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July 31, 2012

Board of Directors
Health and Hospital Corporation of Marion County, Indiana
3838 N. Rural Street
Indianapolis, IN 46205-2930

We have reviewed the audit report prepared by BKD, LLP, Independent Public Accountants, for the period January 1, 2011 to December 31, 2011. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Health and Hospital Corporation of Marion County, as of December 31, 2011 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS



**Health and Hospital Corporation
of Marion County, Indiana**

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

Comprehensive Annual Financial Report

For the Year Ended December 31, 2011

The Health and Hospital Corporation of Marion County, Indiana

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

Comprehensive Annual Financial Report For the Year Ended December 31, 2011

Matthew R. Gutwein
President and Chief Executive Officer

Daniel E. Sellers
Treasurer and Chief Financial Officer

Prepared by: The Treasurer's Office

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
For the Year Ended December 31, 2011

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Health and Hospital Corporation of Marion County, Indiana

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

For the Year Ended December 31, 2011

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Introductory Section



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June 30, 2012

TO: The Board of Trustees
of The Health and Hospital Corporation of
Marion County, Indiana
The Mayor, City of Indianapolis
The City-County Council
The County Commissioners

The Comprehensive Annual Financial Report of the Health and Hospital Corporation of Marion County, Indiana (Corporation) (a component unit of the Consolidated City of Indianapolis - Marion County), for the fiscal year ended December 31, 2011, is submitted herewith. 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 Corporation 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 Corporation. 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 Corporation 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 Corporation's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Corporation'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 Corporation's financial statements have been audited by BKD 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 Corporation for the fiscal year ended December 31, 2011, 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 Corporation's financial statements for the fiscal year ended December 31, 2011, 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 Corporation 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 Corporation’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 Corporation’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 Corporation’s MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE CORPORATION

The Health and Hospital Corporation of Marion County, Indiana is a distinct municipal corporation created under Chapter 287 of the Acts of 1951 enacted by the General Assembly of the State of Indiana. Its duties include the administration of the Division of Public Health and the Division of Public Hospitals.

The Corporation provides a full range of preventive and curative health services for the residents of Marion County, including indigent care. The Corporation administers two statutory service divisions: the Division of Public Health doing business as the Marion County Public Health Department (MCPHD) and the Division of Public Hospitals doing business as Wishard Health Services (Wishard).

MCPHD operates two service bureaus: Population Health and Environmental Health. It operates from various clinics and district health offices located throughout Marion County. Population Health provides preventive and diagnostic health programs, health education, immunization and epidemiological programs. The Bureau of Environmental Health provides environmental health regulation, code enforcement, environmental monitoring and vector control.

Wishard is comprised of Wishard Memorial Hospital, a general acute care facility with 316 staffed beds, excluding newborn nursery; nine community health centers, Midtown Community Mental Health Center, Regenstrief Health Center, Wishard’s Emergency Trauma Service, Indianapolis EMS Ambulance Service and the Richard M. Fairbanks Burn Center. Wishard is accounted for as an Enterprise Fund.

Wishard Memorial Hospital is the only public, general acute care hospital in Marion County. The Hospital is fully accredited by the Joint Commission for Accreditation of Hospitals of the American Hospital Association, and the American Medical Association. It is located on the campus of the Indiana University Medical Center, the second largest medical school in the United States and the largest one on a single campus. The Hospital is a major teaching hospital and collaborates with prestigious research institutes such as the Krannert Institute of Cardiology and the Regenstrief Institute.

The Corporation also has a long-term care (LT Care) Enterprise Fund, which operates 52 nursing homes throughout Indiana at the end of 2011. LT Care supports the Corporation’s mission and goal to provide quality care and services to elderly and disabled people. There have been six additional purchases in 2012, which are reported as subsequent events in the footnotes of the financial section of this report.

A seven member Board of Trustees governs the Corporation. The Mayor of Indianapolis appoints three, the Commissioners of Marion County two, and the City-County Council two. Generally, Trustees serve staggered terms of four years each. The Board is bipartisan by statute. The Board levies its own taxes, adopts its own ordinances having the effect of local law governing health matters, and issues its own general obligation bonds subject to approval of the State of Indiana Department of Local Government Finance (DLGF). The City-County Council approves the final budget of the Corporation after approval by the Corporation board. Since the governing body is appointed and not elected, under Governmental Accounting Standards Board (GASB) Statement No. 14, the Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County (Uni-Gov), and the financial statements of the Corporation are included in the comprehensive annual financial report of Uni-Gov. Management also considers all other units of government within Marion County to be separate from this Corporation, and they are not considered as component units within this report.

INTERNAL CONTROL STRUCTURE

In developing and evaluating the Corporation's accounting system, we have given consideration to the adequacy of the internal control structure, designing it to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the Corporation's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

BUDGET

The Health and Hospital Corporation budget is introduced to the Corporation Board during the month of July of the year preceding the budget. The budget must be advertised in two local newspapers during this time. Once the Corporation Board approves the budget, it is submitted to the City-County Council for review. The Municipal Corporations Committee of the Council holds public hearings on the budget and passes it on to the City-County Council for approval. The DLGF does a final review of the budget. The DLGF can review, revise, reduce or increase a unit's budget, tax rate and tax levy. The DLGF will submit a notice to each unit notifying the unit of any revision, reduction or increase they propose in a unit's tax levy or tax rate.

ECONOMIC CONDITION AND OUTLOOK

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Corporation operates.

LOCAL ECONOMY

Indianapolis is the nation's 14th largest city. According to the U.S. Census Bureau's Statistics for the period 2006 - 2008, the estimated population of Marion County is 876,198 and 1,692,148 for the Indianapolis Metropolitan Area. Indianapolis is well-known for the multitude of cultural, educational, sporting, shopping and dining opportunities offered to its residents and visitors. Indianapolis is the home of "Hoosier Hospitality" the perfect blend of Midwest, small town welcome and big city attractions and opportunities. Employers and employees discover that a dollar goes further here. Residents and business owners alike enjoy an extremely competitive cost of living, along with a high quality of life.

The hallmarks of the Indianapolis economy have long been its diversity and steady growth, which is part of the foundation of Indy's strong performance during the past several years. Indianapolis can boast of diverse strengths in the manufacturing, distribution, retail and service sectors. Economic diversity keeps Indianapolis on a steady growth track. Additionally, Indiana's real estate availability affords a wide selection of available land, existing office space and industrial parks. Finally, many of the city's accomplishments, such as Victory Field, Bankers Life Fieldhouse, Circle Centre Mall and the new Lucas Oil Stadium were all the result of successful partnerships between the private and public sectors.

The stable economy and many attractions of Indianapolis, along with its central location within the nation, make it a prominent convention and tourist center. The Indianapolis 500 Mile Race, the Red Bull Indianapolis GP, the NFL's Indianapolis Colts, the NBA's Indiana Pacers, the WNBA's Indiana Fever and the AAA Indianapolis Indians baseball team are among the city's prominent sporting attractions, not to mention countless amateur sporting events, including the NCAA® Men's and Women's Final Four Basketball Championship. In 2012, Indianapolis hosted the NFL Super Bowl®. Circle Centre Mall, the NCAA Headquarters and Hall of Champions, the Indianapolis Zoo, the Indianapolis Motor Speedway Museum, the Indiana State Museum, the Indianapolis Children's Museum, the Indianapolis Museum of Art, the Eiteljorg Museum of American Indian and Western Art, the American Cabaret Theatre, the Indiana Repertory Theatre, the Indianapolis Symphony Orchestra and the White River State Park have also become popular attractions, along with many outstanding downtown restaurants and sports bars.

LONG-TERM FINANCIAL PLANNING

Along with the changes in healthcare finance, the Corporation is constructing a new campus for Wishard Health Services. The new hospital is expected to open by the end of 2013 and the system will be renamed Eskenazi Health in recognition of a \$40 million capital campaign gift from Sidney and Lois Eskenazi made in the summer of 2011. The campus will have a 315-bed inpatient hospital, an outpatient clinic with 200 exam rooms, a 2,400-car parking garage, the largest emergency department in the State, a women's health clinic, a central energy plant and offices for faculty, research and administrative functions.

Eskenazi Hospital is being built on land formerly owned by IUPUI. The Corporation exercised a land-swap option agreement and has paid \$3.95 million to date to Indiana University in connection with this agreement. The agreement allowed the Corporation to take control of the hospital site right away, while gradually ceding ownership of its current hospital site over the next four years to IUPUI.

Eskenazi Health is pursuing LEED Silver certification which would make it one of only ten newly constructed hospitals in America to achieve LEED certification at the level of Silver or higher, and the only one of its kind in Indiana.

To fund Eskenazi Hospital, the Corporation sought and was granted approval from the citizens of Marion County to issue up to \$703.04 million of debt. The Corporation also committed to using \$150 million of its reserves to help pay for the new hospital. A historic level of support was given to the project in a November 3, 2009 referendum election - in which an overwhelming 85 percent of Marion County voters approved the project. Only four months later, \$660.68 million in bonds were issued to finance the project. The aggregate interest rate was 3.9% on the 30-yr fixed rate issuance. By year-end 2011, the Eskenazi Health project was more than 50% contracted and committed. The parking garage and power plant were preparing for initial use in spring 2012. The office building and the clinic building were in the initial construction phases and the hospital building was fully enclosed and internal work was on-going.

MAJOR INITIATIVES FOR THE YEAR

Marion County Public Health Department:

As public health leaders, the MCPHD continues to balance the ever changing and increasing demand for our services in a climate of limited financing, health care reform, community partnership development, achieving and maintaining appropriate professional accreditations, removing barriers to healthcare and eliminating health disparities.

Against a backdrop of these and other influencing factors, MCPHD has been able to maintain a high-level of critical public health services that achieve a positive impact on the long-term health of Marion County residents.

The health department is committed to reducing infant mortality, promoting the importance of immunization in infants, children and adults, and ensuring education and policy changes to reduce tobacco use and secondhand smoke. It is working to reduce obesity, sedentary lifestyle and increase understanding of good nutrition and physical activity. Through community partnerships, we continue to research, create and implement strategies to lower the incidence of diabetes, asthma, cardiovascular disease and antibiotic resistance in our community.

Through a comprehensive, collaborative approach, the Marion County Public Health Department understands many of the public health challenges are interrelated and involve personal responsibility and require a long-term commitment to achieve positive health outcomes.

There are equally compelling challenges on the public health landscape. These challenges include the successful delivery of school-based health services, creating optimal coordination of community-based primary care services, housing inspections, and lead safe and healthy home testing, analysis and case management. Reducing the transmission of HIV/AIDS and other sexually transmitted diseases, expanding outreach services to substance abusers and reducing the prevalence of prostate cancer are priority public health issues.

The Marion County Public Health Department is committed to providing excellent health care services to emerging population groups. The growing needs with our refugee and Burmese communities have led to establishing a public health presence at the Indianapolis Chin Community Center. The clinic will provide much needed coordinated medical and clinical care in a trusted, welcoming environment.

Wishard Health Services:

Wishard received many awards during 2011, a sample of which includes:

- The Center for Youth and Adults with Conditions of Childhood (CYACC) was honored as the winner of the 2011 Indianapolis Business Journal's Health Care Heroes Award in the community achievement in health care category. CYACC was credited with successfully addressing not only the medical needs of youth who have disabilities or chronic illnesses and are aging out of the pediatric care system, but for providing them with community and educational resources.
- Wishard Health Services was presented with the 2011 "SIGHTation of Merit" award from the Indiana Lions Eye & Tissue Bank for exemplary leadership and commitment to their donor program, and community.
- Midtown Community Mental Health Center received the 2011 Rural Indiana Smoke-Free Environment Award (R.I.S.E.) from the Indiana Tobacco Prevention and Cessation Agency.
- Wishard Health Services received the Malden Mills Promise Award from the Greater Indianapolis NAACP Branch for its outstanding dedication to workforce diversity, its commitment to employee relations and its contributions to the advancement of the Indianapolis community.
- Wishard Health Services was recognized with the Mayor's Diversity in Business Award at the 2011 Mayor's Breakfast as part of the Indiana Black Expo Summer Celebration's Black Business Conference.
- Wishard Health Services was selected as a finalist at this year's Healthiest Employers of Indiana awards presented by the Indianapolis Business Journal.
- The Indiana chapter of Associated Builders and Contractors, Inc. presented the Award of Excellence to Wishard Health Services for its collaboration with Summit Construction Co., Inc. on the Interventional Radiology and Cardiac Diagnostic Suite, located on the third floor of the Dunlap Building. The award was given for demonstrated excellence in merit shop construction.
- The Wishard Volunteer Advocates Program and Dr. Malaz Boustani, medical director of the Wishard Healthy Aging Brain Center, earned the 2011 Tony and Mary Hulman Health Achievement Award in the fields of preventive medicine and public health and in health science research, respectively.
- HealthyMe, formerly Take ChargeLite, was presented with the Health Award at the Black Nurses Association of Indianapolis' 8th annual luncheon and fundraising banquet on October 21.
- Midtown Community Mental Health Center's STARS team received the Heroes for Recovery - Treatment Team award from Mental Health America of Indiana.

Wishard continued its focus on primary and preventive care as evidenced by the expansion of its outpatient delivery system. During 2011, Wishard completed the design phase of its largest community health center, which will be located on the west side of Indianapolis. Construction of this center will begin in 2012 and is scheduled to open during the second half of 2013. Wishard continues to investigate and implement strategies that increase its ability to serve an increased number of patients in the outpatient setting.

The Corporation continued to operate the Wishard Advantage program. The program provides a managed care approach to the County's underserved population. Many Advantage patients previously did not participate in primary or preventative care for themselves or their families, instead relying on the emergency room for primary care. Advantage helps the patients receive better care and at the same time reduce costs by providing care before a trip to the emergency room becomes necessary.

LT Care:

At the end of 2011, the Corporation had 52 nursing homes and two free standing licensed residential facilities (Coventry Meadows and Rosewalk at Lutherwoods). It also had two unlicensed assisted living facilities (Rosegate Commons and Heritage Park) and two unlicensed independent Living facilities (Heritage Park and Lincoln Lodge at American Village). The Corporation purchased nine nursing homes in 2011 and two assisted living facilities - Rosegate Commons and Lutherwoods.

The Corporation recognizes a financial benefit from owning and operating nursing homes and takes very seriously its responsibility to use the funds wisely to improve healthcare outcomes in all of its Medicaid venues. The Corporation invests more than three times the capital improvements as the average home in Indiana. A goal was established in 2010 and funds allocated in the individual facility operating budgets to increase RN coverage in direct care positions from a minimum of eight (8) hours per day to twenty-four (24) hours per day. All facilities are making a concerted effort to meet this goal. Funds were allocated in 2011 to allow all HHC nursing homes to implement electronic medical record systems. The Corporation continues to spend time and resources to provide the highest quality care to the residents of our homes around the State.

AWARDS AND ACKNOWLEDGEMENTS

The Corporation had an annual audit of its financial statements performed for 2011 by BKD LLP, Certified Public Accountants. The independent auditor's report on the Corporation's financial statements is included in the financial section of this report.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Health and Hospital Corporation of Marion County, Indiana for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2010. Health and Hospital Corporation of Marion County, Indiana has received a Certificate of Achievement for the last 27 consecutive years. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report must satisfy 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 requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The President and Chief Executive Officer and the Treasurer and Chief Financial Officer alone cannot prepare the report presented herein. This CAFR was made possible by the dedicated service of the combined staffs of Hospital Finance and Corporate Accounting. Each member of these departments has our sincere appreciation for the contributions made to this report.

Respectfully submitted,



Matthew R. Gutwein
President and
Chief Executive Officer



Daniel E. Sellers
Treasurer and
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Health and Hospital
Corporation of Marion County
Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

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.



Linda C. Sandison

President

Jeffrey R. Emer

Executive Director

Health and Hospital Corporation

Elected Officials

None of the Board of Trustees or Officers of the Corporation are Elected Officials. All are appointed to office.

Appointed Officials - Board of Trustees



James D. Miner, M.D.
Chairman
Physician



Lula M. Journey
Vice Chairman
Retired



David W. Crabb, M.D.
Physician



Gregory S. Fehribach
Attorney
Stark, Doninger & Smith



Joyce D. Irwin
Director, State
Government Affairs
Roche Diagnostics



Marjorie H. O'Laughlin
Retired



Robert B. Pfeifer,
C.P.A.

