for payments from all County and City funds.

House Bill 1001 establishes provisions for counties in the payment of all state institution accounts. Counties have six (6) months to pay after an account is received. Any accounts not settled shall be forwarded to the Auditor of State, and the County's next distribution of property tax replacement credit shall be reduced by the amount of the outstanding account. The account is then considered paid. Those counties with delinquent accounts have until August 15, 2005 to reach a repayment agreement with the State Budget Agency. If an agreement is not reached, the Auditor of State will withhold the amount owed the state from the county's property tax relief credit distributions to the County. At December 31, 2004, the County has a liability to the State of Indiana for $62,584,193 for amounts owed to the Boys and Girls School (note 8).

In May 2005, the Juvenile Court Alternative School was closed. The County intends to utilize the facilities for juvenile detention, thus, no impairment exists of the building and improvements.

In January 2005, the County received $2,196,750 in Section 102 HAVA- federal funds. The County used this money to reduce the general notes obligation to $7,150,000. The remaining HAVA funds will be utilized in 2005 to either further reduce the note balance or to purchase new voting equipment. In March 2005, the County entered into an agreement with the Indianapolis Local Public Improvement Bond Bank to extend the outstanding note balance to March 1, 2006. Interest on the notes is 3.27% payable on March 1 and September 1.

REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)

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
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance with Final Budget—
	Original	**Final**	**Actual Amounts**	**Positive (Negative)**
Revenues				
Taxes	$ 153,612,047	$ 149,803,296	$ 151,719,946	$ 1,916,650
Intergovernmental	18,573,851	18,573,851	18,702,505	128,654
Charges for services	9,828,150	9,828,150	10,932,690	1,104,540
Investment earnings	4,515,000	4,515,000	4,049,737	(465,263)
Miscellaneous	3,158,585	3,158,585	2,258,601	(899,984)
Total revenues	189,687,633	185,878,882	187,663,479	1,784,597
Expenditures				
Current:				
General government	58,093,031	52,148,622	50,917,194	1,231,428
Public safety	140,372,933	141,622,950	139,908,390	1,714,560
Welfare	2,240,382	2,395,324	2,363,191	32,133
Total expenditures	200,706,346	196,166,896	193,188,775	2,978,121
Deficiency of revenues over expenditures	$ (11,018,713)	$ (10,288,014)	$ (5,525,296)	$ 4,762,718

See accompanying notes to the required supplementary information.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
REQUIRED SUPPLEMENTARY INFORMATION
STATE AND FEDERAL GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget— Positive (Negative)**
Revenues				
Intergovernmental	$ —	$ 9,493,765	$ 10,440,839	$ 947,074
Total revenues	—	9,493,765	10,440,839	947,074
Expenditures				
Current:				
General government:	—	1,277,520	736,552	540,968
Public safety	—	16,500,094	9,196,704	7,303,390
Total expenditures	—	17,777,614	9,933,256	7,844,358
Excess (deficiency) of revenues over expenditures	$ —	$ (8,283,849)	$ 507,583	$ 8,791,432

See accompanying notes to the required supplementary information.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
REQUIRED SUPPLEMENTARY INFORMATION
PROPERTY REASSESSMENT
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget— Positive (Negative)**
Revenues				
Taxes	$ 1,941,971	$ 1,925,860	$ 1,880,328	$ (45,532)
Interest	61,600	61,600	46,138	(15,462)
Total revenues	2,003,571	1,987,460	1,926,466	(60,994)
Expenditures				
Current:				
General government:	4,284,047	4,284,047	2,553,784	1,730,263
Total expenditures	4,284,047	4,284,047	2,553,784	1,730,263
Deficiency of revenues over expenditures	$ (2,280,476)	$ (2,296,587)	$ (627,318)	$ 1,669,269

See accompanying notes to the required supplementary information.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
REQUIRED PENSION SUPPLEMENTARY INFORMATION
DECEMBER 31, 2004

Schedules of Funding Progress

Valuation date	(1) Net assets available for benefits	(2) Actuarial accrued liability	(3) Assets in excess of actuarial accrued liability (AEAAL) (1)-(2)	(4) Funded ratio (1)/(2)	(5) Annual covered payroll	AEAAL as a percentage of covered payroll (3)/(5)
Marion County Law Enforcement Personnel: Retirement Plan						
1/1/99	108,380,468	108,380,468	—	100.0	16,997,366	0.0
1/1/00	113,673,635	113,673,635	—	100.0	17,585,164	0.0
1/1/01	119,024,251	119,024,251	—	100.0	18,451,953	0.0
1/1/02	124,447,738	124,447,738	—	100.0	18,605,324	0.0
1/1/03	123,778,462	134,331,050	10,552,588	92.1	20,011,664	52.7
1/1/04	129,541,475	139,649,262	10,107,878	92.8	21,262,246	47.5
County Employees*						
7/1/2002	$ 64,277,700	$ 63,449,720	$ 827,980	101.0%	$ 65,196,352	1.0%
7/1/2003	64,129,932	57,704,658	6,425,274	111.1	67,734,513	9.0
7/1/2004	N/A	N/A	N/A	N/A	N/A	N/A

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

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

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

See accompanying notes to the required supplementary information.

(Continued)

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
REQUIRED PENSION SUPPLEMENTARY INFORMATION – UNAUDITED (CONTINUED)
DECEMBER 31, 2004

Schedules of employer contributions

Valuation date	Annual required contributions	Percentage contributed
Marion County Law Enforcement Personnel: Retirement Plan		
1/1/98	$ 1,501,726	109.1%
1/1/99	1,346,025	110.6
1/1/00	1,609,078	109.4
1/1/01	2,228,225	105.7
1/1/02	2,665,033	107.1
1/1/03	3,434,668	110.5
1/1/04	4,061,769	110.3
Disability Plan		
1/1/98	$ 905,280	100.0%
1/1/99	1,022,529	100.0
1/1/00	1,152,580	100.0
1/1/01	927,406	100.0
1/1/02	949,714	100.0
1/1/03	956,210	100.0
1/1/04	928,311	100.0
County Employees		
6/30/98	$ 1,350,000	151.5%
6/30/99	1,350,002	163.7
6/30/00	1,373,994	163.01
6/30/01	1,666,209	119.2
6/30/02	2,028,297	106.8
6/30/03	3,194,174	71.6
6/30/04	2,559,233	116.9

See accompanying notes to the required supplementary information.

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 IVD Incentive (Special Revenue Fund), Prosecutor's Law Enforcement Equitable Share (Special Revenue Fund) and Prosecutor's Title IVD Incentive (Special Revenue Fund), and Public Safety Interest Escrow (Capital Projects Fund) which are not legally required to do so. County Sales Disclosure (Special Revenue Fund) MC Sheriff's Civil DIV Fees (Special Revenue), Alternative Dispute Resolution (Special Revenue–Other), Campaign Finance (Special Revenue Fund–Other), County Sinking (Debt Service Fund) and Welfare Judgment (Debt Service Fund) and Public Safety Capital Projects (Capital Projects Fund) were not budgeted during 2004 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 that encumbrances and certain accounts payable are treated as expenditures.

The timetable for the budgetary process is as follows:

June 1	Auditor provides guidelines to County agencies
July 1	County Officials submit budgets
August	Auditor 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 the State of Indiana Department of Local Government Finance.

During the year, the following supplementary appropriations were properly approved for the General Fund, State and Federal Grants and Property Reassessments Funds:

	General	State and federal grants	Property reassessment
Original appropriation	$ 200,706,346	$ —	$ 4,284,047
Revisions	(4,539,450)	17,777,614	—
Revised appropriations	$ 196,166,896	$ 17,777,614	$ 4,284,047

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

A budget for Section 102 HAVA Reimbursement was not adopted in 2004. Thus, related expenditures exceeded appropriations by $1,920,267, of which $2,917,488 was offset by federal grant amounts received. A budget for Section 102 HAVA Reimbursement was adopted in 2005.

Continued

NOTE 2—BUDGET / GAAP REPORTING DIFFERENCES

Adjustments required to convert the results of 2004 operations from a budgetary basis to a GAAP basis are as follows:

	General	State and federal grants	Property reassessment
Revenues and other financing:			
Changes in fund balance (GAAP basis)	$ (22,797,931)	$ —	$ (573,044)
Add (deduct):			
(Increase) decrease in receivables	3,859,166	649,097	(328)
Increase (decrease) in certain payables and prepaids	13,429,824	(237,979)	(66,391)
Increase (decrease) in current year encumbrances	349,479	(175,555)	6,052
Activities not budgeted	(365,834)	272,020	6,393
Revenues and other financing sources over (under) expenditures and other uses (budgetary basis)	$ (5,525,296)	$ 507,583	$ (627,318)

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 which are restricted for particular purposes by State or Federal statute or which are designated by authority of the City-County Council to be maintained in separate funds.

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 FUND—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.

PROSECUTOR'S DIVERSION—Established to account for collection of user fees related to the operation of pre-trial 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 pre-trial diversion programs.

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

CLERK'S TITLE IVD INCENTIVE FUND—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.

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.

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

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.

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 pre-trial diversion program fees collected by the Clerk.

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 IVD INCENTIVE FUND—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 statue are eligible to be spent without appropriation.

MC SHERIFF'S CIVIL DIVISION FEES FUND—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. Revenues 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 eleven 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 2002.

WELFARE JUDGMENT—Originally established to account for the resources devoted to the payment of interest and principal on the 1992 and 1993 Public Welfare General Obligation Bonds. Beginning in 2002, this fund was utilized to account for the resources devoted to the payment of interest and principal on the outstanding note payable. This fund was closed in 2004.

CAPITAL PROJECTS FUNDS

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

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 revenue 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 BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2004

	Special Revenue Funds								
	Adult Probation	Section 102 HAVA Reimburse-ment	Surveyor's Corner Perpetu-ation	Prosecutor's Diversion	Prosecutor's Law Enforcement	Clerk's Title IV D Incentive	County Extradition	County Misdem-eanant	Alcohol and Drug Services
Assets									
Cash and investments	$ 1,419,283	$ 997,221	$ 938,318	$ 647,039	$ 1,376,821	253,860	$ 222,332	$ 135,995	$ 535,153
Receivables (net of allowance for uncollectibles):									
Accrued interest	—	—	—	—	—	—	—	—	—
Intergovernmental	—	—	—	—	—	—	—	—	—
Other	1,099	—	—	71,844	21,541	—	—	—	—
Due from other funds									
Total assets	$ 1,420,382	$ 997,221	$ 938,318	$ 718,883	$ 1,398,362	253,860	$ 222,332	$ 135,995	$ 535,153
Liabilities and Fund Balances									
Liabilities:									
Accounts payable	$ 37,548	$ —	$ 4,531	$ 2,558	$ 41,332	39,547	$ 8,571	$ 66,261	$ 2,866
Accrued liabilities	25,719	—	—	1,388	7,996	—	804	1,791	23,225
Intergovernmental payables	—	—	—	—	—	—	—	—	—
Due to other funds	—	—	—	—	—	—	—	—	—
Deferred revenue	—	—	—	—	—	—	—	—	—
Total liabilities	63,267	—	4,531	3,946	49,328	39,547	9,375	68,052	26,091
Fund Balances:									
Reserved for encumbrances									
Unreserved, undesignated	1,357,115	997,221	933,787	714,937	1,349,034	214,313	212,957	67,943	509,062
Total fund balances	1,357,115	997,221	933,787	714,937	1,349,034	214,313	212,957	67,943	509,062
Total liabilities and fund balances	$ 1,420,382	$ 997,221	$ 938,318	$ 718,883	$ 1,398,362	253,860	$ 222,332	$ 135,995	$ 535,153

	Debt Service Funds			Capital Projects Funds				
	County Sinking	Welfare Judgment	Total Debt Service	Public Safety Capital Projects	Public Safety Interest Escrow	Capital Improvement Lease Fund	Total Capital Projects	Total Nonmajor Funds
Assets								
Cash and investments	$ 10,780	$ —	$ 10,780	$ —	$ 1,684	$ 3,199	$ 4,883	$ 22,385,675
Receivables (net of allowance for uncollectibles):								
Accrued interest	—	—	—	—	—	—	—	344
Intergovernmental	—	—	—	—	—	—	—	29,593
Other								459,654
Due from other funds						66,839	66,839	66,839
Total assets	$ 10,780	$ —	$ 10,780	$ —	$ 1,684	$ 70,038	$ 71,722	$ 22,942,105
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 696,728
Accrued liabilities	—	—	—	—	—	—	—	169,584
Intergovernmental payables	—	—	—	—	—	—	—	—
Due to other funds	—	—	—	12,244	—	—	12,244	12,244
Deferred revenue	—	—	—	—	—	66,839	66,839	66,839
Total liabilities	—	—	—	12,244	—	66,839	79,083	945,395
Fund Balances:								
Reserved for encumbrances	—	—	—	—	—	—	—	31,097
Unreserved, undesignated	10,780	—	10,780	(12,244)	1,684	3,199	(7,361)	21,965,613
Total fund balances	10,780	—	10,780	(12,244)	1,684	3,199	(7,361)	21,996,710
Total liabilities and fund balances	$ 10,780	$ —	$ 10,780	$ —	$ 1,684	$ 70,038	$ 71,722	$ 22,942,105

See Independent Auditors' Report.

Special Revenue Funds

County Records Perpetuation	Community Corrections Home Detention	Supplemental Public Defender Fee	Deferral Program Fees	County Drug Free Community	Conditional Release	Enhanced Access	Prosecutor's Law Enforcement Equitable Share	Prosecutor's Title IV D Incent	MC Sheriff's Civil Div Fees	Auditor's Endorsement Fee	County Sales Disclosure	Other	Total Special Revenue
$ 6,762,817	$ 1,843,594	$ 76,154	$ 2,409,673	$ 435,662	$ 482,042	$ 415,324	$ 457,860	$ 186,834	$ 230,700	$ 732,438	$ 310,101	$ 1,500,791	$ 22,370,012
—	—	—	—	—	—	—	344	—	—	—	—	—	344
—	—	—	—	—	—	—	29,593	—	—	—	—	—	29,593
—	22,757	—	103	73	—	38,192	—	—	235,900	10,630	3,960	53,555	459,654
$ 6,762,817	$ 1,866,351	$ 76,154	$ 2,409,776	$ 435,735	$ 482,042	$ 453,516	$ 487,797	$ 186,834	$ 466,600	$ 743,068	$ 314,061	$ 1,554,346	$ 22,859,603
$ 53,920	$ 203,922	$ —	$ 95,647	$ 54,849	$ 840	$ —	$ 6,090	$ 46,961	$ —	$ —	$ —	$ 31,285	$ 696,728
24,285	22,160	—	59,469	848	—	—	—	—	—	—	—	1,899	169,584
—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—
78,205	226,082	—	155,116	55,697	840	—	6,090	46,961	—	—	—	33,184	866,312
			13,902	17,039			156						31,097
6,684,612	1,640,269	76,154	2,240,758	362,999	481,202	453,516	481,551	139,873	466,600	743,068	314,061	1,521,162	21,962,194
6,684,612	1,640,269	76,154	2,254,660	380,038	481,202	453,516	481,707	139,873	466,600	743,068	314,061	1,521,162	21,993,291
$ 6,762,817	$ 1,866,351	$ 76,154	$ 2,409,776	$ 435,735	$ 482,042	$ 453,516	$ 487,797	$ 186,834	$ 466,600	$ 743,068	$ 314,061	$ 1,554,346	$ 22,859,603

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2004

	Special Revenue Funds								
	Adult Probation	Section 102 HAVA Reimburse-ment	Surveyor's Corner Perpetu-ation	Prosecutor's Diversion	Prosecutor's Law Enforce-ment	Clerk's Title IV D Incentive	County Extradition	County Misdem-eanant	Alcohol and Drug Services
Revenues:									
Taxes	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Intergovernmental	—	2,917,488	—	—	993,540	255,372	—	600,551	—
Interest	—	—	—	—	—	—	—	—	—
Charges for services	2,487,961	—	245,149	708,298	154,605	—	65,903	—	1,063,360
Miscellaneous	20,929	—	—	—	—	—	—	—	—
Total revenues	2,508,890	2,917,488	245,149	708,298	1,148,145	255,372	65,903	600,551	1,063,360
Expenditures:									
Current:									
General government	2,242,321	—	92,827	—	—	41,059	—	—	974,488
Public safety	—	—	—	741,990	658,226	—	137,297	651,536	—
Debt service:									
Principal retirement	—	1,700,000	—	—	—	—	—	—	—
Interest and fiscal charges	—	220,267	—	—	—	—	—	—	—
Total expenditures	2,242,321	1,920,267	92,827	741,990	658,226	41,059	137,297	651,536	974,488
Excess (deficiency) of revenues over expenditures	266,569	997,221	152,322	(33,692)	489,919	214,313	(71,394)	(50,985)	88,872
Other financing uses:									
Transfers out	—	—	—	—	—	—	—	—	—
Net other financing sources (uses)	—	—	—	—	—	—	—	—	—
Net change in fund balance	266,569	997,221	152,322	(33,692)	489,919	214,313	(71,394)	(50,985)	88,872
Fund balance (deficit) – beginning of year	1,090,546	—	781,465	748,629	859,115	—	284,351	118,928	420,190
Fund balance (deficit) – end of year	$ 1,357,115	$ 997,221	$ 933,787	$ 714,937	$ 1,349,034	$ 214,313	$ 212,957	$ 67,943	$ 509,062

	Debt Service Funds			Capital Projects Funds				
	County Sinking	Welfare Judgment	Total Debt Service	Public Safety Capital Projects	Public Safety Interest Escrow	Capital Improvement Lease Fund	Total Capital Project	Total Nonmajor Funds
Revenues:								
Taxes	$ —	$ —	$ —	$ —	$ —	$ 2,007,199	$ 2,007,199	$ 2,485,858
Intergovernmental	—	—	—	—	—	—	—	7,922,392
Interest	—	—	—	—	—	—	—	3,411
Charges for services								12,108,508
Miscellaneous	—	—	—	—	—	—	—	21,704
Total revenues	—	—	—	—	—	2,007,199	2,007,199	22,541,873
Expenditures:								
Current:								
General government	—	—	—	—	—	—	—	5,741,899
Public safety	—	—	—	—	—	2,004,000	2,004,000	9,868,944
Debt service:								
Principal retirement	—	—	—	—	—	—	—	1,700,000
Interest and fiscal charges	—	—	—	—	—	—	—	220,267
Total expenditures	—	—	—	—	—	2,004,000	2,004,000	17,531,110
Excess (deficiency) of revenues over expenditures	—	—	—	—	—	3,199	3,199	6,931,030
Other financing uses:								
Transfers out	—	(490,683)	(490,683)	—	—	—	—	(920,683)
Net other financing sources (uses)		(490,683)	(490,683)					(920,683)
Net change in fund balance	—	(490,683)	(490,683)	—	—	3,199	3,199	4,090,080
Fund balance (deficit) – beginning of year	10,780	490,683	501,463	(12,244)	1,684	—	(10,560)	17,906,630
Fund balance (deficit) – end of year	$ 10,780	$ —	$ 10,780	$ (12,244)	$ 1,684	$ 3,199	$ (7,361)	$ 21,996,710

See Independent Auditor's Report.

Special Revenue Funds													
County Records Perpetuation	Community Corrections Home Detention	Supplemental Public Defender Fee	Deferral Program Fees	County Drug Free Community	Conditional Release	Enhanced Access	Prosecutor's Law Enforcement Equitable Share	Prosecutor's Title IV D Incentive	MC Sheriff's Civil Div Fees	Auditor's Endorsement Fee	County Sales Disclosure	Other	Total Special Revenue
$ —	$ —	$ —	$ —	$ 478,659	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 478,659
—	2,534,599	—	34,333	—	—	—	140,237	255,371	—	—	—	190,901	7,922,392
—	—	—	—	—	—	—	3,411	—	—	—	—	—	3,411
1,376,047	48,058	218,014	3,483,337	—	99,667	257,731	29,593	—	466,600	289,990	108,088	1,006,107	12,108,508
—	48	—	104	73	—	—	—	—	—	—	—	550	21,704
1,376,047	2,582,705	218,014	3,517,774	478,732	99,667	257,731	173,241	255,371	466,600	289,990	108,088	1,197,558	20,534,674
1,174,469	102,130	174,877	—	—	206,504	3,101	—	—	—	26,750	—	703,373	5,741,899
—	1,683,696	—	3,124,269	476,039	—	—	110,167	115,498	—	—	—	166,226	7,864,944
—	—	—	—	—	—	—	—	—	—	—	—	—	1,700,000
—	—	—	—	—	—	—	—	—	—	—	—	—	220,267
1,174,469	1,785,826	174,877	3,124,269	476,039	206,504	3,101	110,167	115,498	—	26,750	—	869,599	13,606,843
201,578	796,879	43,137	393,505	2,693	(106,837)	254,630	63,074	139,873	466,600	263,240	108,088	327,959	6,927,831
—	—	—	(430,000)	—	—	—	—	—	—	—	—	—	(430,000)
—	—	—	(430,000)	—	—	—	—	—	—	—	—	—	(430,000)
201,578	796,879	43,137	(36,495)	2,693	(106,837)	254,630	63,074	139,873	466,600	263,240	108,088	327,959	4,577,564
6,483,034	843,390	33,017	2,291,155	377,345	588,039	198,886	418,633	—	—	479,828	205,973	1,193,203	17,415,727
$ 6,684,612	$ 1,640,269	$ 76,154	$ 2,254,660	$ 380,038	$ 481,202	$ 453,516	$ 481,707	$ 139,873	$ 466,600	$ 743,068	$ 314,061	$ 1,521,162	$ 21,993,291

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
YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget— Positive (Negative)
Adult Probation				
Revenues:				
Charges for services	$ 2,510,280	$ 2,510,280	$ 2,478,560	$ (31,720)
Expenditures:				
General government	2,246,318	2,382,928	2,202,694	180,234
Excess of revenues over expenditures	$ 263,962	$ 127,352	$ 275,866	$ 148,514
Surveyor's Corner Perpetuation				
Revenues:				
Charges for services	$ 170,000	$ 170,000	$ 267,035	$ 97,035
Expenditures:				
General government	170,822	170,822	88,296	82,526
Excess (deficiency) of revenues over expenditures	$ (822)	$ (822)	$ 178,739	$ 179,561
Prosecutor's Diversion				
Revenues:				
Charges for services	$ 710,000	$ 710,000	$ 654,040	$ (55,960)
Expenditures:				
Public safety	940,207	940,207	777,408	162,799
Deficiency of revenues over expenditures	$ (230,207)	$ (230,207)	$ (123,368)	$ 106,839
Prosecutor's Law Enforcement				
Revenues:				
Intergovernmental	$ 550,000	$ 550,000	$ 1,178,284	$ 628,284
Expenditures:				
Public safety	960,807	970,807	664,398	306,409
Excess (deficiency) of revenues over expenditures	$ (410,807)	$ (420,807)	$ 513,886	$ 934,693
County Extradition				
Revenues:				
Charges for services	$ 40,000	$ 40,000	$ 38,652	$ (1,348)
Expenditures:				
Public safety	144,547	144,547	134,449	10,098
Deficiency of revenues over expenditures	$ (104,547)	$ (104,547)	$ (95,797)	$ 8,750

(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
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

	Budgeted Amounts			Variance with Final Budget— Positive
	Original	Final	Actual Amounts	(Negative)
County Misdemeanant				
Revenues				
Intergovernment	$ 600,551	$ 600,551	$ 600,551	$ —
Expenditures				
Public Safety	640,480	640,480	639,260	1,220
Deficiency of revenues over expenditures	$ (39,929)	$ (39,929)	$ (38,709)	$ (1,220)
Alcohol and Drug Services				
Revenues				
Charges for services	$ 1,015,000	$ 1,015,000	$ 1,062,870	$ 47,870
Expenditures				
General government	1,024,018	1,024,018	959,233	64,785
Excess (deficiency) of revenues over expenditures	$ (9,018)	$ (9,018)	$ 103,637	$ 112,655
County Records Perpetuation				
Revenues:				
Charges for services	$ 1,794,000	$ 1,794,000	$ 1,566,369	$ (227,631)
Expenditures				
General government	1,208,926	1,861,910	1,173,609	688,301
Excess (deficiency) of revenues over expenditures	$ 585,074	$ (67,910)	$ 392,760	$ 460,670
Community Corrections Home Detention				
Revenues:				
Charges for services	$ 70,000	$ 70,000	$ 2,534,599	$ 2,464,599
Expenditures:				
Public Safety	72,366	2,362,307	1,830,385	531,922
Excess (deficiency) of revenues over expenditures	$ (2,366)	$ (2,292,307)	$ 704,214	$ 2,996,521
Supplemental Public Defender Fee				
Revenues:				
Charges for services	$ 220,000	$ 220,000	$ 218,364	$ (1,636)
Expenditures:				
General government	205,000	205,000	174,877	30,123
Excess of revenues over expenditures	$ 15,000	$ 15,000	$ 43,487	$ (31,759)

(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
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

	Budgeted Amounts			Variance with Final Budget—
	Original	Final	Actual Amounts	Positive (Negative)
Deferral Program Fees				
Revenues:				
Charges for services	$ 3,070,000	$ 3,070,000	$ 2,982,552	$ (87,448)
Expenditures:				
Public safety	4,116,202	4,116,202	3,241,655	874,547
Total expenditures	4,116,202	4,116,202	3,241,655	874,547
Deficiency of revenues over expenditures	$ (1,046,202)	$ (1,046,202)	$ (259,103)	$ 787,099
County Drug Free Community				
Revenues:				
Charges for services	$ 400,000	$ 400,000	$ 480,341	$ 80,341
Expenditures:				
Public safety	500,000	500,000	505,083	(5,083)
Deficiency of revenues over expenditures	$ (100,000)	$ (100,000)	$ (24,742)	$ 75,258
Conditional Release				
Revenues:				
Charges for services	$ 115,000	$ 115,000	$ 104,147	$ (10,853)
Expenditures:				
General government	170,281	274,158	209,982	64,176
Deficiency of revenues over expenditures	$ (55,281)	$ (159,158)	$ (105,835)	$ 53,323
Enhanced Access				
Revenues:				
Charges for services	$ 3,600	$ 3,600	$ 219,539	$ 215,939
Expenditures:				
General government	101,600	101,600	3,101	98,499
Excess (deficiency) of revenues over expenditures	$ (98,000)	$ (98,000)	$ 216,438	$ 314,438
Auditor's Endorsement Fee				
Revenues:				
Charges for services	$ 147,784	$ 147,784	$ 283,158	$ 135,374
Expenditures:				
General government	217,842	217,842	26,750	191,092
Excess (deficiency) of revenues over expenditures	$ (70,058)	$ (70,058)	$ 256,408	$ 326,466

(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
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

	Budgeted Amounts			Variance with Final Budget—
	Original	Final	Actual Amounts	Positive (Negative)
Other – Guardian Ad Litem				
Revenues:				
Intergovernmental	$ 141,000	$ 141,000	$ 150,756	$ 9,756
Expenditures:				
Public safety	139,811	150,556	150,556	—
Excess (deficiency) of revenues over expenditures	$ 1,189	$ (9,556)	$ 200	$ 9,756
Other – County Grants				
Revenues:				
Intergovernmental	$ —	$ 138,903	$ 150,050	$ 11,147
Expenditures:				
General government	—	165,410	48,415	116,995
Public safety	—	32,812	25,470	7,342
Total expenditures	—	198,222	73,885	124,337
Excess (deficiency) of revenues over expenditures	$ —	$ (59,319)	$ 76,165	$ 135,484
Other – Child Advocacy				
Revenues:				
Charges for services	$ —	$ —	$ 5,154	$ 5,154
Expenditures:				
General government	—	—	—	—
Excess of revenues over expenditures	$ —	$ —	$ 5,154	$ 5,154
Other – Clerk's Perpetuation Fund				
Revenues:				
Charges for services	$ 250,000	$ 250,000	$ 374,386	$ 124,386
Expenditures:				
General government	63,000	273,000	171,054	101,946
Excess (deficiency) of revenues over expenditures	$ 187,000	$ (23,000)	$ 203,332	$ 226,332
Other – Drug Treatment Diversion Program				
Revenues:				
Intergovernmental	$ —	$ —	$ 15,672	$ 15,672
Expenditures:				
General government	—	6,800	1,175	5,625
Excess (deficiency) of revenues over expenditures	$ —	$ (6,800)	$ 14,497	$ 21,297

(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
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

	Budgeted Amounts			Variance with Final Budget—
	Original	Final	Actual Amounts	Positive (Negative)
Other – Juvenile Probation				
Revenues:				
Charges for services	$ 150,000	$ 150,000	$ 139,349	$ (10,651)
Expenditures:				
General government	180,000	224,000	121,718	102,282
Excess (deficiency) of revenues over expenditures	$ (30,000)	$ (74,000)	$ 17,631	$ 91,631
Other – Sheriff's Continuing Education				
Revenues:				
Charges for services	$ 35,000	$ 35,000	$ 44,838	$ 9,838
Expenditures:				
Public safety	30,000	30,000	14,150	15,850
Excess of revenues over expenditures	$ 5,000	$ 5,000	$ 30,688	$ 25,688
Other – Jury Pay				
Revenues:				
Charges for services	$ 175,000	$ 175,000	$ 180,402	$ 5,402
Expenditures:				
General government	250,000	250,000	250,000	—
Deficiency of revenues over expenditures	$ (75,000)	$ (75,000)	$ (69,598)	$ 5,402
Other – Local Emergency Planning				
Revenues:				
Charges for services	$ 45,000	$ 45,000	$ 75,851	$ 30,851
Expenditures:				
General government	67,500	67,500	30,900	36,600
Deficiency of revenues over expenditures	$ (22,500)	$ (22,500)	$ 44,951	$ 67,451

See Accompanying Independent Auditors' Report.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
CAPITAL PROJECTS FUNDS
YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget— Positive (Negative)
Cumulative Capital Development				
Revenues:				
Taxes	$ 8,726,227	$ 8,586,144	$ 8,370,448	$ (215,696)
Miscellaneous	425,000	425,000	98,110	(326,890)
Total revenues	9,151,227	9,011,144	8,468,558	(542,586)
Expenditures:				
Capital outlay	5,457,907	5,457,907	4,895,604	562,303
Distribution to City of Indianapolis	4,306,846	4,306,846	4,306,846	—
Total expenditures	9,764,753	9,764,753	9,202,450	562,303
Deficiency of revenues over expenditures	$ (613,526)	$ (753,609)	$ (733,892)	$ 19,717
Capital Improvement Lease Fund				
Revenues:				
Taxes	$ 2,010,302	$ 2,058,754	$ 2,007,199	$ (51,555)
Expenditures:				
Sheriff	2,009,000	2,008,423	2,004,000	4,423
Excess of revenues over expenditures	$ 1,302	$ 50,331	$ 3,199	$ (47,132)

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 in 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 payment 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 which were claimed for delinquent taxes.

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

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

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

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

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

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.

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

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

OTHER—Represents eleven 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 FIDUCIARY NET ASSETS – PENSION TRUST FUNDS
DECEMBER 31, 2004

	Retirement	Disability	Total
Assets			
Cash	$ 53,905,613	$ 538,163	$ 54,443,776
Investments			
US government securities	16,776,206	4,393,387	21,169,593
Corporate obligations	17,130,211	6,271,801	23,402,012
Corporate equity securities	39,015,163	—	39,015,163
Receivables:			
Accrued interest	628,632	111,502	740,134
Other	53,927	—	53,927
Due from other funds	4,465,008	950,360	5,415,368
Total assets	131,974,760	12,265,213	144,239,973
Liabilities			
Accrued liabilities	83,652	—	83,652
Due to other funds	22,048	—	22,048
Amounts held in custody for others	225,225	—	225,225
Total liabilities	330,925	—	330,925
Net Assets			
Net assets for employees' pension benefits	$ 131,643,835	$ 12,265,213	$ 143,909,048

See Independent Auditors' Report.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS – FIDUCIARY FUNDS – PENSION TRUST FUNDS
YEAR ENDED DECEMBER 31, 2004

	Retirement	Disability	Total
Additions			
Contributions:			
Employer	$ 4,252,412	$ 928,311	$ 5,180,723
Employee	862,829	—	862,829
Total contributions	5,115,241	928,311	6,043,552
Investment income:			
Interest and dividends	3,144,825	563,009	3,707,834
Net increase in fair value of investments	7,260,829	642,550	7,903,379
Less investment expenses	(437,287)	(6,405)	(443,692)
Net investment income	9,968,367	1,199,154	11,167,521
Miscellaneous	—	22,049	22,049
Total additions	15,083,608	2,149,514	17,233,122
Deductions			
Retirement benefits	5,265,501	713,681	5,979,182
Miscellaneous	505,333	100,412	605,745
Total deductions	5,770,834	814,093	6,584,927
Change in plan net assets	9,312,774	1,335,421	10,648,195
Net assets – beginning of year	122,331,061	10,929,792	133,260,853
Net assets – end of year	$ 131,643,835	$ 12,265,213	$ 143,909,048

See Independent Auditors' Report.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
COMBINING STATEMENT OF FIDUCIARY NET ASSETS – AGENCY FUNDS
DECEMBER 31, 2004

	Excise Tax Refunds	Property Tax Refunds	State Taxes	Tax Sale Redemption	Tax Sale Surplus	State Public Safety Fees	Sale of County-Owned Property	Treasurer's Surplus	Trust Clearance	Court Costs to Municipalities	Treasurer's Tax Collection
Assets											
Cash and investments	$ —	$ —	$ 4,924,853	$ —	$ 14,481,219	$ 277,216	$ 834,591	$ 6,734,521	$ 229,943	$ 275,483	$ 14,357,760
Receivables:											
Property Taxes	—	—	—	—	—	—	—	—	—	—	67,944,435
Due from other funds	—	3,373,771	—	237,479	—	—	—	—	—	—	—
Total assets	$ —	$ 3,373,771	$ 4,924,853	$ 237,479	$ 14,481,219	$ 277,216	$ 834,591	$ 6,734,521	$ 229,943	$ 275,483	$ 82,302,195
Liabilities											
Due to other funds	$ —	$ —	$ 3,223	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 17,506,882
Amounts held in custody for others	—	3,373,771	4,921,630	237,479	14,481,219	277,216	834,591	6,734,521	229,943	275,483	64,795,313
Total liabilities	$ —	$ 3,373,771	$ 4,924,853	$ 237,479	$ 14,481,219	$ 277,216	$ 834,591	$ 6,734,521	$ 229,943	$ 275,483	$ 82,302,195

	Family and Children Services	Law Enforcement Continuing Education	Payroll	Juvenile Court	Probation	Clerk of Circuit Court	Sheriff	IMAGIS	Other	Total
Assets										
Cash and investments	$ 4,089,553	$ 492,634	$ 3,827,079	$ 93,786	$ —	$ 4,960,643	$ 3,771,400	$ 193,215	$ 107,501	$ 59,651,397
Receivables:										
Property Taxes	—	—	—	—	—	—	—	—	—	67,944,435
Due from other funds	1,617,486	—	—	—	—	—	—	—	—	5,228,736
Total assets	$ 5,707,039	$ 492,634	$ 3,827,079	$ 93,786	$ —	$ 4,960,643	$ 3,771,400	$ 193,215	$ 107,501	$ 132,824,568
Liabilities										
Due to other funds	$ —	$ —	$ 229,537	$ —	$ —	$ —	$ —	$ —	$ —	$ 17,739,642
Amounts held in custody for others	5,707,039	492,634	3,597,542	93,786	—	4,960,643	3,771,400	193,215	107,501	115,084,926
Total liabilities	$ 5,707,039	$ 492,634	$ 3,827,079	$ 93,786	$ —	$ 4,960,643	$ 3,771,400	$ 193,215	$ 107,501	$ 132,824,568

See Independent Auditors' Report.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2004

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Excise Tax Refunds				
Assets:				
Cash and investments	$ —	$ 2,853	$ 2,853	$ —
Due from other funds	32,859	—	32,859	—
	$ 32,859	$ 2,853	$ 35,712	$ —
Liabilities:				
Amounts held in custody for others	$ 32,859	$ 2,853	$ 35,712	$ —
Property Tax Refunds				
Assets:				
Cash and investments	$ —	$ 20,521,076	$ 20,521,076	$ —
Due from other funds	892,535	3,373,771	892,535	3,373,771
	$ 892,535	$ 23,894,847	$ 21,413,611	$ 3,373,771
Liabilities:				
Amounts held in custody for others	$ 892,535	$ 23,894,847	$ 21,413,611	$ 3,373,771
State Taxes				
Assets:				
Cash and investments	$ 6,866,471	$ 34,854,484	$ 36,796,102	$ 4,924,853
Liabilities:				
Due to other funds	$ 3,223	$ 3,223	$ 3,223	$ 3,223
Amounts held in custody for others	6,863,248	34,851,261	36,792,879	4,921,630
	$ 6,866,471	$ 34,854,484	$ 36,796,102	$ 4,924,853
Tax Sale Redemption				
Assets:				
Cash and investments	$ 69,051	$ 3,132,121	$ 3,201,172	$ —
Due from other funds	—	237,479	—	237,479
	$ 69,051	$ 3,369,600	$ 3,201,172	$ 237,479
Liabilities:				
Due to other funds	$ —	$ —	$	$ —
Amounts held in custody for others	69,051	3,369,600	3,201,172	237,479
	$ 69,051	$ 3,369,600	$ 3,201,172	$ 237,479
Tax Sale Surplus				
Assets:				
Cash and investments	$ 12,816,300	$ 12,436,648	$ 10,771,729	$ 14,481,219
Liabilities:				
Amounts held in custody for others	$ 12,816,300	$ 12,436,648	$ 10,771,729	$ 14,481,219
State Public Safety Fees				
Assets:				
Cash and investments	$ 290,245	$ 2,100,007	$ 2,113,036	$ 277,216
Liabilities:				
Amounts held in custody for others	$ 290,245	$ 2,100,007	$ 2,113,036	$ 277,216

(Continued)

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2004
(CONTINUED)

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Sale of County-Owned Property				
Assets:				
Cash and investments	$ 785,302	$ 269,784	$ 220,495	$ 834,591
Liabilities:				
Amounts held in custody for others	$ 785,302	$ 269,784	$ 220,495	$ 834,591
Treasurer's Surplus				
Assets:				
Cash and investments	$ 5,278,006	$ 5,054,597	$ 3,598,082	$ 6,734,521
Liabilities:				
Amounts held in custody for others	$ 5,278,006	$ 5,054,597	$ 3,598,082	$ 6,734,521
Trust Clearance				
Assets:				
Cash and investments	$ 391,767	$ 651,810	$ 813,634	$ 229,943
Liabilities:				
Amounts held in custody for others	$ 391,767	$ 651,810	$ 813,634	$ 229,943
Court Costs to Municipalities				
Assets:				
Cash and investments	$ 263,635	$ 253,612	$ 241,764	$ 275,483
Liabilities:				
Amounts held in custody for others	$ 263,635	$ 253,612	$ 241,764	$ 275,483
Treasurer's Tax Collection				
Assets:				
Cash and investments	$ 16,034,499	$ 1,490,698,843	$ 1,492,375,582	$ 14,357,760
Property taxes receivable	63,969,377	67,944,435	63,969,377	67,944,435
	$ 80,003,876	$ 1,558,643,278	$ 1,556,344,959	$ 82,302,195
Liabilities:				
Due to other funds	$ 14,577,232	$ 17,506,882	$ 14,577,232	$ 17,506,882
Amounts held in custody for others	65,426,644	1,541,136,396	1,541,767,727	64,795,313
	$ 80,003,876	$ 1,558,643,278	$ 1,556,344,959	$ 82,302,195
Family and Children Services				
Assets:				
Cash and investments	$ 6,486,644	$ 99,179,213	$ 101,576,304	$ 4,089,553
Due from other funds	1,462,785	1,705,986	1,551,285	1,617,486
	$ 7,949,429	$ 100,885,199	$ 103,127,589	$ 5,707,039
Liabilities:				
Amounts held in custody for others	$ 7,949,429	$ 100,885,199	$ 103,127,589	$ 5,707,039
Law Enforcement Continuing Edncation				
Assets:				
Cash and investments	$ 456,906	$ 222,089	$ 186,361	$ 492,634
Liabilities:				
Amounts held in custody for others	$ 456,906	$ 222,089	$ 186,361	$ 492,634

(Continued)

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2004
(CONTINUED)

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Payroll				
Assets:				
Cash and investments	$ 3,029,345	$ 142,951,446	$ 142,153,712	$ 3,827,079
Liabilities:				
Due to other funds	$ 198,781	$ 229,537	$ 198,781	$ 229,537
Amounts held in custody for others	2,830,564	142,721,909	141,954,931	3,597,542
	$ 3,029,345	$ 142,951,446	$ 142,153,712	$ 3,827,079
Juvenile Court				
Assets:				
Cash and investments	$ 91,234	$ 65,650	$ 63,098	$ 93,786
Liabilities:				
Amounts held in custody for others	$ 91,234	$ 65,650	$ 63,098	$ 93,786
Probation				
Assets:				
Cash and investments	$ 4,660	$ 25	$ 4,685	$ —
Liabilities:				
Amounts held in custody for others	$ 4,660	$ 25	$ 4,685	$ —
Clerk of Circuit Court				
Assets:				
Cash and investments	$ 16,564,955	$ 14,007,765	$ 25,612,077	$ 4,960,643
Liabilities:				
Amounts held in custody for others	$ 16,564,955	$ 14,007,765	$ 25,612,077	$ 4,960,643
Sheriff				
Assets:				
Cash and investments	$ 4,211,357	$ 39,187,771	$ 39,627,728	$ 3,771,400
Liabilities:				
Amounts held in custody for others	$ 4,211,357	$ 39,187,771	$ 39,627,728	$ 3,771,400
IMAGIS				
Assets:				
Cash and investments	$ 383,190	$ 346,525	$ 536,500	$ 193,215
Liabilities:				
Amounts held in custody for others	$ 383,190	$ 346,525	$ 536,500	$ 193,215
Other				
Assets:				
Cash and investments	$ 85,586	$ 260,840	$ 238,925	$ 107,501
Liabilities:				
Amounts held in custody for others	$ 85,586	$ 260,840	$ 238,925	$ 107,501

(Continued)

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – AGENCY FUNDS
FOR THE YEAR ENDING DECEMBER 31, 2004
(CONTINUED)

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and investments	$ 74,109,153	$ 1,866,197,159	$ 1,880,654,915	$ 59,651,397
Property taxes receivable	63,969,377	67,944,435	63,969,377	67,944,435
Due from other funds	2,388,179	5,317,236	2,476,679	5,228,736
	$ 140,466,709	$ 1,939,458,830	$ 1,947,100,971	$ 132,824,568
Liabilities:				
Due to other funds	$ 14,779,236	$ 17,739,642	$ 14,779,236	$ 17,739,642
Amounts held in custody for others	125,687,473	1,921,719,188	1,932,321,735	115,084,926
	$ 140,466,709	$ 1,939,458,830	$ 1,947,100,971	$ 132,824,568

See Independent Auditors' Report.

STATISTICAL SECTION

TABLE I

MARION COUNTY, INDIANA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION[1]
LAST TEN FISCAL YEARS

Year	General Government[3]	Public Safety[3]	Welfare[2]	Intergovern-mental	Debt Service	Capital Projects	Total
2004	$ 84,292,561	$ 145,336,448	$ 5,531,550	$ —	$ 1,920,267	$ 9,050,133	$ 246,130,959
2003	107,475,532	126,145,748	6,563,018	—	10,366,305	10,422,318	260,972,921
2002	99,637,429	117,685,042	1,816,011	—	10,994,392	23,011,607	253,144,481
2001	109,903,041	93,297,040	21,691,223	—	12,501,757	9,477,669	246,870,730
2000	99,305,956	89,393,717	3,889,337	—	—	9,897,346	202,486,356
1999	90,050,197	86,373,203	1,717,304	—	—	10,797,058	188,937,762
1998	83,502,699	79,271,471	1,588,455	—	—	13,040,894	177,403,519
1997	75,738,776	90,752,303	1,733,216	—	—	9,727,874	177,952,169
1996	79,116,165	70,983,616	1,655,712	—	—	7,685,075	159,440,568
1995	79,713,402	58,944,472	2,140,230	—	—	8,332,190	149,130,294

[1]Includes General, Special Revenue, Debt Service, and Capital Projects Funds on modified accrual basis.

[2]In February 1995, the County ceased operating the Marion County Healthcare Center.

[3]In 1996, a number of reclassifications were recorded to reflect proper functions of expenditures. These reclassifications were not performed for years prior to 1996.

TABLE II

MARION COUNTY, INDIANA
GENERAL GOVERNMENTAL REVENUES BY SOURCE[1,2]
LAST TEN FISCAL YEARS

Year	Taxes	Intergovern-mental	Interest	Charges for services	Miscellaneous	Total
2004	$ 164,448,388	$ 33,655,161	$ 4,158,493	$22,667,038	$ 1,169,078	$ 226,098,158
2003	180,824,964	25,711,573	3,321,377	22,955,026	1,667,903	234,480,843
2002	154,141,016	22,387,152	4,495,763	21,692,116	5,370,291	208,086,338
2001	153,794,423	23,674,456	9,990,743	19,610,416	3,953,910	211,023,948
2000	135,553,880	23,664,676	15,778,386	18,953,793	4,130,314	198,081,049
1999	132,840,256	21,914,983	12,293,551	18,721,388	3,720,348	189,490,526
1998	131,490,774	18,256,982	12,099,237	16,679,612	4,928,986	183,455,591
1997	121,260,328	18,966,282	11,307,257	14,974,901	6,681,408	173,190,176
1996	120,685,139	16,420,129	8,468,052	13,177,645	2,313,389	161,064,354
1995	113,191,439	15,922,877	10,189,444	13,898,534	1,912,013	155,114,307

[1] Includes General, Special Revenue, Debt Service, and Capital Projects Funds on modified accrual basis.

[2] Year 2001 revenues in accordance with GASB Statement No. 33 and Statement No. 36. Prior year revenues amounts have not been adjusted.

TABLE III

MARION COUNTY, INDIANA
TAX REVENUES BY SOURCE[1,2]
LAST TEN FISCAL YEARS

Year	Total taxes	Property taxes	Financial institution tax	Excise tax[3]	Local option income tax	Other state and local taxes
2004	$ 164,448,388	$ 115,554,772	$ 1,363,847	$ 10,365,079	$ 34,215,403	$2,949,287
2003	180,824,964	131,318,317	1,322,125	11,263,301	34,129,754	2,781,467
2002	154,141,016	109,397,878	1,256,158	10,848,204	32,217,382	421,394
2001	153,794,423	109,357,795	1,472,175	11,285,177	30,840,465	838,811
2000	135,553,880	95,239,849	1,323,901	9,329,303	28,845,506	816,131
1999	132,840,256	91,899,871	1,591,283	9,200,524	28,428,530	1,720,048
1998	131,490,774	91,760,999	1,397,091	9,830,273	26,682,748	1,819,663
1997	121,260,328	85,012,419	1,425,295	8,579,390	25,323,496	919,728
1996	120,685,139	86,360,317	1,229,650	8,622,374	23,977,200	495,598
1995	113,191,439	81,793,824	1,205,435	8,416,036	21,776,144	—

[1] Includes General, Special Revenue, Debt Service, and Capital Projects Funds on modified accrual basis.

[2] Year 2001 revenues in accordance with GASB Statement No. 33 and Statement No. 36. Prior year revenue amounts have not been adjusted.

[3] Beginning in 2001, the County began to receive Commercial Vehicle Excise Tax.

TABLE IV

MARION COUNTY, INDIANA
PROPERTY TAX LEVIES AND COLLECTIONS[1, 3]
LAST TEN FISCAL YEARS

Year	Total tax levy[2]	Current tax collections	Percent of levy collected	Delinquent tax collections
2004	$ 163,091,290	$ 159,522,953	97.8%	$ 7,501,984
2003	173,505,578	172,067,938	99.2	6,475,740
2002	151,594,331	148,821,953	98.1	5,525,354
2001	127,033,594	122,269,099	96.2	4,337,332
2000	125,607,444	119,434,756	95.1	4,494,510
1999	124,727,836	118,494,958	95.0	4,556,331
1998	122,425,483	115,897,043	94.7	4,565,582
1997	118,109,208	116,512,591	98.6	5,158,613
1996	127,885,492	131,046,663	102.5	4,341,295
1995	123,907,750	118,623,084	95.7	4,979,222

[1] Includes General, Special Revenue, Debt Service, and Capital Projects Funds on modified accrual basis.

[2] Source: Certification prepared by the State of Indiana Board of Tax Commissioners.

[3] Data has been adjusted to reflect credits issued by the County Auditor's Office as a result of appeals or other adjustments.

TABLE 1V (Continued)

Year	Total tax collections	Percent of total tax collections to tax levy	Outstanding delinquent taxes	Percent of delinquent taxes to tax levy
2004	$ 167,024,937	102.4%	$ 9,962,747	6.1%
2003	178,543,678	102.9	11,764,265	4.6
2002	154,347,307	101.8	6,999,135	4.6
2001	126,606,431	99.7	7,560,707	6.0
2000	123,929,266	98.7	7,363,626	5.9
1999	123,051,289	98.7	9,518,845	7.6
1998	120,462,625	98.4	10,737,132	8.8
1997	121,671,204	103.0	9,605,401	8.1
1996	135,387,958	105.9	10,105,419	7.9
1995	123,602,306	99.8	10,419,374	8.4

TABLE V

MARION COUNTY, INDIANA
ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS[5]

Year	Real property[1, 4] Assessed value[3]	Real property[1, 4] Estimated actual value	Personal property[2] Assessed value[3]
2004	$ 32,459,859,950	$ 32,459,859,950	$ 7,039,120,615
2003	30,206,379,075	20,820,046,410	8,845,067,370
2002	20,568,719,859	20,568,719,859	7,745,399,528
2001	6,705,722,193	20,117,166,579	2,479,642,504
2000	6,594,467,920	19,783,403,760	2,487,776,757
1999	6,479,504,341	19,438,513,023	2,402,979,370
1998	6,362,743,493	19,088,230,479	2,368,836,585
1997	6,146,749,746	18,440,249,238	2,183,118,841
1996	5,911,427,765	17,734,283,290	2,096,430,165
1995	5,390,081,775	16,170,245,325	1,961,312,525

1 Assessed values for real property for years, 1995 represents 1985 values and 1996 to 2001 represents 1991 values.
2 Assessed values for personal property updated annually.
3 Represents the assessed values certified by the State of Indiana, Department of Local Government Finance as of January 1.
4 Estimated actual value is three times the assessed value for years 1995 through 2001. It is assessed at 100% beginning in 2002.
5 In accordance with Indiana State Law, a property reassessment was conducted in 1996 and 2002.

TABLE VI

MARION COUNTY, INDIANA
PROPERTY TAX RATES AND TAX LEVIES—DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS[4, 5]

Year	Marion County Operations	Marion County Debt[1]	Marion County Total	City of Indianapolis
Tax Rates[3]				
2004	$ 0.4082	$ 0.0047	$ 0.4129	$ 0.9485
2003	0.4211	0.0232	0.4443	0.9724
2002	0.5005	0.0349	0.5354	1.2254
2001	1.2760	0.1283	1.4043	3.7670
2000	1.4038	—	1.4038	3.7825
1999	1.4022	—	1.4022	3.7948
1998	1.4021	—	1.4021	3.7956
1997	1.4179	—	1.4179	3.8033
1996	1.5970	—	1.5970	3.8054
1995	1.6855	—	1.6855	3.9140
Tax Levy				
2004	$ 161,234,838	$ 1,856,452	$ 163,091,290	$ 177,324,534
2003	164,445,642	9,059,936	173,505,578	178,014,621
2002	141,712,668	9,881,663	151,594,331	167,457,494
2001	117,205,253	11,784,823	128,990,076	169,691,054
2000	127,496,551	—	127,496,551	172,093,232
1999	124,727,836	—	124,727,836	173,926,014
1998	122,425,483	—	122,425,483	169,976,011
1997	118,109,208	—	118,109,208	161,098,123
1996	127,885,492	—	127,885,492	156,390,376
1995	123,907,750	—	123,907,750	152,352,986

1 Includes Welfare debt, County debt, and levy for Center Township Poor Relief Bond Fund.
2 Schools, Municipal Corporations and Other rates represent County wide average.
3 The above tax rates are based upon $100 assessed valuation.
4 In accordance with Indiana State Law, a property reassessment was conducted in 1996 and 2002.
5 Rates decreased because the assessed valuation increased by 3 times true value beginning in 2002.

Personal property[2]	Total[4]	
Estimated actual value	Assessed value[3]	Estimated actual value
$ 7,039,120,615	$ 39,498,980,565	$ 39,498,980,565
8,845,067,370	39,051,446,445	29,665,113,780
7,745,399,528	28,314,219,387	28,314,219,387
7,438,927,512	9,185,364,697	27,556,094,091
7,463,330,271	9,082,244,677	27,246,734,031
7,208,938,110	8,882,483,711	26,647,451,133
7,106,509,755	8,731,580,078	26,194,740,234
6,549,356,523	8,329,868,587	24,989,605,761
6,289,290,500	8,007,857,930	24,023,573,790
5,883,937,575	7,351,394,300	22,054,182,900

Municipal corporations[2]	Schools[2]	State of Indiana	Other[2]	Total
$ 0.3537	$ 1.5633	$ 0.0024	$ 0.2323	$ 3.0092
0.3555	1.4910	0.0033	0.1403	2.9625
0.4152	1.9594	0.0033	0.0799	4.2186
1.2843	5.3913	0.0100	0.7469	12.6038
1.2837	5.2446	0.0100	0.6427	12.3673
1.2835	5.2415	0.0100	0.6120	12.3460
1.2325	4.9884	0.0100	0.6909	12.1195
1.2013	4.9175	0.0100	0.7509	12.1009
1.2064	4.8825	0.0100	0.7477	12.2490
1.2508	5.1288	0.0100	0.7686	12.7577
$ 137,980,370	$ 617,491,699	$ 947,976	$ 97,756,049	$ 1,188,591,918
136,997,697	579,788,295	1,288,698	11,813,706	1,081,408,595
114,763,215	535,605,594	934,368	7,218,881	977,573,883
116,187,665	508,598,610	918,536	68,602,042	992,987,984
114,934,650	476,327,404	908,224	58,371,587	950,131,648
113,609,691	465,580,232	888,248	54,367,405	933,099,426
107,619,433	435,570,763	873,158	60,324,702	896,789,550
100,064,164	409,622,714	832,987	62,546,370	852,273,566
96,604,913	390,983,444	800,786	59,877,517	832,542,528
90,173,430	377,037,931	735,139	56,501,775	800,709,011

TABLE VII

MARION COUNTY, INDIANA
RATIO OF NET BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS[4]

Year	Assessed value[1,5]	Gross bonded debt[3]	Less Debt Service monies available[3]
2004	$ 39,498,980,565	$ 9,400,000	$ —
2003	39,051,446,445	11,100,000	501,464
2002	28,314,219,387	10,000,000	515,267
2001	9,185,364,697	20,000,000	635,095
2000	9,082,244,677	12,000,000	—
1999	8,882,483,711	—	—
1998	8,731,580,078	—	—
1997	8,329,868,587	—	—
1996	8,007,857,930	—	—
1995	7,351,394,300	—	—

(2000 Population: 860,454)
(1990 Population: 797,159)

[1] Represents the assessed values certified by the State of Indiana, Department of Local Government Finance as of January 1.
[2] Bonding limit is 2% of assessed value for years 1995 to 2001. It is .67% for 2002 to 2004.
[3] Only includes debt payable from property tax revenue and related debt service monies including prepaid items.
[4] In accordance with Indiana State Law, a property reassessment was conducted in 1996 and 2002.
[5] Assessed value represents 331/3% of estimated actual value for the years 1995 through 2001. Assessed value is 100% of estimated actual value for 2002, 2003 and 2004.