Health and Hospital Corporation

Officers

Name	Title
Matthew R. Gutwein	President and Chief Executive Officer
Daniel E. Sellers	Treasurer and Chief Financial Officer
Lisa E. Harris, M.D.	CEO and Medical Director, Wishard Health Services
Virginia A. Caine, M.D.	Director, Marion County Public Health Department

Independent Auditors

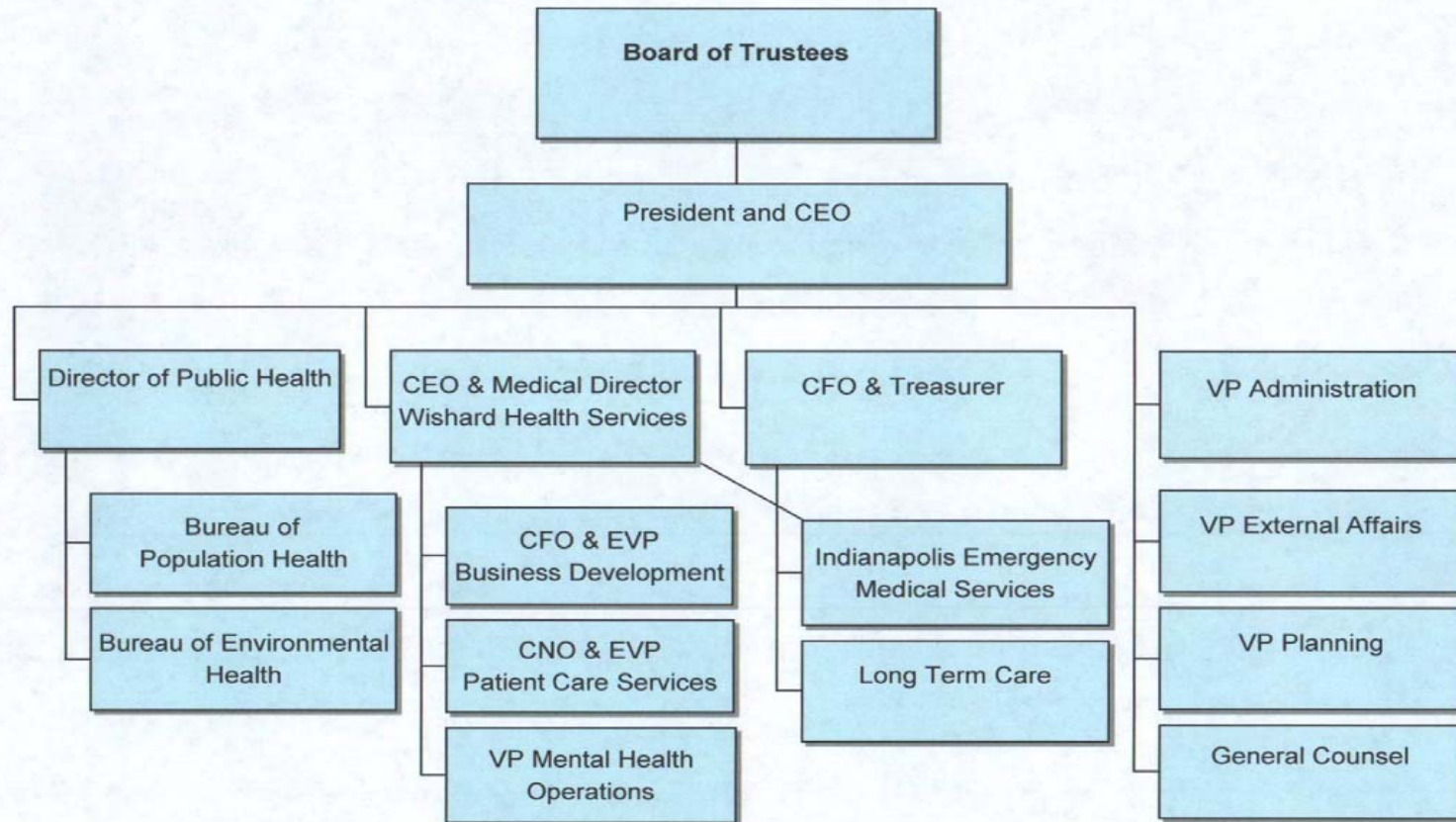
BKD, LLP

Indianapolis, Indiana



Officers of the Health and Hospital Corporation during 2011 were (left to right): Matthew R. Gutwein, President and Chief Executive Officer; Lisa E. Harris, M.D., CEO and Medical Director, Wishard Health Services; Virginia A. Caine, M.D., Director, Marion County Public Health Department; and Daniel E. Sellers, Treasurer and Chief Financial Officer.

**HEALTH AND HOSPITAL CORPORATION
OF MARION COUNTY**



Financial Section

Independent Accountants' Report on Financial Statements and Supplementary Information

Board of Trustees
Health and Hospital Corporation of Marion County, Indiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis - Marion County) (Corporation) as of and for the year ended December 31, 2011, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Corporation'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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Health and Hospital Corporation of Marion County, Indiana as of December 31, 2011, 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.

As discussed in Note 1, in 2011, the Corporation changed its method of accounting for governmental fund balances.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and General Fund budgetary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, is 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 do not express an opinion or provide any assurance on it.

BKD, LLP

June 29, 2012

Management's Discussion and Analysis

As management of the Health and Hospital Corporation of Marion County, Indiana, (Corporation), we offer readers of this Corporation's Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter at the front of this report along with the financial statements, including the footnotes that follow the basic financial statements.

Financial Highlights

- The assets of the Corporation exceeded its liabilities at the close of the most recent fiscal year by \$406,697,087 (net assets). Of this amount, \$288,501,245 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Corporation's total net assets decreased by \$19,268,323.
- As of the close of 2011, the Corporation's governmental funds reported combined ending fund balances of \$276,115,899, a decrease of \$89,252,431 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$131,936,536 or 157% of total general fund expenditures.
- The Corporation's total debt, excluding capital leases, decreased by \$2,481,485 million or 1% during the current fiscal year. This reflects scheduled principal payments on outstanding bonds. The capital lease obligation increased by \$76,144,833 or 26.8% in 2011.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Health and Hospital Corporation's basic financial statements. The Corporation's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements - The government-wide financial statements are designed to provide readers with a broad overview of the Corporation's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Corporation's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Corporation is improving or deteriorating.

The statement of activities presents information showing how the Corporation's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Corporation that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Health and Hospital Corporation include those focused on public health: health improvement, communicable disease prevention, water quality and hazardous materials management, vector disease control, housing and neighborhood health, consumer and employee risk reduction, and administration and finance activities, including debt management. The business-type activities reflect the operations of Wishard Health Services, including a general acute care hospital, nine community health centers and the Transport Emergency Medical Services system for Marion County, Indiana (Indianapolis EMS); and the Corporation's Long-Term Care operations (LT Care), consisting of a system of long-term care facilities throughout the State of Indiana.

The government-wide financial statements include only the Health and Hospital Corporation of Marion County, Indiana (known as the primary government), which includes Lions Insurance Company, a blended component unit established in 2006. Since the Corporation's Board is appointed, not elected, under Governmental Accounting Standards Board (GASB) Statement No. 14, the Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County (Uni-Gov), and the financial statements of the Corporation are included in the Comprehensive Annual Financial Report of Uni-Gov. Management also considers all other units of government within Marion County to be separate from this Corporation, and they are not considered as component units within this report.

Fund financial statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Corporation, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Corporation maintains three governmental funds. 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, the Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds.

The Corporation adopts an annual appropriated budget for its General, Debt Service, and a portion of its Capital Projects Fund. Budgetary comparison statements have been provided for these three funds to demonstrate compliance with this budget.

Proprietary Funds - The Corporation's proprietary fund consists of two enterprise funds. Enterprise funds report the same functions presented as business-type activities in the government-wide financial statements. The Corporation uses the enterprise fund to account for its Wishard Health Services Division (including Indianapolis EMS) and its LT Care Division.

Notes to the financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information in the form of a budgetary comparison schedule for the General Fund. Also, budgetary schedules are provided for the Debt Service Fund and the Capital Projects Fund as other supplementary information.

Financial Analysis of the Corporation as a Whole

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, assets exceeded liabilities by \$406,697,087 at December 31, 2011.

A portion of the Corporation's net assets, 29.0%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Corporation uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Corporation's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets, \$288,501,245, may be used to meet the government's ongoing obligations to citizens and creditors.

The Corporation's net assets decreased by \$19,268,323 during the current fiscal year. The majority of the decrease reported in connection with the Corporation's governmental activities resulted from the decrease in Medicaid special revenue receipts and the increase in the payment of interest on long-term debt.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$ 340,965,307	\$ 396,567,728	\$ 271,486,313	\$ 235,881,263	\$ 612,451,620	\$ 632,448,991
Capital assets, net of accumulated depreciation	272,513,722	120,130,094	452,547,488	404,397,251	725,061,210	524,527,345
Total Assets	613,479,029	516,697,822	724,033,801	640,278,514	1,337,512,830	1,156,976,336
Liabilities						
Long-term liabilities	383,280,696	300,223,375	391,399,769	319,372,724	774,680,465	619,596,099
Other liabilities	57,001,025	25,949,785	99,134,253	85,465,042	156,135,278	111,414,827
Total Liabilities	440,281,721	326,173,160	490,534,022	404,837,766	930,815,743	731,010,926
Net Assets						
Invested in capital assets, net of related debt	19,442,084	(823,835)	98,753,758	120,295,667	118,195,842	119,471,832
Restricted	-	6,980,523	-	171,034	-	7,151,557
Unrestricted	153,755,224	184,367,974	134,746,021	114,974,047	288,501,245	299,342,021
Total Net Assets	\$ 173,197,308	\$ 190,524,662	\$ 233,499,779	\$ 235,440,748	\$ 406,697,087	\$ 425,965,410

Changes in Net Assets

The Corporation's total revenue was \$1,058,084,536 during the current fiscal year. Taxes represent 10.5% of the Corporation's revenue. Medicaid special revenue represents 1.4% of revenue, while 79.9% of revenue came from fees charged for services. The remaining 8.2% came from grants and contributions, interest earnings and miscellaneous revenues.

The total cost of all programs and services was \$1,077,352,859. This resulted in a decrease in net assets for the year of \$19,268,323.

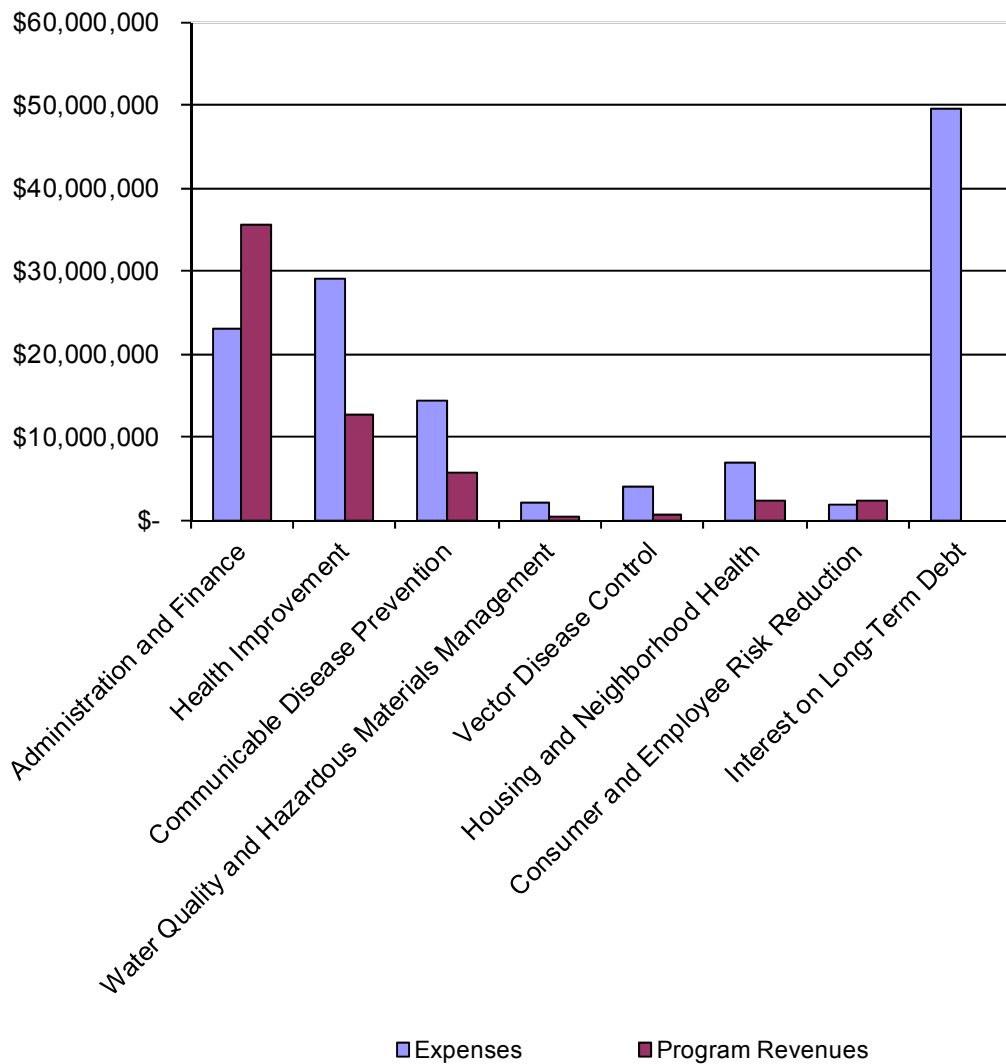
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 9,757,151	\$ 7,168,092	\$ 836,052,653	\$ 682,253,524	\$ 845,809,804	\$ 689,421,616
Operating grants and contributions	47,974,400	44,126,964	20,460,189	18,703,315	68,434,589	62,830,279
Capital grants and contributions	1,532,905	3,104,698	-	769,000	1,532,905	3,873,698
General revenues						
Property, HCI and local option income taxes	104,742,264	105,792,726	-	-	104,742,264	105,792,726
Other taxes	6,588,282	6,527,542	-	-	6,588,282	6,527,542
Medicaid special revenue	14,374,161	39,048,278	-	-	14,374,161	39,048,278
Build America Bonds interest subsidies	13,775,283	-	-	-	13,775,283	-
Unrestricted investment earnings	1,316,116	2,482,149	1,511,132	1,377,344	2,827,248	3,859,493
Total revenues	<u>200,060,562</u>	<u>208,250,449</u>	<u>858,023,974</u>	<u>703,103,183</u>	<u>1,058,084,536</u>	<u>911,353,632</u>
Expenses						
Administration and finance	23,045,390	28,400,818	-	-	23,045,390	28,400,818
Health improvement	28,917,502	28,146,044	-	-	28,917,502	28,146,044
Communicable disease prevention	14,388,516	14,696,779	-	-	14,388,516	14,696,779
Water quality and hazardous material management	2,005,942	1,918,932	-	-	2,005,942	1,918,932
Vector disease control	3,954,524	3,905,768	-	-	3,954,524	3,905,768
Housing and neighborhood health	6,986,843	6,992,305	-	-	6,986,843	6,992,305
Consumer and employee risk reduction	1,795,884	1,916,259	-	-	1,795,884	1,916,259
Interest on long-term debt	49,636,823	2,359,635	-	-	49,636,823	2,359,635
Wishard Health Services	-	-	519,774,867	487,807,076	519,774,867	487,807,076
Long-term care	-	-	426,846,568	366,852,811	426,846,568	366,852,811
Total expenses	<u>130,731,424</u>	<u>88,336,540</u>	<u>946,621,435</u>	<u>854,659,887</u>	<u>1,077,352,859</u>	<u>942,996,427</u>
Increase (Decrease) in Net Assets Before Transfers	69,329,138	119,913,909	(88,597,461)	(151,556,704)	(19,268,323)	(31,642,795)
Transfers	<u>(86,656,492)</u>	<u>(142,989,585)</u>	<u>86,656,492</u>	<u>142,989,585</u>	<u>-</u>	<u>-</u>
Decrease in Net Assets	<u>(17,327,354)</u>	<u>(23,075,676)</u>	<u>(1,940,969)</u>	<u>(8,567,119)</u>	<u>(19,268,323)</u>	<u>(31,642,795)</u>
Net Assets, Beginning of Year	<u>190,524,662</u>	<u>213,600,338</u>	<u>235,440,748</u>	<u>244,007,867</u>	<u>425,965,410</u>	<u>457,608,205</u>
Net Assets, End of Year	<u>\$ 173,197,308</u>	<u>\$ 190,524,662</u>	<u>\$ 233,499,779</u>	<u>\$ 235,440,748</u>	<u>\$ 406,697,087</u>	<u>\$ 425,965,410</u>

Governmental activities - Governmental activities decreased the Corporation's net assets by \$17,327,354 compared to the total \$19,268,323 decrease in net assets of the Corporation. Medicaid special revenue decreased due to less funding being received than anticipated for the 2011 year. Interest on long-term debt increased substantially due to the issuance of bonds in the previous year.