TABLE VIII

MARION COUNTY, INDIANA
COMPUTATION OF LEGAL DEBT MARGIN
December 31, 2004

Net Assessed Value, as certified by the State of Indiana, Department of Local Government Finance	$ 39,498,980,565
Debt Limit—.67% of Net Assessed Value	263,326,537
Net Bonded Debt	9,400,000
Legal Debt Margin	$ 253,926,537

Net bonded debt	Ratio of net bonded debt to assessed value	Ratio of net bonded debt to limit[2]	Net bonded debt per capita
$ 9,400,000	.02%	35%	$ 10.89
10,498,536	.03	4	12.20
9,484,733	.03	5	11.02
19,364,905	.20	11	22.51
12,000,000	.10	7	13.95
—	.00	0	0.00
—	.00	0	0.00
—	.00	0	0.00
—	.00	0	0.00
—	.00	0	0.00

TABLE IX

MARION COUNTY, INDIANA
SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT AND BONDING LIMIT
December 31, 2004 (1)

	Net assessed Valuation (7)	Bonding limit Percent	Bonding limit Amount	Bonds outstanding
DIRECT DEBT:				
Marion County	$ 39,498,980,565	0.67%	$ 263,326,537	$ 9,400,000
OVERLAPPING DEBT:				
City of Indianapolis:				
Civil City	$ 37,232,911,000	0.67%	$ 249,461	$ 1,441,000
Consolidated County	39,930,130,000	(3)	—	—
Park District	39,930,130,000	(8)	—	28,602,000
Redevelopment District	37,232,911,000	(8)	—	35,691,000
Flood Control District	39,498,980,565	0.67%	263,326,537	26,472,000
Metropolitan Thoroughfare District	39,930,130,000	1.33%	531,070,729	71,836,000
Sanitary District	36,564,519,000	4%	1,462,580,760	80,301,000
Police Special Service District	12,098,142,000	(2)	—	—
Fire Special Service District	11,124,551,000	(2)	—	—
Solid Waste Disposal Special Service District	37,232,911,000	2.00%	744,658,220	—
Public Safety Communication and Computer Facilities District	39,390,130,000	0.67%	262,600,867	11,750,000
Total City of Indianapolis (9)			$ 3,264,486,574	$ 256,093,000
Municipal Corporations:				
Airport Authority	$ 39,498,980,565	0.67%	$ 263,326,537	$ —
Health and Hospital Corporation	39,498,980,565	0.67%	263,326,537	48,080,000
Capital Improvement Board of Managers of Marion County	39,498,980,565	0.67%	263,326,537	—
Indianapolis-Marion County Library	38,275,649,835	0.67%	255,170,999	81,417,718
Indianapolis-Marion County Building Authority	39,498,980,565	(5)	—	43,020,000
Indianapolis Public Transportation Corporation	37,317,806,555	0.67%	248,785,377	15,965,000
Total Municipal Corporations			$ 1,293,935,987	$ 188,482,718
School Districts:				
Beech Grove	$ 473,962,810	(4)	$ 85,073,985	$ 75,594,729
Decatur	1,056,218,530	(4)	187,232,402	166,108,031
Franklin	1,667,453,930	(4)	180,152,849	146,803,770
Indianapolis Public Schools	10,341,379,285	(4)	526,112,668	319,285,082
Lawrence	4,899,386,960	(4)	202,840,340	104,852,601
Perry	3,443,986,110	(4)	227,614,921	158,735,199
Pike	5,102,836,120	(4)	185,471,722	83,415,000
Speedway	749,367,920	(4)	14,987,358	—
Warren	3,089,853,710	(4)	215,936,992	154,139,918
Washington	5,382,473,460	(4)	134,278,469	26,629,000
Wayne	3,292,061,730	(4)	259,688,032	193,846,797
Total School Districts	$ 39,498,980,565		$ 2,219,389,738	$ 1,429,410,127

(Continued)

TABLE IX

MARION COUNTY, INDIANA
SCHEDULE OF DIRECT AND OVERLAPPING BONDED DEBT AND BONDING LIMIT
December 31, 2004 (1)
(Continued)

	Net assessed valuation(7)	Bonding limit Percent	Bonding limit Amount	Bonds outstanding
Other Cities and Towns:				
Beech Grove	$ 509,795,540	0.67%	$ 3,398,637	$ —
Lawrence	1,374,295,770	0.67%	9,161,972	5,100,000
Southport	57,510,320	0.67%	383,402	—
Speedway	749,367,920	0.67%	4,995,786	2,525,000
Included Towns – 12	—	(3)	—	—
Total Other Cities and Towns	$ 2,690,969,550		$ 17,939,797	$ 7,625,000
Townships:				
Center	$ 5,498,709,715	0.67%	$ 36,658,065	$ —
Decatur	1,060,953,870	0.67%	7,073,026	1,659,339
Franklin	1,820,908,900	0.67%	12,139,393	3,290,224
Lawrence	5,352,316,490	0.67%	35,682,110	1,179,960
Perry	3,804,894,300	0.67%	25,365,962	1,798,809
Pike	5,202,796,540	0.67%	34,685,310	3,400,000
Warren	4,090,979,570	0.67%	27,273,197	4,065,967
Washington	7,394,979,400	0.67%	49,299,863	—
Wayne	5,272,441,780	0.67%	35,149,612	6,396,753
Total Townships	$ 39,498,980,565		$ 263,326,537	$ 21,791,052
Excluded Cities Library Districts:				
Beech Grove	$ 473,962,810	0.67%	$ 3,159,752	$ 4,327,137
Speedway	749,367,920	0.67%	4,995,786	405,000
Total Excluded Cities Library Districts	$ 1,223,330,730		$ 8,155,538	4,732,137
Ben Davis Conservancy District	$ 372,824,600	(6)	—	$ —
Total Overlapping Debt			7,330,560,709	$1,917,534,034
Total Direct and Overlapping Debt			7,330,560,709	$1,917,534,034

(1) Excludes Revenue Bonds not payable from ad valorem taxes.
(2) No bonding authority.
(3) No bonding authority payable from ad valorem taxes.
(4) A statutory 2% limit on school district debt does not apply to any debt that is incurred by a school district building corporation for the purpose of constructing facilities to be leased to a school district at rentals sufficient to fund the corporation's annual debt service requirements. The bonding limit shown is the sum of the statutory limit plus the outstanding building corporation debt.
(5) There is no debt limit for the Building Authority. Its debt service requirements are funded by rentals paid by Marion County and the City of Indianapolis from ad valorem taxes mandated by the Authority's enabling legislation.
(6) Ben Davis Conservancy District has no bonding limit; bonds are payable from either collection of special benefits taxes or revenues produced from the project per Indiana Code 13-3-3-81.
(7) Represents the assessed values certified by the State of Indiana, Department of Local Government Finance as of January 1, 2004.
(8) There is no statutory or constitutional debt limitation applicable to the Park and Redevelopment Districts.
(9) Including $610,000 of matured bonds not presented for payment.

TABLE X

MARION COUNTY, INDIANA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS

Year	Debt Service requirements			Total General Governmental expenditures[1]	Ratio of Debt Service to General Governmental expenditures
	Principal	Interest	Total		
2004	$ 1,700,000	$ 175,293	$ 1,875,293	$ 246,130,959	0.8%
2003	10,000,000	366,305	10,287,865	260,972,921	4.0
2002	10,000,000	994,392	10,994,392	253,144,481	4.3
2001	12,000,000	501,757	12,501,757	246,870,730	5.1
2000	—	—	—	202,486,356	N/A
1999	—	—	—	188,937,762	N/A
1998	—	—	—	177,403,519	N/A
1997	—	—	—	177,952,169	N/A
1996	—	—	—	159,440,568	N/A
1995	—	—	—	149,130,294	N/A

[1]Includes General, Special Revenue, Debt Service, and Capital Projects Funds.

TABLE XI

MARION COUNTY, INDIANA
DEMOGRAPHIC STATISTICS

Population by Age[1]	2000	1990	1980	1970	1960	Percent of Total 2000	1990	1980	1970	1960
0-19	244,709	225,016	244,042	291,574	173,781	28%	28%	32%	39%	36%
20-44	346,027	338,728	290,450	238,506	155,365	40	42	38	32	33
45-64	174,184	140,594	151,443	149,467	99,861	20	18	20	20	21
65 and over	95,534	92,821	79,298	65,077	47,251	11	12	10	9	10
Totals	860,454	797,159	765,233	744,624	476,258	100%	100%	100%	100%	100%

Income Level of Marion County Households

Population[2]	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
Under $10,000[3]	—	—	—	—	—	—	—	—	32,078	32,603
$10,000-$19,999	86,000	82,490	82,847	79,970	84,502	85,863	88,537	93,319	47,290	47,963
$20,000-$34,999	80,000	79,990	79,990	75,954	78,490	79,516	81,855	83,653	75,400	75,236
$35,000-$49,999	64,000	64,635	64,278	62,570	63,460	63,479	63,813	64,656	66,140	63,951
Over $50,000	105,000	129,985	129,985	116,106	107,548	105,242	99,896	91,652	109,792	93,732
Total Households	335,000	357,100	357,100	334,600	334,000	334,100	334,100	333,280	330,700	313,485

Population	Total Population[1]	Percentage Change
2003	863,251	—
2002	863,429	7%
2001	856,938	(0.4)%
2000	860,454	6.1
1999	810,946	(0.3)
1998	813,405	—
1997	813,670	(0.1)
1996	814,854	—
1995	815,011	—
1994	815,293	0.2
1993	813,122	—
1992	812,324	—
1991	Unavailable[4]	—
1990	797,159	0.1
1989	796,300	0.6
1988	791,900	0.2
1987	790,100	0.6
1986	785,000	0.6
1985	780,000	0.7
1984	774,800	0.4
1983	772,000	0.1
1982	771,000	0.3
1981	768,700	0.5
1980	765,233	(0.4)
1979	768,302	—
1978	768,300	(0.6)
1977	772,802	(0.3)
1976	775,001	(0.8)
1975	781,102	(1.2)
1974	790,901	—
1973	790,502	(0.4)
1970	793,769	13.8
1960	697,567	26.4
1950	551,777	19.7
1940	460,926	—

[1] Data presented is per the U.S. Department of Commerce, Bureau of Census. Data prior to 1970 represents the Consolidated City of Indianapolis before Unigov reorganization.
[2] Data presented is per "2001 Survey of Buying Power and Media Markets" a supplement of Sales and Marketing Management Magazine. Data prior to 1995 is per the U.S. Department of Commerce, Bureau of Census.
[3] Data presented after 1994 is included with income levels up to $19,999.
[4] Population information pertaining to 1991 was not available.

TABLE XII

MARION COUNTY, INDIANA
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN FISCAL YEARS

	Building Permits[1]				
	No. Issued	Value of Buildings	Bank Deposits[2]	Savings and Loan Deposits[3]	Property Value[4]
2004	27,709	$ 1,684,256,649	$ 13,863,000,000	$ 2,532,000,000	$ 39,498,980,565
2003	31,413	1,480,607,149	13,962,000,000	2,389,000,000	39,051,446,445
2002	36,000	1,760,318,000	12,659,000,000	1,273,000,000	28,314,219,387
2001	41,000	1,932,731,000	11,520,000,000	2,392,000,000	27,556,094,091
2000	37,175	2,364,376,370	10,443,000,000	2,075,000,000	27,246,734,031
1999	40,013	1,948,286,690	11,301,000,000	1,903,000,000	26,647,451,133
1998	38,114	1,845,017,605	11,277,000,000	1,780,000,000	26,194,740,234
1997	38,567	1,199,898,147	9,771,643,000	1,472,507,000	24,989,605,761
1996	38,290	1,070,886,493	9,804,723,000	1,498,840,000	24,023,573,790
1995	39,203	1,339,263,435	10,042,791,000	1,469,224,000	22,054,182,900

1 Source: City of Indianapolis, Department of Metropolitan Development.

2 Source for 1994: Sheshunoff Information Services. 1995 to 1996 FHLB Presentation Analysis Report, FDIC Home Page for 1997 to 2002.

3 Source for 1994 to 1996: Sheshunoff Information Services, FDIC Home Page for 1997 to 2002.

4 For 1994 to 2001, property value is estimated actual value, i.e. three times assessed value. For 2002, property value equals estimated actual value.

MARION COUNTY, INDIANA
SCHEDULE OF INSURANCE IN FORCE
December 31, 2004

(A) Name of Company (B) Type of Coverage	Policy Number	Policy Period From To	Details of Coverage	Liability Limits	Annual Premium	Deductible
(A) Chubb Insurance	35363751	4/1/04-4/1/05	Blanket insurance on real and personal property of City/County on fire, EDP, boiler machinery and flood excess of $50 million.	$658,776,991	$719,018	$50,000 $500,000/Flood Zone A $100,000/Flood Zone B $100,000/Flood Zone C
(A) Great America Ins. Co. (B) Flood and Earth-quake Insurance	IMP871113803	1/1/03 – 1/1/04	Excess flood and earthquake. (DIC) $50 million excess.	$558,898,209	$45,000	$50,000,000
Agent: Brown & Brown						
(4) (A) A-1 King Insurance (B) Employee Dishonesty	CRDS040300	1/1/04 – 1/1/05	Employee Dishonesty	$100,000	$3,513	$2,500
(5) (A) Ohio Casualty (B) Bond	3663951	1/1/04 – 1/1/05	Public Officials coverage for County Treasurer, Mike Rodman	$300,000	$1,175	None
(7) (A) Ohio Casualty (B) Elected Official Bond	3767182	1/1/04 – 1/1/05	Bond covering Washington Township Assessor, Joline Ohmart	$8,500	$100	None
(8) (A) Fidelity & Deposit of Maryland (B) Public Officials	POB0003482	1/1/04 – 1/1/05	Public Officials coverage for Decatur Assessor – Charles Coleman.	$8,500	$100	None
(9) (A) Fidelity & Deposit of Maryland (B) Public Officials	3767169	1/1/04 – 1/1/05	Public Officials coverage for County Clerk, Doris Anne Sadler	$300,000	$1,050	None
(10)(A) Indiana Peerless (B) Public Officials	3767171	1/1/04 – 1/1/05	Public Officials coverage for County Surveyor, Mary Catherine Barton	$8,500	$100	None
(11)(A) Fidelity & Deposit of Maryland (B) Public Officials	POB0003482	1/1/04 – 1/1/05	Public Officials coverage for Decatur Assessor, Charles Coleman	$8,500	$100	None
(12)(A) Fidelity & Deposit of Maryland (B) Public Officials	3767170	1/1/04 – 1/1/05	Public Officials coverage for County Prosecutor, Carl Brizzi	$8,500	$100	None
(13)(A) Fidelity & Deposit of Maryland (B) Public Officials	3665000043	1/1/04 – 1/1/05	Public Officials coverage for County Coroner, Dr. Kenneth Ackles	$8,500	$100	None
(14)(A) Fidelity & Deposit of Maryland Public Officials	3767168	1/1/04 – 1/1/05	Public Officials coverage for County Sheriff, Frank Anderson	$90,000	$450	None
(15)(A) Arlington/ Roe & Co. (B) Public Officials	3664999	1/1/04 – 1/1/05	Public Officials coverage for County Recorder, Wanda Martin	$60,000	$350	None
(16)(A) Fidelity & Deposit of Maryland (B) Public Officials	POB4008539	1/1/04 – 1/1/05	Public Officials coverage for County Assessor, Joan Romeril	$8,500	$100	None
(17)(A) Peerless Insurance (B) Public Officials	POB8152168	1/1/04 – 1/1/05	Public Official Coverage for County Auditor, Martha Womacks	$300,000	$1,050	None
(A) Fidelity & Deposit of Maryland (B) Public Officials	POB0003483	1/1/04 – 1/1/05	Public Officials coverage for Wayne Twp Assessor, Charles Spears	$8,500	$100	None
(A) American States Insurance (B) Public Officials	01-EX-590695	1/1/04 – 1/1/05	Public Officials coverage for Center Twp Assessor, James Maley	$8,500	$100	None
(A) Ohio Casualty (B) Public Officials	3767192	1/1/04 – 1/1/05	Public Officials coverage for Franklin Twp Assessor Becky Williams	$8,500	$100	None
(A) CNA Surety (B) Public Officials	0601-14461487	1/1/04 – 1/1/05	Public Officials coverage for Warren Twp Assessor, William Birkle	$8,500	$100	None
(A) Ohio Farmers (B) Public Officials	5818601	1/1/04 – 1/1/05	Public Officials coverage for Perry Twp Assessor, Katherine Price	$8,500	$100	None
(A) Fidelity & Deposit (B) Public Officials	08604819	1/1/04 – 1/1/05	Public Officials coverage for Lawrence Twp Assess Raul Ricketts	$8,500	$100	None
(A) Sentry Insurance (B) Public Officials	67-63145-01	1/1/04 – 1/1/05	Public Officials coverage for Pike Twp Assessor, Barbara Hurst	$8,500	$100	None

TABLE XIV

MARION COUNTY, INDIANA
SALARIES OF PRINCIPAL OFFICE HOLDERS
For the Year 2004

Name	Title	Annual salary excluding meeting per-diem	Fidelity bond
Bart Peterson	County Executive	$ 95,000	$ —
Doris Anne Sadler	Clerk of the Circuit Court	76,500	300,000
Martha A. Womacks	Auditor	76,000	300,000
Michael W. Rodman	Treasurer	76,500	300,000
Wanda Martin	Recorder	70,500	8,500
Frank Anderson	Sheriff	102,338	90,000
Mary Catherine Barton	Surveyor	57,767	8,500
Kenneth Ackles, Sr., D.C.	Coroner	38,501	8,500
Joan N. Romeril	Assessor	70,500	8,500
Carl Brizzi	Prosecutor	5,000	—
Rozelle Boyd	City-County Council President	13,382	—
Joanne Sanders	City-County Council Majority Leader	12,720	—
Philip Borst, D.V.M.	City-County Council Minority Leader	12,720	—
Patrice Abduallah	City-County Councillor	11,400	—
Gregory Bowes	City-County Councillor	11,400	—
James Bradford	City-County Councillor	11,400	—
Vernon Brown	City-County Councillor	11,400	—
Virginia Cain	City-County Councillor	11,400	—
Bob Cockrum	City-County Councillor	11,400	—
Lonnell Conley	City-County Councillor	12,197	—
N. Susie Day	City-County Councillor	11,400	—
Sherron Franklin	City-County Councillor	11,400	—
Ron Gibson	City-County Councillor	12,197	—
Monroe Gray, Jr.	City-County Councillor	12,197	—
Scott Keller	City-County Councillor	11,400	—
Lance Langford	City-County Councillor	11,400	—
Dane Mahern	City-County Councillor	11,400	—
Angela Mansfield	City-County Councillor	11,400	—
Lynn McWhirter	City-County Councillor	11,400	—
Mary Moriarty Adams	City-County Councillor	12,197	—
Jackie Nytes	City-County Councillor	12,197	—
William Olliver	City-County Councillor	11,400	—
Lincoln Plowman	City-County Councillor	11,400	—
Marilyn Pfisterer	City-County Councillor	11,400	—
Issac Randolph, Jr.	City-County Councillor	11,400	—
Earl Salisbury	City-County Councillor	11,400	—
Scott Schneider	City-County Councillor	11,400	—
Mike Speedy	City-County Councillor	11,400	—
Steve Talley	City-County Councillor	12,197	—

All County employees except elected officials are covered by a $100,000 blanket bond.

CITY OF INDIANAPOLIS
PRINCIPAL TAXPAYERS
December 31, 2004

Principal Taxpayers	Type of Business	2004 Net Assessed Valuation (A)	
AIMCo	Real Estate – Apartment Complexes	$ 263,419	
American United Life Insurance Co.	Insurance	118,127	(B)
Eli Lilly & Company	Pharmaceuticals/Manufacturing	790,468	(B)
Federal Express Corp	Shipping	194,385	(B)
General Motors Corporation	Manufacturing - Automotive	199,030	
Indianapolis Power & Light	Utility	361,426	
International Truck and Engine	Manufacturing – Automotive	178,911	
Marsh Supermarkets, Inc.	Retail/Grocers	97,845	
Monument Circle, LLC	Real Estate	108,647	(B)
Roche Diagnostices Corp.	Manufacturing - Pharmaceuticals	91,370	
Rolls-Royce	Manufacturing - Automotive	103,894	
Simon Property Group, Inc.	Real Estate – Shopping Malls	275,553	
South Western Bell	Utility	397,080	(B)
Visteon Corp.	Manufacturing -Automotive	152,576	
Wal-Mart	Retail – Grocery	114,234	

(A) Represents the March 1, 2003 valuations for taxes due and payable in 2004 as represented by the taxpayer. The principal taxpayers are located in different taxing districts, therefore, percentage of total assessed valuation is not applicable. Amounts in thousands.

(B) Net Assessed Valuation was determined using public records from the Marion County Treasurer's Office.

MARION COUNTY, INDIANA
MISCELLANEOUS STATISTICS
December 31, 2004

County Seat—Indianapolis

U.S. Congressional District Nos. 6 and 10
Indiana House District Nos. 86 through 100
Indiana Senate District Nos. 29 through 36

Date of present charter adopted (UNIGOV)	1969
Form of Government	City-County Council and County Executive
Area—Square Miles	402
Estimated Miles of Streets	3,078
Estimated Miles of Sewers	2,930
Fire Protection	
Number of Stations	62
Number of Employees	1,690
Police Protection	
City of Indianapolis (A)	1,494
Marion County (A)	1,258
Total Number of Employees	2,752

Recreation	
Parks–Number	172
Parks–Acreage	10,639
Playgrounds	116
Golf Courses	13
Family Centers	28
Pools/Aquatic Center	22
Education (Public Schools)	
Number of Students (Grades K-12) (B)	172,266
Number of Street Lights	29,629
Number of Employees (Marion County)	3,229

(A) Includes civilians.
(B) Data presented is per the Indiana Department of Public Instruction for Marion County, all districts.

ADDITIONAL COPIES OF THIS REPORT

MAY BE OBTAINED FROM:

AUDITOR OF MARION COUNTY

MARTHA A. WOMACKS

821 CITY-COUNTY BUILDING

200 E. WASHINGTON STREET

INDIANAPOLIS, IN 46204

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

Financial Statements and
Accompanying Schedule of Expenditures of
Federal Awards with Reports of
Independent Auditors' as Required by
The Single Audit Act Amendments of 1996

Year ended December 31, 2004

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

Financial Statements and
Accompanying Schedule of Expenditures of
Federal Awards With Reports of
Independent Auditors' as Required by
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Year ended December 31, 2004

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

Financial Statements and
Accompanying Schedule of Expenditures of
Federal Awards With Reports of
Independent Auditors' as Required by
The Single Audit Act Amendments of 1996

Year ended December 31, 2004

KPMG LLP
Suite 1500
111 Monument Circle
Indianapolis, IN 46204

Independent Auditors' Report

Ms. Martha A. Womacks
Auditor and the 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, 2004 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 1, 2005, on our consideration of the County's internal control over financial reporting and 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 and 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 read in connection with this report in considering the results of our audit.

The management's discussion and analysis (MD&A) on pages 3 through 11; the budgetary comparison information on pages 46 through 48; the schedules of funding progress and the employer contributions on pages 49 and 50; and the notes to the required supplementary information on pages 51 and 52 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* 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.

KPMG LLP

Indianapolis, Indiana
July 1, 2005

MARION COUNTY
Management's Discussion And Analysis
Year ended December 31, 2004

As management of Marion County (County), Indiana, we offer readers of the County's Comprehensive Annual Financial Report (CAFR) this narrative overview and analysis of the financial activities of the Marion County government for the fiscal year ended December 31, 2004. A comparative financial analysis is presented with prior year information. For a better understanding of the financial information presented in the CAFR, we encourage readers to review the transmittal letter prior to this analysis and the financial statements following it.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the County's assets exceeded its liabilities at the close of 2004 by $5.8 million (net assets).
- Governmental activities had net assets of $2 million, and business-type activities had net assets of $3.8 million.
- As of December 31, 2004, the County's governmental funds reported combined ending deficit fund balances of ($39.7 million), a decrease of $20 million compared to the prior year.
- At the end of the fiscal year, the unreserved deficit fund balance for the General Fund was ($65.2 million).
- On a government-wide basis, the County's total expenses in 2004 were $263.4 million, or $24 million more than the $239.4 million generated in charges for services, grants, taxes, and other revenues.
- The General Fund revenues (budgetary basis) of $187.7 million were 98.9% of the original budget estimates.
- The County's total long-term liabilities decreased by $3.2 million during the current fiscal year. This decrease is largely attributable to capital lease payments of $3.1 million, payments of $1.7 million in 2004 related to voting machines financed in 2003, and a net decrease in other long-term liabilities of $1.6 million.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other information to supplement the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances using accounting methods similar to those used by private-sector companies. In these statements, a distinction is made between governmental activities and business-type activities. Governmental activities are those activities normally associated with the operation of a government that are principally supported by taxes and intergovernmental revenues. Business-type activities are those activities that are designed to be self-supportive through user fees and charges. There are two government-wide statements, the Statement of Net Assets and the Statement of Activities.

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference being the net assets. Changes in the net assets may serve as a useful indicator of whether or not the financial position of the County is improving or deteriorating.

The Statement of Net Activities presents information showing how the County's net assets changed during the most recent fiscal year. All current year revenues and expenses are accounted for in the statement of activities, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. This statement also presents the various programs of the County and the extent to which they are supported by charges for services, grants and contributions, taxes, and investment income. The governmental activities of the County include administration and finance, protection of people and property, judicial, corrections, recreation, and health and welfare. The business-type activities of the County include a juvenile alternative school, a forensic services training program and drug testing laboratory program.

Fund Financial Statements

The second set of financial statements are fund financial statements, which provide information about groupings of related accounts (funds) that are used to maintain control over resources that have been segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the County's most significant funds – not the County as a whole. The County's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds tell how general government services were financed in the short term as well as what financial resources remain available for future spending to finance County programs.

The County maintains several individual governmental funds according to their type (general, special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, State and Federal Grants Fund, Property Reassessment Fund and Cumulative Capital Development Fund, which are considered to be major funds. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements as supplementary information.

Proprietary Funds. Proprietary funds offer short-term and long-term financial information about services for which the County charges customers, both external customers and internal departments of the County. The County maintains the following two types of proprietary funds:

- Enterprise Funds are used to report information similar to business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the operations of the Juvenile Court Alternative School Services, Forensics Services Training and the Drug Testing Laboratory Fund, all of which are considered major funds.
- Internal Service Funds are used to report activities that provide services for certain County programs and activities. The County uses an internal service fund to provide for the financing of information technology.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of individuals or units of other governments. The County is the trustee or fiduciary responsible for assets that can be used for the trust beneficiaries per trust arrangements. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. Agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the County's own programs, they are not reflected in the government-wide financial statements.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that allows for a better understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and notes to the basic financial statements, this report also presents required supplementary information concerning the County's budgetary comparisons for the General Fund, State and Federal Grants, and Property Reassessment, and required information pertaining to the County's progress in funding its obligation to provide pension benefits to its employees.

Additional Supplementary Information

The combining statements and schedules provide fund level detail for all non-major governmental funds, pension trust funds, and agency funds. Also in this section are comparisons of actual to budget for all other annually-budgeted funds.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

This is the third year the County has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB No. 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.* The County has included prior years financial information to provide comparative information for Management's Discussion and Analysis.

Net assets. The County's combined net assets at December 31, 2004 were approximately $5.8 million. Looking at the net assets of governmental and business-type activities separately provides additional information.

Marion County, Indiana
Schedule of Net Assets
December 31, 2004

	Governmental activities 2004	Governmental activities 2003	Business-type activities 2004	Business-type activities 2003	Total 2004	Total 2003
Assets:						
Current and other assets	$ 65,205,616	$ 75,816,377	$ 540,859	$ 880,103	$ 65,746,475	$ 76,696,480
Capital assets, net of accumulated depreciation	73,303,223	76,844,874	3,480,000	3,560,000	76,783,223	80,404,874
Total assets	138,508,839	152,661,251	4,020,859	4,440,103	142,529,698	157,101,354
Liabilities:						
Long-term liabilities	34,076,724	35,640,512	—	—	34,076,724	35,640,512
Other liabilities	102,469,182	91,275,357	177,855	349,004	102,647,037	91,624,361
Total liabilities	136,545,906	126,915,869	177,855	349,004	136,723,761	127,264,873
Net assets:						
Invested in capital assets, net of related debt	43,163,608	33,589,021	3,480,000	3,560,000	46,643,608	37,149,021
Restricted	—	686,428	—	—	—	686,428
Unrestricted	(41,200,675)	(8,530,067)	363,004	531,099	(40,837,671)	(7,998,968)
Total net assets	$ 1,962,933	$ 25,745,382	$ 3,843,004	$ 4,091,099	$ 5,805,937	$ 29,836,481

ANALYSIS OF NET ASSETS

As noted earlier, net assets may serve as a useful indicator of a government's financial position. In Marion County, assets exceeded liabilities by $5.8 million at the close of fiscal year 2004. The largest portion of the County's net assets reflects its investment of $46.6 million in capital assets (e.g. land, buildings, and equipment), less related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

All net assets generated by governmental activities are invested in capital assets or had no restrictions on how they may be used. Consequently, unrestricted governmental net assets showed a ($41.2 million) deficit at the end of the year as compared to a deficit ($8.5 million) for the prior year. This deficit does not mean that the County does not have resources available to pay it bills. This deficit can be greatly attributed to a large liability due the state for the continually rising cost of incarcerated juveniles housed in state facilities.

All net assets generated by business-type activities are invested in capital assets or have no restrictions on how they may be used. Unrestricted net assets of the business-type activities were $363 thousand at the end of the year, a decrease of $168 thousand over the prior year. This decrease can be primarily tied to the Forensics Training Fund. The programs supporting this fund were ceased in 2004.

Changes in net assets. The County's total revenue on a government-wide basis for 2004 was $239.4 million. Taxes represent 68% of the County's revenue. Another 18% came from fees charged for services and 12% from grants and contributions. The remaining 2% came from interest earnings and miscellaneous revenues.

The total cost of all programs and services was $263.4 million. The County's expenses cover a range of typical County services. The programs with the largest burden on general revenues were Protection of People and Property, Corrections, and Judicial.

Marion County, Indiana
Schedule of Changes in Net Assets
For the year ended December 31, 2004

	Governmental activities 2004	Governmental activities 2003	Business-type activities 2004	Business-type activities 2003	Total 2004	Total 2002
Revenues:						
Program revenues:						
Charges for services	$ 43,930,966	$ 53,003,281	$ 796,920	$ 766,684	$ 44,727,886	$ 53,769,965
Operating grants and contributions	27,461,385	10,139,889	—	—	27,461,385	10,139,889
General revenues:						
Property tax	115,165,095	130,505,630	—	—	115,165,095	130,505,630
Other taxes	47,989,550	49,579,977	—	—	47,989,550	49,579,977
Other general revenues	4,047,375	3,237,500	—	—	4,047,375	3,237,500
Total revenues	238,594,371	246,466,277	796,920	766,684	239,391,291	247,232,961
Expenses:						
Administration and finance	40,536,550	44,317,424	—	—	40,536,550	44,317,424
Protection of people and property	87,531,515	78,641,150	—	—	87,531,515	78,641,150
Corrections	59,245,279	68,188,721	—	—	59,245,279	68,188,721
Judicial	52,956,427	39,923,909	—	—	52,956,427	39,923,909
Culture and recreation	1,347,487	1,444,132	—	—	1,347,487	1,444,132
Real estate and assessment	11,022,079	10,605,270	—	—	11,022,079	10,605,270
Health and welfare	7,291,301	12,635,686	—	—	7,291,301	12,635,686
Interest	2,446,182	2,914,439	—	—	2,446,182	2,914,439
Forensics training	—	—	147,646	115,902	147,646	115,902
Juvenile court alternative school services	—	—	518,375	515,540	518,375	515,540
Drug Testing Laboratory	—	—	378,994	14,571	378,994	14,571
Total expenses	262,376,820	258,670,731	1,045,015	646,013	263,421,835	259,316,744
Increase (decrease) in net assets	(23,782,449)	(12,204,454)	(248,095)	120,671	(24,030,544)	(12,083,783)
Net assets – beginning of year	25,745,382	37,949,836	4,091,099	3,970,428	29,836,481	41,920,264
Net assets – end of year	$ 1,962,933	$ 25,745,382	$ 3,843,004	$ 4,091,099	$ 5,805,937	$ 29,836,481

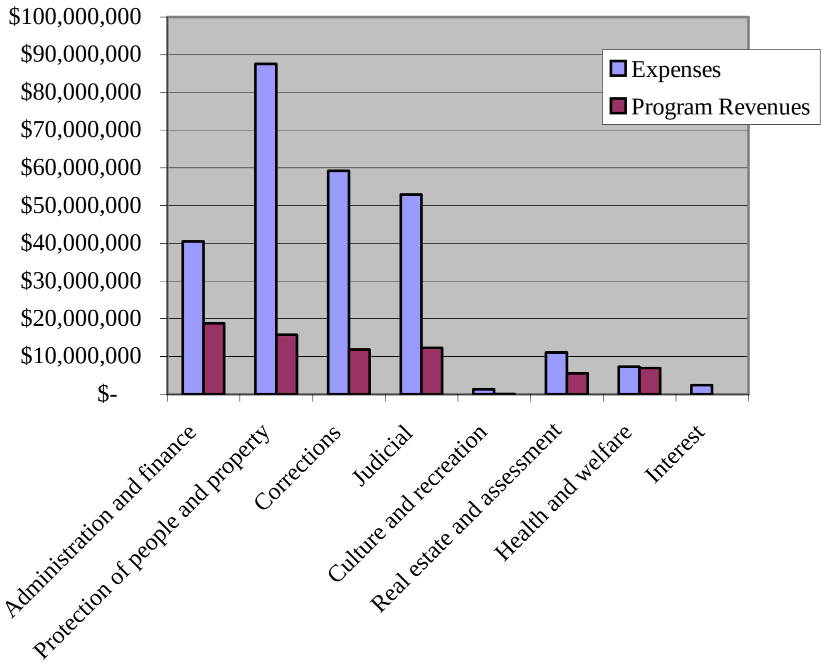
Governmental Activities. Governmental activities decreased the County's net assets by $23.8 million. This continuing decrease in net assets can be primarily attributed to an unfunded debt to the State of Indiana for the incarceration of juveniles, both boys and girls, in state institutions. The total debt to the State as of the end of 2004 is $62.6 million.

Total revenues for governmental activities in 2004 were $238.6 million, a decrease of $7.9 million over the prior year, mainly due to a decrease of $15.3 million in property taxes offset by increases in other categories. The decrease in property taxes is primarily due to property tax refunds for the 2002 property tax reassessments paid in 2003 and the associated refunds in 2004 as a result of appeals.

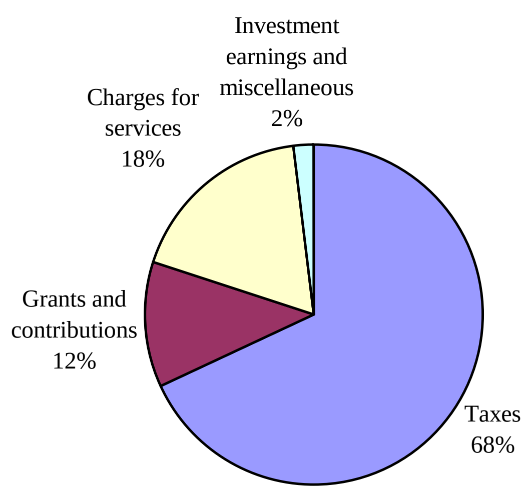
Total expenses for governmental activities for 2004 were $262.4 million, an increase of $3.7 million over the previous year. Protection of People and Property and Judicial increased a combined $22.0 million over the previous year. This increase is largely attributable to a full year's operation of the Arrestee Processing Center (APC). Corrections decreased by $9.0 million, mainly due to the utilization of the APC rather than incarceration. Administration and finance decreased $3.8 primarily due to budget restrictions and the refinancing of the County's voting system.

The following charts provide comparisons of the County's governmental program revenues and expenses by function and revenues by source. As shown, Protection of People and Property and Corrections are the largest functions in expense. General revenues such as property tax are not shown by program, but are included in the revenues by source chart to show their significance. Taxes are used to support program activities countywide.

Expenses and Program Revenues - Governmental Activities

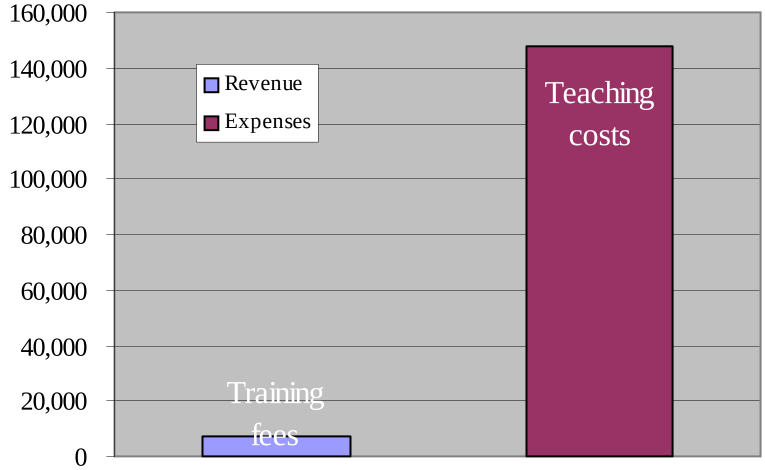


Revenues by Source - Governmental Activities

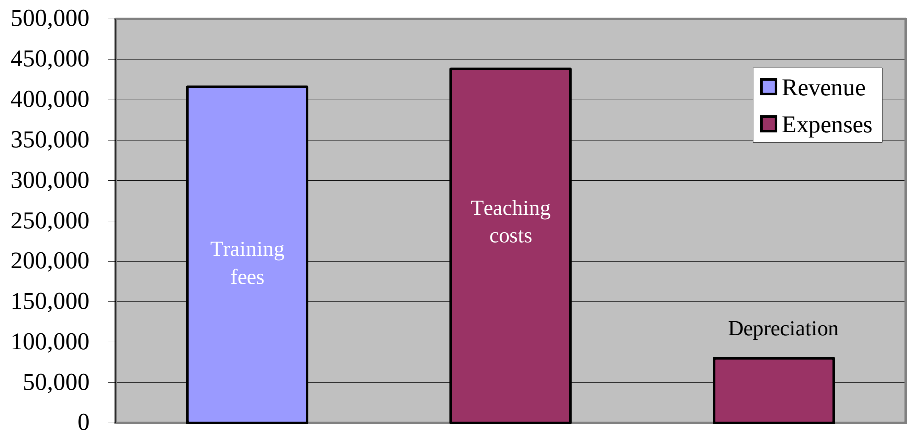


Business-type activities. At the juvenile alternative school, operating revenues were down $31 thousand over last year with only a slight decrease in expenses of $3 thousand. Operating revenues in the forensic services training fund were down by $21 thousand with an increase in expenditures of $32 thousand over last year. The decision was made in mid-2004 to end the forensic training program. Revenues for the Drug Testing Lab Fund were $373 thousand with expenses of $379 thousand. This is an increase in revenues of $82 thousand and expenses of $364 thousand, both attributable to 2004 being the first full year of operation.

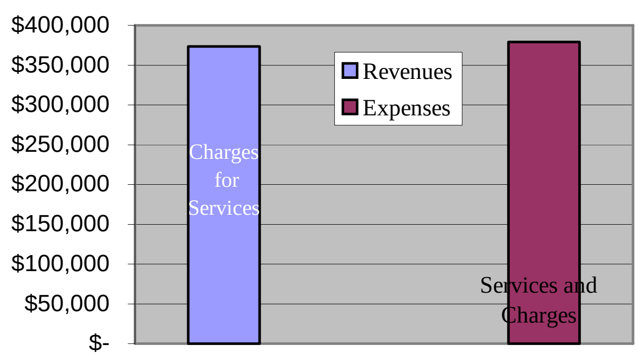
Forensic Training
Revenues and Expenses



Juvenile Court Alternative School Services
Revenues and Expenses



Drug Lab Services Revenues and Expenses



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

The focus of the County's governmental funds is to provide information on inflows and balances of resources that are available for spending. An unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At December 31, 2004, the unreserved fund balance (deficit) of the General Fund was ($65.2 million), as compared to ($43.2 million) in 2003 while the total General Fund balance (deficit) was ($64.8 million) as compared to ($42.0 million) in 2003. The fund balance in the County's General Fund decreased by $22.8 million. The decrease in the General Fund is primarily due to the increase in the debt owed to the State of Indiana for the incarceration of Marion County juveniles. This debt increased by $11.5 million in 2004, with the remaining decrease due to a decrease in tax revenues. The Property Reassessment Fund had an unreserved and total fund balance of $3.2 million (as compared to $3.8 million in 2003). The change in fund balance is primarily due to a decrease in tax revenues. The unreserved and total fund balance of the Cumulative Capital Development Fund was a deficit ($90 thousand) (as compared to $662 thousand in 2003). This change in total fund balance ($752 thousand) is primarily due to the decrease in tax revenues.

Proprietary Funds

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the year, the unrestricted net assets were $91 thousand in the Juvenile Court Alternative School Services Fund (a decrease of $23 thousand over 2003) and $272 thousand for the Drug Testing Laboratory Fund (a decrease of $5 thousand over 2003). The internal service fund, which is used to account for the operations of the County's management information systems, had $3.3 million in unrestricted net assets at year-end, a decrease of $2.8 million over 2003. This is primarily due to $2 million in credits given back to the City and County in 2004. The unrestricted net assets for the Forensic Training Fund were minimal at the end of the year as this program ended.

Fiduciary Funds

The County maintains fiduciary funds for the assets of the pension and disability trust funds for the sheriff's deputies. As of the end of 2004, the net assets of the funds totaled $143.9 million, representing an increase of $10.6 million in total net assets during the year.

The County is the custodian of certain agency funds, and the most common use of agency funds is for pass-through activity. Since, by definition, all assets of the agency funds are held for the benefit of the other entities, there are no net assets. As of the end of 2004, the combined gross assets of the agency funds totaled $132.8 million ($140.5 million in 2003).

General Fund Budgetary Highlights

The final budget for the County's General Fund represents the original budget plus any additional supplemental appropriations during the year. It does not include encumbrances carried over from the prior year. In 2004, appropriations in the General Fund were reduced by $4.5 million. These cuts were taken in an effort to reduce expenditures and minimize the estimated deficit in revenues over expenditures.

Excluding prior year encumbrances, the original General Fund budget for 2004 was $200.7 million. The final General Fund budget was $196.2 million. Actual expenditures were $193.2 million on a budgetary basis. General revenues and other resources were originally estimated at $189.7 million with final estimates of $185.9 million. The actual revenues were $187.7 million, or 98.9 % of the original and 101% of the final estimates, on a budgetary basis.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County had a net investment of $73.3 million in capital assets at December 31, 2004 (net of accumulated depreciation of $70.3 million), in a broad range of capital assets for governmental activities. This amount represents a net decrease for the current year (including additions and deductions) of $3.5 million.

Marion County, Indiana
Schedule of Capital Assets
Net of Depreciation
December 31, 2004

	Governmental activities December 31, 2004	Governmental activities December 31, 2003	Business-type activities December 31, 2004	Business-type activities December 31, 2003	Total 2004	Total 2003
Land	$ 29,555	$ 29,555	$ —	—	$ 29,555	$ 29,555
Construction in progress	—	—	—	—	—	—
Buildings and improvements	48,571,344	50,324,186	3,480,000	3,560,000	52,051,344	53,884,186
Furniture and equipment	13,075,499	14,539,686	—	—	13,075,499	14,539,686
Vehicles	11,626,825	11,951,447	—	—	11,626,825	11,951,447
Total	$ 73,303,223	$ 76,844,874	$ 3,480,000	$ 3,560,000	$ 76,783,223	$ 80,404,874

Major capital assets additions in 2004 included:

- Furniture and Equipment $ 1.5 million
- Vehicles $ 2.4 million

Depreciation expense for 2004 for governmental activities was $7.1 million.

Additional information on the County's capital assets can be found in Note 7 of the Notes to the Basic Financial Statements.

Long-term Debt

At the end of 2004, the County had outstanding long-term debt and other long-term obligations for governmental activities of $53.8 million compared to $57 million at December 31, 2003, as shown below.

Marion County, Indiana
Schedule of Long-term Debt Obligations

	December 31, 2004	December 31, 2003
Governmental activities:		
General obligation notes	$ 9,400,000	$ 11,100,000
Capital leases payable	33,763,608	36,860,978
Claims and judgments	2,275,932	1,726,228
Operating lease escalation	835,973	573,450
Compensated absences	7,505,034	6,761,280
Total	$ 53,780,547	$ 57,021,936

Bond ratings. The County's general obligation bonds have been rated Aa by all three bond rating agencies.

Limitation on debt. The state limits the amount of general obligation debt the County can issue to 0.67% of assessed value, as shown in the statistical section. The County's outstanding debt is well below the limit.

Additional information on the County's long-term debt can be found in Note 9-Long-term Liabilities of this report.

ECONOMIC FACTORS AND THE 2005 BUDGET

The original budget for all annually-budgeted funds was $250.6 million plus the Family and Children's Fund budget of $66.3 million. Revisions of $718 thousand have been made in 2005.

The 2005 General Fund original budget was $195.2 million, a decrease of $600 thousand over the 2004 original General Fund budget of $195.8 million. A revision of $302,216 has been made through June 2005.

List of additional appropriations made 1/1/05-6/30/05

Metropolitan Communication Agency	Wireless E-911 PSA Phase II	$	302,216

- The County's unemployment rate decreased from 4.7% for May 2004 to 4.2% for May 2005. This compares with the state's rate decreasing from 5.1% to 4.8% and the national rate decreasing from 5.6% to 5.1%.

- The County expects to continue to face increasing costs for its Boys/Girls School obligations.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives.

If you have any questions about this report or need additional information, please contact Marion County Auditor's Office, Suite 801, 200 East Washington Street, Indianapolis, Indiana 46204.

BASIC FINANCIAL STATEMENTS

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF NET ASSETS
DECEMBER 31, 2004

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments	$ 40,250,888	$ 540,859	$ 40,791,747
Receivables (net of allowance for uncollectibles):			
Taxes	12,248,552	—	12,248,552
Accrued interest	108,400	—	108,400
Intergovernmental	7,105,254	—	7,105,254
Other	934,577	—	934,577
Net pension asset	4,557,945	—	4,557,945
Capital assets (net of accumulated depreciation):			
Land	29,555	—	29,555
Buildings and improvements	48,571,344	3,480,000	52,051,344
Furniture and equipment	13,075,499	—	13,075,499
Vehicles	11,626,825	—	11,626,825
Total assets	138,508,839	4,020,859	142,529,698
Liabilities			
Accounts payable	16,621,271	6,704	16,627,975
Accrued liabilities	3,097,797	6,651	3,104,448
Intergovernmental payables	62,584,193	—	62,584,193
Unearned revenue	462,098	164,500	626,598
Long-term liabilities:			
Due within one year	19,703,823	—	19,703,823
Due in more than one year	34,076,724	—	34,076,724
Total liabilities	136,545,906	177,855	136,723,761
Net Assets			
Invested in capital assets, net of related debt	43,163,608	3,480,000	46,643,608
Unrestricted	(41,200,675)	363,004	(40,837,671)
Total net assets	$ 1,962,933	$ 3,843,004	$ 5,805,937

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Governmental activities:						
Administration and finance	$ 40,536,550	$ 15,760,036	$ 3,032,622	$ (21,743,892)	$ —	$ (21,743,892)
Protection of people and property program	87,531,515	8,341,602	7,428,198	(71,761,715)	—	(71,761,715)
Corrections program	59,245,279	7,976,520	3,902,264	(47,366,495)	—	(47,366,495)
Judicial program	52,956,427	5,137,868	7,154,036	(40,664,523)	—	(40,664,523)
Culture and recreation program	1,347,487	—	61,408	(1,286,079)	—	(1,286,079)
Real estate and assessments program	11,022,079	5,599,138	16,202	(5,406,739)	—	(5,406,739)
Health and welfare	7,291,301	1,115,802	5,866,655	(308,844)	—	(308,844)
Interest on long-term debt	2,446,182	—	—	(2,446,182)	—	(2,446,182)
Total governmental activities	262,376,820	43,930,966	27,461,385	(190,984,469)	—	(190,984,469)
Business-type activities:						
Forensic training	147,646	7,500	—	—	(140,146)	(140,146)
Juvenile court alternative school services	518,375	415,974	—	—	(102,401)	(102,401)
Drug testing laboratory	378,994	373,446	—	—	(5,548)	(5,548)
Total business-type activities	1,045,015	796,920	—	—	(248,095)	(248,095)
Total	$ 263,421,835	$ 44,727,886	$ 27,461,385	(190,984,469)	(248,095)	(191,232,564)
General revenues:						
Property taxes				115,165,095	—	115,165,095
Financial institution tax				1,364,638	—	1,364,638
Excise tax				10,392,552	—	10,392,552
Local option income tax				33,294,135	—	33,294,135
Other state and local taxes				473,109	—	473,109
State wagering taxes				2,465,116	—	2,465,116
Unrestricted investment earnings				4,047,375	—	4,047,375
Total general revenues				167,202,020	—	167,202,020
Change in net assets				(23,782,449)	(248,095)	(24,030,544)
Net assets – beginning of year				25,745,382	4,091,099	29,836,481
Net assets – end of year				$ 1,962,933	$ 3,843,004	$ 5,805,937

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	General	State and Federal Grants	Property Reassessment	Cumulative Capital Development	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	$ 12,417,526	$ 8,183	$ 3,292,939	$ 573,715	$ 22,385,675	$ 38,678,038
Receivables (net of allowance for uncollectibles):						
Accrued interest	105,046	—	3,010	—	344	108,400
Intergovernmental	3,179,750	2,247,115	—	—	29,593	5,456,458
Other	350,538	21	—	—	459,654	810,213
Due from other funds	11,989,273	—	66,839	187,147	66,839	12,310,098
Total assets	$ 28,042,133	$ 2,255,319	$ 3,362,788	$ 760,862	$ 22,942,105	$ 57,363,207
Liabilities and Fund Balances (Deficits)						
Liabilities:						
Accounts payable	$ 7,370,302	$ 716,952	$ 13,299	$ 594,685	$ 696,728	$ 9,391,966
Accrued liabilities	2,611,570	91,671	45,295	—	169,584	2,918,120
Intergovernmental payables	62,584,193	—	—	—	—	62,584,193
Due to other funds	7,486,557	16,486	—	—	12,244	7,515,287
Deferred revenue	12,766,568	1,430,210	91,605	256,492	66,839	14,611,714
Total liabilities	92,819,190	2,255,319	150,199	851,177	945,395	97,021,280
Fund balances (deficit):						
Reserved for:						
Encumbrances	424,454	—	—	—	31,097	455,551
Unreserved, reported in:						
General fund	(65,201,511)	—	—	—	—	(65,201,511)
Special revenue funds	—	—	3,212,589	—	21,962,194	25,174,783
Debt service	—	—	—	—	10,780	10,780
Capital projects funds	—	—	—	(90,315)	(7,361)	(97,676)
Total fund balances	(64,777,057)	—	3,212,589	(90,315)	21,996,710	(39,658,073)
Total liabilities and fund balances	$ 28,042,133	$ 2,255,319	$ 3,362,788	$ 760,862	$ 22,942,105	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds statements	69,730,313
Revenues not available in fund statements but earned and recognized in statement of net assets	14,149,616
Internal service fund is used by management to charge the costs of information technology to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net assets	5,325,135
Net pension asset not recorded in the funds statement	4,557,945
Accrued interest payable not in the funds statement	(54,217)
Long-term liabilities including capital leases are not due and payable in the current period and, therefore, are not reported in the funds, (see note 19)	(52,087,786)
Net assets of governmental activities	$ 1,962,933

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	General	State and Federal Grants	Property Reassessment	Cumulative Capital Development	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 151,713,002	$ —	$ 1,879,080	$ 8,370,448	$ 2,485,858	$ 164,448,388
Intergovernmental	16,037,762	9,695,007	—	—	7,922,392	33,655,161
Interest	4,108,567	—	46,515	—	3,411	4,158,493
Charges for services	10,558,530	—	—	—	12,108,508	22,667,038
Miscellaneous	1,048,064	—	1,200	98,110	21,704	1,169,078
Total revenues	183,465,925	9,695,007	1,926,795	8,468,558	22,541,873	226,098,158
Expenditures						
Current:						
General government	73,629,322	2,403,487	2,499,839	18,014	5,741,899	84,292,561
Public safety	128,023,667	7,291,520	—	152,317	9,868,944	145,336,448
Welfare	5,531,550	—	—	—	—	5,531,550
Capital outlay	—	—	—	4,743,287	—	4,743,287
Distribution to the City of Indianapolis	—	—	—	4,306,846	—	4,306,846
Debt service:						
Principal	—	—	—	—	1,700,000	1,700,000
Interest and fiscal charges	—	—	—	—	220,267	220,267
Total expenditures	207,184,539	9,695,007	2,499,839	9,220,464	17,531,110	246,130,959
Excess (deficiency) of revenues over expenditures	(23,718,614)	—	(573,044)	(751,906)	5,010,763	(20,032,801)
Other Financing Sources (Uses)						
Transfers in	920,683	—	—	—	—	920,683
Transfers out	—	—	—	—	(920,683)	(920,683)
Total other financing sources and uses	920,683	—	—	—	(920,683)	—
Net change in fund balances	(22,797,931)	—	(573,044)	(751,906)	4,090,080	(20,032,801)
Fund balances (deficit) – beginning of year	(41,979,126)	—	3,785,633	661,591	17,906,630	(19,625,272)
Fund balances (deficit) – end of year	$ (64,777,057)	$ —	$ 3,212,589	$ (90,315)	$ 21,996,710	$ (39,658,073)

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances—total governmental funds (page 15)	$	(20,032,801)
Depreciation expense reported in the statement of activities but not in the funds statements (excluding internal service fund depreciation expense)		(5,937,821)
Capital expenditures reported in the funds statements but not reported as additions to capital assets in the statement of activities		3,933,346
Loss on disposal of capital assets not recorded in the funds statement		(382,586)
Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds statement		14,149,616
Revenues in the funds statements but not in current year statement of activities due to the current financial resources focus of the governmental funds		(15,481,674)
Notes principal payments reported as expenditures in the funds statements but as reductions of long-term liabilities in the statement of activities		1,700,000
Capital lease principal payments reported as expenditures in the funds statements but as reductions of long-term liabilities in the statement of activities		1,995,134
Operating lease escalation expense reported in the statement of activities is not reported as an expense in the funds as did not require current financial resources		(262,523)
Increase in net pension asset which is not reported in the funds statement		683,799
Increase in claims and judgments not reported in the funds statement		(549,704)
Increase in compensated absences not reported in the funds statement		(731,047)
Accrued interest on notes payable through December 31, 2003 reported as expenses in the statement of activities but reported when paid in the fund statement		(144,340)
Change in net assets of internal service funds reported with governmental activities		(2,721,848)
Change in net assets of governmental activities (page 13)	$	(23,782,449)

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004

	Business-type Activities – Enterprise Funds				
	Forensics Training	**Juvenile Court Alternative School Services**	**Drug Testing Laboratory**	**Total**	**Governmental Activities— Internal Service Fund**
Assets					
Current assets:					
Cash and investments	$ 1,513	$ 255,958	$ 283,388	$ 540,859	$ 1,572,851
Due from other funds	—	—	—	—	2,322,775
Intergovernmental receivables	—	—	—	—	1,648,796
Total current assets	1,513	255,958	283,388	540,859	5,544,422
Non-current assets:					
Capital assets:					
Buildings and improvements	—	4,000,000	—	4,000,000	—
Furniture and equipment	—	—	—	—	11,716,148
Less accumulated depreciation	—	(520,000)	—	(520,000)	(8,143,238)
Total capital assets (net of accumulated depreciation)	—	3,480,000	—	3,480,000	3,572,910
Total noncurrent assets	—	3,480,000	—	3,480,000	3,572,910
Total assets	1,513	3,735,958	283,388	4,020,859	9,117,332
Liabilities					
Current liabilities:					
Accounts payable	1,504	—	5,200	6,704	2,053,279
Accrued liabilities	—	—	6,651	6,651	46,157
Compensated absences	—	—	—	—	133,520
Unearned income	—	164,500	—	164,500	—
Capital leases payable-current	—	—	—	—	775,016
Total current liabilities	1,504	164,500	11,851	177,855	3,007,972
Noncurrent liabilities:					
Capital leases payable	—	—	—	—	784,225
Total noncurrent liabilities	—	—	—	—	784,225
Total liabilities	1,504	164,500	11,851	177,855	3,792,197
Net Assets					
Invested in capital assets, net of related debt	—	3,480,000	—	3,480,000	2,013,669
Unrestricted	9	91,458	271,537	363,004	3,311,466
Total net assets	$ 9	$ 3,571,458	$ 271,537	$ 3,843,004	$ 5,325,135

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities – Enterprise Funds				
	Forensics Training	**Juvenile Court Alternative School Services**	**Drug Testing Laboratory**	**Total**	**Governmental Activities— Internal Service Fund**
Operating revenues:					
Training fees	$ 7,500	$ —	$ —	$ 7,500	$ —
Student tuition	—	415,974	—	415,974	—
Charges for services	—	—	373,446	373,446	26,642,824
Miscellaneous	—	—	—	—	190
Total operating revenues	7,500	415,974	373,446	796,920	26,643,014
Operating expenses:					
Costs of teaching	147,646	438,375	—	586,021	—
Services and charges	—	—	378,994	378,994	26,016,779
Administration including salaries and wages	—	—	—	—	2,030,290
Depreciation	—	80,000	—	80,000	1,154,590
Other	—	—	—	—	67,541
Total operating expenses	147,646	518,375	378,994	1,045,015	29,269,200
Operating loss	(140,146)	(102,401)	(5,548)	(248,095)	(2,626,186)
Nonoperating expenses:					
Interest expense	—	—	—	—	95,662
Total nonoperating expenses	—	—	—	—	95,662
Change in net assets	(140,146)	(102,401)	(5,548)	(248,095)	(2,721,848)
Net assets – beginning of year	140,155	3,673,859	277,085	4,091,099	8,046,983
Net assets – end of year	$ 9	$ 3,571,458	$ 271,537	$ 3,843,004	$ 5,325,135

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Business-type Activities – Enterprise Funds				
	Forensics Training	**Juvenile Court Alternative School Services**	**Drug Testing Laboratory**	**Total**	**Governmental Activities— Internal Service Fund**
Cash Flows from Operating Activities					
Receipts from customers and users	$ 7,500	$ 483,525	$ 385,014	$ 876,039	$ 13,947,541
Receipts from interfund services provided	—	—	—	—	10,472,750
Payments to suppliers	(186,225)	(438,376)	(393,282)	(1,017,883)	(24,332,114)
Payments to employees	—	—	—	—	(2,074,744)
Net cash provided by (used in) operating activities	(178,725)	45,149	(8,268)	(141,844)	(1,986,567)
Cash Flows from Capital and Related Financing Activities					
Purchases of capital assets	—	—	—	—	(137,630)
Principal paid on capital leases	—	—	—	—	(1,101,826)
Interest paid on capital leases	—	—	—	—	(95,661)
Net cash used in capital and related financing activities	—	—	—	—	(1,335,117)
Net increase (decrease) in cash and cash equivalents	(178,725)	45,149	(8,268)	(141,844)	(3,321,684)
Cash and cash equivalents – beginning of year	180,238	210,809	291,656	682,703	4,894,535
Cash and cash equivalents – end of year	$ 1,513	$ 255,958	$ 283,388	$ 540,859	$ 1,572,851
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating loss	$ (140,146)	$ (102,401)	$ (5,548)	$ (248,095)	$ (2,626,186)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	—	80,000	—	80,000	1,154,589
Decrease (increase) in intergovernmental receivables	—	197,400	—	197,400	(321,415)
Decrease in due from other funds	—	—	—	—	(1,118,555)
Increase (decrease) in accounts payable	(38,579)	—	(6,368)	(44,947)	969,454
Increase (decrease) in accrued liabilities	—	—	3,648	3,648	(57,161)
Increase in compensated absences payable	—	—	—	—	12,707
Decrease in unearned income	—	(129,850)	—	(129,850)	—
Total adjustments	(38,579)	147,550	(2,720)	106,251	639,619
Net cash provided by (used in) operating activities	$ (178,725)	$ 45,149	$ (8,268)	$ (141,844)	$ (1,986,567)

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004

	Pension Trust Funds	Agency Funds
Assets		
Cash	$ 54,443,776	$ 59,651,397
Investments		
US government securities	21,169,593	—
Corporate obligations	23,402,012	—
Corporate equity securities	39,015,163	—
Receivables:		
Property taxes	—	67,944,435
Accrued interest	740,134	—
Other	53,927	—
Due from other funds	5,415,368	5,228,736
Total assets	$ 144,239,973	$ 132,824,568
Liabilities		
Accrued liabilities	$ 83,652	$ —
Due to other funds	22,048	17,739,642
Amounts held in custody for others	225,225	115,084,926
Total liabilities	330,925	$ 132,824,568
Net Assets		
Net assets for employees' pension benefits	$ 143,909,048	

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

		Pension Trust Funds
Additions		
Contributions:		
Employer	$	5,180,723
Employee		862,829
Total contributions		6,043,552
Investment earnings:		
Interest		3,707,834
Net increase in the fair value of investments		7,903,379
Less investment expense		(443,692)
Net investment earnings		11,167,521
Miscellaneous		22,049
Total additions		17,233,122
Deductions		
Benefits		6,584,927
Total deductions		6,584,927
Change in net assets		10,648,195
Net assets – beginning of year		133,260,853
Net assets – end of year	$	143,909,048

See accompanying notes to the basic financial statements.