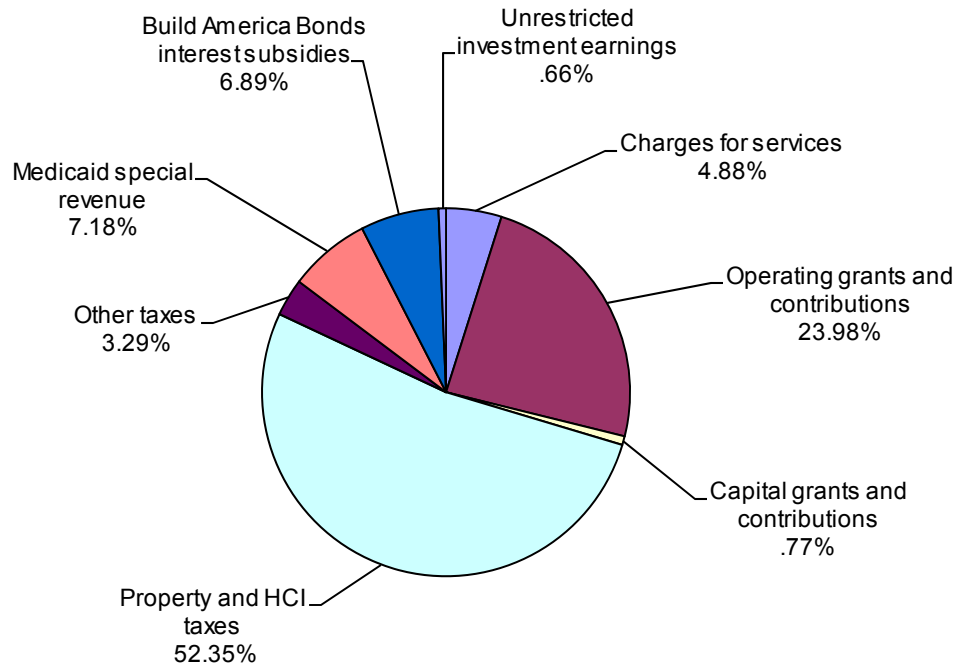
Transfers were \$86,656,492 (net), a decrease of \$56,333,093 million from last year. Transfers reflect support to Wishard and equity transfers from long-term care.

The following charts provide comparisons of the Corporation's governmental program revenues and expenses by function, as well as revenues by source. As shown, interest on long-term debt is the largest function 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 for the entire Corporation.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



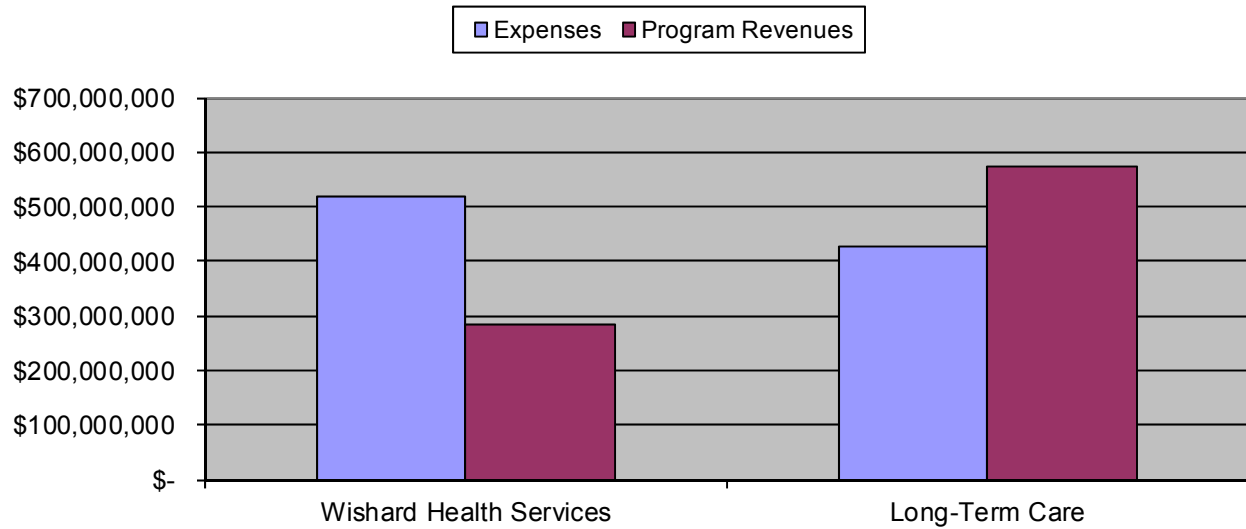
Business-type activities - Business-type activities decreased the Corporation's net assets by \$1,940,969 compared to a decrease of \$8,567,119 in 2010.

Wishard's net assets decreased by \$40,773,161 million in the current year. Net assets invested in capital assets decreased by \$30,415,748 million primarily due to increases in capital asset acquisition and construction in progress totaling \$11.3 million reduced by ordinary depreciation of \$26.9 million and an additional \$14.8 million of accelerated depreciation to write down assets in accordance with the remaining useful life of the current Wishard facility. Wishard's unrestricted net assets decreased by \$10.2 million. Operating revenues increased by \$9,351,017 due to a \$4.6 million increase in net patient services revenue and a \$4.7 million increase in other revenue. Operating expenses increased \$31,967,791 due to cost inflation, staffing changes, increased cost of employee health insurance coverage, increased cost of the PERF retirement program and the increased depreciation expense noted above. Wishard incurred an operating loss of \$257,955,631, which was offset by approximately \$195.2 million in transfers from the General Fund, approximately \$20.5 million in mental health grants from various agencies, and approximately \$1.5 million in investment income.

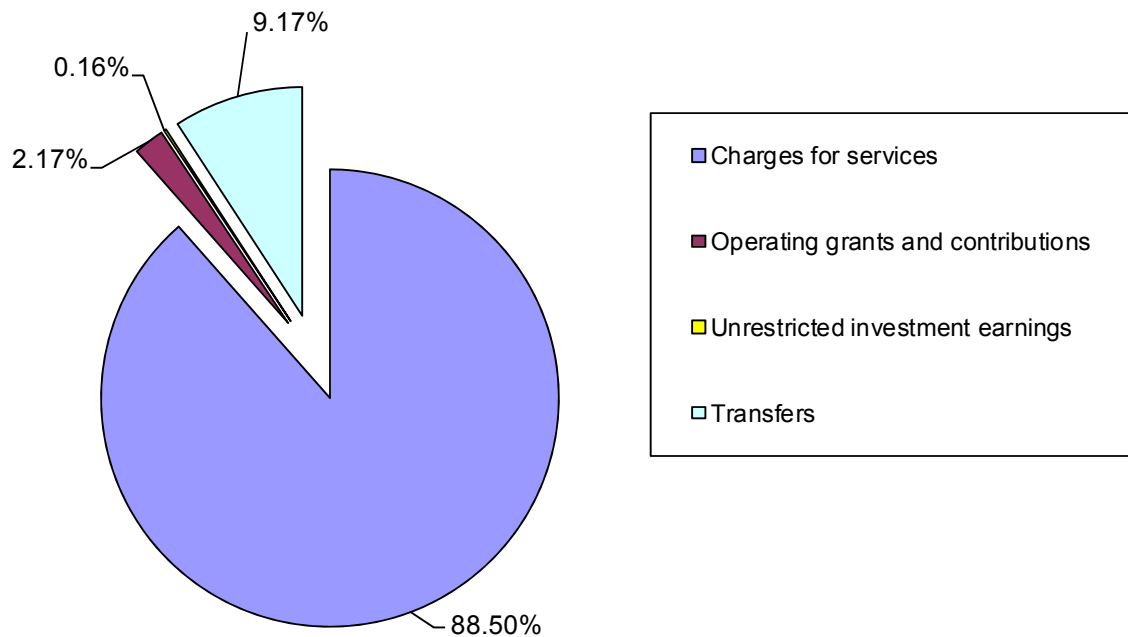
LT Care net assets were \$116,659,442, which was an increase of \$38,832,192 over 2010. Operating revenues increased \$144,448,112 due to increased Medicare and Managed Care reimbursements and increased patient revenue related to new homes. Operating expenses increased \$59,494,326. This was primarily due to the addition of several nursing homes in 2011. LT Care has a negative \$2,626,837 invested in capital assets, net of related debt. All 52 facilities are recorded as capital leases under noncurrent assets.

The following charts provide a comparison of revenues and expenses, and revenues by source for the Corporation's business activities.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



Financial Analysis of the Corporation's Funds

As noted earlier, the Corporation uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - The focus of the Corporation's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Corporation's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Corporation's governmental funds reported combined ending fund balances of \$276,115,899, a decrease of \$89,252,431 in comparison with the prior year. Approximately 51% of this total amount, \$141,220,367 constitutes restricted fund balance, which is related to capital outlays for the new hospital and money set aside for debt service. Approximately 48% of the total amount, or \$131,302,843 is unassigned fund balance. The remaining 1% of fund balance is nonspendable or assigned.

The General Fund is the chief operating fund of the Corporation. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$131,936,536, while the total fund balance decreased to \$135,529,225. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 157.1% of total general fund expenditures, while total fund balance represents 161.4% of that same amount.

The fund balance of the Corporation's General Fund decreased by \$17,628,676 during the current fiscal year, in comparison to an \$8,388,340 increase in 2010. Tax revenue decreased in 2011 since 2010 was a year where additional taxes were received related to 2009. Medicaid special revenue decreased due to all budgeted dollars for 2011 were not received. Expenses decreased slightly due to decreased capital outlays and decreased expenditures related to grants. Transfers out reflect an increase in support to Wishard of approximately \$15 million and an additional 26 million to cover new debt service payments. Transfers in reflect an equity transfer from long-term care.

Debt Service Fund - The Debt Service Fund has a fund balance of \$16,860,613 compared to a fund balance of \$22,137,744 in the prior year. The net decrease in fund balance during the current year was \$5,277,131. This decrease is due to debt service payments related to the 2010 General Obligation Bonds.

Capital Projects Fund - The Capital Projects Fund has a total fund balance of \$123,726,061. The net decrease in fund balance during the current year was \$66,346,624 due to capital outlays related to the new hospital.

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

Unrestricted net assets of Wishard Health Services at the end of the year amounted to \$15,459,742. Total net assets for Wishard decreased by \$40,773,161. Other factors concerning the finances of Wishard have already been addressed in the discussion of the Corporation's business-type activities.

Unrestricted net assets of LT Care at the end of the year were \$119,286,279. The increase in net assets was \$38,832,192. Other information on LT Care operations can be found in the discussion of the Corporation's business-type activities.

General Fund Budgetary Highlights

The original budget of \$307,737,000 was increased during 2011 to \$327,737,000. All budget categories except capital outlays were increased to accommodate anticipated expenditures through year end.

The final General Fund budget of \$327,737,000 included \$147,737,000 in expenditures and approximately \$180,000,000 in transfers. Actual expenditures and transfers out were \$311,017,036. Of the total underspending, \$1.2 million related to personal services, \$765,000 to supplies, \$56.0 million to contractual services, and \$588,000 to capital outlays. Underspending for contractual service reflects a change in accounting treatment in which intergovernmental transfers for special Medicaid are now being netted against revenue rather than shown as expense. This accounting treatment change was intended to be reflected in the 2011 budget for the Corporation but was not due to an error. It is reflected properly in the 2012 budget. Additional underspending in other categories reflects potential year-end initiatives that did not occur. General revenues and other resources were estimated at \$258,944,134, and actual was \$293,445,859. Taxes collected were approximately \$5.2 million over budget due to LOIT and other taxes being higher than expected. Medicaid special revenue was approximately \$9.3 million over budget due to more dollars being received than anticipated. Miscellaneous revenue was approximately 20.2 million over budget due to increased cash collection of medical education revenues from Indiana University and an additional contribution from Indiana University Health Foundation.

Capital Asset and Debt Administration

Capital Assets - The Corporation's capital assets for its governmental and business-type activities as of December 31, 2011, amounts to \$725,061,210 (net of accumulated depreciation), compared to \$524,527,345 at the end of 2010. This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, and construction in progress.

Major capital asset events during 2011 included the following:

- Construction in progress related to Eskenazi Health
- Purchase and subsequent renovation of the Shoemaker Building

Additional information on the Corporation's capital assets can be found below and in Note 7 to the financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 4,114,896	\$ 4,114,896	\$ 2,897,993	\$ 2,897,993	\$ 7,012,889	\$ 7,012,889
Land improvements	-	-	3,747,817	3,550,585	3,747,817	3,550,585
Buildings and improvements	17,357,516	8,455,979	380,147,213	330,081,520	397,504,729	338,537,499
Equipment	7,884,287	2,608,167	50,838,881	41,960,631	58,723,168	44,568,798
Vehicles	613,677	615,642	1,573,134	1,442,427	2,186,811	2,058,069
Construction in progress	242,543,346	104,335,410	13,342,450	24,464,095	255,885,796	128,799,505
Total assets	<u>\$ 272,513,722</u>	<u>\$ 120,130,094</u>	<u>\$ 452,547,488</u>	<u>\$ 404,397,251</u>	<u>\$ 725,061,210</u>	<u>\$ 524,527,345</u>

Long-Term Debt - At the end of 2011, the Corporation had total general obligation debt outstanding of \$234,470,364. Moody's Investors Service rates the Corporation's general obligation debt "Aaa".

State statutes limit the amount of general obligation debt a governmental entity may issue to 0.67% of its total assessed valuation. The current debt limitation for the Corporation is \$243,021,408. Outstanding debt at December 31, 2011 represents 95% of this limit.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
1988 renovation bonds	\$ 13,815,000	\$ 15,045,000	\$ -	\$ -	\$ 13,815,000	\$ 15,045,000
2005 general obligation bonds	22,570,000	23,795,000	-	-	22,570,000	23,795,000
2010 general obligation bonds	195,000,000	195,000,000	-	-	195,000,000	195,000,000
Deferred bond premiums	4,357,617	4,541,260	-	-	4,357,617	4,541,260
Deferred amount on refunding	(1,272,253)	(1,429,411)	-	-	(1,272,253)	(1,429,411)
Due to local government	135,659,802	52,839,395	-	-	135,659,802	52,839,395
Capital leases	6,452,687	-	353,793,730	284,101,584	360,246,417	284,101,584
	<u>6,452,687</u>	<u>-</u>	<u>353,793,730</u>	<u>284,101,584</u>	<u>360,246,417</u>	<u>284,101,584</u>
Total long-term debt	<u>\$ 376,582,853</u>	<u>\$ 289,791,244</u>	<u>\$ 353,793,730</u>	<u>\$ 284,101,584</u>	<u>\$ 730,376,583</u>	<u>\$ 573,892,828</u>

Economic Factors and Next Year's Budgets and Rates

The 2012 original budget for all annually budgeted funds is \$345,920,469. No revisions have been made through June 2012. The 2012 General Fund budget is \$263,037,000 a 14.5% decrease from the 2011 final General Fund budget of \$307,737,000. The 2012 General fund expenditure budget is lower than 2011 due to change in accounting treatment mentioned above related to the intergovernmental transfers for Medicaid special revenue. The budget for the Corporation will continue to be challenged by increasing expenditures and declining revenue in the form of property tax caps and reduced Medicaid special revenue.

Requests for Information

This financial report is designed to provide a general overview of the Health and Hospital Corporation's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer, 3838 N. Rural, Indianapolis, Indiana, 46205.

Basic Financial Statements

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 156,546,836	\$ 84,229,993	\$ 240,776,829
Investments	-	5,429,812	5,429,812
Receivables, net:			
Patient services	-	75,780,924	75,780,924
Medicaid special revenue	-	32,290,788	32,290,788
Grants	4,199,002	3,978,253	8,177,255
Interest	-	33,637	33,637
Other	8,352,501	4,632,840	12,985,341
Internal balances	2,493,906	(2,493,906)	-
Inventories	-	4,886,753	4,886,753
Prepaid costs and other assets	417,843	8,550,559	8,968,402
Restricted cash and cash equivalents	119,860,057	-	119,860,057
Restricted investments	42,926,803	-	42,926,803
Bond issuance costs	1,962,360	-	1,962,360
Lease acquisition costs (net of accumulated amortization)	-	27,551,943	27,551,943
Joint venture investment	4,205,999	16,881,330	21,087,329
Other long-term assets	-	9,733,387	9,733,387
Capital assets (net of accumulated depreciation):			
Land	4,114,896	2,897,993	7,012,889
Land improvements	-	3,747,817	3,747,817
Buildings and improvements	17,357,516	380,147,213	397,504,729
Equipment	7,884,287	50,838,881	58,723,168
Vehicles	613,677	1,573,134	2,186,811
Construction in progress	242,543,346	13,342,450	255,885,796
Total assets	<u>613,479,029</u>	<u>724,033,801</u>	<u>1,337,512,830</u>
Liabilities			
Accounts payable	15,323,133	59,989,402	75,312,535
Restricted accounts payable	29,275,645	-	29,275,645
Accrued liabilities	947,754	26,656,982	27,604,736
Unearned revenue	11,126,031	2,876,858	14,002,889
Estimated Medicare/Medicaid settlements	-	1,119,038	1,119,038
Medical claims incurred but not reported	-	5,776,548	5,776,548
Net pension obligation	328,462	2,715,425	3,043,887
Long-term liabilities			
Due within one year	18,983,628	46,069,712	65,053,340
Due in more than one year	364,297,068	345,330,057	709,627,125
Total liabilities	<u>440,281,721</u>	<u>490,534,022</u>	<u>930,815,743</u>
Net Assets			
Invested in capital assets, net of related debt	19,442,084	98,753,758	118,195,842
Unrestricted	153,755,224	134,746,021	288,501,245
Total net assets	<u>\$ 173,197,308</u>	<u>\$ 233,499,779</u>	<u>\$ 406,697,087</u>

Health and Hospital Corporation of Marion County, Indiana

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

Statement of Activities For the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Administration and finance	\$ 23,045,390	\$ 3,375,608	\$ 32,253,328	\$ -	\$ 12,583,546	\$ -	\$ 12,583,546
Health improvement	28,917,502	2,259,188	10,205,469	97,476	(16,355,369)	-	(16,355,369)
Communicable disease prevention	14,388,516	559,475	4,586,362	431,028	(8,811,651)	-	(8,811,651)
Water quality and hazardous materials management	2,005,942	353,215	68,913	-	(1,583,814)	-	(1,583,814)
Vector disease control	3,954,524	563,276	-	-	(3,391,248)	-	(3,391,248)
Housing and neighborhood health	6,986,843	468,733	860,328	1,004,401	(4,653,381)	-	(4,653,381)
Consumer and employee risk reduction	1,795,884	2,177,656	-	-	381,772	-	381,772
Interest on long-term debt	49,636,823	-	-	-	(49,636,823)	-	(49,636,823)
Total governmental activities	<u>130,731,424</u>	<u>9,757,151</u>	<u>47,974,400</u>	<u>1,532,905</u>	<u>(71,466,968)</u>	<u>-</u>	<u>(71,466,968)</u>
Business-Type Activities							
Wishard Health Services	519,774,867	261,819,236	20,460,189	-	-	(237,495,442)	(237,495,442)
LT Care	426,846,568	574,233,417	-	-	-	147,386,849	147,386,849
Total business-type activities	<u>946,621,435</u>	<u>836,052,653</u>	<u>20,460,189</u>	<u>-</u>	<u>-</u>	<u>(90,108,593)</u>	<u>(90,108,593)</u>
Total	<u>\$ 1,077,352,859</u>	<u>\$ 845,809,804</u>	<u>\$ 68,434,589</u>	<u>\$ 1,532,905</u>	<u>(71,466,968)</u>	<u>(90,108,593)</u>	<u>(161,575,561)</u>
General revenues:							
Property and local option income taxes					66,742,264	-	66,742,264
HCI taxes from State of Indiana					38,000,000	-	38,000,000
Excise taxes					5,269,274	-	5,269,274
Financial institution taxes					1,319,008	-	1,319,008
Medicaid special revenue (unrestricted)					14,374,161	-	14,374,161
Build America Bonds interest subsidies					13,775,283	-	13,775,283
Unrestricted investment earnings					1,316,116	1,511,132	2,827,248
Transfers					(86,656,492)	86,656,492	-
Total general revenues and transfers					<u>54,139,614</u>	<u>88,167,624</u>	<u>142,307,238</u>
Change in net assets					(17,327,354)	(1,940,969)	(19,268,323)
Net assets - beginning of year					<u>190,524,662</u>	<u>235,440,748</u>	<u>425,965,410</u>
Net assets - end of year					<u>\$ 173,197,308</u>	<u>\$ 233,499,779</u>	<u>\$ 406,697,087</u>

See Notes to Basic Financial Statements

Health and Hospital Corporation of Marion County, Indiana

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

Balance Sheet - Governmental Funds

December 31, 2011

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 139,082,797	\$ 225,307	\$ 17,238,732	\$ 156,546,836
Restricted cash and cash equivalents	-	1,098,423	118,761,634	119,860,057
Restricted investments	-	16,395,883	26,530,920	42,926,803
Receivables (net of allowance for uncollectibles)				
Grants	4,400,471	-	-	4,400,471
Other	7,882,081	-	470,420	8,352,501
Due from other funds	3,833,359	-	-	3,833,359
Prepaid costs and other assets	417,843	-	-	417,843
	<u>\$ 155,616,551</u>	<u>\$ 17,719,613</u>	<u>\$ 163,001,706</u>	<u>\$ 336,337,870</u>
Total assets				
	<u>\$ 155,616,551</u>	<u>\$ 17,719,613</u>	<u>\$ 163,001,706</u>	<u>\$ 336,337,870</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 15,323,133	\$ -	\$ 29,275,645	\$ 44,598,778
Salaries and related benefits	947,754	-	-	947,754
Deferred and unearned revenue	2,330,449	-	10,000,000	12,330,449
Due to other funds	681,922	859,000	-	1,540,922
Accrued self-insurance claims	804,068	-	-	804,068
Total liabilities	<u>20,087,326</u>	<u>859,000</u>	<u>39,275,645</u>	<u>60,221,971</u>
Fund Balances				
Nonspendable	417,843	-	-	417,843
Restricted	-	17,494,306	123,726,061	141,220,367
Assigned	3,174,846	-	-	3,174,846
Unassigned	131,936,536	(633,693)	-	131,302,843
Total fund balances	<u>135,529,225</u>	<u>16,860,613</u>	<u>123,726,061</u>	<u>276,115,899</u>
Total liabilities and fund balances	<u>\$ 155,616,551</u>	<u>\$ 17,719,613</u>	<u>\$ 163,001,706</u>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Net capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds statement.				272,513,722
Joint venture investments are not financial resources and, therefore, are not reported in the funds statement.				4,205,999
Net pension obligations are not due and payable in the current period and, therefore, are not recorded in the funds statement.				(328,462)
Deferred revenues not meeting availability criteria in funds statement are not in the statement of net assets.				1,204,418
Bond issuance costs are reported in the governmental activities but are not reported in the funds statement.				1,962,360
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds statement.				<u>(382,476,628)</u>
Net assets of governmental activities				<u>\$ 173,197,308</u>

Health and Hospital Corporation of Marion County, Indiana
(A 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, 2011

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Taxes	\$ 105,817,016	\$ 5,313,038	\$ 200,492	\$ 111,330,546
Licenses and permits	3,933,300	-	-	3,933,300
Intergovernmental	36,824,648	-	-	36,824,648
Charges for services	1,170,890	-	-	1,170,890
Medicaid special revenue	14,374,161	-	-	14,374,161
Investment income	237,566	1,077,240	1,310	1,316,116
Build America Bonds interest subsidies	-	10,847,662	2,927,621	13,775,283
Contributions	12,900,000	-	-	12,900,000
Miscellaneous	4,410,403	-	-	4,410,403
Total revenues	<u>179,667,984</u>	<u>17,237,940</u>	<u>3,129,423</u>	<u>200,035,347</u>
Expenditures				
Current:				
Administrative	23,875,423	-	-	23,875,423
Population health	23,718,257	-	-	23,718,257
Environmental health	12,401,862	-	-	12,401,862
Health center program	1,615,344	-	-	1,615,344
Data processing	3,034,812	-	-	3,034,812
Grant programs	16,546,600	-	-	16,546,600
Capital outlays	2,798,739	-	155,821,520	158,620,259
Debt service:				
Principal	-	2,455,000	-	2,455,000
Interest and fiscal charges	-	49,636,823	-	49,636,823
Total expenditures	<u>83,991,037</u>	<u>52,091,823</u>	<u>155,821,520</u>	<u>291,904,380</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>95,676,947</u>	<u>(34,853,883)</u>	<u>(152,692,097)</u>	<u>(91,869,033)</u>
Other Financing Sources (Uses)				
Transfers in	108,597,652	29,576,752	-	138,174,404
Transfers out	(221,903,275)	-	(2,927,621)	(224,830,896)
Other debt issued	-	-	89,273,094	89,273,094
Total other financing sources and uses	<u>(113,305,623)</u>	<u>29,576,752</u>	<u>86,345,473</u>	<u>2,616,602</u>
Net change in fund balances	(17,628,676)	(5,277,131)	(66,346,624)	(89,252,431)
Fund balances - beginning of year	<u>153,157,901</u>	<u>22,137,744</u>	<u>190,072,685</u>	<u>365,368,330</u>
Fund balances - end of year	<u>\$ 135,529,225</u>	<u>\$ 16,860,613</u>	<u>\$ 123,726,061</u>	<u>\$ 276,115,899</u>

Health and Hospital Corporation of Marion County, Indiana

(A 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 - Governmental Activities For the Year Ended December 31, 2011

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

Net changes in fund balances - total governmental funds	\$ (89,252,431)
Depreciation expense is not reported in the funds statement, but is reported as a decrease in net assets in the statement of activities.	(2,030,631)
Capital outlays are reported as expenditures in the funds statement, but are reported as additions to capital assets in the statement of net assets.	154,414,259
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds statement.	2,473,167
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences (as applicable) in the treatment of long-term debt and related items.	(86,892,423)
Compensated absences that do not require the use of current financial resources are not reported as expenditures in the funds statement.	(149,769)
Asserted and unasserted self-insurance claims that do not require the use of current financial resources are not reported as expenditures in the funds statement.	4,688,125
The decrease in the net pension asset is not reported in the funds statement, but is reported as a decrease in net assets in the statement of activities.	<u>(577,651)</u>
Change in net assets of governmental activities	<u><u>\$ (17,327,354)</u></u>

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Statement of Net Assets - Proprietary Funds
December 31, 2011

	Wishard Health Services	LT Care	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 26,335,400	\$ 57,894,593	\$ 84,229,993
Investments	5,429,812	-	5,429,812
Receivables (net of allowance for uncollectibles):			
Patient services	39,582,022	36,198,902	75,780,924
Medicaid special revenue	-	32,290,788	32,290,788
Grants	3,776,784	-	3,776,784
Interest	33,637	-	33,637
Other	4,632,840	-	4,632,840
Inventories	4,886,753	-	4,886,753
Due from other funds	681,922	-	681,922
Prepaid costs and other assets	5,880,059	2,670,500	8,550,559
Total current assets	<u>91,239,229</u>	<u>129,054,783</u>	<u>220,294,012</u>
Noncurrent assets:			
Lease acquisition cost (net of accumulated amortization)	-	27,551,943	27,551,943
Joint venture investments	16,881,330	-	16,881,330
Other long-term assets	-	9,733,387	9,733,387
Capital assets (net of accumulated depreciation)			
Land	2,897,993	-	2,897,993
Land improvements	1,472,649	2,275,168	3,747,817
Building and improvements	62,392,444	317,754,769	380,147,213
Equipment	25,758,871	25,080,010	50,838,881
Vehicles	1,564,767	8,367	1,573,134
Construction in progress	7,293,871	6,048,579	13,342,450
Total capital assets (net accumulated depreciation)	<u>101,380,595</u>	<u>351,166,893</u>	<u>452,547,488</u>
Total noncurrent assets	<u>118,261,925</u>	<u>388,452,223</u>	<u>506,714,148</u>
Total assets	<u>209,501,154</u>	<u>517,507,006</u>	<u>727,008,160</u>
Liabilities			
Current liabilities:			
Accounts payable	36,887,933	23,101,469	59,989,402
Accrued liabilities	14,225,472	12,431,510	26,656,982
Due to other funds	2,974,359	-	2,974,359
Capital lease obligation - current	-	23,598,060	23,598,060
Estimated Medicare/Medicaid settlements	722,359	396,679	1,119,038
Unearned revenue	2,876,858	-	2,876,858
Medical claims incurred but not reported	5,776,548	-	5,776,548
Accrued compensated absences - current	17,697,182	-	17,697,182
Asserted and unasserted self-insurance claims - current	1,660,404	3,114,066	4,774,470
Total current liabilities	<u>82,821,115</u>	<u>62,641,784</u>	<u>145,462,899</u>
Noncurrent liabilities:			
Asserted and unasserted self-insurance claims	4,711,025	8,010,110	12,721,135
Accrued compensated absences	2,413,252	-	2,413,252
Net pension liability	2,715,425	-	2,715,425
Capital lease payable	-	330,195,670	330,195,670
Total noncurrent liabilities	<u>9,839,702</u>	<u>338,205,780</u>	<u>348,045,482</u>
Total liabilities	<u>92,660,817</u>	<u>400,847,564</u>	<u>493,508,381</u>
Net Assets			
Invested in capital assets, net of related debt	101,380,595	(2,626,837)	98,753,758
Unrestricted	<u>15,459,742</u>	<u>119,286,279</u>	<u>134,746,021</u>
Total net assets	<u>\$ 116,840,337</u>	<u>\$ 116,659,442</u>	<u>\$ 233,499,779</u>

Health and Hospital Corporation of Marion County, Indiana
(A 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, 2011

	Wishard Health Services	LT Care	Total
Operating revenues:			
Net patient service revenue	\$ 240,561,481	\$ 416,740,969	\$ 657,302,450
Medicaid special revenue	-	155,821,249	155,821,249
Other revenue	21,257,755	1,671,199	22,928,954
Total operating revenues	<u>261,819,236</u>	<u>574,233,417</u>	<u>836,052,653</u>
Operating expenses:			
Salaries	203,386,001	-	203,386,001
Employee benefits	67,594,550	-	67,594,550
Contract labor	1,022,658	224,238,824	225,261,482
Medical and professional fees	64,308,457	19,882,524	84,190,981
Purchased services	35,766,324	31,969,210	67,735,534
Supplies	46,580,052	28,954,050	75,534,102
Pharmaceuticals	34,732,868	15,170,807	49,903,675
Repairs and maintenance	5,017,106	2,530,534	7,547,640
Utilities	7,996,541	9,496,200	17,492,741
Equipment rental	3,544,359	3,207,140	6,751,499
Depreciation and amortization	41,786,536	39,729,317	81,515,853
Other	8,039,415	21,501,330	29,540,745
Total operating expenses	<u>519,774,867</u>	<u>396,679,936</u>	<u>916,454,803</u>
Operating income (loss)	<u>(257,955,631)</u>	<u>177,553,481</u>	<u>(80,402,150)</u>
Nonoperating revenue (expenses):			
Noncapital gifts and grants	20,460,189	-	20,460,189
Loss on termination of lease	-	(1,505,080)	(1,505,080)
Investment income	1,468,137	42,995	1,511,132
Interest expense	-	(28,661,552)	(28,661,552)
Total nonoperating revenue (expense)	<u>21,928,326</u>	<u>(30,123,637)</u>	<u>(8,195,311)</u>
Income (loss) before capital contributions and transfers	(236,027,305)	147,429,844	(88,597,461)
Transfers - General Fund	<u>195,254,144</u>	<u>(108,597,652)</u>	<u>86,656,492</u>
Changes in net assets	(40,773,161)	38,832,192	(1,940,969)
Total net assets at beginning of year	<u>157,613,498</u>	<u>77,827,250</u>	<u>235,440,748</u>
Total net assets at end of the year	<u>\$ 116,840,337</u>	<u>\$ 116,659,442</u>	<u>\$ 233,499,779</u>