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 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. Accordingly, the basic financial statements of the County are included in the reporting entity of the Consolidated City of Indianapolis-Marion County in accordance with guidelines established by the Governmental Accounting Standards Board (GASB).

Based on the criteria established in GASB 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; a joint venture with the Consolidated City of Indianapolis (City). Because the County shares joint control equally with the City, and the County and City retain an ongoing financial responsibility, information concerning this joint venture is included in Note 15.

B. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues 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 revenues rather than as program revenues. Likewise, general revenues include all taxes and other items not properly included among program revenue.

Following the government-wide financial statements are separate financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 Fund, State and Federal Grants, Property Reassessment, and Cumulative Capital Development funds are major governmental funds. All other governmental funds are reported in one column labeled "Other Governmental Funds." The total fund balances for all governmental funds is reconciled to net assets for governmental activities as shown on the statement of net assets. The net change in fund balances for all governmental funds is reconciled to the total change in net assets for governmental activities as shown on the statement of activities in the government-wide statements. The County has three enterprise funds (business-type activities), Juvenile Court Alternative School Services, Forensics Training and Drug Testing Laboratory. Each of these enterprise funds is considered a major fund within the fund financial statements. Additionally, the County has one internal service fund (governmental activities) which accounts for the operations of the Information Services Agency. All internal service fund activity is combined into a single

(Continued)

column on the proprietary fund statements, since major fund reporting requirements do not apply to internal service funds. The County also has two fiduciary fund types: pension trust funds and agency funds.

C. Financial Statement Presentation, Measurement Focus and 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 assets, liabilities, fund balances/net assets, revenue and expenditures, or expenses. 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 and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The governmental fund types utilize the current resources measurement focus.

The following are the County's major governmental funds:

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

The State and Federal Grants Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. This fund accounts for the majority of the County's state and federal grants programs received from the U.S. Marshall, U.S. Department of Justice, U.S. National Highway Traffic Safety Administration, U.S. Department of Health and Human Services, State of Indiana Department of Corrections, Indiana Criminal Justice Institute, Indiana Division of Family and Children and various other state and federal agencies.

The Property Reassessment Fund is used for the purpose of receiving and holding in escrow tax distribution for the funding for the next property reassessment. Funds are held in escrow until distribution is authorized by the State Legislature; whereby, the distribution is made to each township assessor.

The Cumulative Capital Development Fund is 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.

The other governmental funds of the County are considered nonmajor. They are special revenue funds which account for the proceeds of specific revenue sources that are legally restricted to expenditures 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. Proprietary funds utilize the economic resources measurement focus.

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 (including depreciation) of operations are financed primarily through user charges. Enterprise funds have been established for the Juvenile Court Alternative School Services, Forensics Training and Drug Testing Laboratory. The Juvenile Court Alternative School Services Fund accounts for the operation of the "New Directions Academy." The Academy is financed through fees collected from local municipal school systems (note 21). The Forensics Training Fund is used to account for fees collected in providing training in forensic science to domestic and foreign students. The cost associated with training is to be recovered through the training fees charged. The Drug Testing Laboratory fund is used to account for fees collected by the Marion Superior Court drug testing laboratory.

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.

In accordance with the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the County has elected, in addition to applying Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30,1989, to apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements within the business-type activities in the government-wide financial statements and the enterprise fund financial statements.

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 accounted for and reported similar to the proprietary funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for the collection, distribution and escrow of various tax types, fees and set aside funding.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the basic financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied and the tax rates are certified in the subsequent year. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Under the modified accrual basis of accounting, revenues are recognized as they become susceptible to accrual, generally as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers taxes to be available if they are collected and distributed within 60 days of the end of the current fiscal period. For all other revenue items, the County considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. Significant revenues susceptible to accrual include property and other taxes, grants and interest on investments. Charges for services in the governmental funds are recognized as revenues when received in cash because they are generally not measurable until actually received. Expenditures generally are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures to long-term liabilities, such as compensated absences and claims and judgments, are recorded only when payment is due (i.e., matured).

GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*, groups nonexchange transactions into four classes, based upon their principal characteristics: derived tax revenues, imposed exchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

The County recognizes assets from derived tax revenue transactions in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues until the period of the exchange.

The County recognizes assets from imposed nonexchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted or at the same time as the assets of the government have not established time requirements. The County recognizes revenues from property taxes, net of estimated refunds and uncollectible amounts, in the period for which the tax is levied and the rates are certified. Imposed nonexchange revenues also include court fines and forfeitures.

Intergovernmental revenues, representing grants and assistance received from other governmental units, are generally recognized as revenues in the period when all eligibility requirements, as defined by GASB 33 have been met. Any resources received before eligibility requirements are met are reported as deferred revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Juvenile Court Alternative School Services are providing schooling to juveniles. The principal operating revenues of the Drug Testing Laboratory fund are charges for drug testing. All expenses in the enterprise funds are reported as operating expenses as they reflect cost of services, administration and depreciation of capital assets. Operating expenses for the Internal Service Fund include the cost of sales and services, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

All agency funds are purely custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds use the accrual basis of accounting to recognize receivables and payables.

For the pension trust funds, under the accrual basis of accounting, contributions are recognized in the period in which they are due and benefits are recognized when they become due and payable.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 and Investments:

Investments are stated at fair value. Fair value for investments are determined by closing market prices at year-end as reported by the investment custodian. When funds pool cash for investment, income from the pooled investments is primarily allocated to the General Fund except when income is restricted by statute or an outside party to be used for a specific purpose.

E. Receivables and Payables:

All outstanding balances between funds are reported as due to / from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade and taxes receivable balances are shown net of an allowance for uncollectibles. See Note 1.F. for further discussion on property taxes.

F. Property Taxes:

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

The County's 2004 property taxes were levied based on assessed valuations determined by the Auditor as of the March 1, 2003 assessed valuations which were adjusted for estimated appeals and tax credits and deductions. The lien date for the 2004 property taxes was March 1, 2003 (assessment date), however, the County does not recognize a receivable on the lien date as the amount of property tax to be collected can not be measured until the levy and tax rates are certified in the subsequent year. Taxable property is assessed at 33 1/3% of the true tax value. In 2004, taxes were due and payable to the Treasurer in two installments on May 10, 2004 and November 10, 2004. The Auditor distributed all property taxes collected by November 10, 2004 to each applicable governmental entity based upon their levy amounts prior to December 31, 2004. All taxes collected by the Treasurer and not distributed at December 31, 2004 (i.e., collections from November 11, 2004 to December 31, 2004) were held in the Treasurer's Tax Collections Agency Fund and are not considered available for fund statement purposes to the County as these monies will not be settled and distributed to the County until at least 60 days after year-end. Delinquent property taxes outstanding at December 31, 2004, net of allowance for uncollectible accounts of $2,482,402 ($2,334,856 in General Fund, $38,828 in Property Reassessment Fund and $108,718 in Cumulative Capital Development Fund), are recorded as a property tax receivable in the funds in 2004 in the government-wide statements. The funds statements have recorded the same receivable as a due from other funds (i.e., Treasurer's Tax Collections Fund) with a corresponding amount in deferred revenue since the amounts are not available to the County.

G. Inventory:

Purchase of materials and supplies in the governmental fund types and governmental activities are charged to expenditures as incurred. Amounts of inventories in such funds are immaterial. The proprietary fund types do not have inventory.

H. Capital Assets:

Capital assets, which include land; buildings and improvements; furniture and equipment; vehicles and construction in progress are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the proprietary fund financial statements. The County does not have any infrastructure assets. Capital assets are defined by the County as assets with an initial, individual cost or donated value of more than $1,000 and an estimated useful life in excess of one year. Such purchased or constructed assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Depreciation, including depreciation recognized on assets acquired through government grants is computed on the straight-line method with no salvage over the estimated useful lives of the various classes of assets. Further, in the year of acquisition and disposal, the County's policy is to take one-half of a year's depreciation expense for the related capital assets. The following range of lives is generally used:

	Years
Buildings and improvements	20 to 50
Furniture and equipment	5 to 20
Vehicles	8 to 15

I. Deferred and Unearned Revenue:

Deferred revenue is reported in the fund statements for receivables not considered available at year-end or for which eligibility requirements have not been met. Deferred revenue is recognized as revenue when it is earned and considered measurable and available in the fund financial statements. See Note 1.C. for further discussion on the County's availability policy.

Unearned revenue is reported in the government-wide financial statements. The availability period does not apply; however, amounts may not be earned due to eligibility requirements or other reasons.

J. Compensated Absences:

Substantially all County employees earn benefit leave time. The County's benefit leave policy provides that, upon retirement or resignation, County employees are paid for their total unused benefit leave. In addition, upon retirement, an employee may be paid for accumulated sick time at a rate of two for one. The entire cost of benefit and sick leave is recorded in the government-wide statements and in the proprietary funds in the financial statements. Certain amounts have been recorded in the governmental fund financial statements, since such amounts are due (i.e., mature) at December 31, 2004.

K. Interfund Transactions:

In the fund financial statements, the County has the following types of transactions among funds:

Transfers
Legally authorized transfers are reported when incurred 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 revenues (interfund services provided) of the recipient fund and expenditures or expenses (interfund services used) of the disbursing fund. These transactions are recorded as interfund services because they would be treated as revenues and expenditures or expenses if they involved organizations external to the County.

Within the accompanying activity from the statement of activities, direct expenses are not eliminated from the various functional categories. Indirect expenses are eliminated from the respective functional categories.

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

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

L. Fund Balance / Net Assets:

In the fund financial statements, governmental funds report reservations for fund balances for the amounts that are not available for future appropriation or are legally restricted by outside parties for the use for specific purposes. Amounts are reserved for funds to received from the State of Indiana, which can be used only for specific purposes as defined by the State.

(Continued)

Amounts are reserved for outstanding encumbrances and debt service. Designations of fund balance represent tentative management plans that are subject to change. At December 31, 2004, the County had no fund balance designations.

The government-wide and proprietary fund financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets, net of related debt, and unrestricted.

Invested in Capital Assets, Net of Related Debt
This category groups all capital assets into one component of net assets. Accumulated depreciation and outstanding balances of debt including capital leases that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

Unrestricted Net Assets
This category represents net assets of the County not included in invested in capital assets, net of related debt, or restricted for any project or other purpose.

M. Pensions:

The County has separate defined benefit pension plans which cover substantially all employees. The Indiana Public Employees Retirement Fund (PERF), administered by the State of Indiana, applies to County employees. The Marion County Law Enforcement Personnel Retirement Plan (Retirement Plan) and the Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan (Disability Plan) cover employees of the Sheriff's Department. The policy of the County is to fund accrued pension costs for the plans. Past service costs are amortized over 40 years for all plans.

The plan assets of the Retirement and Disability Plans are accounted for under the accrual method. Employee and employer contributions are recognized as revenues in the period due pursuant to final commitments, as well as statutory or contractual requirements; and expenses, including benefits paid and refunds, are recorded when the corresponding payments are made. Investments are recorded at fair value. Bonds and stocks traded on a national exchange are valued at the reported sales price.

N. Estimates and Uncertainties:

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported changes in amounts of revenues, expenses, and expenditures during the reporting period. Actual results could differ from those estimates.

O. Statement of Cash Flows:

For purposes of the statement of cash flows of the proprietary funds, cash and cash equivalents are considered deposits and any nonnegotiable certificates of deposits with a maturity within 90 days of purchase date.

P. New Accounting Pronouncements:

GASB has issued Statement No. 40, *Deposit and Investment Risk Disclosure*, Statement No. 42, *Accounting and Financial Reporting For Impairments of Capital Assets and Insurance Recoveries*, Statement No. 44, *Economic Condition Reporting: The Statistical Section*, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 46, *Net Assets Restricted by Enabling Legislation*. Additionally, the FASB has issued FASB Interpretation Number 47, *Accounting for Conditional Asset Retirement Obligations*, which applies to the proprietary funds. The Corporation intends to implement these GASB and FASB Statements on their respective effective dates.

NOTE 2—CASH AND INVESTMENTS

The County maintains a cash and investment pool that is available for use by all funds, except the Pension Trust Funds. Each fund type's portion of this pool is displayed in the financial statements as “cash and investments.” In addition, investments are held separately in several of the County's funds. The deposits and investments of the Pension Trust Funds are held separately from those of other County funds.

The County's cash deposits (including cash equivalents) and non-negotiable certificates of deposit are insured in full at December 31, 2004 by the combination of federal depository insurance and the Indiana Public Deposit Insurance Fund. The County's cash equivalents held during 2004 consisted entirely of non-negotiable certificate of deposits with a maturity date within 90 days of date of purchase.

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. The Pension Trust Funds are authorized to invest in bonds, debentures, notes, obligations of the U.S. Treasury, U.S. government agencies, mutual funds, and other corporate securities.

The County's investments are categorized to give an indication of the level of custodial credit risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the County's name.

Investments in pools managed by other governments, mutual funds or in guaranteed investment contracts that are not evidenced by a physical security are not required to be categorized.

The following is a summary of the investments as well as a reconciliation of cash and investments as shown on the statement of net assets at December 31, 2004:

	Category – 3 carrying amount	Reported amount / fair value
U.S. government and agency obligations	$ 21,169,593	$ 21,169,593
Corporate obligations	23,402,012	23,402,012
Corporate equity securities	39,015,163	39,015,163
	$ 83,586,768	83,586,768
Non-negotiable certificate of deposits (maturity greater than 90 days)		20,000
Cash equivalents (non-negotiable certificate of deposits with maturity less than 90 days)		26,413,775
Cash deposits		128,453,145
Total cash and investments		$ 238,473,688

The following is a reconciliation of the County's deposit and investments balances at December 31, 2004:

	Government-wide statement of net assets	Fiduciary funds statement of fiduciary net assets	Total
Cash and investments	$ 40,791,747	$ 197,681,941	$ 238,473,688

(Continued)

NOTE 3—RECEIVABLES

All net receivables amounts outstanding at December 31, 2004 are scheduled for collection during the subsequent fiscal year.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2004, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Taxes receivable, net of allowance for uncollectible accounts	$ 12,758,787	$ —
Grant reimbursements not received within 120 days	7,781	—
Total General Fund	12,766,568	—
Grant draw downs prior to meeting all eligibility requirements	—	462,098
Grant reimbursements not received within 120 days	968,112	—
Total state and federal grants	968,112	462,098
Taxes receivable, net of allowance for uncollectible accounts	91,605	—
Total property reassessment	91,605	—
Taxes receivable, net of allowance for uncollectible accounts	256,492	—
Total cumulative capital development	256,492	—
Grant reimbursements not received within 120 days	66,839	—
Total nonmajor governmental funds	66,839	—
Total	$ 14,149,616	$ 462,098

NOTE 4—INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables at December 31, 2004 are as follows:

	Governmental activities			
	General Fund	State & Federal Grants Fund	Nonmajor Governmental Funds	Internal Service
State of Indiana - Department of Corrections	$ 150,010	$ 147,463	$ —	$ —
Indiana Criminal Justice Institute	7,477	1,321,855	—	—
Indiana Division of Family and Children	1,046,734	68,743	—	—
State of Indiana – Other	789,817	70,276	—	—
U.S. Department of Justice	—	498,842	29,593	—
U.S. Marshall	122,188	—	—	—
City of Indianapolis	1,015,721	90,094	—	1,595,141
Other governmental entities	47,803	49,842	—	53,655
	$ 3,179,750	$ 2,247,115	$ 29,593	$ 1,648,796

All amounts are expected to be received in 2005.

NOTE 5—ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

The allowance for uncollectible accounts, which have been deducted from the related receivable in the government-wide statement of net assets, consists of the following balances:

Governmental activities:	
Tax receivable – General Fund	$2,334,856
Tax receivable – Property Reassessment	38,828
Tax receivable – Cumulative Capital Development	108,718
Tax receivable – Capital Lease Fund	38,828

NOTE 6—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. The composition of due to / from other funds as of December 31, 2004, is as follows:

Receivable fund	Payable fund	Amount
General Fund	State and Federal Grants	$ 16,486
	Nonmajor Governmental Funds	12,244
	Fiduciary – Agency Funds	11,960,543
		11,989,273
Property Reassessment	Fiduciary – Agency Funds	66,839
Cumulative Capital Development	Fiduciary – Agency Funds	187,147
Nonmajor Governmental Funds	Fiduciary - Agency Funds	66,839
Internal Service Fund	General Fund	2,322,775
Fiduciary – Pension Trust Funds	General Fund	5,163,782
	Fiduciary – Agency Funds	251,586
		5,415,368
Fiduciary – Agency Funds	Fiduciary – Agency Funds	5,228,736
Total		$ 25,276,977

All of these interfund balances are due to (1) unsettled property taxes outstanding at December 31, 2004, (2) timing differences, (3) pension contributions, or (4) the elimination of negative cash balances with the various funds. All interfund balances are expected to be repaid during the fiscal year ending December 31, 2004 or when the property taxes are collected and settled.

Interfund transfers for the year ended December 31, 2004 consisted of the following:

		Transfer from: Nonmajor Governmental Funds
Transfer to	General Fund	$ 920,683
		$ 920,683

Interfund transfers were used (1) to transfer fund balance from funds that were closed in 2004 to the General Fund, and move revenues from the fund that ordinance or budget requires to collect them to the fund which will ultimately expend them, or 2) move revenues in excess of current year expenditures to other funds.

NOTE 7—CAPITAL ASSETS

The following is a summary of changes in capital assets – governmental activities for the year ended December 31, 2004:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 29,555	$ —	$ —	$ 29,555
Total capital assets, not being depreciated	29,555	—	—	29,555
Capital assets, being depreciated:				
Buildings and improvements	88,994,533	—	(82,191)	88,912,342
Furniture and equipment	32,273,501	1,488,664	(525,560)	33,236,605
Vehicles	19,929,307	2,444,682	(946,191)	21,427,798
Total capital assets being depreciated	141,197,341	3,933,346	(1,553,942)	143,576,745
Less accumulated depreciation for:				
Buildings and improvements	(38,670,347)	(1,752,842)	82,191	(40,340,998)
Furniture and equipment	(17,733,815)	(2,927,118)	499,827	(20,161,106)
Vehicles	(7,977,860)	(2,412,451)	589,338	(9,800,973)
Total accumulated depreciation	(64,382,022)	(7,092,411)	1,171,356	(70,303,077)
Total capital assets, being depreciated, net	76,815,319	(3,159,065)	(382,586)	73,273,668
Governmental activities capital assets, net	$ 76,844,874	$ (3,159,065)	$ (382,586)	$ 73,303,223

The following is a summary of changes in capital assets – business type activities for the year ended December 31, 2004:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
Business-type activities:				
Capital assets, being depreciated:				
Building	$ 4,000,000	$ —	$ —	$ 4,000,000
Total capital assets being depreciated	4,000,000	—	—	4,000,000
Less accumulated depreciation for:				
Building	(440,000)	(80,000)	—	(520,000)
Total accumulated depreciation	(440,000)	(80,000)	—	(520,000)
Total capital assets, being depreciated, net	3,560,000	(80,000)	—	3,480,000
Business-type activities capital assets, net	$ 3,560,000	$ (80,000)	$ —	$ 3,480,000

All business-type activities capital assets are reported in the Juvenile Court Alternative School Services Fund.

(Continued)

Within the statement of activities, depreciation expense was charged to functions/programs of the County as follows:

Governmental activities:	
Administration and finance	$ 1,078,279
Protection of people and property program	2,894,238
Corrections program	961,310
Judicial program	819,088
Real estate and assessments program	127,747
Health and welfare	57,159
Depreciation on capital assets held by the government's internal services are charged to the administration and finance function	1,154,590
Total depreciation expense – governmental activities	$ 7,092,411
Business-type activities:	
Juvenile Court Alternative School Services	$ 80,000
Total depreciation expense – business-type activities	$ 80,000

NOTE 8—ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES DISAGGREGATION

Accounts payable and other current liabilities at December 31, 2004 are as follows:

	Vendors	Salaries and employee benefits	Intergovern-mental	Claims and settlements	Other – pension trust contributions	Total payables and other current liabilities
Governmental activities:						
General Fund	$ 7,316,481	$ 2,611,570	$ 62,584,193	$ 53,821	$ —	$ 72,566,065
State and Federal Grants	716,952	91,671	—	—	—	808,623
Property Reassessment	13,299	45,295	—	—	—	58,594
Cumulative Capital Development	594,685	—	—	—	—	594,685
Other nonmajor governmental funds	696,728	169,584	—	—	—	866,312
Internal Service Fund	2,053,279	179,677	—	—	—	2,232,956
Reconciliation of balances in fund financial statements to government -wide financial statements	12,244	—	—	—	5,163,782	5,176,026
Total – governmental activities	$ 11,403,668	$ 3,097,797	$ 62,584,193	$ 53,821	$ 5,163,782	$ 82,303,261
Business-type activities:						
Forensics Training	1,504	—	—	—	—	1,504
Drug Testing Laboratory	5,200	6,651	—	—	—	11,851
Total – business-type activities	$ 6,704	$ 6,651	$ —	$ —	$ —	$ 13,355

Intergovernmental payables of $62,584,193 in the General Fund consist of amounts due to the State of Indiana for juveniles that the County has sent to the Indiana Boys and Girls Schools for the years 2001 through 2004.

NOTE 9—LONG-TERM LIABILITIES

Changes in Long-term Liabilities

The following is a summary of long-term debt and other long-term liabilities for the year ended December 31, 2004:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due within one year
Governmental activities:					
General obligation notes	$ 11,100,000	$ —	$ (1,700,000)	$ 9,400,000	$ 9,400,000
Capital leases	36,860,978	—	(3,097,370)	33,763,608	2,913,511
Claims and judgments	1,726,228	1,142,653	(592,949)	2,275,932	860,932
Operating lease escalation	573,450	262,523	—	835,973	—
Compensated absences	6,761,280	7,505,034	(6,761,280)	7,505,034	6,529,380
Total – governmental activities	$ 57,021,936	$ 8,910,210	$ (12,151,599)	$ 53,780,547	$ 19,703,823

The business-type activities had no long-term liabilities at December 31, 2004. The Internal Service Fund predominantly serves the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year-end, $133,520 of the Internal Service Fund's compensated absences are included in the above amounts as well as $1,559,241 in capital leases. In 2004, there were no capital lease additions for the Internal Service Fund or any governmental funds. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund. Capital leases payments for governmental activities are paid out of the General Fund and the Internal Services Fund. See Note 11 for further discussion on capital leases.

In 2003, the County entered into a new operating lease for office space which has escalating rental payments throughout its life, therefore, for purposes of the government-wide financial statements, the County has established a long term liability of $835,973 to account for the difference between the County's payments through 2004 and the expense amount measuring on a straight-line basis over the term of the lease. The County will not make an annual rent payment greater than the average annual payment until 2007.

General Obligation Notes

In 2003, the County entered into an agreement with the Indianapolis Local Public Improvement Bond Bank to issue $11,100,000 in notes. The proceeds of these notes were utilized to purchase new voting machines for all of Marion County. The notes carry a 1.79% annual interest rate and are to be repaid March 1, 2005.

Annual debt service requirements to maturity for the notes are as follows:

Year ending December 31	Principal	Interest	Total
2004	$ 9,400,000	$ 84,597	$ 9,484,597

The above notes are to be repaid from federal reimbursement and ad valorem taxes levied to the extent necessary against all taxable property within Marion County.

The County has a legal debt limit of $253,926,537, which represents .67 percent of the net assessed value of Marion County property, as certified by the State of Indiana, Department of Local Government Finance.

NOTE 10—SHORT-TERM DEBT ANALYSIS

During 2004, the County issued tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund and Family and Children Services Agency Fund. 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. These notes are necessary for operating purposes between the property tax distribution dates of June 30 and December 31 each year. Short-term debt activity for the year ended December 31, 2004 was as follows:

Fund	Balance January 1, 2004	Issued	Redeemed	Balance December 31, 2004
General Fund	$ —	$ 82,000,000	$ (82,000,000)	$ —
Family and Children Services	—	31,192,000	(31,192,000)	—
Total	$ —	$ 113,192,000	$ (113,192,000)	$ —

NOTE 11—LEASES

The County leases its office building and parking lot jointly with the City over a 50-year term expiring on December 2012. The County and City will jointly obtain title to the building and parking lot in the future. Accordingly, the County's portion of the lease is classified as a capital lease. As a result of the lessor's early retirement of bonds associated with the building, no additional lease payments on the building were required after the July 1988 semi-annual payment. The County and the City have continued the facilities management aspect of the lease agreement. In 2004, the County paid $3,203,968 for its share of building and maintenance costs. At December 31, 2004, the capitalized cost of the office building and parking lot was $19,034,240 ($17,701,841 of accumulated depreciation).

The County leased a jail addition over a 27-year lease term, expiring on December 2012. The lease had required the County to make annual average payments of $2,392,000 to December 31, 2001. The County continues to pay the building operation and maintenance costs ($1,348,150 in 2004). The County will obtain title to the property in the future. Accordingly, the lease is classified as a capital lease. At December 31, 2004 the capitalized cost of the jail addition was $20,900,000 ($8,150,999 of accumulated depreciation).

The County leases Jail II over a 19-year lease term expiring in 2016. The lease requires the County to make annual average payments of $1,050,579 ($1,038,000 in 2004) and to pay the building operation and maintenance costs ($51,000 in 2004). The County will obtain title to the property at the completion of the lease term. Accordingly, the lease is classified as a capital lease. At December 31, 2004, the capitalized cost of Jail II was $13,109,830 ($1,704,278 of accumulated depreciation).

On May 29, 2003, the County and the Building Authority entered into an addendum to the first amendment to the Jail II lease for the new arrestee processing center. The County will make semi-annual rental payments of $483,000 beginning December 31, 2003 with the last payment to be made on December 31, 2022. In addition, the County must pay the building operation and maintenance costs ($177,000 in 2004). The County will obtain title to the property at the completion of the lease term. Accordingly, the lease is classified as a capital lease. At December 31, 2004, the capitalized cost of the arrestee processing center was $12,676,117 ($380,164 of accumulated depreciation).

The County leases its juvenile detention center over a 25-year lease term expiring in June 2015. The lease requires the County to make semi-annual payments of $794,000 and to pay its share of building and maintenance costs ($675,850 in 2004). The County will obtain title to the property at the completion of the lease term. Accordingly, the lease is classified as a capital lease. At December 31, 2004, the capitalized cost of the juvenile detention center was $20,340,685 ($10,434,664 of accumulated depreciation).

The County also leases certain equipment under capital leases expiring in various years through 2010. At December 31, 2004, the capitalized cost of equipment was $14,666,284 ($10,434,664 of accumulated depreciation).

The following is a schedule of future minimum lease payments and the net present value of these minimum lease payments for the governmental activities at December 31, 2004:

	Governmental activities
2005	$ 4,966,735
2006	4,636,364
2007	3,692,287
2008	3,679,255
2009	3,662,712
2010 – 2014	19,211,160
2015 – 2019	5,901,000
2020 – 2024	2,898,000
	48,647,513
Less amount representing interest	(14,883,905)
Present value of net minimum lease payments	$ 33,763,608

The business-type activities had no capital leases outstanding.

The County leases equipment and properties under operating leases which expire in various years through 2015. Governmental activities operating lease expenditures totaled $4,210,404 for 2004 which included $407,974 of operating lease expense for the Internal Service Fund. The business-type activities had no lease activity during 2004.

The following is a schedule of future minimum lease payments for all significant noncancellable operating leases with initial or remaining terms of one year or more as of December 31, 2004:

	Governmental activities
2005	$ 3,846,574
2006	3,325,131
2007	3,081,328
2008	2,955,457
2009	2,886,360
2010 – 2014	8,435,739
2015 – 2019	31,991
Total future payments	$ 24,562,580

NOTE 12—PENSION OBLIGATIONS

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 Marion County Law Enforcement Personnel Retirement Plan (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% 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. In 2003, the Plan was amended to reduce the employee contribution from 5.25% of compensation to 4.25% of compensation effective January 1, 2002.