Health and Hospital Corporation of Marion County, Indiana

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

Statement of Cash Flows - Proprietary Funds

For the Year Ended December 31, 2011

	Wishard Health Services	LT Care	Total
Cash Flows From Operating Activities			
Receipts from patient services	\$ 244,356,707	\$ 408,100,563	\$ 652,457,270
Receipts from other operations	22,515,579	2,187,885	24,703,464
Medicaid special revenue	-	142,128,113	142,128,113
Payments to suppliers	(201,236,181)	(79,656,402)	(280,892,583)
Payments to employees and contract labor	(265,733,002)	(273,340,038)	(539,073,040)
Net cash provided by (used in) operating activities	<u>(200,096,897)</u>	<u>199,420,121</u>	<u>(676,776)</u>
Cash Flows From Noncapital Financing Activities			
Cash receipts from noncapital gifts and grants	21,718,013	-	21,718,013
Transfers (to) from the General Fund	195,254,144	(108,597,652)	86,656,492
Net cash provided by (used in) noncapital financing activities	<u>216,972,157</u>	<u>(108,597,652)</u>	<u>108,374,505</u>
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(11,370,788)	(28,633,158)	(40,003,946)
Reimbursement from capital project fund for capital assets	-	-	-
Deposits paid	-	(2,049,592)	(2,049,592)
Lease acquisition cost payments	-	(10,278,945)	(10,278,945)
Lease termination costs	-	(1,000,000)	(1,000,000)
Payment of capital lease obligations	-	(18,173,158)	(18,173,158)
Interest expense payments	-	(28,661,552)	(28,661,552)
Net cash used in capital and related financing activities	<u>(11,370,788)</u>	<u>(88,796,405)</u>	<u>(100,167,193)</u>
Cash Flows From Investing Activities			
Proceeds from sale and maturities of investments	2,983,420	-	2,983,420
Purchases of investments	(3,008,997)	-	(3,008,997)
Interest and dividends received	213,137	42,995	256,132
Net cash provided by investing activities	<u>187,560</u>	<u>42,995</u>	<u>230,555</u>
Net Increase in Cash and Cash Equivalents	5,692,032	2,069,059	7,761,091
Cash and Cash Equivalents (Including Restricted), January 1	<u>20,643,368</u>	<u>55,825,534</u>	<u>76,468,902</u>
Cash and Cash Equivalents (Including Restricted), December 31	<u><u>\$ 26,335,400</u></u>	<u><u>\$ 57,894,593</u></u>	<u><u>\$ 84,229,993</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	<u>\$ (257,955,631)</u>	<u>\$ 177,553,481</u>	<u>\$ (80,402,150)</u>
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	41,786,536	39,729,317	81,515,853
Changes in operating assets and liabilities:			
Patient service receivables	3,100,429	(8,614,923)	(5,514,494)
Other receivables	1,257,824	(13,693,136)	(12,435,312)
Inventories	97,899	-	97,899
Prepaid costs and other assets	269,552	(1,926,307)	(1,656,755)
Net pension asset/liability	3,032,664	-	3,032,664
Accounts payable	3,784,524	685,907	4,470,431
Accrued liabilities and compensation absences	5,558,306	5,352,262	10,910,568
Estimated Medicare/Medicaid settlements	384,040	(25,483)	358,557
Asserted and unasserted self-insurance claims	50,975	359,003	409,978
Risk-share payable	(1,910,357)	-	(1,910,357)
Medical claims incurred but not reported	446,342	-	446,342
Total adjustments	<u>57,858,734</u>	<u>21,866,640</u>	<u>79,725,374</u>
Net cash provided by (used in) operating activities	<u><u>\$ (200,096,897)</u></u>	<u><u>\$ 199,420,121</u></u>	<u><u>\$ (676,776)</u></u>
Noncash investing, capital and financing activities:			
Lease acquisition costs included in accounts payable	\$ -	\$ 1,500,000	\$ 1,500,000
Purchase of assets held under capital lease		87,865,304	87,865,304
Increase in carrying value of joint venture investment	1,212,822	-	1,212,822
Unrealized loss on investment, net	(42,995)	-	(42,995)

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Notes to Basic Financial Statements
December 31, 2011

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Financial Reporting Entity

The Health and Hospital Corporation of Marion County, Indiana (Corporation) was created under Chapter 287 of the Acts of 1951 enacted by the General Assembly of the State of Indiana. The Corporation is a municipal corporation and a political subdivision of the State of Indiana under Indiana Code §16-22-8-6, §6-1.1-1-12 and §36-1-2-23.

The Corporation's duties include the administration of the Divisions of Public Health and Public Hospitals. The Division of Public Health does business as the Marion County Public Health Department (MCPHD), and the Division of Public Hospitals does business as Wishard Health Services (Wishard). The Corporation operates three service divisions: MCPHD, Wishard and a Long-Term Care (LT Care) operation.

The MCPHD operates two service bureaus, which provide preventive and diagnostic health programs, health education, immunization and epidemiological programs, environmental health regulation, and code enforcement. The MCPHD division is accounted for using governmental funds.

Wishard comprises Wishard Memorial Hospital, a general acute care facility with 316 staffed beds; nine community health centers, Midtown Community Mental Health Center, Regenstrief Health Center, Wishard Emergency Trauma Service, Wishard Ambulance Service, and the Richard M. Fairbanks Burn Center. On December 26, 2010, the Corporation entered into an interlocal agreement with the Department of Public Safety for the City of Indianapolis to own, manage and operate the Transport Emergency Medical Services system for Marion County, Indiana (Indianapolis EMS). The activities of Indianapolis EMS are therefore included in the Wishard division. For purposes of financial reporting, the Wishard division is accounted for as a separate enterprise fund.

The Corporation operates 52 long-term care facilities through capital leases. The homes are operated as part of the LT Care operations. LT Care supports the Corporation's mission and goal to provide quality care and services to elderly and disabled people. For purposes of financial reporting, the LT Care division is accounted for as a separate enterprise fund.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County (Uni-Gov). Accordingly, the financial statements of the Corporation are required to be included in the comprehensive annual financial report of Uni-Gov.

Health and Hospital Corporation of Marion County, Indiana

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

Notes to Basic Financial Statements

December 31, 2011

The Corporation is governed by a seven-member Board of Trustees, appointed by the Mayor of Indianapolis (3), Commissioners of Marion County (2) and City-County Council (2). Of those members appointed by the City-County Council, one serves a two-year term, and one serves a four-year term. All other appointments serve a term of four years. The Board of Trustees is bi-partisan by statute. The Corporation is responsible for all of its fiscal matters including budget (subject to the final authority of the State of Indiana Department of Local Government Finance (DLGF), operating deficits and debt. The Corporation's executive and legislative powers include the power to levy taxes and incur debt. The Corporation's ordinances have the effect of local law governing health matters.

Component Unit

The Corporation has established a nonprofit entity, Lions Insurance Company, Inc. (Lions), which is legally separate from the Corporation and whose purpose is to provide insurance covering the professional (malpractice) and general liability exposures of the nursing homes operated by the Corporation. Lions is considered a blended component unit and is therefore reported as if it is a part of the LT Care Enterprise Fund because its primary purpose is to provide services solely to the LT Care Enterprise Fund. Complete financial statements for Lions may be obtained from Health and Hospital Corporation at 3838 N. Rural Street, Indianapolis, Indiana 46205.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Corporation. 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 or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Health and Hospital Corporation of Marion County, Indiana

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

Notes to Basic Financial Statements

December 31, 2011

Following the government-wide financial statements are separate financial statements for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Corporation has determined that all governmental funds are considered major funds. The total fund balances for all governmental funds are reconciled to total 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 as shown on the statement of activities in the government-wide statements. As mentioned previously, the Corporation has two enterprise funds (business-type activities), Wishard and LT Care, which are also considered major funds.

The fund financial statements of the Corporation 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, revenues, 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 fund type in the basic financial statements. The following fund types are used by the Corporation:

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The Corporation reports the following governmental funds:

The following are the Corporation's major governmental funds:

The General Fund is the Corporation's primary operating fund. It accounts for all financial resources of the Corporation, including grants, except those required to be accounted for in another fund.

The Debt Service Fund is used to account for and report the accumulation of financial resources that are restricted, committed or assigned to expenditure for principal, interest and related costs on outstanding general obligation bond and other long-term debt of the Corporation's governmental activities. Debt service requirements are generally funded from property tax revenues or other operating revenues.

The Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Such resources are derived principally from general obligation bonds, capital lease obligations and ad valorem taxes.

Health and Hospital Corporation of Marion County, Indiana

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

Notes to Basic Financial Statements

December 31, 2011

Proprietary Fund Type

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

As mentioned previously, the Corporation has two enterprise funds: (1) The Wishard Health Services Enterprise Fund, which accounts for the activities of Wishard (including Indianapolis EMS) and (2) the LT Care Enterprise Fund, which accounts for the activities of the 52 leased long-term care facilities that receive no funding from ad valorem taxes. An enterprise fund is used to account for operations that are financed and operated in a similar manner to a private business - where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Certain administrative expenses of Wishard and LT Care are accounted for by the General Fund. Because the capital outlay for Wishard is funded through ad valorem taxes, long-term debt interest expense relating to Wishard is accounted for by the Debt Service Fund and is not allocated to the Wishard Health Services Enterprise Fund. Only debt intended to be repaid by operations of Wishard are included in the Wishard Enterprise Fund. At December 31, 2011, no such debt existed. At December 31, 2011, the LT Care Enterprise Fund had capital leases, which are to be repaid from revenues from operations, and are therefore shown as long-term debt in the LT Care Enterprise Fund.

Effective January 1, 2011, the Corporation adopted GASB No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in Paragraph 7 of that Statement for business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. This Statement has been applied retrospectively and had no impact on the Corporation's net assets, changes in net assets or financial reporting disclosures.

Measurement Focus and Basis of Accounting

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 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 the levy and tax rates are certified. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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The 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 soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers property 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 Corporation considers revenue to be available if collected within 90 days of the end of the current fiscal period. Significant revenues susceptible to accrual include property and other taxes, grants and interest. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

In the governmental fund statements, the Corporation 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 in the fund financial statement. Resources received in advance are reported as deferred revenues until the period of the exchange in both the government-wide and fund financial statements.

The Corporation 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. The Corporation recognizes revenues from property taxes, net of estimated refunds and uncollectible amounts, in the period for which the tax levy and rates are certified. Imposed nonexchange revenues also include permits.

Voluntary nonexchange transactions, such as grants and assistance received from other governmental units and Build America Bonds interest subsidies, 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. Government-mandated nonexchange transactions, with the exception of Medicaid special revenue, are accounted for in the same manner as voluntary nonexchange transactions. See the discussion later in the notes regarding the accounting treatment of Medicaid special revenue.

Charges for services in the governmental funds, which are exchange transactions and are therefore not subject to the provisions of GASB 33, are recognized as revenues when received in cash because they are generally not measurable until actually received.

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Under the accrual basis of accounting for proprietary fund types, revenues are recognized in the period earned and expenses are recognized in the period incurred. Patient services accounts receivable and revenue are recorded at standard billing rates, net of contractual adjustments, when patient services are performed. Wishard and LT Care provide services under the Medicare and Medicaid programs for which they may be reimbursed at amounts different from the standard billing rates. Amounts reimbursed or estimated to be reimbursed by these programs are generally determined in accordance with a prospective price-per-case payment system or under the provisions of cost-reimbursement formulas. In addition, Wishard and LT Care provide services in accordance with various contractual agreements entered into with state and local governmental agencies and other third-party health insurance companies.

The differences between standard billing rates and the amount reimbursed or estimated to be reimbursed by Medicare, Medicaid and other contractual payers are included in the financial statements as contractual adjustments. Patient accounts receivable for services provided under contractual arrangements are also adjusted to reflect these differences.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All transactions deemed by management to be ongoing, major, or central to the provision of healthcare services for Wishard and LT Care are considered to be operating activities and are reported as operating revenue and operating expenses. Intergovernmental revenues, investment income, interest expense, and peripheral or incidental transactions are reported as nonoperating revenue and expenses. Other changes in net assets that are excluded from operating income (loss) principally consist of contributions of capital assets funded by governmental activities, grantors and donors.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed. Additionally, when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, it is the Corporation's policy to utilize such resources in the following order of priority: committed, assigned and then unassigned.

Cash, Cash Equivalents and Investments

The Corporation's cash and cash equivalents (including those that are restricted) are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of purchase.

Investments for the Corporation are reported at fair value. The Corporation also invests in an external investment pool held by the State of Indiana. The Corporation reports its share of the underlying portfolio for this pool at fair value.

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Receivables and Payables

In the fund financial statements, 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 receivables are shown net of an allowance, if any, for uncollectible balances.

Inventories

Purchases of materials and supplies in the governmental fund types are charged to expenditures as incurred. Amounts of inventories in such governmental funds are immaterial. For the enterprise fund type, pharmaceutical inventories of the Wishard Fund are determined by physical count of items on hand and are priced at weighted-average cost or at fair value, whichever is less. Inventory in the LT Care Fund is immaterial.

Prepaid Costs and Other Assets

Prepaid costs and other assets for the governmental funds include prepaid insurance, and other miscellaneous assets. Prepaid costs and other assets of the proprietary fund consist of prepaid insurance, prepaid service contracts, prepaid rent and other miscellaneous assets.

Capital Assets

Capital assets, which include buildings, improvements, equipment, and vehicles are reported in the applicable governmental or business-type activities column in the government-wide financial statements and within the proprietary fund financial statements. Capital assets are defined by the Corporation as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

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 estimated useful life of the asset are not capitalized.

Depreciation, including depreciation recognized on assets acquired through government grants and other aid, is computed on the straight-line method over the estimated useful lives of the various classes of assets. Assets held under capital leases and leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

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Estimated useful lives used to compute depreciation are as follows:

	<u>Years</u>
Building and improvements	10 - 50
Equipment	5 - 20
Vehicles	4

Capitalization of Interest

Net interest costs on funds borrowed to finance the construction of capital assets are capitalized and depreciated over the life of the related asset for business-type activities and proprietary fund types. Interest is not capitalized for governmental fund types.

Other Long-Term Assets

Other long-term assets consist of deposits made related to the leasing of nursing homes. The deposits will be returned in full if the leased buildings are returned in an acceptable condition by the holder of the deposit at the end of the respective lease terms.

Deferred and Unearned Revenue

Deferred revenue is recorded in the governmental fund financial statements for receivables that are not considered either measurable or available at December 31, 2011. Unearned revenue is recorded when the related revenues have not been earned for enterprise fund activities. Deferred revenue for governmental funds in the fund statements is recognized as revenue when it is earned and considered measurable and available.

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.

Risk Share Payable

Risk share payable relates to undistributed profits and withholdings that are due to other providers who participate in Wishard's network as part of the risk-based Medicaid program. At December 31, 2011, there were no amounts due to other providers.

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Accrued Compensated Absences

Corporation employees are paid for vacation and other absences by prescribed formulas based primarily on length of service and staff classification. In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated vacation and other absences are accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future. A liability for the cost of accumulated earned but unused vacation and other absences is recognized in the government-wide statements and in the statement of net assets of the proprietary funds. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the respective bonds using the effective interest method. Deferred losses on refundings are amortized as a component of interest expense over the remaining life of the old bonds or the remaining life of the refunding bonds, whichever is shorter, using the effective interest method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Payments to an escrow agent to defease debt are reported as other financing uses, while issuance costs, whether or not withheld from the actual debt proceeds received, and repayments of principal and interest are reported as debt service expenditures.