Retirement Plan benefits begin to vest after 10 years of service. As of December 31, 2004, there are 77 fully vested employees (over 20 years of service), 83 partially vested (between 10 and 20 years of services), and 20 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 2.5% of the highest monthly average of consecutive five year salary per year of service up to a maximum of 20 years; plus 2.0% of such salary per year of service in excess of 20 years, if any, up to an additional 12 years; plus $1.00 for each year of service up to a maximum of $20.00. 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, 2004, there are 244 retirees and beneficiaries receiving benefits, 2 terminated members entitled to benefits but not yet receiving benefits and 408 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 separate stand-alone financial statements for this plan as included as pension trust fund in this report.

Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan

The Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan (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 eighteen 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 Plan sound on an actuarial basis. Each employee shall be required to contribute an amount equal to 5% of base pay. 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. At December 31, 2004, there are 67 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) will be eligible for a cost of living increase. Benefit increases will not be 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 attained age 55. The amount of the annual increase, if any, will depend on the change in the Consumer Price Index and will never exceed two percent.

The County does not issue separate stand-alone financial statements for this plan as included as 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% of annual salary, which is mandated by State statute, in addition to the employer contribution amount, which is actuarially determined and is currently 3.00% 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 fifty years of age and have fifteen 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, Indiana 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% of annual salary, which is mandated by State statute, in addition to the employer contribution amount, which is actuarially determined and is currently 3.0%.

(c) Concentration of Investments

No investments in any one organization (other than those issued by the U.S. government) represent five percent of plan net assets.

(d) 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:

	Retirement Plan	Disability Plan	County Employees
Valuation date	1/1/05	1/1/05	6/30/04
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%
Projected salary increases	5.0%*	5.0%	*****
Post retirement increases	**	**	2% compounded annually after retirement for 5 years
Amortization method	Level percentage of payroll	N/A****	Level percentage of payroll
Amortization period	Closed 40-year period	N/A****	Open 30-year period***

* 4% increase due to inflation and 1% due to merit / seniority.

** The monthly benefit paid to retirees may increase each July 1 (on or after July 1, 1998) to reflect cost of living increases. The amount of annual increase, if any, will depend on the change in the Consumer Price Index and will never exceed 2%.

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

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

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

Marion County Law Enforcement Personnel Retirement Plan

For the plan year 2004, the County's annual pension cost of $4,207,072 for the Retirement Plan was more than the required annual contribution of $4,061,769 but less than the actual County contribution of $4,481,932. The required contribution was determined as part of the January 1, 2004 valuation using frozen initial liability method. The calculation of the annual pension cost and the net pension asset (NPA) is as follows for the retirement plan:

Annual required contribution (ARC)	$	4,061,769
Interest on net pension asset		(127,439)
Adjustment to ARC		272,742
Annual pension cost		4,207,072
Actual contribution made		(4,481,932)
Increase in net pension asset		274,860
Net pension asset at beginning of year		1,699,182
Net pension asset at end of year	$	1,974,042

Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan

For the plan year 2004, the County's annual pension cost of $929,923 for the Disability Plan was more than the required annual contribution and the actual County contribution of $928,311. The required contribution was determined as part of the January 1, 2004 valuation using aggregate cost liability method. The calculation of the annual pension cost and the NPA is as follows for the disability plan:

Annual required contribution (ARC)	$	928,311
Interest on net pension asset		(1,414)
Adjustment to ARC		3,026
Annual pension cost		929,923
Actual contribution made		(928,311)
Decrease in net pension asset		(1,612)
Net pension asset at beginning of year		18,853
Net pension asset at end of year	$	17,241

PERF

For the plan year 2004, the County's annual pension cost of $2,581,052 for PERF was more than the required annual contribution of $2,559,233 but less than the actual County contribution of $2,991,603. The required contribution was determined as part of the June 30, 2004 valuation using entry age normal cost liability method. The calculation of the annual pension cost and the NPA is as follows for PERF:

Annual required contribution (ARC)	$	2,559,233
Interest on net pension asset		(156,318)
Adjustment to ARC		178,137
Annual pension cost		2,581,052
Actual contribution made		(2,991,603)
Increase in net pension asset		410,551
Net pension asset at beginning of year		2,156,111
Net pension asset at end of year	$	2,566,662

The total net pension asset of $4,557,945 as of December 31, 2004, is reflected as a net pension asset within the governmental activities in the government-wide financial statements.

(Continued)

(e) Trend Information

Selected trend information for the years ended December 31, 2004, 2003 and 2002 is as follows:

Valuation date	Annual pension cost	Percentage contributed	Net pension asset
Marion County law enforcement personnel:			
Retirement plan			
1/1/02	$ 2,784,350	103 %	$ 1,464,150
1/1/03	3,559,873	107	1,699,182
1/1/04	4,207,072	107	1,974,042
Disability plan			
1/1/02	$ 951,641	100 %	$ 20,616
1/1/03	957,973	100	18,853
1/1/04	929,923	100	17,241
County employees			
6/30/02	$ 2,047,180	106 %	$ 3,094,436
6/30/03	3,225,487	71	2,156,111
6/30/04	2,581,052	116	2,566,662

(f) Financial Statements

Combining Statement of Fiduciary Net Assets - Pension Trust Funds at December 31, 2004:

	Retirement	Disability	Total
Assets			
Cash	$ 53,905,613	$ 538,163	$ 54,443,776
Investments			
US government securities	16,776,206	4,393,387	21,169,593
Corporate obligations	17,130,211	6,271,801	23,402,012
Corporate equity securities	39,015,163	—	39,015,163
Receivables:			
Property taxes	—	—	—
Accrued interest	628,632	111,502	740,134
Other	53,927	—	53,927
Due from other funds	4,465,008	950,360	5,415,368
Total assets	131,974,760	12,265,213	144,239,973
Liabilities			
Accrued liabilities	83,651	—	83,651
Pending purchase of investments	22,049	—	22,049
Amounts held in custody for others	225,225	—	225,225
Total liabilities	330,925	—	330,925
Net Assets			
Net assets for employees' pension benefits	$ 131,643,835	$ 12,265,213	$ 143,909,048

Combining Statement of Changes in Fiduciary Net Assets - Fiduciary Funds - Pension Trust Funds for the year-ended December 31, 2004:

	Retirement	Disability	Total
Additions			
Contributions:			
Employer	$ 4,252,412	$ 928,311	$ 5,180,723
Employee	862,829	—	862,829
Total contributions	5,115,241	928,311	6,043,552
Investment income:			
Interest and dividends	3,144,825	563,009	3,707,834
Increase in fair value of investments	7,260,829	642,550	7,903,379
Less investment expenses	437,287	6,405	443,692
Net investment income	9,968,367	1,199,154	11,167,521
Miscellaneous	—	22,049	22,049
Total additions	15,083,608	2,149,514	17,233,122
Deductions			
Retirement benefits	5,265,501	713,681	5,979,182
Miscellaneous	505,333	100,412	605,745
Total deductions	5,770,834	814,093	6,584,927
Change in plan net assets	9,312,774	1,335,421	10,648,195
Net assets – beginning of year	122,331,061	10,929,792	133,260,853
Net assets – end of year	$ 131,643,835	$ 12,265,213	$ 143,909,048

NOTE 13—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 and general liability. In 2003 and from January 1, 2004 through June 30, 2004, the County participated in a public risk pool called Indiana Public Employers Plan, Inc. (IPEP) with relation to worker's compensation coverage. On July 1, 2004, the County became self-insured for workers compensation. Additionally, the County purchases commercial insurance for claims for all other risks of loss. Settled claims have not exceeded the insurance coverage in any of the past three years.

Uninsured claims for vehicle and general liability are recorded when a determinable loss has been incurred. Incurred but not reported claims, in the aggregate, do not represent a material amount and therefore have not been accrued. The change in claims for 2003 and 2004 is as follows:

Unpaid claims, December 31, 2002	$ —
Incurred claims and changes in estimates	200,825
Claims paid	(200,825)
Unpaid claims, December 31, 2003	—
Incurred claims and changes in estimates	220,825
Claims paid	(220,825)
Unpaid claims, December 31, 2004	$ —

Prior to July 1, 1994, the County was self insured for workers' compensation claims. Beginning July 1, 1994, the County joined the Indiana Public Employers Plan, Inc. (IPEP), an Indiana not-for-profit corporation. IPEP is a group self-funded worker's compensation program for local governmental units. IPEP is not intended to function as an insurance company;

rather it is a means of combining the administration of claims, of obtaining lower insurance rates and of sharing risks. IPEP is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $400,000. Although premiums billed are determined on an actuarial basis, fund members are subject to a supplemental assessment in the event of deficiencies and refunds in the event of excess. No annual premium was paid in 2004, as the County became self-insured subsequent to the expiration of the policy period on July 1, 2004. Additional assessments related to the year ended December 31, 2004 are not considered likely and, therefore, no liability has been provided. The unpaid claims are included in accrued liabilities at December 31, 2004. The change in claims for 2003 and 2004 is as follows:

Unpaid claims, December 31, 2002	$	—
Incurred claims and changes in estimates		688,000
Claims paid		(688,000)
Unpaid claims, December 31, 2003		—
Incurred claims and changes in estimates		246,684
Claims paid		(135,465)
Unpaid claims, December 31, 2004	$	111,219

The County has established a reserve in the government-wide statements for pending claims and settlements which involve the County (note 18). The change in the reserve for pending claims and settlements for 2003 and 2004 is as follows:

Reserve for pending claims and settlements, December 31, 2002	$	1,499,500
Additions to reserve		650,228
Payments		(423,500)
Reserve for pending claims and settlements, December 31, 2003		1,726,228
Additions to reserve		1,142,653
Payments		(592,949)
Reserve for pending claims and settlements, December 31, 2004	$	2,275,932

NOTE 14—DEFERRED COMPENSATION PLAN

Employees of Marion County are eligible to participate in a deferred compensation plan (the 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 the 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 plan was amended to comply with the amendments to Section 457 of the Internal Revenue Code. 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.

NOTE 15—JOINT VENTURE

The Indianapolis-Marion County Building Authority (Building Authority) is a joint venture of the County and the Consolidated City of Indianapolis (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. See Note 11 for capital leases. 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.

(Continued)

The County's share of the joint venture consists primarily of 58% of 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 which houses the majority of the operations of the County and City. The City's share of the joint venture consists primarily of 42% of the City-County Building and parking lot, 100% of the Municipal Garage, Belmont Garage, and 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 of Indianapolis in his capacity as the municipal executive of Indianapolis, one by the Mayor of the City of Indianapolis in his capacity as the county executive of Marion 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 2004, the County paid $6,389,342 and $2,940,450 in rent and maintenance, respectively. The amount of the Building Authority’s principal current portion and long-term portion at June 30, 2004 was $4,650,000 and $39,160,000, respectively. The amount of accumulated net revenues retained in operating accounts at June 30, 2004 was $64,274,931 and the amount of accumulated net revenues retained and used for building, site and project costs and related debt service was $36,099,453 at June 30, 2004.

A copy of the separately issued financial statements of the Indianapolis-Marion County Building Authority, which is prepared on a basis other than accounting principles generally accepted in the United States of America, is available upon request.

NOTE 16—RELATED PARTY TRANSACTIONS

The legislative body of the County is the same in several respects as that of the City, and the position of County Executive is held by the Mayor of the City. The County provides certain information technology and telephone services to the City. Revenues from these services were approximately $14,023,828 in 2004, and the amount owed by the City to the County for these services was $1,595,141 at December 31, 2004. In addition, the City owed the County $1,015,721 for 911 dispatch services. In 2004, the County received approximately $3,047,162 of 911 dispatch fees from the City. At December 31, 2004, the County owed the City $1,261,626 for fuel related to the Sheriff’s fleet vehicles and $232,728 for court costs to municipalities.

The City and County purchase certain insurance policies which 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 county-wide tax levy. The County does not compensate the City for these 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 the County jail and lockup.

The County acts as either a subrecipient or a pass-through agent for various state and federal grant programs with the City of Indianapolis during 2004.

NOTE 17—DEFICIT FUND BALANCES

At December 31, 2004, the following funds had deficit fund balances:

General Fund	$ 64,777,057
Cumulative Capital Development (Capital Projects Fund)	90,315
Public Safety Capital Projects (Capital Projects Fund)	12,244

The County intends to request use of deferral program fees in future periods to eliminate the deficit in Public Safety Capital Projects. The County intends to reduce the deficit in the General Fund via property taxes and controlling spending.

(Continued)

The County's local option income tax rate will increase 0.1% each year until it reaches 1.0%. The County intends to use a portion of this increase to cover the deficit in the Cumulative Capital Development Fund.

NOTE 18—COMMITMENTS AND CONTINGENCIES

The County has established a reserve for pending lawsuits which involve the County in the government-wide statements. The County has provided for probable aggregate liability resulting from such claims where the potential claims are not covered by insurance. Indiana law limits the liability of municipalities to $300,000 per person and $5,000,000 per occurrence. In the opinion of legal counsel, potential claims against the County not covered by claims and judgment liability provided in the financial statements would not materially affect the financial statements of the County. The County is vigorously defending its interest in all of the foregoing litigations.

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 expenditures which 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 19—EXPLANATION OF CERTAIN DIFFERENCE BETWEEN GOVERNMENTAL FUND FINANCIAL STATEMENTS AND THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. Liability associated with an operating lease with scheduled rate increases is recognized in government-wide financial statements but not the fund final statements. All liabilities – both current and long term – are reported in the statement of net assets.

Balances at December 31, 2004 were as follows:

General obligation notes	$	9,400,000
Capital leases		33,763,608
Capital lease amounts recorded in internal service fund (already accounted for)		(1,559,241)
Claims and judgments		2,275,932
Operating lease escalation		835,973
Compensated absences		7,505,034
Compensated absences amounts recorded in internal service fund (already accounted for)		(133,520)
Combined adjustment	$	52,087,786

NOTE 20—SECTION 102 HAVA REIMBURSEMENT BUDGETARY INFORMATION

A budget for Section 102 Help America Voters Act (HAVA) Reimbursement (Special Revenue Fund) was not adopted in 2004. Thus, related expenditures exceeded appropriations by $1,920,267, of which $2,917,488 was offset by federal grant amounts received. A budget for Section 102 HAVA Reimbursement was adopted in 2005.

NOTE 21—SUBSEQUENT EVENTS

Effective, July 2005, the Indiana State Legislature passed Senate Bill 307 that combined several functions between the City of Indianapolis and Marion County that were previously separate functions for both entities. Under Senate Bill 307, the Controller is appointed the fiscal officer of the Consolidated City and the County. A new Office of Finance and Management was established, of which the Controller serves as the director. The responsibilities of the Office of Finance and Management include budgeting, financial reporting and audits, purchasing, and capital assets for the City of Indianapolis and Marion County. The County Auditor is responsible for accounting, payroll, accounts payable, accounts receivable, revenue and tax distributions, and maintenance of property records for the City of Indianapolis and Marion County. Additionally, the County Auditor is responsible for the issuance of warrants for payments from all County and City funds.

 (Continued)

House Bill 1001 establishes provisions for counties in the payment of all state institution accounts. Counties have six (6) months to pay after an account is received. Any accounts not settled shall be forwarded to the Auditor of State, and the County's next distribution of property tax replacement credit shall be reduced by the amount of the outstanding account. The account is then considered paid. Those counties with delinquent accounts have until August 15, 2005 to reach a repayment agreement with the State Budget Agency. If an agreement is not reached, the Auditor of State will withhold the amount owed the state from the county's property tax relief credit distributions to the County. At December 31, 2004, the County has a liability to the State of Indiana for $62,584,193 for amounts owed to the Boys and Girls School (note 8).

In May 2005, the Juvenile Court Alternative School was closed. The County intends to utilize the facilities for juvenile detention, thus, no impairment exists of the building and improvements.

In January 2005, the County received $2,196,750 in Section 102 HAVA- federal funds. The County used this money to reduce the general notes obligation to $7,150,000. The remaining HAVA funds will be utilized in 2005 to either further reduce the note balance or to purchase new voting equipment. In March 2005, the County entered into an agreement with the Indianapolis Local Public Improvement Bond Bank to extend the outstanding note balance to March 1, 2006. Interest on the notes is 3.27% payable on March 1 and September 1.

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
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts		Actual Amounts	Variance with Final Budget— Positive (Negative)
	Original	Final		
Revenues				
Taxes	$ 153,612,047	$ 149,803,296	$ 151,719,946	$ 1,916,650
Intergovernmental	18,573,851	18,573,851	18,702,505	128,654
Charges for services	9,828,150	9,828,150	10,932,690	1,104,540
Investment earnings	4,515,000	4,515,000	4,049,737	(465,263)
Miscellaneous	3,158,585	3,158,585	2,258,601	(899,984)
Total revenues	189,687,633	185,878,882	187,663,479	1,784,597
Expenditures				
Current:				
General government	58,093,031	52,148,622	50,917,194	1,231,428
Public safety	140,372,933	141,622,950	139,908,390	1,714,560
Welfare	2,240,382	2,395,324	2,363,191	32,133
Total expenditures	200,706,346	196,166,896	193,188,775	2,978,121
Deficiency of revenues over expenditures	$ (11,018,713)	$ (10,288,014)	$ (5,525,296)	$ 4,762,718

See accompanying notes to the required supplementary information.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
SCHEDULE OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL
REQUIRED SUPPLEMENTARY INFORMATION
STATE AND FEDERAL GRANTS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			Variance with Final Budget—
	Original	Final	Actual Amounts	Positive (Negative)
Revenues				
Intergovernmental	$ —	$ 9,493,765	$ 10,440,839	$ 947,074
Total revenues	—	9,493,765	10,440,839	947,074
Expenditures				
Current:				
General government:	—	1,277,520	736,552	540,968
Public safety	—	16,500,094	9,196,704	7,303,390
Total expenditures	—	17,777,614	9,933,256	7,844,358
Excess (deficiency) of revenues over expenditures	$ —	$ (8,283,849)	$ 507,583	$ 8,791,432

See accompanying notes to the required supplementary information.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
REQUIRED SUPPLEMENTARY INFORMATION
PROPERTY REASSESSMENT
FOR THE YEAR ENDED DECEMBER 31, 2004

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts**	**Variance with Final Budget— Positive (Negative)**
Revenues				
Taxes	$ 1,941,971	$ 1,925,860	$ 1,880,328	$ (45,532)
Interest	61,600	61,600	46,138	(15,462)
Total revenues	2,003,571	1,987,460	1,926,466	(60,994)
Expenditures				
Current:				
General government:	4,284,047	4,284,047	2,553,784	1,730,263
Total expenditures	4,284,047	4,284,047	2,553,784	1,730,263
Deficiency of revenues over expenditures	$ (2,280,476)	$ (2,296,587)	$ (627,318)	$ 1,669,269

See accompanying notes to the required supplementary information.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
REQUIRED PENSION SUPPLEMENTARY INFORMATION
DECEMBER 31, 2004

Schedules of Funding Progress

Valuation date	(1) Net assets available for benefits	(2) Actuarial accrued liability	(3) Assets in excess of actuarial accrued liability (AEAAL) (1)-(2)	(4) Funded ratio (1)/(2)	(5) Annual covered payroll	AEAAL as a percentage of covered payroll (3)/(5)
Marion County Law Enforcement Personnel: Retirement Plan						
1/1/99	108,380,468	108,380,468	—	100.0	16,997,366	0.0
1/1/00	113,673,635	113,673,635	—	100.0	17,585,164	0.0
1/1/01	119,024,251	119,024,251	—	100.0	18,451,953	0.0
1/1/02	124,447,738	124,447,738	—	100.0	18,605,324	0.0
1/1/03	123,778,462	134,331,050	10,552,588	92.1	20,011,664	52.7
1/1/04	129,541,475	139,649,262	10,107,878	92.8	21,262,246	47.5
County Employees*						
7/1/2002	$ 64,277,700	$ 63,449,720	$ 827,980	101.0%	$ 65,196,352	1.0%
7/1/2003	64,129,932	57,704,658	6,425,274	111.1	67,734,513	9.0
7/1/2004	N/A	N/A	N/A	N/A	N/A	N/A

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

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

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

See accompanying notes to the required supplementary information.

(Continued)

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
REQUIRED PENSION SUPPLEMENTARY INFORMATION – UNAUDITED (CONTINUED)
DECEMBER 31, 2004

Schedules of employer contributions

Valuation date	Annual required contributions	Percentage contributed
Marion County Law Enforcement Personnel: Retirement Plan		
1/1/98	$ 1,501,726	109.1%
1/1/99	1,346,025	110.6
1/1/00	1,609,078	109.4
1/1/01	2,228,225	105.7
1/1/02	2,665,033	107.1
1/1/03	3,434,668	110.5
1/1/04	4,061,769	110.3
Disability Plan		
1/1/98	$ 905,280	100.0%
1/1/99	1,022,529	100.0
1/1/00	1,152,580	100.0
1/1/01	927,406	100.0
1/1/02	949,714	100.0
1/1/03	956,210	100.0
1/1/04	928,311	100.0
County Employees		
6/30/98	$ 1,350,000	151.5%
6/30/99	1,350,002	163.7
6/30/00	1,373,994	163.01
6/30/01	1,666,209	119.2
6/30/02	2,028,297	106.8
6/30/03	3,194,174	71.6
6/30/04	2,559,233	116.9

See accompanying notes to the required supplementary information.

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 IVD Incentive (Special Revenue Fund), Prosecutor's Law Enforcement Equitable Share (Special Revenue Fund) and Prosecutor's Title IVD Incentive (Special Revenue Fund), and Public Safety Interest Escrow (Capital Projects Fund) which are not legally required to do so. County Sales Disclosure (Special Revenue Fund) MC Sheriff's Civil DIV Fees (Special Revenue), Alternative Dispute Resolution (Special Revenue–Other), Campaign Finance (Special Revenue Fund–Other), County Sinking (Debt Service Fund) and Welfare Judgment (Debt Service Fund) and Public Safety Capital Projects (Capital Projects Fund) were not budgeted during 2004 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 that encumbrances and certain accounts payable are treated as expenditures.

The timetable for the budgetary process is as follows:

June 1	Auditor provides guidelines to County agencies
July 1	County Officials submit budgets
August	Auditor 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 the State of Indiana Department of Local Government Finance.

During the year, the following supplementary appropriations were properly approved for the General Fund, State and Federal Grants and Property Reassessments Funds:

	General	State and federal grants	Property reassessment
Original appropriation	$ 200,706,346	$ —	$ 4,284,047
Revisions	(4,539,450)	17,777,614	—
Revised appropriations	$ 196,166,896	$ 17,777,614	$ 4,284,047

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

A budget for Section 102 HAVA Reimbursement was not adopted in 2004. Thus, related expenditures exceeded appropriations by $1,920,267, of which $2,917,488 was offset by federal grant amounts received. A budget for Section 102 HAVA Reimbursement was adopted in 2005.

Continued

NOTE 2—BUDGET / GAAP REPORTING DIFFERENCES

Adjustments required to convert the results of 2004 operations from a budgetary basis to a GAAP basis are as follows:

	General	State and federal grants	Property reassessment
Revenues and other financing:			
Changes in fund balance (GAAP basis)	$ (22,797,931)	$ —	$ (573,044)
Add (deduct):			
(Increase) decrease in receivables	3,859,166	649,097	(328)
Increase (decrease) in certain payables and prepaids	13,429,824	(237,979)	(66,391)
Increase (decrease) in current year encumbrances	349,479	(175,555)	6,052
Activities not budgeted	(365,834)	272,020	6,393
Revenues and other financing sources over (under) expenditures and other uses (budgetary basis)	$ (5,525,296)	$ 507,583	$ (627,318)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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-K160 and C2-4-49-K162	School Breakfast Program	10.553	$ —	128,021
	Indiana Department of Education	C2-4-49-K160 and C2-4-49-K162	National School Lunch Program	10.555	—	251,423
Total U.S. Department of Agriculture					—	379,444
U.S. Department of Justice	Indiana Department of Corrections	2002-RE-CX-002	Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	—	38,914
	ICJI***	01-JB-041	Juvenile Accountability Incentive Block Grants	16.523	2,027	4,598
	ICJI***	02-JB-043	Juvenile Accountability Incentive Block Grants	16.523	186,922	746,194
	ICJI***	03-JB-039	Juvenile Accountability Incentive Block Grants	16.523	47,694	115,335
			Total 16.523		236,643	866,127
	ICJI***	02-JF-011	Juvenile Justice and Delinquency Prevention – Teen Court	16.540	1,808	1,808
	ICJI***	03-JF-030	Juvenile Justice and Delinquency Prevention – Child Advocates	16.540	25,000	25,000
			Total 16.540		26,808	26,808
	Indiana State Police	2003-DNBXK018	Crime Laboratory Improvement - Combined Offender DNA Index System Backlog Reduction	16.564	—	36,239
	ICJI***	02VA106	Crime Victim Assistance – Victim Advocate – 02/03	16.575	—	(12,098)
	ICJI***	03VA107	Crime Victim Assistance – Victim Advocate – 03/04	16.575	—	170,452
	ICJI***	04VA108	Crime Victim Assistance – Victim Advocate – 04/05	16.575	—	96,639
	ICJI***	04VA107	Crime Victim Assistance – Salvation Army – 04/05	16.575	42,591	42,591
	ICJI***	03VA105	Crime Victim Assistance – Salvation Army – 03/04	16.575	27,232	29,420
	ICJI***	03VA108	Crime Victim Assistance – Child Interviewer, Project Safe Families – 03/04	16.575	46,524	48,712
	ICJI***	04VA109	Crime Victim Assistance – Child Interviewer – 04/05	16.575	—	36,355
	ICJI***	03VA102	Crime Victim Assistance – New Path for Victims – 03/04	16.575	10,021	10,021
	ICJI***	04VA104	Crime Victim Assistance – New Path for Victims – 04/05	16.575	5,011	5,011
	ICJI***	02VA114	Crime Victim Assistance – Victim Assistance – 02/03	16.575	—	(180)
	ICJI***	03VA110	Crime Victim Assistance – Victim Assistance – 03/04	16.575	—	27,595
	ICJI***	04VA111	Crime Victim Assistance – Victim Assistance – 04/05	16.575	—	28,364
	ICJI***	03VA101	Crime Victim Assistance – Julian Center's Family Growth Project – 03/04	16.575	10,211	10,211
	ICJI***	04VA103	Crime Victim Assistance – Julian Center's Family Growth Project – 04/05	16.575	20,206	20,206
	ICJI***	01VA161	Crime Victim Assistance – Protective Order Pro Bono Project	16.575	21,528	21,528
	ICJI***	04VA009	Crime Victim Assistance – Protective Order Pro Bono Project – 04/05	16.575	22,773	28,920
	ICJI***	03VA111	Crime Victim Assistance – Parent-Child Visitation Program – 03/04	16.575	12,076	12,076
	ICJI***	04VA112	Crime Victim Assistance – Parent-Child Visitation Program – 04/05	16.575	12,076	12,076
	ICJI***	03VA109	Crime Victim Assistance – Centers of Hope – 03/04	16.575	88,452	93,452
	ICJI***	04VA110	Crime Victim Assistance – Centers of Hope – 04/05	16.575	107,092	107,092
	ICJI***	03VA106	Crime Victim Assistance – Volunteer Coordination – 03/04	16.575	1,170	1,170
	ICJI***	04VA105	Crime Victim Assistance – Child Advocates Expansion Project	16.575	27,790	27,790
	ICJI***	03VA104	Crime Victim Assistance – Breaking Free – Adult – 03/04	16.575	18,364	18,364
	ICJI***	04VA106	Crime Victim Assistance – Breaking Free – Adult – 04/05	16.575	16,149	16,149
	ICJI***	04VA004	Crime Victim Assistance – CASA for Kids Program – 04/05	16.575	15,140	15,140
			Total 16.575		504,406	867,056

(Continued)

MARION COUNTY, INDIANA
(A Componet Unit of the Consolidated
City of Indianapolis – Marion County)
Schedule of Expenditures of Federal Awards
Year ended December 31, 2004

Federal grantor	Pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
		ADAM03	Byrne Formula Grant Program – Arrestee Drug Abuse Monitoring 2001	16.579	$ —	(41)
	ICJI***	99DB-070	Byrne Formula Grant Program – Sentencing Alternative	16.579	—	(23,800)
	ICJI***	02DB-010	Byrne Formula Grant Program – Johnson County Task Force – 03/04	16.579	—	14,908
	ICJI***	03DB-026	Byrne Formula Grant Program – Johnson County Prosecutor	16.579	—	42,983
	ICJI***	00DB-052	Byrne Formula Grant Program – Metro Drug	16.579	—	79
	ICJI***	03-DB-054	Byrne Formula Grant Program – Juvenile Deposition Project	16.579	—	7,113
	ICJI***	00DB-033	Byrne Formula Grant Program – Sentencing Resources	16.579	—	(21,999)
	ICJI***	02DB-029	Byrne Formula Grant Program – Sentencing Resources – 03/04	16.579	—	28,536
	ICJI***	03DB031	Byrne Formula Grant Program – Violence Reduction Partnership – 04/05	16.579	—	41,733
	ICJI***	01DB-047	Byrne Formula Grant Program – Life Effectiveness Training – 03/04	16.579	—	22,973
	ICJI***	03DB033	Byrne Formula Grant Program – Life Effectiveness Training	16.579	—	69,703
	ICJI***	02DB-002	Byrne Formula Grant Program – Young Offenders Diversion Project – 03/04	16.579	—	96,883
	ICJI***	03-DB-052	Byrne Formula Grant Program – Young Offenders Diversion Project – 04/05	16.579	—	285,013
	ICJI***	03DB032	Byrne Formula Grant Program – Drug Treatment Diversion	16.579	—	105,472
	ICJI***	03DB-031	Byrne Formula Grant Program – Community Court	16.579	—	94,862
	ICJI***	03DB034	Byrne Formula Grant Program – Community Court	16.579	—	9,125
	ICJI***	02-DB-044	Byrne Formula Grant Program – Community Prosecution	16.579	—	76,469
	ICJI***	01DB-056	Byrne Formula Grant Program – Metro Drug Task Force – 03/04	16.579	—	117,513
	ICJI***	03DB030	Byrne Formula Grant Program – Metro Drug Task Force – 04/05	16.579	—	317,557
	ICJI***	01DB-049	Byrne Formula Grant Program – Violence Reduction Partnership – 03/04	16.579	—	12,840
	ICJI***	02DB-012	Byrne Formula Grant Program – Drug Treatment Grant – 03/04	16.579	—	61,849
	ICJI***	02-DB-032	Byrne Formula Grant Program – Criminal Justice Strategic Planning Project	16.579	—	137,375
	ICJI***	02DB-025	Byrne Formula Grant Program – Early Release Summons Assessment	16.579	—	17,556
	ICJI***	01DB-051	Byrne Formula Grant Program – Treatment Readiness Grant – 03/04	16.579	—	8,591
			Total 16.579		—	1,523,293
	ICJI***	03ST045	Violence Against Women Formula Grants – 03/04	16.588	51,162	53,350
	ICJI***	03ST046	Violence Against Women Formula Grants – A Child's Haven – 03/04	16.588	17,753	20,604
	ICJI***	04ST040	Violence Against Women Formula Grants – A Child's Haven	16.588	11,657	11,797
	ICJI***	03ST047	Violence Against Women Formula Grants – Julian Center – 03/04	16.588	22,610	24,798
	ICJI***	04ST041	Violence Against Women Formula Grants – Julian Center – 04/05	16.588	22,668	22,668
	ICJI***	03ST044	Violence Against Women Formula Grants – Hispanic Outreach – 03/04	16.588	17,748	18,248
	ICJI***	04ST039	Violence Against Women Formula Grants – Hispanic Outreach – 04/05	16.588	13,137	13,137
	ICJI***	03ST062	Violence Against Women Formula Grants – Protective Order Advocates	16.588	34,244	43,289
			Total 16.588		190,979	207,891
	City of Indianapolis, Indiana	2003-WE-BX-K001	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	—	86,748
	City of Indianapolis, Indiana	98-WE-VX-0019	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	—	4,051
	City of Indianapolis, Indiana	1998-WE-VX-0019	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	16.590	—	87
			Total 16.590		—	90,886
	City of Indianapolis, Indiana	2002-LB-BX-0845	Local Law Enforcement Block Grant Program	16.592	—	516,613
	City of Indianapolis, Indiana	2003-LB-BX-1439	Local Law Enforcement Block Grant Program	16.592	—	39,520
			Total 16.592		—	556,133
	City of Indianapolis, Indiana	2001-WS-QX-0077	Executive Office for Weed and Seed – Conflict Resolution	16.595	—	26,323
	Alcohol Tobacco and Firearms Agency	N/A	Executive Office for Weed and Seed – Asset Forfeiture Fund – FY 1999	16.595	—	7,679
	Southeast Umbrella Organization	N/A	Executive Office for Weed and Seed – SUMO	16.595	—	9,613
	City of Indianapolis, Indiana	2001-WS-QX-0162	Executive Office for Weed and Seed – CNN	16.595	—	(969)
	City of Indianapolis, Indiana	2004-WS-X4-0063	Executive Office for Weed and Seed – Conflict Resolution	16.595	—	37,958
	Southeast Umbrella Organization	N/A	Executive Office for Weed and Seed – Conflict Resolution	16.595	—	3,997
			Total 16.595		—	84,601

Federal grantor	Pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
			Community Prosecution and Project Safe Neighborhoods – Project Sentry	16.609	$ —	118,638
			Community Prosecution and Project Safe Neighborhoods – Community Court Program	16.609	—	8,302
			Community Prosecution and Project Safe Neighborhoods – Community Prosecution Leadership Grant	16.609	—	104,734
			Community Prosecution and Project Safe Neighborhoods – PSN Warrant Initiative/Safe Neighborhood	16.609	—	115,880
			Community Prosecution and Project Safe Neighborhoods – Safe Neighborhoods Research Partnership	16.609	—	45,659
			Community Prosecution and Project Safe Neighborhoods – Community Gun Violence Prosecution Program	16.609	—	83,202
	ICJI***	2003-GP-CX-0523	Community Prosecution and Project Safe Neighborhoods – Project Safe Neighborhoods	16.609	—	153,243
			Total 16.609		—	629,658
			Public Safety Partnership and Community Policing Grants	16.710	—	396,546
			Law Enforcement Assistance – Indianapolis Violent Crimes Major Offenders – Safe Streets Task Force	16.xxx	—	14,282
			Indianapolis Metropolitan Safe Streets Gang Task Force	16.xxx	—	63,362
			Federal Equitable Sharing Program	16.xxx	—	110,168
Total U.S. Department of Justice					958,836	5,511,964
National Highway Traffic Safety Administration						
State and Community Highway Safety Program Cluster:						
	ICJI***	154AL 04-03-02-02	State and Community Highway Safety – DUI Indiana	20.600	—	(569)
	ICJI***	154AL 05-03, T-03, T-88	State and Community Highway Safety – DUI Taskforce Indiana DUI Indiana	20.600	—	56,511
	ICJI***	Award1	State and Community Highway Safety – Impaired Driving Equipment Award	20.600	—	4,000
			Total 20.600		—	59,942
	ICJI***	154AL-04-03-02-02	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants Fatal Crash OVWI	20.601	—	63,116
	ICJI***	154AL 05-03, T-03, P-01	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants Operation Pull-Over Grant	20.601	—	34,206
	ICJI***	OPINT4	Safety Incentive Grants for Use of Seatbelts	20.601	—	13,408
	ICJI***	J8 04-03-03-01	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants Operation Pull-Over	20.601	—	346,369
			Total 20.601		—	457,099
	ICJI***	IN-05-02, T-03, P-39	Safety Incentive Grants for Use of Seatbelts	20.604	—	17,178
Total State and Community Highway Safety Program Cluster					—	534,219

MARION COUNTY, INDIANA
(A Componet Unit of the Consolidated
City of Indianapolis – Marion County)
Schedule of Expenditures of Federal Awards
Year ended December 31, 2004

Federal grantor	Pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
	ICJI***	154AL 05-03-02-03	State and Community Highway Safety – OVWI Vehicular Fatal Crash Team	20.607	$ —	6,082
Total National Highway Traffic Safety Administration					—	540,301
U.S. Election Assistance Commission						
	Indiana Secretary of State	N/A	Help America Vote Act	90.xxx	—	1,974,484
Total U.S. Election Assistance Commission					—	1,974,484
U.S. Department of Health and Human Services						
	FSSA**	49-04-OV-2177	Special Programs for the Aging-Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	—	3,958
	FSSA**	N/A	Child Support Enforcement	93.563	—	3,735,499
	Indiana Judicial Center	N/A	State Court Improvement Program	93.586	—	27,195
	FSSA**	49-04-1V-2177	Grants to States for Access and Visitation Programs	93.597	—	23,333
	FSSA**	49-05-1V-2177	Grants to States for Access and Visitation Programs	93.597	—	20,473
			Total 93.597		—	43,806
	Health and Hospital Corporation of Marion County	3610-572100-141600	STD Syphillis Eradication Grant	93.977	—	2,013
Total U.S. Department of Health and Human Services					—	3,812,471
U.S. Department of Homeland Security						
	State Emergency Management Agency	N/A	State Domestic Preparedness Equipment Support Program	97.004	—	134,068
Total U.S. Department of Homeland Security					—	134,068
Total Expenditures of Federal Awards					$ 958,836	12,352,732

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

** Indiana Family and Social Services Administration (FSSA)

*** Indiana Criminal Justice Institute (ICJI)

N/A Pass – through grantor number not available

MARION COUNTY, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS – MARION COUNTY)

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2004

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards 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. The County's federal awards are defined as being those administered directly by the County.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards has been prepared on an accrual basis of accounting as permitted by the U.S. Office of Management and Budget Circular A-133 and in conformity with accounting principles generally accepted in the United States of America.

(3) Relationship to Federal Financial Reports

Amounts reported in the accompanying Schedule of Expenditures of Federal Awards for the County administered programs agree or reconcile with the amounts reported in the related Federal financial reports.

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*

Ms. Martha A. Womacks
Auditor and the 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, 2004, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 1, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-01 to 04-03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions, described above, we consider items 04-01 to 04-03 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*.

This report is intended solely for the information and use of the audit committee, management 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
July 1, 2005

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

Ms. Billie J. Breaux
Auditor and the 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, 2004. 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 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.

We were unable to obtain sufficient documentation supporting the compliance of the County with the Juvenile Accountability Incentive Block Grants program regarding procurement and suspension and debarment as discussed in item 04-16 in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the County's compliance with those requirements by other auditing procedures. As described in items 04-05 and 04-06 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs/cost principles and subrecipient monitoring, respectively, that are applicable to its Juvenile Accountability Incentive Block Grants program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply in all material respects, with the requirements referred to above that are applicable to the Juvenile Accountability Incentive Block Grant program for the year ended December 31, 2004.

We were unable to obtain sufficient documentation supporting the compliance of the County with the Byrne Formula Grant Program regarding procurement and suspension and debarment as discussed in item 04-16 in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the County's compliance with those requirements by other auditing procedures. As described in item 04-05 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs/cost principles that is applicable to its Byrne Formula Grant Program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply in all material respects, with the requirements referred to above that are applicable to the Byrne Formula Grant Program for the year ended December 31, 2004.

We were unable to obtain sufficient documentation supporting the compliance of the County with the Local Law Enforcement Block Grants Program regarding matching, level of effort, and earmarking as discussed in item 04-17 in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the County's compliance with those requirements by other auditing procedures. As described in item 04-05 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs/cost principles that is applicable to its Local Law Enforcement Block Grants Program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply in all material respects, with the requirements referred to above that are applicable to the Local Law Enforcement Block Grants Program for the year ended December 31, 2004.

We were unable to obtain sufficient documentation supporting the compliance of the County with the State and Community Highway Safety Program Cluster regarding procurement and suspension and debarment as discussed in item 04-16 in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the County's compliance with those requirements 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 the procurement and suspension and debarment compliance requirement, the County complied, in all material respects, with the requirements referred to above that are applicable to the State and Community Highway Safety Program Cluster for the year ended December 31, 2004.

We were unable to obtain sufficient documentation supporting the compliance of the County with the Title IV-D Child Support Enforcement program regarding procurement and suspension and debarment as discussed in item 04-16 in the accompanying schedule of findings and questioned costs, nor were we able to satisfy ourselves as to the County's compliance with those requirements 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 Title IV-D Child Support Enforcement program regarding the procurement and suspension and debarment compliance requirement, the County complied, in all material respects, with the requirements referred to above that are applicable to the Title IV-D Child Support Enforcement program for the year ended December 31, 2004. However, the results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 04-14 and 04-15.

As described in items 04-05 and 04-06 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs/cost principles and subrecipient monitoring, respectively, that are applicable to its Crime Victim Assistance program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply in all material respects, with the requirements referred to above that are applicable to the Crime Victim Assistance program for the year ended December 31, 2004.

As described in item 04-06 in the accompanying schedule of findings and questioned costs, the County did not comply with the requirement regarding subrecipient monitoring, that is applicable to its Violence Against Women Formula Grants program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply in all material respects, with the requirements referred to above that are applicable to the Violence Against Women Formula Grants program for the year ended December 31, 2004.

As described in items 04-08 and 04-09 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the procurement and suspension and debarment and the equipment and real property management compliance requirements, respectively, that are applicable to its Public Safety Partnership and Community Policing Grants. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program. In our opinion, except for the noncompliance described in this paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to the Public Safety Partnership and Community Policing Grants program for the year ended December 31, 2004. 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 04-10.

As described in items 04-11, 04-12, and 04-13 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding reporting, that is applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program. In our opinion, except for the noncompliance described in this paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to the Child Nutrition Cluster program for the year ended December 31, 2004.

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 program for the year ended December 31, 2004.

Additionally, we noted another instance of noncompliance 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 04-06.

Internal Control over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 04-04, 04-05, 04-06, 04-07, 04-08, 04-09, 04-10, 04-11, 04-12, 04-13, 04-16, and 04-17.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 04-04, 04-05, 04-06, 04-07, 04-08, 04-09, 04-11, 04-12, 04-13, 04-16, and 04-17 to be material weaknesses.

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

KPMG LLP

Indianapolis, Indiana
April 16, 2008

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MARION COUNTY, INDIANA
(A COMPONENT UNIT OF THE CONSOLIDATED
CITY OF INDIANAPOLIS – MARION COUNTY)

Notes to Schedule of Expenditures of Federal Awards

Year ended December 31, 2004

(1) Summary of Auditors Results

(a)	The type of report issued on the basic financial statements:	**Unqualified Opinions**
(b)	Reportable conditions 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)	Reportable conditions in internal control over major programs:	**Yes**
	Material weaknesses:	**Yes**
(e)	The type of report issued on compliance for major programs:	
	Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555)	**Qualified**
	Juvenile Accountability Incentive Block Grants (CFDA No. 16.523)	**Adverse**
	Crime Victim Assistance (CFDA No. 16.575)	**Adverse**
	Byrne Formula Grant Program (CFDA No. 16.579)	**Adverse**
	Violence Against Women Formula Grants (CFDA No. 16.588)	**Adverse**
	Local Law Enforcement Block Grants Program (CFDA No. 16.592)	**Adverse**
	Public Safety Partnership and Community Policing Grants (CFDA No. 16.710)	**Qualified**
	State and Community Highway Safety Program Cluster (CFDA Nos. 20.600/20.601/20.604)	**Qualified-Scope Limitation**
	Help America Vote Act (CFDA No. 90.xxx)	**Unqualified**
	Title IV–D Child Support Enforcement (CFDA No. 93.563)	**Qualified-Scope Limitation**
(f)	Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133:	**Yes**

(g) Major programs:

Child Nutrition Cluster, U.S. Department of Agriculture passed through Indiana Department of Education (CFDA Nos. 10.553 and 10.555)

Juvenile Accountability Incentive Block Grants, U.S. Department of Justice passed through Indiana Criminal Justice Institute (CFDA No. 16.523)

Crime Victim Assistance, U.S. Department of Justice passed through Indiana Criminal Justice Institute (CFDA No. 16.575)

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

Violence Against Women Formula Grants, U.S. Department of Justice passed through Indiana Criminal Justice Institute (CFDA No. 16.588)

Local Law Enforcement Block Grants Program, U.S. Department of Justice passed through City of Indianapolis, Indiana (CFDA No. 16.592)

Public Safety Partnership and Community Policing Grants, U.S. Department of Justice (CFDA No. 16.710)

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

Help America Vote Act, U.S. Election Assistance Commission passed through State of Indiana Secretary of State (CFDA No. 90.xxx)

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

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$370,582**

(i) Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: **No**

(continued)

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

Material Weaknesses – we noted the following matters involving the internal control structure and its operations in accordance with *Governmental Auditing Standards* that we consider material weaknesses:

04-01 Financial Reporting

Comment and Recommendation

The County's accounting records are maintained on a cash basis. Prior to proposing adjustments for accrual-basis accounting, KPMG LLP (KPMG) and the Deputy Auditor met to discuss the types of accruals needed and the method of determining the required accruals. The County then provided all required support for the accruals and KPMG calculated and proposed accrual adjustments based on the methodology discussed. The Deputy Auditor verifies completeness and accuracy as evidenced by sign-off on journal entries and discussion of accruals with KPMG.

The two largest areas for which KPMG made accruals were accounts receivable and accounts payable. For accounts receivable and accounts payable, KPMG obtained reports from the Deputy Auditor of all cash receipts received and all cash payments made after year end. Each entry was given a transaction code that identified what year the cash receipt or disbursement related to, and KPMG selected all entries over a selected scope as noted below, and reviewed the support to ensure that the entries were given the proper transaction code.

Furthermore, the County utilizes FAST-G software for recording journal entries and preparing fund and government-wide financial statements. There is no technology support available for FAST-G, and the current version of FAST-G cannot be uploaded to a new computer as it is not compatible with current technological standards.

KPMG recommends the County obtain sufficient resources to calculate and prepare accrual adjustments and utilize periods 13 and 14 in FAMIS to enable system-generated accruals. KPMG further recommends that the County either devise a new method for preparing and consolidating the fund and government-wide financial statements included in the basic financial statements or formulate a back-up plan for preparing the basic financial statements, in the event the current computer used to operate FAST-G has technology issues.

Views of Responsible Officials

The County has implemented policies and procedures to comply with the recommendations stated above. The County will be utilizing periods 13 for cash corrections and 14 for accrual adjustments for year ending 2005. The County has also established new transaction codes to

(continued)

better track purchase order transactions crossing fiscal years. FAST-G will not be used in the future for financial reporting purposes. All reports will be derived from FAMIS.

04-02 Lack of Formal Accounts Receivable System

Comment and Recommendation

A variety of revenue types are received by the County, including property taxes, intergovernmental grants and reimbursements, interest income on investments, charges for services, fees, and fines. Except for property taxes, a formal accounts receivable system to account for the various revenue amounts owed to the County is not maintained. The Auditor's Office is generally not notified as to the existence of receivable amounts, and first become aware of the existence of revenue when the cash is received in the Auditor's Office. Governmental Accountability Standards Board 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government (GASB 34)*, requires full accrual basis of accounting. This requires all revenue that is not yet available for spending to be reported. Therefore, as these receivables represent a significant asset of the County, the internal controls and accountability over reporting and accounting for these assets should be improved.

KPMG recommends that County-wide accounts receivable procedures be developed by the Auditor's Office for use by County agencies. The Auditor's Office should receive a quarterly report from the various agencies detailing the revenue amounts that are owed to the agencies but have not yet been received. Accounts receivable procedures will enable the County to improve its revenue analysis and planning capabilities, facilitate improved collection of amounts owed to the County, and improve overall accountability for County resources. Formal training should be given to the appropriate agency personnel as well as a brief manual/guide developed to assist the staff at the agencies in determining what qualifies as a receivable, so receivables are given consistent accounting treatment.

Views of Responsible Officials

The County feels as though it has improved in this area. For reporting purposes, as required under GASB 34, the implementation of month 14 for accruals will help in the compilation of accounts payable and receivable. In addition to this improvement, the County also communicates with the agencies to gather voluntary accounts receivable information.

04-03 Direct Pay Purchases

Comment and Recommendation

The direct pay method enables agencies to purchase goods and services without going through Central Purchasing. As a result, certain important internal controls may be circumvented when the direct pay method is used to purchase goods and services (e.g., lack of verification

(continued)

that purchase is in compliance with laws, the competitive bidding process may not be used when it is required, purchases may not be made in the most cost-efficient quantities). Furthermore, when the direct pay method is utilized, funds are not encumbered. Therefore, an agency could initiate a purchase even though there may not be sufficient funds available to pay for the goods and services.

KPMG recommends specific guidelines for the use of the direct payment method be established and documented by the City-County Council and directed to all elected officials of the County. The guidelines should ensure all appropriate and required controls are performed, including using bidding procedures for purchases greater than $75,000 and ensuring that the lowest possible price for goods and services is obtained.

By implementing the above controls over the direct pay method, the County will help to ensure it is effectively using taxpayer money in purchasing goods and services by obtaining the lowest possible price, as well as staying within budgeted funds.

Views of Responsible Officials

It is now mandatory for County agencies to use Central Purchasing, which should eliminate a large portion of the direct pay purchases. The Auditor's Office will work to document specific guidelines for the use of direct pay vouchers and communicate these guidelines to the respective County agencies.

(3) Findings and Questioned Costs Relating to Federal Awards

04-01 to 04-03 See Section (2) – Findings related to the Financial Statements Reported in Accordance with *Government Auditing Standards.*

04-04 <u>*Reporting*</u>

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

CFDA Nos. 10.553 and 10.555 *Child Nutrition Cluster*, U.S. Department of Agriculture passed through Indiana Department of Education; Grant Numbers C2-4-49-K160 and C2-4-49-K162

Criteria

Section .310 of the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (OMB Circular A-133) requires the County to prepare a Schedule of Expenditures of Federal Awards (SEFA) that includes all accrual-basis federal awards expended for the fiscal year. In addition, OMB Circular A-133 requires nonfederal entities receiving federal awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should ensure that accurate and complete accrual-basis expenditures for the fiscal year are reported on the SEFA.

Condition Found

The County did not have an effective system of internal control over the preparation of the SEFA to ensure that all accrual-basis expenditures were accurately and completely included within the SEFA. It was determined that the Child Nutrition Cluster, with total federal expenditures of $379,444, was not originally reported in the Schedule of Expenditures of Federal Awards. The eventual identification and inclusion of these Federal grant expenditures resulted in the identification of this program as an additional major program.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The lack of an effective system of internal control relative to reporting accrual-basis federal expenditures accurately and completely within the SEFA could lead to the improper determination of major programs.

Recommendation

We recommend the County establish a centralized grants management process including the consistent application of procedures to ensure federal grant awards and related expenditures are properly identified, administered, and monitored appropriately. Additionally, this process should ensure that all accrual-basis federal expenditures are reported accurately and completely within the SEFA.

Views of Responsible Officials

A procedure was implemented by the Office of Finance and Management and the Marion County Auditor's office to ensure all federal grant applications and associated reports are reviewed by both offices prior to obtaining the required signatures and submission to the grantor. Additionally, processes have been set in place to ensure all federal grant related expenses are reviewed by the Grant Analyst in the Auditor's office prior to authorization for payment. These processes ensure that both the Office of Finance & Management and the Marion County Auditor's office are aware of any federal grant dollars received by the County.

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04-05 *Allowable Costs/Cost Principles*

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

CFDA No. 16.523 *Juvenile Accountability Incentive Block Grants*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute; Grant Numbers 02-JB-043 and 03-JB-039

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

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

CFDA No. 16.592 *Local Law Enforcement Block Grants Program*, U.S. Department of Justice passed through the City of Indianapolis, Indiana; Award Nos. 2002-LB-BX-0845 and 2003-LB-BX-1439

Criteria

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

Condition Found

During our test work over the below grant programs, we selected a sample of expenditures that included payroll and fringe benefit expenditures. In each of these instances, 100% of the employees' payroll costs were charged to the grant; however, no personnel activity reports were available nor did the employees' execute semiannual certification statement indicating that 100% of their time was spent on that grant.

(continued)

Below are the specifics of each of the grants:

Federal program	Sample size	Amount of payroll associated with exceptions	Total payroll expenditures
Juvenile Accountability Incentive Block Grant	Exceptions in 23 of 23 payroll expenditures selected for testing	$16,821	$386,976
Crime Victim Assistance	Exceptions in 26 of 26 payroll expenditures selected for testing	19,577	320,970
Byrne Formula Grant Program	Exceptions in 20 of 20 payroll expenditures selected for testing	29,602	1,021,767
Local Law Enforcement Block Grant	Exceptions in 30 of 30 payroll expenditures selected for testing	27,956	376,931

Questioned Costs

The amount of questioned costs is the amount of total payroll expenditures shown by program in the table above.

Possible Asserted Cause and Effect

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

Recommendation

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

Views of Responsible Officials

The County will begin requiring semiannual certification statements for all employees that work solely on a single federal grant stating that 100% of their time is spent on a particular grant. An employee whose work is on multiple grants or programs will be documented on their individual time sheet. This will be coordinated through the Auditor's Office Grant Analyst.

04-06 _Subrecipient Monitoring_

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

CFDA No. 16.523 *Juvenile Accountability Incentive Block Grants,* U.S. Department of Justice passed through the Indiana Criminal Justice Institute; Grant Numbers 02-JB-043 and 03-JB-039

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

CFDA No. 16.588 *Violence Against Women Formula Grants,* U.S. Department of Justice passed through Indiana Criminal Justice Institute; Grant Numbers 03ST045, 03ST046, 04ST040, 03ST047, 04ST041, 04ST039, 03ST044, 04ST062

Criteria

According to OMB Circular A-133 Subpart D §__.400(d), a pass-through entity is responsible for:

- Identifying to the subrecipient the federal award information (CFDA title and number, award name and number, 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.

(continued)

Conditions Found

The following programs, which were audited as major programs for 2004 had a portion of the grant funds passed through to subrecipients.

CFDA number	Program title		Total expenditures	Amount passed to subreceipient
16.523	Juvenile Accountability Incentive Block Grants	$	866,127	236,643
16.575	Crime Victim Assistance		867,056	504,406
16.588	Violence Against Women Formula Grants		207,891	190,979

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. The County began in 2003 to execute sub-award agreements with its subrecipients to communicate required grant information. We noted one grantee (period covered two grant awards) for which no grant agreement was executed.

The County also requests subrecipient audit reports from each of their subrecipients. However, there are no internal controls in place to follow up on non-responses or to review the audit reports once they are received. Due to this overall lack of internal controls and compliance activities, the above referenced programs were not fully or adequately monitored.

This finding is considered systemic given the number of grant programs and subrecipients that the County maintains. We also noted that the Juvenile Justice and Delinquency Prevention Grants (CFDA No. 16.540) that was not audited as a major federal program has $26,808 of the related grant award passed through to subrecipients.

Questioned Costs

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

Possible Asserted Cause and Effect

The County does not have a uniform process in place and thus monitoring is up to each individual agency that administers a grant. There is no assigned individual to obtain and evaluate auditees' audit reports and thus this procedure is not enforced.

(continued)

Recommendation

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

Views of Responsible Officials

The Office of Finance and Management created, "Subrecipient Monitoring Procedures for the City of Indianapolis/Marion County Indiana", dated February 15, 2007. These procedures were distributed to all County agencies and training was provided to each agency receiving federal grant dollars. The procedures instruct the County agencies on how to comply with OMB Circular A-133 and the Single Audit Act of 1984 regarding subrecipients.

04-07 *Procurement and Suspension and Debarment*

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

CFDA No. 16.523 *Juvenile Accountability Incentive Block Grants*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute; Grant Numbers 02-JB-043 and 03-JB-039

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

CFDA No. 16.588 *Violence Against Women Formula Grants*, U.S. Department of Justice passed through Indiana Criminal Justice Institute; Grant Numbers 03ST045, 03ST046, 04ST040, 03ST047, 04ST041, 04ST039, 03ST044, 04ST062

CFDA No. 16.710 *Public Safety Partnership and Community Policing Grants*, U.S. Department of Justice; Grant Number 2002CLWX0007

Criteria

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

When a nonfederal entity enters into a covered transaction with an entity at a lower tier, the nonfederal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List*

(continued)

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 within the above-referenced programs it was noted that the County did not have internal controls in place to assure that its contractors (vendors, subawards and subrecipients), which met the requirements were not suspended and/or debarred.

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 were suspended or debarred.

Recommendation

We recommend that the County implement policies and procedures to make sure that all contractors are reviewed for debarred and/or suspended status or that certification is received to that extent.

Views of Responsible Officials

As of February 2007, all County agencies are required to use Purchasing for all purchases using federal dollars, including the Marion Superior Courts and the Marion County Prosecutor. With that requirement, it ensures that any vendor with which the County enters into a contract using federal dollars are reviewed for debarred and/or suspended status using the current procedures implemented by Central Purchasing.

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04-08 *Procurement and Suspension and Debarment*

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

CFDA No. 16.710 *Public Safety Partnership and Community Policing Grants*, U.S. Department of Justice; Grant Number 2002CLWX0007

Criteria

According to the MORE 2002 Grant Owner's Manual, a grantee is required to submit a request for Sole Source Justification (SSJ) if a competitive bidding process is not possible and the grantee intends to spend $100,000 or more on a MORE 2002 equipment or technology purchase. The manual indicates that the Office of Community Oriented Policing Services (COPS) Office will then review the request and supporting information to determine whether an exception can be granted to the general rule of open competition.

Condition Found

The County incurred $38,718 of expenditures in calendar year 2004 under a vendor contract that totaled approximately $110,000. The County did not competitively bid the contract nor was there any documentation in the procurement file indicating the reasons for not bidding the contract. The County did not submit a SSJ to the COPS Office for this vendor contract.

Questioned Costs

The questioned costs are the entire amount of expenditures incurred in 2004 to this vendor, which was $38,718.

Possible Asserted Cause and Effect

Management of the County indicated that the contract was considered by County personnel to be a professional service contract and therefore under County policies (which follow State statute) was not required to be bid. Employees responsible for the procurement were not aware of the requirements for federal funding procurement or the requirement for the SSJ exemption.

Recommendation

We recommend that the County implement procedures to ensure that all procurement contracts under federal awards are properly identified to all individuals involved in the procurement, including the purchasing department. County management should familiarize themselves with individual grant requirements prior to purchases being executed.