Lease Acquisition Costs

The Corporation allocates the purchase price of properties acquired under capital leases to net tangible and identified intangible assets based on their respective fair values. The allocation to tangible assets (primarily equipment) is based upon management's determination of the value of the property. The remaining purchase price is allocated to lease acquisition costs. These costs are amortized over the life of the related lease.

Interfund Transactions

In the fund financial statements, the Corporation 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.

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Contribution of Capital Assets

The General and Capital Project Funds make contributions of capital assets to the Wishard Health Services Enterprise Fund from time to time. The enterprise fund reports these transactions as capital contributions; however, the General or Capital Project Funds do not report the event because there has been no flow of current financial resources for the governmental fund statements other than the expenditures incurred during the year on capital outlay. In the government-wide statement of activities, both sides of the capital asset transfer are reported as transfers.

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 Corporation.

Within the statement of activities, direct expenses are not eliminated from the various functional categories. However, indirect expenses are eliminated from the various functional categories.

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.

Net Assets/Fund Balances

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as follows:

- *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 that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category. Governmental activities debt related to business-type activities is not recorded in this category; rather, this debt is included in unrestricted net assets.
- *Restricted Net Assets* - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments, and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* - This category represents net assets of the Corporation not restricted for any project or other purpose.

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In the governmental fund financial statements, fund balance classifications reflect a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Corporation's fund balances include the following:

- **Nonspendable fund balances** include amounts that cannot be spent because they are either (a) not in spendable form (such as inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact.
- **Restricted fund balances** are reported when constraints placed on the use of resources are either (externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed fund balances** represent resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the Corporation's Board of Trustees, whereby such constraints can only be modified or rescinded through formal action (by ordinance or resolution) of the Board of Trustees.
- **Assigned fund balances** include amounts for which it is the intent of the Corporation, through action of the President or President's designee, that they be used for specific purposes. Such constraints can be modified or rescinded without formal action of the Board of Trustees as long as they do not result in an additional budgetary appropriation.
- **Unassigned fund balances** represent the residual portion of the General Fund that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

Indigent Care Services

Under Indiana Code (§16-22-8-39), the services provided by Wishard are for the benefit of the residents of Marion County, Indiana and for every person falling sick or being injured or maimed within its limits, regardless of their ability to pay for such services. Certain services to patients are classified as indigent care based on established policies of Wishard. Because Wishard does not expect amounts determined to qualify as indigent care to result in cash collections, they are not reported as net patient service revenue.

Wishard maintains records to identify and monitor the level of indigent care it provides. These records include the amount of charges forgone for services and supplies furnished under its indigent care policy.

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Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as amounts are no longer subject to such audits and reviews.

New Accounting Standard

During 2011, the Corporation adopted GASB Statement Number 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which requires reclassifications of certain governmental fund types and changes in fund balance categories. The effect of the adoption on the governmental fund balances as of January 1, 2011, was as follows:

Fund balances, as previously reported:

Reserved for:

Prepaid costs and other assets	\$ 331,782
Encumbrances	169,965,674
Debt service	23,397,584
Unreserved, undesignated	<u>171,673,290</u>

Total fund balances	<u><u>\$ 365,368,330</u></u>
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Fund balances, as restated:

Nonspendable	\$ 331,782
Restricted for debt service	23,399,237
Restricted for capital outlays	158,776,913
Assigned for contractual obligations and other	3,788,420
Assigned for capital outlay	31,295,772
Unassigned	<u>147,776,206</u>

Total fund balances	<u><u>\$ 365,368,330</u></u>
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Note 2: Deposits and Investments

As of December 31, 2011, the Corporation had the following cash deposits and investments:

Cash deposits	\$ 316,763,412
Negotiable certificates of deposit	1,965,887
Repurchase agreements	10,328,094
State external investment pool	33,545,379
U.S. Government obligations	454,409
U.S. Government-sponsored enterprises	45,795,965
Money market mutual funds	140,355
	<u>\$ 408,993,501</u>

Deposits and investment securities included in the statement of net assets are classified as follows:

	<u>2011</u>
Carrying value	
Deposits	\$ 316,763,412
Investments	92,230,089
	<u>\$ 408,993,501</u>
Cash and cash equivalents	
Unrestricted	\$ 240,776,829
Restricted	119,860,057
	<u>360,636,886</u>
Investments	
Unrestricted	5,429,812
Restricted	42,926,803
	<u>\$ 408,993,501</u>

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits may not be returned to it. The Corporation's deposit policy for custodial credit risk requires compliance with the provisions of Indiana statutes.

The Corporation's cash deposits are insured up to \$250,000 at financial institutions insured by the Federal Deposit Insurance Corporation's (FDIC). Any cash deposits in excess of the \$250,000 FDIC limits are partially or fully collateralized by the depository institution and insured by the Indiana Public Deposits Insurance Fund (Fund) via the pledged collateral from the institutions securing deposits of public funds. The Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

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Investments

Indiana statutes authorize the Corporation to invest in United States obligations and issues of federal agencies, Indiana municipal securities, secured repurchase agreements fully collateralized by U.S. Treasury or U.S. agency obligations, certificates of deposit and open-end money market mutual funds.

The state external investment pool is an investment pool created and subject to regulatory oversight pursuant to Indiana Code, Section 5-13-9-11. Portfolio securities in this pool are valued at amortized cost, which approximates market value. The amortized cost valuation method involves initially valuing a security at its cost on the date of purchase and thereafter accreting any discount to maturity and/or amortizing any premium to maturity.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Corporation is limited to investing in securities with a stated maturity of not more than two years after the date of purchase or entry into a repurchase agreement, as defined by Indiana Code, Section 5-13-9-5.6. The Corporation's investment policy for interest rate risk requires investments to be invested in a prudent manner to achieve maximum yield return available from approved government obligations with due regard to the specific purpose for which the funds are intended and needed. The Corporation's self-insurance trust for general and professional liability and workers' compensation is not subject to such limitations.

Below is a table of segmented time distribution for the Corporation's debt investments at December 31, 2011:

	Fair Value	Investment Activities (in years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Repurchase agreements	\$ 10,328,094	\$ 10,328,094	\$ -	\$ -	\$ -
State external investment pool	33,545,379	33,545,379	-	-	-
U.S. Government obligations	454,409	-	297,480	113,992	42,937
U.S. Government sponsored enterprises	45,795,965	43,172,167	1,153,903	1,245,001	224,894
Money market mutual funds	140,355	140,355	-	-	-
	<u>\$ 90,264,202</u>	<u>\$ 87,185,995</u>	<u>\$ 1,451,383</u>	<u>\$ 1,358,993</u>	<u>\$ 267,831</u>

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Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Corporation's investment policy for credit risk requires compliance with the provisions of Indiana statutes. Further, Indiana Code Section 5-13-9-2.5 requires that if the Corporation invests in money market mutual funds that the underlying securities be rated AAA by Standard and Poor's or Aaa by Moody's Investor's Service.

At December 31, 2011, the Corporation's investments were rated by Standard & Poor's or Moody's as follows:

	Fair Value	AAA/Aaa	Aa	A	Not Rated
Repurchase agreements	\$ 10,328,094	\$ 10,328,094	\$ -	\$ -	\$ -
State external investment pool	33,545,379	-	-	-	33,545,379
U.S. Government obligations	454,409	454,409	-	-	-
U.S. Government-sponsored enterprises	45,795,965	42,785,516	3,010,449	-	-
Money market mutual funds	140,355	140,355	-	-	-
	<u>\$ 90,264,202</u>	<u>\$ 53,708,374</u>	<u>\$ 3,010,449</u>	<u>\$ -</u>	<u>\$ 33,545,379</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Corporation will not be able to recover the value of its investments or collateral that are in the possession of an outside party. At December 31, 2011, all of the Corporation's investments in overnight repurchase agreements (which are secured by U.S. Government or U.S. agency obligations) were exposed to custodial credit risk. These investments were uninsured and the collateral was held by the pledging financial institution's trust department or agent in the Corporation's name. The Corporation's investments in money market mutual funds and the state external investment pool were not subject to custodial credit risk at December 31, 2011, as their existence is not evidenced by securities that exist in physical book entry form. The Corporation's investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

Concentration of Credit Risk

The Corporation places no limit on the amount that may be invested in any one issuer. At December 31, 2011, 5% or more of the Corporation's investments are in repurchase agreements with JP Morgan, Federal National Mortgage Association securities, and Federal Home Loan Mortgage Corporation securities. These investments represent 6.5%, 12.9%, and 30.9%, respectively of the Corporation's total investments. Additionally, all of the investments reported in the Corporation's Debt Service and Capital Projects funds are government-sponsored enterprise securities.

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Foreign Currency Risk

This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Corporation's investment policy prohibits investments in foreign investments.

Investment Income

Investment income for the year ended December 31, 2011 consisted of:

	Governmental Fund-Types	Proprietary Fund-Types
Interest income	\$ 1,085,185	\$ 1,554,127
Unrealized gain (loss) on investments, net	<u>230,931</u>	<u>(42,995)</u>
Investment income	<u><u>\$ 1,316,116</u></u>	<u><u>\$ 1,511,132</u></u>

Note 3: Property Taxes

Property taxes levied for all governmental entities located within Marion County are collected by the Marion County Treasurer. On or before August 1 each year, the Marion County Auditor must submit to each underlying taxing unit a statement of (i) the estimated assessed value of the taxing unit as of March 1 of that year, and (ii) an estimate of the taxes to be distributed to the taxing unit during the last six months of the current budget year. The estimated value is based on property tax lists delivered to the Marion County Auditor by the Marion County Assessor on or before July 1.

The estimated value is used when the Corporation's Board meets to establish its budget for the next fiscal year (January 1 through December 31), and to set tax rates and levies. The budget, tax rates and levy must be adopted no later than November 1. The budget, tax levy and tax rate are subject to review and revision by the Indiana Department of Local Government Finance (the "DLGF") which, under certain circumstances, may revise, reduce or increase the budget, tax rate, or levy of the Corporation. The DLGF may increase the tax rate and levy if the tax rate and levy proposed by the Corporation is not sufficient to make its debt service or lease rental payments. The DLGF must complete its actions on or before February 15 of the year following the property tax assessment.

Taxes are distributed by the Marion County Auditor to the Corporation by June 30 and December 31 of each year. The Corporation can request advances of its share of collected taxes from the Marion County Treasurer once the levy and tax rates are certified by the DLGF.

As noted above, the assessment (or lien) date for Indiana property taxes is March 1 of each year; however, the Corporation does not recognize a receivable on the assessment date since the amount of property taxes to be collected cannot be measured until the levy and tax rates are certified in the subsequent year.

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Typically, property tax bills are mailed in April and October of each year and are due and payable by the property owners in May (spring) and November (fall), respectively. Property tax billings are considered delinquent if they are not paid by the respective due date, at which time the applicable property is subject to lien, and penalties and interest are assessed. Appeals may be filed within 45 days following the date the bills are mailed.

Changes in assessed values of real property occur periodically as a result of general reassessments required by the State legislature, as well as when changes occur in the property value due to new construction or demolition of improvements. The next reassessment is scheduled to be effective as of the March 1, 2012 assessment date and affects taxes payable beginning in 2013, and reassessments are scheduled to occur every five years thereafter.

The Corporation allocates property tax revenues, as considered necessary, to fund public health programs and provide care for the indigent.

Note 4: Patient Services Receivables

Net patient services receivables consist of the following as of December 31, 2011:

	Wishard	LT Care	Total
Gross patient services receivables	\$ 197,889,067	\$ 41,730,184	\$ 239,619,251
Allowance for estimated contractual adjustment	(111,057,034)	(126,364)	(111,183,398)
Allowance for uncollectible accounts	(47,250,011)	(5,404,918)	(52,654,929)
Net patient services receivables	<u>\$ 39,582,022</u>	<u>\$ 36,198,902</u>	<u>\$ 75,780,924</u>

Note 5: Interfund Balances and Transfers

Individual due to/from other funds as of December 31, 2011 are as follows:

Interfund Receivables	Interfund Payables	Amount
General Fund	Debt Service Fund	\$ 859,000
General Fund	Wishard	2,974,359
Enterprise Fund - Wishard	General Fund	681,922

These interfund balances are due to the time lag between the dates that reimbursable expenditures occur and payments between funds are made, as well as pass-through grant activity. The interfund balances are expected to be repaid during the fiscal year ending December 31, 2012.

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Interfund transfers for the year ended December 31, 2011 on the fund statements consisted of the following:

Transfer In:				
	General Fund	Debt Service Fund	Enterprise Fund - Wishard	Total
Transfer out:				
General Fund	\$ -	\$ 26,649,131	\$ 195,254,144	\$ 221,903,275
Capital Projects Fund	-	2,927,621	-	2,927,621
Enterprise Fund - LTC	108,597,652	-	-	108,597,652
Total	\$ 108,597,652	\$ 29,576,752	\$ 195,254,144	\$ 333,428,548

Interfund transfers were generally used for the following: 1) to move revenues from the funds that are required by ordinance or budget to collect them to the funds that will ultimately expend them or 2) to cover deficits of other funds. For the government-wide statements, capital contributions received by the Wishard Health Services Fund from other funds (if any) are reported as transfers; however, for the fund statements, such transfers are shown as capital contributions since they represent the actual transfer of capital assets.

Note 6: Deferred and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are unavailable to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2011, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Grant advances prior to meeting all eligibility requirements	\$ -	\$ 11,126,031
Grant reimbursements not received within 90 days	1,141,404	-
Other revenues not received within 90 days	63,014	-
Total General Fund	\$ 1,204,418	\$ 11,126,031

In addition, the Wishard Health Services Enterprise Fund had \$745,688 and \$2,131,170 of unearned revenue recorded at December 31, 2011, related to advances received on federal grants that had not met eligibility requirements and the Healthy Indiana Plan, respectively.

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Note 7: Capital Assets

Following is a summary of the changes in capital assets - governmental activities for the year ended December 31, 2011:

	January 1, 2011	Transfers/ Additions	Transfers/ Disposals	December 31, 2011
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,114,896	\$ -	\$ -	\$ 4,114,896
Construction in progress	104,335,410	152,759,409	(14,551,473)	242,543,346
Total capital assets not being depreciated	<u>108,450,306</u>	<u>152,759,409</u>	<u>(14,551,473)</u>	<u>246,658,242</u>
Capital assets being depreciated:				
Buildings and improvements	18,437,321	9,910,677	-	28,347,998
Equipment	16,192,954	6,034,418	-	22,227,372
Vehicles	4,794,036	261,228	-	5,055,264
Total capital assets being depreciated	<u>39,424,311</u>	<u>16,206,323</u>	<u>-</u>	<u>55,630,634</u>
Less accumulated depreciation for:				
Buildings and improvements	9,981,342	1,009,140	-	10,990,482
Equipment	13,584,787	758,298	-	14,343,085
Vehicles	4,178,394	263,193	-	4,441,587
Total accumulated depreciation	<u>27,744,523</u>	<u>2,030,631</u>	<u>-</u>	<u>29,775,154</u>
Total capital assets being depreciated, net	<u>11,679,788</u>	<u>14,175,692</u>	<u>-</u>	<u>25,855,480</u>
Governmental activities capital assets, net	<u>\$ 120,130,094</u>	<u>\$ 166,935,101</u>	<u>\$ (14,551,473)</u>	<u>\$ 272,513,722</u>

The following is a summary of changes in capital assets - business-type activities for the year ended December 31, 2011:

	January 1, 2011	Transfers/ Additions	Transfers/ Disposals	December 31, 2011
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,897,993	\$ -	\$ -	\$ 2,897,993
Construction in progress	24,464,095	22,736,778	(33,858,423)	13,342,450
Total capital assets not being depreciated	<u>27,362,088</u>	<u>22,736,778</u>	<u>(33,858,423)</u>	<u>16,240,443</u>
Capital assets being depreciated:				
Land improvements	8,924,642	797,322	(8,733)	9,713,231
Buildings and improvements	617,024,480	105,307,678	-	722,332,158
Equipment	193,228,989	31,883,650	(254,092)	224,858,547
Vehicles	6,755,851	1,010,822	-	7,766,673
Total capital assets being depreciated	<u>825,933,962</u>	<u>138,999,472</u>	<u>(262,825)</u>	<u>964,670,609</u>
Less accumulated depreciation for:				
Land improvements	5,374,057	591,720	(363)	5,965,414
Buildings and improvements	288,393,379	53,791,566	-	342,184,945
Equipment	149,817,939	24,225,007	(23,280)	174,019,666
Vehicles	5,313,424	880,115	-	6,193,539
Total accumulated depreciation	<u>448,898,799</u>	<u>79,488,408</u>	<u>(23,643)</u>	<u>528,363,564</u>
Total capital assets being depreciated, net	<u>377,035,163</u>	<u>59,511,064</u>	<u>(239,182)</u>	<u>436,307,045</u>
Business-type activities capital assets, net	<u>\$ 404,397,251</u>	<u>\$ 82,247,842</u>	<u>\$ (34,097,605)</u>	<u>\$ 452,547,488</u>

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The following is a summary of changes in capital assets - Wishard enterprise fund for the year ended December 31, 2011:

	January 1, 2011	Transfers/ Additions	Transfers/ Disposals	December 31, 2011
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 2,897,993	\$ -	\$ -	\$ 2,897,993
Construction in progress	22,445,425	11,226,230	(26,377,784)	7,293,871
Total capital assets not being depreciated	<u>25,343,418</u>	<u>11,226,230</u>	<u>(26,377,784)</u>	<u>10,191,864</u>
Capital assets being depreciated:				
Land improvements	6,683,990	6,042	-	6,690,032
Buildings and improvements	249,749,336	8,237,208	-	257,986,544
Equipment	156,584,144	17,271,325	-	173,855,469
Vehicles	6,596,143	1,007,767	-	7,603,910
Total capital assets being depreciated	<u>419,613,613</u>	<u>26,522,342</u>	<u>-</u>	<u>446,135,955</u>
Less accumulated depreciation for:				
Land improvements	4,863,352	354,031	-	5,217,383
Buildings and improvements	173,201,176	22,392,924	-	195,594,100
Equipment	129,927,524	18,169,074	-	148,096,598
Vehicles	5,168,636	870,507	-	6,039,143
Total accumulated depreciation	<u>313,160,688</u>	<u>41,786,536</u>	<u>-</u>	<u>354,947,224</u>
Total capital assets being depreciated, net	<u>106,452,925</u>	<u>(15,264,194)</u>	<u>-</u>	<u>91,188,731</u>
Business-type activities capital assets, net	<u>\$ 131,796,343</u>	<u>\$ (4,037,964)</u>	<u>\$ (26,377,784)</u>	<u>\$ 101,380,595</u>

The following is a summary of changes in capital assets - LT Care enterprise fund for the year ended December 31, 2011:

	January 1, 2011	Transfers/ Additions	Transfers/ Disposals	December 31, 2011
Business-Type Activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 2,018,670	\$ 11,510,548	\$ (7,480,639)	\$ 6,048,579
Total capital assets not being depreciated	<u>2,018,670</u>	<u>11,510,548</u>	<u>(7,480,639)</u>	<u>6,048,579</u>
Capital assets being depreciated:				
Land improvements	2,240,652	791,280	(8,733)	3,023,199
Buildings and improvements	367,275,144	97,070,470	-	464,345,614
Equipment	36,644,845	14,612,325	(254,092)	51,003,078
Vehicles	159,708	3,055	-	162,763
Total capital assets being depreciated	<u>406,320,349</u>	<u>112,477,130</u>	<u>(262,825)</u>	<u>518,534,654</u>
Less accumulated depreciation for:				
Land improvements	510,705	237,689	(363)	748,031
Buildings and improvements	115,192,203	31,398,642	-	146,590,845
Equipment	19,890,415	6,055,933	(23,280)	25,923,068
Vehicles	144,788	9,608	-	154,396
Total accumulated depreciation	<u>135,738,111</u>	<u>37,701,872</u>	<u>(23,643)</u>	<u>173,416,340</u>
Total capital assets being depreciated, net	<u>270,582,238</u>	<u>74,775,258</u>	<u>(239,182)</u>	<u>345,118,314</u>
Business-type activities capital assets, net	<u>\$ 272,600,908</u>	<u>\$ 86,285,806</u>	<u>\$ (7,719,821)</u>	<u>\$ 351,166,893</u>

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Within the statement of activities, depreciation expense is charged to functions of the Corporation as follows:

Governmental Activities:

Administration and finance	\$ 1,142,328
Health improvements	393,877
Communicable disease prevention	269,393
Water quality and hazardous material management	20,562
Vector disease control	168,303
Housing and neighborhood health	34,040
Consumer and employee risk reduction	<u>2,128</u>

Total depreciation expense, governmental activities	<u><u>\$ 2,030,631</u></u>
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Business-Type Activities:

Wishard	\$ 41,786,536
LT Care	<u>37,701,872</u>

Total depreciation expense, business-type activities	<u><u>\$ 79,488,408</u></u>
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Included in the LT Care Fund depreciation expense in the proprietary fund statements is \$2,027,445 of amortization expense related to lease acquisition costs.

As discussed elsewhere in these notes, the Corporation is in the process of constructing Eskenazi Health. Accordingly, the Corporation reevaluated the service utility of the assets associated with the current hospital campus that will be closed at the end of 2013. This resulted in the acceleration of depreciation on certain assets relating to the latter. The Wishard enterprise fund recorded approximately \$14,800,000 of additional depreciation as a result of the reevaluation, which is included in total Wishard depreciation expense above.

Note 8: Estimated Medicare and Medicaid Settlements and Net Patient Service Revenue

Estimated Medicare and Medicaid settlements reflect differences between interim reimbursement and reimbursement as determined by cost reports filed or to be filed with federal and state governments after the end of each year. In addition, such settlement amounts reflect, if applicable, any differences determined to be owed to or from Wishard after an audit of such reports. Changes to any previous years' estimated settlements are reflected in the period such changes are identified. At December 31, 2011, Wishard's Medicare and Medicaid cost reports have been audited by the fiscal intermediaries through December 31, 2006.

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Wishard and LT Care have agreements with third-party payers that provide for payments to Wishard and LT Care at amounts different from their established rates. Estimated contractual adjustments under third-party reimbursement programs represent the differences between billings at established rates and amounts reimbursed by third-party payers. Estimated contractual adjustments also include any differences between estimated third-party reimbursement settlements for prior year services under third-party payer agreements and subsequent final settlements. A summary of the payment arrangements with major third-party payers follows.

Medicare

Under the Medicare program, Wishard receives reimbursement under a prospective payment system (PPS) for inpatient services. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group. When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional "outlier" payments. Outpatient services provided to Medicare patients are reimbursed to Wishard based on service groups called ambulatory payment classifications.

Under the Medicare program, LT Care primarily receives reimbursement for services provided at its skilled nursing facilities (SNF) under PPS on a per diem basis based on each resident's health at admission (RUG Rate). Medicare reimburses LT Care for 100 days of SNF care subject to certain eligibility requirements.

Medicaid

Wishard is paid for inpatient acute care services rendered to Medicaid beneficiaries under the lower of charges or prospectively determined rates-per-discharge and on a per diem basis for psychiatric and burn unit services, classified based on clinical, diagnostic and other factors. Reimbursement for Medicaid outpatient services is based on prospective rates per visit. Wishard also participates in a Medicaid risk-based managed care program in which Wishard receives interim reimbursement rates with a settlement adjustment at year-end.

LT Care is reimbursed for services rendered to Medicaid beneficiaries on a per diem basis.

Medicaid Special Revenue

The Corporation qualifies for certain special Medicaid payments through various sections of the State of Indiana Medicaid Plan and the Indiana Code. Medicaid special revenue includes revenue from various sources including the State of Indiana Disproportionate Share Hospital Payment Program (DSH - established to reimburse hospitals that serve a disproportionate share of indigent patients) the Upper Payment Limit (UPL - established to pay qualifying health care providers the difference between what Medicare would have paid and what Medicaid actually paid) and other contractual revenues. The money received from the Medicaid special revenues can be utilized by the Corporation without restriction.

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Medicaid special revenue is distributed through an intergovernmental transfer (IGT) arrangement. The basis for payment is derived from services rendered to patients through activities of the Wishard (including the physician access to care program) and LT Care Funds. The Indiana Office of Medicaid Policy and Planning determines the level of DSH or UPL funds available for distribution and initiates a transaction with the Corporation to facilitate the IGT. The Corporation is responsible for funding the IGT for the services rendered on behalf of the Wishard and LT Care Funds and such transactions are reported net in the General Fund statement of revenues, expenditures and changes in fund balances while LT Care reports revenue associated with its UPL at gross in the statement of revenue, expenses and changes in fund net assets.

Medicaid special revenue associated with services provided at Wishard is comprised of UPL and DSH payments, which are all recorded in the Corporation's General Fund. Such payments are limited to a Hospital Specific Limit, which is defined by the State of Indiana Office of Medicaid Planning and Policy and are codified in the Indiana State Medicaid Plan and IC 12-15-15. Methodologies supporting such payments are complex and the timing and levels of payment may vary materially from year to year, often times resulting in material recoupment of the net receipts previously made to the Corporation. The Corporation does not have access to reasonable information to estimate levels of combined DSH and UPL payments and therefore cannot reasonably estimate levels of revenue by state fiscal (or their own fiscal) year. Management records the DSH portion of the Medicaid special revenue on a cash basis. Medicaid special revenue associated with LT Care is based upon UPL payments, which is more predictable than the payments related to Wishard's services. Accordingly, management recognizes such payments on an accrual basis at the LT Care Fund level.

The General Fund recognized \$14,374,161 in Medicaid special revenue during the period. The LT Care Fund recognized revenue of \$155,821,249 and a receivable of \$32,290,788 at December 31, 2011.

Other Payers

Wishard and LT Care have also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to Wishard and LT Care under these agreements include prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

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Following is a summary of total patient service revenue, contractual adjustments, and charity and indigent care for the year ended December 31, 2011:

	Wishard Health Service	LT Care	Total	Percentage
Patient service revenue:				
Inpatient	\$ 427,034,225	\$ -	\$ 427,034,225	30%
Outpatient	601,782,301	-	601,782,301	41%
Long-term care	-	432,675,262	432,675,262	29%
Gross patient service less:	1,028,816,526	432,675,262	1,461,491,788	100%
Contractual adjustments	411,670,814	8,653,222	420,324,036	29%
Charity and indigent care	326,030,092	-	326,030,092	22%
Provision for uncollectible accounts	50,554,139	7,281,071	57,835,210	4%
Net patient service revenue	<u>\$ 240,561,481</u>	<u>\$ 416,740,969</u>	<u>\$ 657,302,450</u>	<u>45%</u>

Revenue from the Medicare and Medicaid programs accounted for approximately 40% and 42%, respectively, of net patient service revenue for the year ended 2011. These percentages exclude Medicaid special revenue received and recognized in the General Fund. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 9: Long-Term Liabilities

Renovation Bonds of 1988

The Corporation has issued \$28,000,000 of renovation bonds, the proceeds of which were used to renovate the clinical, patient care and administrative areas of the existing Wishard Health Services hospital complex and acquire, construct, renovate and equip the Corporation's public health and administrative facilities. The Renovation Bonds of 1988 bear interest at 7.40%, with principal and interest payments due June 30 and December 30 through 2019. In June 1990, the Indianapolis Local Public Improvement Bond Bank purchased the outstanding principal and accrued interest of the Renovation Bonds of 1988 for \$27,457,950.

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General Obligation Bonds of 2005

The Corporation has issued \$28,960,000 of General Obligation Refunding Bonds, Series 2005 (the 2005 GO Bonds), the proceeds of which were used to refund the outstanding principal of the Corporation's General Obligation Bonds, Series 2000A (the 2000A GO Bonds). The 2005 GO Bonds are payable from an unlimited ad valorem property tax levied on all taxable property in the Corporation, which is coterminous with Marion County, Indiana. The 2005 GO Bonds bear interest at 3.50% to 5.25%, with principal and interest payments due January 1 and July 1 through January 1, 2025. The 2005 GO Bonds are subject to redemption from mandatory sinking fund payments during 2016 to 2024.

General Obligation Bonds of 2010

During 2010, the Corporation issued \$195,000,000 of General Obligation Bonds, Series 2010 A-1 and 2010 A-2 (the 2010 A-1 and 2010 A-2 GO Bonds, or collectively, the 2010A GO Bonds), the proceeds of which are to be used to finance a portion of a new hospital complex (Eskenazi Health). Eskenazi Health will be comprised of a new 11-story replacement hospital facility of approximately 850,000 square feet with 315 beds, 12 labor delivery recovery beds, and 15 nursery beds and an adjacent six-story structure of approximately 175,000 square feet housing the outpatient clinic facilities. Also included as part of Eskenazi Health, will be a five-story office building of approximately 207,000 square feet to provide administrative offices for Eskenazi Health, a six-story parking garage of approximately 2,300 spaces, a consolidated utility plant and a data center to be housed at the Marion County Public Health Department. The 2010A GO Bonds are payable from ad valorem property taxes to be levied on all taxable property within Marion County, to the extent other revenues of the Corporation are not sufficient to cover the annual debt service. The 2010A GO Bonds bear interest at 3% to 6%, with principal and interest payments due January 15 and July 15 through January 15, 2040. The 2010A GO Bonds are subject to redemption from mandatory sinking fund payments during 2023 to 2040.

The 2010A GO Bonds were acquired in their entirety with proceeds from the issuance of The Indianapolis Local Public Improvement Bond Bank (the Bond Bank) Bonds, Series 2010 A-1 and 2010 A-2 (the 2010 A-1 and 2010 A-2 Bond Bank Bonds). The 2010 A-2 Bond Bank Bonds were issued as Build America Bonds (BABs) and, as such, will be eligible to receive a credit (BAB Subsidy) equal to 35% of the interest payable on such bonds. The benefit of such credit will be passed on to the Corporation at each interest payment date, thus effectively reducing the Corporation's cost of financing. The first BAB Subsidy was received in January 2011.

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Due to Local Government

Financing for a portion of Eskenazi Health is also being provided through a lease financing arrangement with the Indianapolis-Marion County Building Authority (Authority). The Authority was created pursuant to Indiana Code 36-9-13, as amended for the purpose of financing, acquiring, improving, constructing, reconstructing, renovating, equipping, operating, maintaining and managing governmental buildings for public or governmental purposes for the benefit of eligible governmental entities within the boundaries of the County of Marion, Indiana.

Pursuant to a Loan Agreement, dated March 1, 2010, the Authority has received loans of proceeds in connection with the issuance of \$465,580,000 in The Indianapolis Local Public Improvement Bond Bank Bonds, Series 2010 B-1 and Series 2010 B-2 (the 2010 B-1 and 2010 B-2 Bond Bank Bonds), for the purposes of financing a portion of the costs of Eskenazi Health.

Pursuant to its Master Lease Agreement and related Addendum(s) with the Authority, the Corporation is leasing certain real estate underlying Eskenazi Health and portions of the improvements related thereto. Under the Master Lease Agreement, the Corporation has the option to purchase the leased facilities at a price equal to the amount required to enable the Authority to pay or redeem all related outstanding debt obligations and costs of transferring the premises. Also, the Corporation is obligated to pay certain expenses and all costs to operate, insure and maintain the leased facilities. The rentals under this lease are payable from ad valorem property taxes to be levied on all taxable property within Marion County, to the extent other revenues of the Corporation are not sufficient to cover the rentals and, accordingly, the principal and interest on the 2010 B-1 and 2010 B-2 Bond Bank Bonds.

As financing proceeds are spent on costs of Eskenazi Health, the Corporation is recording such activity in capital assets with an offsetting entry to the due to local government balance reflected in long-term liabilities in the statement of net assets. These amounts will accumulate until such time as the facilities are placed in service and the lease rentals begin, at which time the respective portions of the due to local government balance will be reclassified as capital lease obligations. During 2011, a portion of this balance representing the aforementioned data center to be housed at the Marion County Public Health Department was reclassified as a capital lease obligation.