(continued)

Views of Responsible Officials

All grant purchases are required to be processed through Central Purchasing in order to be in compliance with the public purchasing laws. Attached to each contract is a contract summary sheet that becomes part of the bid packet. The summary sheet includes language to identify if the purchase is funded through a grant and to assure the EPLS check is completed. The Grant Analyst in the Auditor's Office now reviews all expenses using federal grant dollars prior to authorization for payment to ensure compliance with all grant requirements. The Grant Analyst is charged with the responsibility of familiarizing him/herself with each grant requirement at the time of the grant award.

04-09 *Equipment and Real Property Management*

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

CFDA No. 16.710 *Public Safety Partnership and Community Policing Grants*, U.S. Department of Justice; Grant Number 2002CLWX0007

Criteria

Local governments follow the A-102 Common Rule for equipment acquired under federal awards received directly from a federal awarding agency. The A-102 Common Rule and 28 CFR Section 66.32 requires that equipment records be maintained, a physical inventory of equipment be taken at least once in every two years and reconciled to the equipment records, an appropriate control system be used to safeguard equipment, and equipment be properly maintained.

Condition Found

KPMG could not determine that the County had internal controls that were functioning to ensure that equipment was accounted for completely and on a timely basis in the fixed asset records. In 2004, the County expended $396,545 on equipment and KPMG's sample was $386,633 or 98% of this amount. KPMG could not trace any of the equipment purchases into the asset system.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

Management indicates that due to a turnover in personnel, the input of fixed asset purchases was not performed on a timely basis. Other assets purchased were not tagged and thus would not ever be entered into the County's property management system.

(continued)

Recommendation

We recommend that the County review its internal controls and procedures for accounting for fixed assets. These procedures should ensure that all assets are entered into the fixed asset accounting system on a timely basis. Additionally, the County should ensure that equipment purchased with federal funds is appropriately identified so that they can be reconciled with required physical inventories.

Views of Responsible Officials

In July 2005, the Office of Finance and Management was created as the fiscal oversight agency for the City of Indianapolis (City) and the County. Since 2005, the County has implemented several changes to better comply with OMB Circular A-133. Included in these changes is the development of a fixed asset inventory procedure. In 2002, a physical inventory was performed, and another physical inventory is planned for 2007, and physical inventories will occur at least once every two years thereafter. As a matter of procedure, fixed assets purchased with federal funds are clearly identified in the accounting system.

04-10 *Equipment and Real Property Management*

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

CFDA No. 16.710 *Public Safety Partnership and Community Policing Grants*, U.S. Department of Justice; Grant Number 2002CLWX0007

Criteria

Local governments follow the A-102 Common Rule for equipment acquired under federal awards received directly from a federal awarding agency. Property records should contain the following information about the equipment: description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of federal participation in the cost, location, condition, and any ultimate disposition data, including the date of disposal and sales price or method used to determine current fair market value.

Condition Found

The County's property records did not contain the following information required above: source, who holds title, percentage of federal participation in the cost, location, and condition. The County did not dispose of any equipment purchased under this grant in 2004 and thus the disposition information was not applicable.

Questioned Costs

There are no questioned costs associated with this finding.

(continued)

Possible Asserted Cause and Effect

The County's property system does not currently maintain this information and grant personnel do not keep supplemental property records.

Recommendation

We recommend that the County review the federal requirements of the equipment property records and implement procedures to maintain this information in the property records.

Views of Responsible Officials

The changes implemented by the Office of Finance and Management in their fiscal oversight of the County included the development of a fixed asset inventory procedure. This procedure requires that asset forms be completed any time a fixed asset is purchased so that all of the required information can be entered into the asset management system. The form requires all of the information required by A-102 Common Rule for equipment acquired under federal awards received directly from a federal awarding agency.

04-11 *Reporting*

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

CFDA Nos. 10.553 and 10.555 *Child Nutrition Cluster,* U.S. Department of Agriculture passed through Indiana Department of Education; Grant Numbers C2-4-49-K160 and C2-4-49-K162

Criteria

Per 7 CFR sections 210.8(b), 225.9(d), and 225.15(c)(2), a school food authority (SFA) must submit claims for reimbursement to its administering agency to receive reimbursement payments for meals. Furthermore, per 7 CFR sections 210.7(c), 210.8(c), and 225.9(d), at a minimum, a claim must include the number of reimbursable meals/milk served by category and type during the period covered by the claim. All meals claimed for reimbursement must (a) be of types authorized by the SFAs, institution's, or sponsor's administering agency; (b) be served to eligible children; and (c) be supported by accurate meal counts and records indicating the number of meals served by category and type.

Condition Found

During our test work over the meal counts and the claiming process, we tested 100% of the meal counts and claims submitted by the County. The following exceptions were noted:

- Meal counts were missing or not accurately counted/submitted and thus accounted for $89,744 of reimbursements that could not be supported by our audit procedures.

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- Documentation of the correct reimbursement rate was not provided and thus we could not determine that the County utilized the correct reimbursement rate in the claiming process.

Additionally, we noted that the rate utilized was not consistent throughout the year and at times the County utilized the "60% or More" rate and other times used the "Free" rate.

Questioned Costs

Questioned costs associated with the missing or not accurately counted/submitted meal counts were $89,744. We could not determine the amount, if any, of questioned costs associated with the County not being able to provide documentation of the correct reimbursement rate.

Possible Asserted Cause and Effect

Handwritten records are used to support meal counts and thus a more permanent means of documentation of such does not exist. We noted some days had meal counts that were missing and the County had misplaced an entire month of meal counts.

Recommendation

We recommend that the County implement a method for taking meal counts that can be maintained more permanently and safely than the current method. Additionally, an individual other than the individual submitting the claim for reimbursement should review the total monthly meal count to ensure the claim is submitted accurately and can be properly supported by the County's records.

Views of Responsible Officials

These findings were first brought to the County's attention through the 2004 Single Audit. The agencies involved have since been educated on the correct procedures to track and maintain records relating to the school lunch program.

04-12 *Reporting*

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

CFDA Nos. 10.553 and 10.555 *Child Nutrition Cluster,* U.S. Department of Agriculture passed through Indiana Department of Education; Grant Numbers C2-4-49-K160 and C2-4-49-K162

Criteria

The SF-269, *Financial Status Report*, is applicable to the Child Nutrition Cluster program. In order for the pass-through entity to prepare this report, the County is required to submit an Annual Financial Report through the Indiana Department of Education web site. The Annual Financial Report summarizes federal reimbursement amounts and expenses by program.

(continued)

Expenses are further categorized by food expense, labor direct preparation, equipment, miscellaneous, indirect costs, and loan repaid/overpayment.

Condition Found

During our test work over the Annual Financial Report, we requested a reconciliation between the amounts recorded in the County's financial accounting system or payroll records to the amounts reported on the Annual Financial Report. The amounts could not be reconciled. The County was able to provide a detailed listing of expenses for food expense; however, the amounts did not agree to the amounts reported on the Annual Financial Report. No support could be provided for the labor direct preparation or miscellaneous expenses. We noted that the total amount of food expenses recorded by the County exceeded the total amount of reimbursements received under the federal award program.

Questioned Costs

There were no questioned costs associated with this finding as the total of the food expenses exceeded the amount of federal reimbursement received by the County.

Possible Asserted Cause and Effect

The individual preparing the Annual Financial Report does not maintain adequate documentation of the supporting used to prepare the report.

Recommendation

We recommend that the County implement a reporting process that can be supported by the accounting records. Documentation of the source of all amounts reported on the Annual Financial Report should be maintained and filed with the copy of the report. Additionally, a review and approval by an individual senior to the preparer of the Annual Financial Report should be implemented.

Views of Responsible Officials

These findings were first brought to the County's attention through the 2004 Single Audit. The agencies involved have since been educated on the correct procedures to track and maintain records relating to the school lunch program.

(continued)

04-13 *Reporting*

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

CFDA Nos. 10.553 and 10.555 *Child Nutrition Cluster*, U.S. Department of Agriculture passed through Indiana Department of Education; Grant Numbers C2-4-49-K160 and C2-4-49-K162

Criteria

The OMB Compliance Supplement indicates that a recipient agency is no longer required to inventory commodities received separately from purchased food. However, the value of commodities used during a recipient agency's fiscal year is to be considered federal awards expended in accordance with the OMB Circular A-133 §__.105 definition of federal financial assistance and should be valued in accordance with §__.205(g).

Condition Found

During our test work we noted that the County received commodities during the fiscal year; however, the County was not able to provide information as to the amount or value of those commodities. As this information was not maintained, no amounts have been recorded in the County's schedule of expenditures of federal awards.

Questioned Costs

There were no questioned costs associated with this finding as the total of the estimated value of the commodities should have been added to the schedule of expenditures of federal awards.

Possible Asserted Cause and Effect

The information for the commodities was not properly and accurately maintained due to an oversight by County personnel and the lack of knowledge of this requirement.

Recommendation

We recommend that the County implement a process to value the amount of commodities received and ensure that these amounts are included each year in the schedule of expenditures of federal awards.

Views of Responsible Officials

These findings were first brought to the County's attention through the 2004 Single Audit. The agencies involved have since been educated on the correct procedures to track and maintain records relating to the school lunch program.

(continued)

04-14 *Allowable Costs/Cost Principles and Cash Management*

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

CFDA No. 93.563 *Title IV-D Child Support Enforcement*, 2004, U.S. Department of Health and Human Services passed through Indiana Family and Social Services Administration; Cooperative Agreement For Federal Funding Participation for Courts Hearing IV-D Cases

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. Additionally, OMB Circular A-87 (F) defines indirect costs as those that are (a) incurred for a common or joint purpose benefiting more than one costs objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Generally, these types of costs are reimbursed based upon an entity's indirect cost plan.

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

Condition Found

During our test work over the Title IV-D Child Support Enforcement program, we selected a sample of direct costs charged to the program. Within our sample of 120 expenditures, we noted two expenditures totaling $6,000 that related to internal data processing charges submitted for reimbursement. The County did not have any support for this amount. We noted that the County compiles an indirect cost plan, which is submitted to the pass-through agency for approval and an indirect cost amount is reimbursed each month to the County based on this plan. We were not able to determine whether these types of costs are included within the indirect cost plan as well. Based on a review of all monthly claim vouchers submitted for reimbursement for 2004, the County claimed a total of $68,400 in data processing charges. These costs were reimbursed at 66%, and therefore, the total federal reimbursement received for 2004 related to these unsupported expenditures was $45,144.

We also noted that since the above costs were not able to be supported, we could not determine that the costs were actually paid prior to the County requesting reimbursement in accordance with the cash management compliance requirement.

Questioned Costs

Questioned costs are $45,144, which is calculated as the total costs submitted for reimbursement of $68,400 multiplied by the federal reimbursement rate of 66%.

(continued)

Possible Asserted Cause and Effect

Management is aware of these unsupported expenditures as this was a finding in the prior year however, has continued to submit them for reimbursement. No communication with the pass-through grantor regarding these costs has occurred.

Recommendation

We recommend that the County determine whether these types of costs are already included in their indirect cost plan. Management should ensure that all costs submitted for reimbursement are adequately documented and can be supported. Communication should also be initiated with the pass-through entity regarding the data processing costs and their allowability.

Views of Responsible Officials

A new company has been hired to seek indirect cost reimbursement on behalf of the County. The County's practice is to remove any costs already reimbursed directly from the cost allocation. This will ensure that costs can not be included twice. The costs in question are related to the Internal Service Agency charges, which are now allocated to the agencies and are a straight cost with no variance between months. This will allow better support for the charges.

04-15 *Allowable Costs/Cost Principles*

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

CFDA No. 93.563 *Title IV-D Child Support Enforcement*, 2004, U.S. Department of Health and Human Services passed through Indiana Family and Social Services Administration; Cooperative Agreement For Federal Funding Participation for Courts Hearing IV-D Cases

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, Paragraph 8(h)(3) and (4), where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certification that the employees worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which (1) reflects an after-the-fact distribution of the actual activity of each employee; (2) accounts for the total activity for which each employee is compensated; (3) is

(continued)

prepared at least monthly and must coincide with one or more pay periods; and (4) must be signed by the employee.

Condition Found

We noted that $142,745 of the total $186,912 in federal reimbursement received by the Title IV-D Superior Court (Court) relates to payroll charges. During our test work, we selected payroll expenditures and noted that these were supported by personnel activity reports whereby the employees all certified that 100% of their time was spent working on the Title IV-D Child Support Enforcement Program. However, we became aware during conversations with management in the Title IV-D Superior Court and correspondence with the pass-through entity that employees in this Court actually spend a portion of their time on non-Title IV-D cases; however, 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. We did obtain correspondence between the Court and the pass-through grantor indicating that approximately 85% of the caseload in the Court is Title IV-D related. Total expenditures reimbursed (at 66% reimbursement rate) for the Title IV-D Court in 2004 were $142,745.

Possible Asserted Cause and Effect

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

Recommendation

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

Views of Responsible Officials

We concur with this finding. Court management will work directly with the grantor to obtain written documentation as to the allowability of these costs. Additionally, the Court will conduct a case load study for 2008 cases to determine the percentage of cases that are Title IV-D.

(continued)

04-16 *Procurement and Suspension and Debarment - Scope Limitation*

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

CFDA No. 16.523 *Juvenile Accountability Incentive Block Grants*, U.S. Department of Justice passed through the Indiana Criminal Justice Institute; Grant Numbers 02-JB-043 and 03-JB-039

CFDA No. 16.579 *Byrne Formula Grant Program;* U.S. Department of Justice passed through the Indiana Criminal Justice Institute; Various Grant Numbers

CFDA Nos. 20.600/20.601/20.604 *State and Community Highway Safety Program Cluster;* National Highway Traffic Safety Administration passed through Indiana Criminal Justice Institute; Grants Numbers 03, T-88; Award1; 154AL-04-03-02-02; OVWFAC; 154AL 05-03, T-03, P-01; OPINT4; J8 04-03-03-01; and IN-05-02, T-03, P-39

CFDA No. 93.563 *Title IV-D Child Support Enforcement*, 2004, U.S. Department of Health and Human Services passed through Indiana Family and Social Services Administration; Cooperative Agreements For Federal Financial Participation for Prosecuting Attorneys Performing IV-D Enforcement Services

Criteria

As stated in the relevant OMB Compliance Supplements for the above programs (if applicable) and/or the associated grant agreements, the procurement, suspension and debarment compliance requirement is applicable to the above stated programs.

Condition Found

We were unable to obtain sufficient competent evidential matter to be able to express an opinion on this compliance requirement due to inadequate accounting records. Additionally, the County did not have an effective system of internal control in place to ensure compliance with the procurement and suspension and debarment compliance requirement.

Questioned Costs

The amount of questioned costs related to this finding is not determinable.

Possible Asserted Cause and Effect

The lack of sufficient competent evidential matter has resulted in a qualified opinion (scope limitation) for the procurement, suspension, and debarment compliance requirement.

 (continued)

Recommendation

The County needs to establish an effective system of internal control to ensure compliance with the procurement, suspension, and debarment compliance requirement. Additionally, the County needs to maintain adequate accounting records for the procurement, suspension, and debarment compliance requirement.

Views of Responsible Officials

The County acknowledges and agrees with the conditions found. As documented in previous responses above, the County has implemented many new and updated existing policies and procedures which will enhance our accounting records to eliminate such a limitation in the future.

04-17 *Matching, Level of Effort, and Earmarking – Scope Limitation*

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

CFDA No. 16.592 *Local Law Enforcement Block Grants Program;* U.S. Department of Justice passed through the City of Indianapolis, Indiana; Award No. 2002-LB-BX-0845 and 2003-LB-BX-1439

Criteria

As set forth in the Local Law Enforcement Block Grants Act of 1995 Section 101(g), funds under this program may not be used to supplant local funds but shall be used to increase the amount of funds that would, in the absence of funds made available under this grant, be made available from state or local sources.

Condition Found

We were unable to obtain sufficient competent evidential matter to be able to express an opinion on this compliance requirement due to inadequate accounting records. Additionally, the County did not have an effective system of internal control in place to ensure compliance with the matching, level of effort, and earmarking compliance requirement.

Questioned Costs

The amount of questioned costs related to this finding is not determinable.

Possible Asserted Cause and Effect

The lack of sufficient competent evidential matter has resulted in a qualified opinion (scope limitation) for the matching, level of effort, and earmarking compliance requirement.

(continued)

Recommendation

The County needs to establish an effective system of internal control to ensure compliance with the matching, level of effort, and earmarking compliance requirement. Additionally, the County needs to maintain adequate accounting records for the matching, level of effort, and earmarking compliance requirement.

Views of Responsible Officials

The County acknowledges and agrees with the conditions found. As documented in previous responses above, the County has implemented many new and updated existing policies and procedures which will enhance our accounting records to eliminate such a limitation in the future.

MARION COUNTY, INDIANA
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Corrective Action Plan

Year Ended December 31, 2004

Reference	Corrective Action	Contact Person(s)
04-01	**Financial Reporting** The County has implemented policies and procedures to update and comply with requirements. The County will be utilizing fiscal period 13 for cash corrections and fiscal 14 for accrual adjustments for year ending 2005. The County has also established new system transaction codes to better track purchase order transactions crossing fiscal years. FAST-G will not be used in the future for financial reporting purposes. All reports will be derived from FAMIS. Corrective Action: Immediately	Shirley Mizen (317) 327-3007
04-02	**Lack of Formal Accounts Receivable System** The implementation of month 14 for accruals will report the tracking of accounts payable and receivable. In addition to this improvement, the County also communicates with the agencies to gather voluntary accounts receivable information. Corrective Action: Immediately	Shirley Mizen (317) 327-3007
04-03	**Direct Pay Purchases** It is now mandatory for County agencies to use Central Purchasing, which will eliminate a large portion of the direct pay purchases. The Auditor's Office will document specific guidelines for the use of direct pay vouchers and communicate these guidelines to the respective County agencies. Corrective Action: Immediately	Shirley Mizen (317) 327-3007
04-04	**Identification of Federal Grant Expenditures** A procedure was implemented by the Office of Finance and Management and the Marion County Auditor's office to ensure all federal grant applications and associated reports are reviewed by both offices prior to obtaining the required signatures and submission to the grantor. Additionally, processes have been set in place to ensure all federal grant related expenses are reviewed by the Grant Analyst in the Auditor's office prior to authorization for payment. These processes ensure that both the Office of Finance and Management and the Marion County Auditor's office are aware of any federal grant dollars received by the County. Corrective Action: Immediately	Shirley Mizen (317) 327-3007
04-05	**Allowable Costs** The County will begin requiring semiannual certification statements for all employees that work solely on a single federal grant stating that 100% of their time is spent on a particular grant. An employee whose work is on multiple grants or programs will be documented on their individual time sheet. The implementation of these processes will be coordinated through the Grant Analyst in the Auditor's Office. Corrective Action: Immediately	Shirley Mizen (317) 327-3007

MARION COUNTY, INDIANA
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Corrective Action Plan

Year Ended December 31, 2004

04-06	**Subrecipient Monitoring** The Office of Finance and Management created, "Subrecipient Monitoring Procedures for the City of Indianapolis/Marion County Indiana," dated February 15, 2007. These procedures were distributed to all County agencies and training was provided to each agency receiving federal grant dollars. The procedures instruct the County agencies on how to comply with The United States Office of Management and Budget Circular A-133 and the Single Audit Act of 1984 regarding subrecipients. Corrective Action: Immediately	Shirley Mizen (317) 327-3007
04-07	**Procurement and Suspension and Debarment** As of February, 2007, all County agencies are required to use Purchasing for all purchases using federal dollars, including the Marion Superior Courts and the Marion County Prosecutor. With that requirement, it ensures that any vendor with which the county enters into a contract using federal dollars are reviewed for debarred and/or suspended status using the current procedures implemented by Central Purchasing. Corrective Action: Immediately	Shirley Mizen (317) 327-3007
04-08	**Procurement and Suspension and Debarment** As mentioned in finding 04-07, all grant purchases for the County are now required to us Central Purchasing in order to be in compliance with public purchasing laws. Attached with each contract is a contract summary sheet that becomes part of the bid packet. The summary sheet includes language to identify if the purchase is funded through a grant and to assure the EPLS check is completed. Additionally, the Grant Analyst in the Auditor's office now reviews all expenses using federal grant dollars prior to authorization for payment to ensure compliance with all grant requirements. The Grant Analyst is charged with the responsibility of familiarizing him/herself with each grant requirement at the time of the grant award. Corrective Action: Immediately	Shirley Mizen (317) 327-3007
04-09	**Equipment and Real Property Management** In July 2005, the Office of Finance and Management was created as the fiscal oversight agency for the City of Indianapolis (City) and Marion County (County) Indiana. Since 2005, the County has implemented several changes to better comply with OMB Circular A-133. Included in these changes is the development of a fixed asset inventory procedure. A physical inventory was performed in 2002 and 2007. Subsequent physical inventories will occur at least once every two years thereafter. As a matter of procedure, fixed assets purchased with federal funds are clearly identified in the accounting system. Corrective Action: Immediately	Bob Simmons (317) 327-5281 Shirley Mizen (317) 327-3007

Corrective Action Plan

Year Ended December 31, 2004

04-10	**Equipment and Real Property Management** The changes implemented by the Office of Finance and Management in their fiscal oversight of the County included the development of a fixed asset inventory procedure. This procedure requires that asset forms be completed when a fixed asset is purchased so that the required information can be entered into the asset management system timely. The form requests all of the information required by A-102 Common Rule for equipment acquired under federal awards received directly from a federal awarding agency. Corrective Action: Immediately	Bob Simmons (317) 327-5281 Shirley Mizen (317) 327-3007
04-11	**Reporting** The agencies involved have been educated on the correct procedures to track and maintain records relating to the school lunch program and will document accordingly. Corrective Action: Immediately	Sue Patterson (317) 327-3699
04-12	**Reporting** The agencies involved have been educated on the correct procedures to track and maintain records relating to the school lunch program and will document accordingly. Corrective Action: Immediately	Sue Patterson (317) 327-3699 Bill Peddie (317) 327-1764
04-13	**Reporting** The agencies involved have since been educated on the correct procedures to track and maintain records relating to the school lunch program and will document accordingly. Corrective Action: Immediately	Sue Patterson (317) 327-3699
04-14	**Allowable Costs / Cost Principles and Cash Management** A new company has been hired to seek indirect cost reimbursement on behalf of the County. The County's practice is to remove any costs already reimbursed directly from the cost allocation. This will ensure that costs can not be included twice. The costs in question are related to the Internal Service Agency charges, which are now allocated to the agencies and are a straight cost with no variance between months. This allows better support for the charges. If the costs are charged directly, the County will ensure that it has adequate documentation to support the amount of the direct cost. Corrective Action: Immediately	Sue Patterson (317) 327-3699

MARION COUNTY, INDIANA
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Corrective Action Plan

Year Ended December 31, 2004

04-15	**Allowable Costs / Cost Principles** The Court will do a case load study for the 2008 cases and determine the percentage of cases that are Title IV-D and use this percentage for their payroll chargeable to the program. Corrective Action: Immediately	Sue Patterson (317) 327-3699
04-16	**Procurement, Suspension and Debarment - Scope Limitation** As documented in responses above, the County has implemented many new and updated existing policies and procedures which will enhance our accounting records to eliminate such a limitation in the future. Corrective Action: Immediately	Shirley Mizen (317) 327-3007
04-17	**Matching, Level of Effort, and Earmarking** The County believes the Prosecutor's Office was in compliance with this program requirement in 2004. The County has implemented new and updated existing policies and procedures that will eliminate this scope limitation.	Lisa Bentley (317) 327-5296

MARION COUNTY, INDIANA
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Status of Prior Year Findings

Year ended December 31, 2004

Reference	Finding	Status	Contact Person(s)
03-01, 02-01 and 01-01	**Revenue Analysis** Except for property taxes, a formal accounts receivable system to account for the various revenue amounts owed the County is not maintained.	**Corrected:** The County has revised its procedures to record accounts receivable at the end of a given year beginning in 2005. See current year findings and questioned costs 04-01 and 04-02. See also corrective action plan.	Shirley Mizen (317) 327-3007
03-02, 02-02 and 01-02	**Direct Pay Purchases** A significant number of direct pay vouchers are utilized, which circumvents important internal controls established for purchasing.	**In Process:** The County requires all agencies to utilize Central Purchasing for their federal grant purchases. This process was implemented in 2007. See current year findings and questioned costs 04-03. See also corrective action plan.	Shirley Mizen (317) 327-3007
03-03, 02-04, 02-05, 02-06, 01-05, and 01-06	**Subrecipient Monitoring** The County does not have a formal program in place to monitor subrecipients, including formal written agreements between the County and each subrecipient, and procedures to verify that subrecipients are complying with A-133 audit requirements.	**In Process:** In February 2007, the County, in conjunction with the Office of Finance and Management issued a Subrecipient Monitoring policy. This policy was distributed to agency CFOs who are responsible for ensuring the policy is upheld. See current year findings and questioned costs 04-06. See also related corrective action plan.	Shirley Mizen (317) 327-3007
03-04, 02-12, and 01-13	**Procurement, Suspension and Debarment** The County does not have policies and procedures within the procurement process to assure that appropriate contractors are not suspended and/or debarred.	**In Process:** Beginning in 2007, Central Purchasing checks all vendors and contractors against the Excluded Parties List System (EPLS). Additionally, language has been written for inclusion in all grant contracts, which the contractor must sign, attesting to their standing, as well as notifying	Shirley Mizen (317) 327-3007

MARION COUNTY, INDIANA
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Status of Prior Year Findings

Year ended December 31, 2004

		the County, should their status change. A contract summary sheet is also included that identifies the contract as federally funded and includes a reference to the EPLS web site. See current year findings and questioned costs 04-07 and 04-08. See also corrective action plan.	
03-05	**Allowable Costs/Cost Principles** Central service activities should be claimed through an indirect cost plan or if charged directly to the grant, these expenditures should be supported by adequate documentation.	**In Process:** The County has entered into a new contract with a company to seek indirect cost reimbursements on behalf of the County. All costs will be supported by the indirect cost plan or by adequate documentation if claimed as a direct cost. See current year findings and questioned costs 04-14. See also corrective action plan.	Sue Patterson (317) 327-3699 Shirley Mizen (317) 327-3007
03-06	**Allowable Costs/Cost Principles** Employee salary costs (100%) are being submitted for reimbursement when 100% of their time is not spent on Title IV-D cases.	**In Process:** County management will be working directly with the grantor to obtain written documentation as to the allowability of these costs. See current year findings and questioned costs 04-15. See also corrective action plan.	Sue Patterson (317) 327-3699
02-13	**Allowable Costs/Cost Principles** The County has no formal procedure to ensure adequate supporting documentation is maintained for all costs submitted for reimbursement. In addition, there is not adequate communication with pass-through entities regarding unusual costs prior to their submission for reimbursement. This finding specifically relates to the build out of the paternity court in 2002 and related costs.	**Corrected:** Of the $112,062 in questioned costs, $105,394 were claimed, but were not reimbursed. The County will work with the grantor directly for guidance should this occur in the future.	Sue Patterson (317) 327-3699

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Status of Prior Year Findings

Year ended December 31, 2004

02-08 and 01-08	**Use of Expenditures – DAG-71 – Equitable Share** Actual expenditures are not consistent with purpose stated on DAG-71 form.	**Corrected:** With additional review of the Equitable Share Guide (Orange Book) and working with the Asset Forfeiture and Money Laundering Section (AFMLS) of the Department of Justice (DOJ), and the Office of the Comptroller, the previous local standard operating procedure (SOP) on this issue was a misinterpretation of the actual program requirements. The expenditures must comply with the program's permissible uses, not the purpose stated on the DAG.	Steve Dyson (317) 327-3111
02-09 and 01-09	**Timeliness and Completeness of DAG-71 – Equitable Share** DAG-71 forms are not being timely submitted within the 60 day rule and no written extensions have been granted. In addition, DAG-71 forms are not filled out completely with all required information.	**Corrected:** Per the updated County Federal Equitable Share policies, agencies are submitting the DAG-71 forms within the required timeframe and submitting copies to the Marion County Justice Agency (MCJA) for review. In addition, in those cases where agencies are advised, by the DOJ, that assets will be available for sharing beyond the 60 day rule, DAG-71s are submitted expeditiously upon notification.	Steve Dyson (317) 327-3111

MARION COUNTY, INDIANA
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Status of Prior Year Findings

Year ended December 31, 2004

Reference	Finding	Status	Contact Person(s)
02-10 and 01-10	**Standard Accounting Procedures – Equitable Share** The County has not implemented formal procedures or internal controls to monitor program activity including expenditures of funds and timely depositing of receipts.	**Corrected:** All expenditures are reviewed and approved for compliance. Purchasing controls (ADPICS-purchasing system) are set only for MCJA to create purchase orders. In addition, federal equitable share budgets are established within the MCJA accounting (index codes) structure. All federal equitable deposits are now electronically transferred so revenues are deposited timely to our bank account. Coding is then submitted to the Auditor's Office for posting to the accounting system (FAMIS).	Steve Dyson (317) 327-3111
02-11 and 01-12	**Equitable Sharing-Supplemental Resource** The County does not have adequate documentation to ensure that the shared resources are being used to supplement and not supplant the resources of the recipient.	**In Process:** An analysis will be completed on prior and current years to document that no supplanting has occurred.	Steve Dyson (317) 327-3111