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The following is a summary of changes in long-term liabilities for the year ended December 31, 2011:

	January 1, 2011	Additions	Reductions	December 31, 2011	Due Within One Year
Governmental Activities:					
General obligation bonds payable:					
Renovation Bonds of 1988					
(\$28,000,000 original amount),					
6.00% to 7.40%, due					
January 1, 2020	\$ 15,045,000	\$ -	\$ (1,230,000)	\$ 13,815,000	\$ 1,320,000
Refunding Bonds of 2005					
(\$28,960,000 original amount),					
3.50% to 5.25%, due					
January 1, 2025	23,795,000	-	(1,225,000)	22,570,000	1,275,000
General Obligation Bonds of 2010 - Series A-1, A-2					
(\$195,000,000 original amount),					
3.00% to 6.00%, due					
January 15, 2040	195,000,000	-	-	195,000,000	8,435,000
Deferred Amounts:					
Less: loss on refunding	(1,429,411)	-	157,158	(1,272,253)	(157,158)
Plus: bond premium	4,541,260	-	(183,643)	4,357,617	183,643
Total bonds payable	236,951,849	-	(2,481,485)	234,470,364	11,056,485
Due to local government	52,839,395	89,273,094	(6,452,687)	135,659,802	-
Capital lease payable	-	6,452,687	-	6,452,687	2,270,000
Asserted and unasserted self-insurance claims	5,134,155	36,965,040	(40,849,097)	1,250,098	804,068
Accrued compensated absences	5,297,976	4,529,397	(4,379,628)	5,447,745	4,853,075
	<u>300,223,375</u>	<u>137,220,218</u>	<u>(54,162,897)</u>	<u>383,280,696</u>	<u>18,983,628</u>
Governmental activities long-term liabilities	<u>\$ 300,223,375</u>	<u>\$ 137,220,218</u>	<u>\$ (54,162,897)</u>	<u>\$ 383,280,696</u>	<u>\$ 18,983,628</u>
Business-Type Activities:					
Wishard Health Services:					
Asserted and unasserted self-insurance claims	\$ 6,320,454	\$ 1,431,346	\$ (1,380,371)	\$ 6,371,429	\$ 1,660,404
Accrued compensated absences	18,822,553	17,055,557	(15,767,676)	20,110,434	17,697,182
LT Care:					
Capital leases	284,101,584	87,865,304	(18,173,158)	353,793,730	23,598,060
Asserted and unasserted self-insurance claims	10,128,133	1,982,851	(986,808)	11,124,176	3,114,066
	<u>319,372,724</u>	<u>108,335,058</u>	<u>(36,308,013)</u>	<u>391,399,769</u>	<u>46,069,712</u>
Business-type activities long-term liabilities	<u>\$ 319,372,724</u>	<u>\$ 108,335,058</u>	<u>\$ (36,308,013)</u>	<u>\$ 391,399,769</u>	<u>\$ 46,069,712</u>

The above bond and capital lease obligations relating to governmental activities are to be repaid from ad valorem taxes levied to the extent necessary by the Corporation against all taxable property within Marion County, Indiana. Long-term liabilities for the governmental activities are generally liquidated by the General Fund. The business-type capital leases will be repaid through LT Care nursing home operating revenue.

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The governmental activities debt service requirements, including interest, on bonds and related future BAB subsidies as of December 31, 2011 are as follows:

	Principal	Interest	BAB Subsidies
Bonds:			
2012	\$ 11,030,000	\$ 12,961,468	\$ 3,213,243
2013	11,490,000	12,500,538	3,213,243
2014	11,990,000	11,997,783	3,213,243
2015	4,350,000	11,449,278	3,213,243
2016	4,595,000	11,201,363	3,213,243
2017 - 2021	27,170,000	51,808,231	16,066,213
2022 - 2026	34,310,000	43,725,051	15,113,269
2027 - 2031	41,395,000	33,103,410	11,586,194
2032 - 2036	50,075,000	19,751,359	6,912,976
2037 - 2041	34,980,000	4,254,134	1,488,947
	<u>\$ 231,385,000</u>	<u>\$ 212,752,615</u>	<u>\$ 67,233,814</u>

The Corporation has a legal debt limit of 0.67% of the assessed values of Marion County Property as certified by the DLGF. A computation of the Corporation's legal debt margin as of December 31, 2011, is as follows:

Net assessed value - 2011	\$ 36,271,852,000
	<u>0.67%</u>
Debt limit	243,021,408
Debt applicable to debt limit:	
Bonded debt	<u>231,385,000</u>
Legal debt margin	<u>\$ 11,636,408</u>

As mentioned previously, in 2005, the Corporation refunded its 2000A GO Bonds with the issuance of the 2005 GO Bonds. The 2000A GO Bonds are considered to have been defeased and have been removed from the basic financial statements. At December 31, 2011, \$20,965,000 of these defeased bonds remain outstanding.

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Note 10: Leases

Operating

The Corporation leases certain facilities and equipment under operating leases. Most of the facility leases include renewal options and some provide for escalation of rent based on changes in operating costs.

The following is a summary of the future minimum payments of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2011 for the governmental activities:

2012	\$ 494,634
2013	375,311
2014	380,946
2015	389,166
2016	284,360
2017	<u>171,700</u>
Total future payments	<u><u>\$ 2,096,117</u></u>

Lease expenditures of \$580,863 were reported in the governmental activities for the year ended December 31, 2011.

The following is a summary of the future minimum payments of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2011 for the business-type activities:

2012	\$ 1,937,172
2013	1,393,751
2014	610,837
2015	218,005
2016	114,972
2017 - 2021	<u>106,336</u>
Total future payments	<u><u>\$ 4,381,073</u></u>

The Corporation reported \$5,307,391 of lease expense in the business-type activities for the year ended December 31, 2011.

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Capital

The Corporation's governmental activities include a capital lease for a data center. At December 31, 2011, the gross amount of building improvements, equipment and related accumulated amortization recorded under the capital lease was as follows:

Building improvements	\$ 5,196,875
Equipment	1,670,908
Less accumulated amortization	<u>(31,086)</u>
	<u><u>\$ 6,836,697</u></u>

Amortization expense of assets held under capital leases for the Corporation's governmental activities of \$37,941 is included with depreciation and amortization expense.

Future minimum capital lease payments for the Corporation's governmental activities as of December 31, 2011 are:

2012	\$ 2,422,689
2013	2,418,974
2014	<u>1,906,763</u>
Total minimum lease payments	6,748,426
Less amount representing interest (2.34%)	<u>295,739</u>
Present value of net minimum capital lease payment	6,452,687
Less current installments of obligations under capital leases	<u>2,270,000</u>
	<u><u>\$ 4,182,687</u></u>

For business-type activities, including the LT Care Enterprise Fund, the Corporation is obligated under capital leases covering 52 nursing homes. At December 31, 2011, the gross amount of buildings and related accumulated amortization recorded under capital leases was as follows:

Buildings	\$ 418,365,039
Less accumulated amortization	<u>(134,254,999)</u>
	<u><u>\$ 284,110,040</u></u>

Amortization expense of assets held under capital leases for the Corporation's business-type activities of \$27,770,104 is included with depreciation and amortization expense.

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Future minimum capital lease payments for the Corporation's business-type activities as of December 31, 2011 are:

2012	\$ 54,733,251
2013	55,607,480
2014	53,778,055
2015	54,839,013
2016	55,272,898
2017 - 2021	252,670,619
2022 - 2026	21,834,592
Total minimum lease payments	<u>548,735,908</u>
Less amount representing interest (at rates ranging from 4.58% to 11.74%)	<u>194,942,178</u>
Present value of net minimum capital lease payment	353,793,730
Less current installments of obligations under capital leases	<u>23,598,060</u>
Obligations under capital lease, excluding current installments	<u><u>\$ 330,195,670</u></u>

Note 11: Risk Management

Insurance Coverage

The Corporation 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 patients; and natural disasters. The Corporation is self-insured for workers' compensation, general liability and medical malpractice claims to defined limits. With respect to general liability, the Corporation is protected by the Indiana Tort Claims Act, under IC 34-13-3-4, which limits the tort liability for all Indiana governmental entities, in aggregate, to \$700,000. The Corporation also purchases commercial insurance policies for certain other risks of loss with deductibles that range from \$10,000 to \$50,000. Settled claims have not exceeded coverage for the past three years.

Wishard participates in the Indiana Medical Malpractice Act, which limits the maximum recovery for medical malpractice claims to \$1,250,000 per occurrence, \$250,000 of which would be paid by the Corporation, with the balance paid by the State of Indiana Patient Compensation Fund.

As mentioned previously in these notes, the Corporation established a nonprofit entity, Lions Insurance Company, Inc., which is legally separate from the Corporation and whose purpose is to provide insurance covering the professional (malpractice) and general liability exposures of the nursing homes operated by the Corporation. The Corporation incorporated Lions on February 28, 2006, and commenced operations on March 1, 2006. As with Wishard, Lions is protected by the Indiana Tort Claims Act, participates in the Indiana Medical Malpractice Act and has professional liability coverage from the Indiana Patient Compensation Fund. In addition, Lions has protection for general liability coverage in excess of \$1,000,000 annually and in the aggregate.

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The Corporation's workers' compensation program retains the first \$350,000 liability on any one claim or incident and purchases an excess workers' compensation policy to extend limits from \$350,000 to \$1,000,000 as it applies to any one claim or incident.

The Corporation has accrued for reported claims and claims incurred but not reported (IBNR) for workers' compensation, general liability and medical malpractice. Loss estimates have included the nature of each claim or incident and relevant trend factors as determined by legal counsel and an independent consulting actuary.

The following is a summary of the changes in asserted and unasserted workers' compensation, general liability, and medical malpractice claims for the past two years, as recorded within the business-type activities and proprietary fund financial statements:

Balance at January 1, 2010	\$ 14,647,764
Change in incurred claims (including IBNRs), net	4,107,512
Claim payments	<u>(2,306,689)</u>
Balance at January 1, 2011	16,448,587
Change in incurred claims (including IBNRs), net	3,414,197
Claim payments	<u>(2,367,179)</u>
Balance at December 31, 2011	<u><u>\$ 17,495,605</u></u>

Medical Claims Incurred But Not Reported

Wishard has entered into an agreement with MDwise, a related party, to provide risk-based health care services, including, but not limited to inpatient, outpatient and physician services, to qualified Medicaid participants.

Effective January 1, 2008, this program was expanded to include the provisions of the Healthy Indiana Plan (HIP). Wishard receives payments for the care of these Medicaid beneficiaries under a capitated payment methodology from MDwise and disburses payments through a third-party administrator based upon processed claims.

Medical claims incurred but not reported represents an estimate of the ultimate net cost to Wishard for amounts that are unpaid at December 31, 2011. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of Wishard and gives effect to estimates of trends in claim severity and frequency. Although Wishard's management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to an absence of a significant amount of historical experience on which to base projections and the inherent variability with respect to the significant assumptions utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for unpaid claims included in the Wishard Health Services Fund. Historically, the majority of these claims are paid within one year following year-end, so the entire balance is being reflected in current liabilities in the statement of net assets.

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The following is a summary of changes in the medical claims incurred but not reported for the past two years, as recorded within the business-type activities and proprietary fund financial statements:

Balance at January 1, 2010	\$ 7,553,586
Change in incurred claims (including IBNRs), net	31,145,582
Claim payments	<u>(33,368,962)</u>
Balance at January 1, 2011	5,330,206
Change in incurred claims (including IBNRs), net	26,320,775
Claim payments	<u>(25,874,433)</u>
Balance at December 31, 2011	<u><u>\$ 5,776,548</u></u>

Health Insurance Coverage

The Corporation began in 2001 to provide self-insurance to its employees for healthcare and prescription usage and began covering the claims out of the General Fund. Asserted and unasserted self-insurance claims in the governmental activities of the government-wide statements represents an estimate of the ultimate net cost to the Corporation for amounts that are unpaid at December 31, 2011. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of the Corporation and gives effect to estimates of trends in claim severity and frequency. Although the Corporation's management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to an absence of a significant amount of historical experience on which to base projections and the inherent variability with respect to the significant assumption utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for asserted and unasserted self-insurance claims included in governmental activities.

The following is a summary of the changes in the Corporation's health insurance liability for the past two years, as recorded in the government-wide financial statements:

Balance at January 1, 2010	\$ 4,276,769
Change in incurred claims (including IBNRs), net	36,117,566
Claim payments	<u>(35,260,180)</u>
Balance at January 1, 2011	5,134,155
Change in incurred claims (including IBNRs), net	36,965,040
Claim payments	<u>(40,849,097)</u>
Balance at December 31, 2011	<u><u>\$ 1,250,098</u></u>

The amount recorded as a liability in the General Fund at December 31, 2011 is \$804,068 and represents the claims, which are matured and due as of year-end.

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Note 12: Retirement Plan

Plan Description

The Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), established in accordance with Indiana Code (§5-10.2 and §5-10.3). PERF is an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. The plan is a benefit plan with components of both a defined-benefit and defined-contribution plan. The authority to establish or amend benefit provisions of PERF rests with the Indiana General Assembly. However, obligations to contribute to the plan are determined by the board of PERF in accordance with actuarial methods. Substantially all full-time employees of the Corporation are covered by the plan. The following disclosures represent the most current and available information on the plan through the July 1, 2011 actuarial valuation.

Retirement benefits vest after 10 years of service. Normal retirement is defined as the earliest of: (1) age 65 with 10 years of creditable service; (2) age 60 with 15 years of creditable service; or (3) the sum of age and creditable service equal to 85, but not earlier than age 55. A reduced benefit will be received if an employee takes early retirement between ages 50 and 65 and has had 15 or more years of creditable service. Employees may either elect to receive a lump-sum distribution of their annuity savings account balance upon retirement or receive an annuity amount as a monthly supplement to the retirement benefits described above. PERF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and county ordinance.

Employees have two choices regarding their annuity savings account. They may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described in the paragraph above. An employee who leaves employment before qualifying for benefits receives a refund of his or her savings account.

PERF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Indiana Public Employees' Retirement Fund, One North Capitol, Suite 001, Indianapolis, Indiana 46204, or by calling 888-526-1687.

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Funding Policy

The Corporation's employees are required to contribute 3.0% of their annual salaries to an annuity savings account that may be withdrawn at any time should an employee terminate employment. The Corporation has elected to pay the required employee contribution. In addition, the Corporation is required by state statute to contribute at an actuarially determined rate (7.5% for calendar year 2011) of annual covered payroll. Therefore, the total employer contribution rate for 2011 was 10.5%. The contribution requirements of plan members are determined by PERF's Board of Directors as authorized by Indiana state statute. The Corporation-financed pension benefits are classified as defined-benefits and the employee-financed pension benefits are classified as defined-contributions.

Annual Pension Cost and Net Pension Obligation

The PERF funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The required contributions were determined as part of the July 1, 2011 actuarial valuation using the entry age normal level percent of payroll. The actuarial assumptions used for the July 1, 2011 actuarial valuation included: (a) a rate of return on investment of present and future assets of 7% per year, compounded annually; (b) future salary increases of 3.25 - 4.50% per year, based on PERF experience from 2005 to 2010; and (c) a cost of living increase of 1% (compounded) that is applied to pension benefit each year following retirement, with no increase assumed to be applied to the PERF annuity benefit. The actuarial value of the plan's assets is determined by taking the previous year's actuarial value, adding contributions, subtracting pension payments and plan expenses and adding expected earnings at the valuation rate of interest, based on a mid-year weighted-average fund. The result is multiplied by a four-year smoothing of gains/losses on market value. PERF uses the level percentage of payroll method to amortize the unfunded liability over an open 30-year period.

The following is a schedule of the net pension asset (liability) for the Corporation at December 31, 2011:

Annual required contributions (ARC)	\$ 19,333,520
Interest on net pension asset	(39,650)
Adjustment to ARC	45,648
Annual pension cost	19,339,518
Actual contributions made	15,729,203
Decrease in net pension asset	(3,610,315)
Net pension asset, beginning of year	566,428
Net pension liability, end of year	<u><u>\$ (3,043,887)</u></u>

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Historical Trend Information

Historical trend information about the Corporation's participation in PERF is presented below to help readers assess the plan's funding status on a going-concern basis and assess progress being made in accumulating assets to pay benefits when due. The amounts presented below are in the thousands of dollars.

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset (Liability)
2011	\$ 19,339,518	81%	\$ (3,043,887)
2010	15,326,351	92%	566,428
2009	12,567,623	104%	1,780,231

Required Supplemental Information - Schedule of Funding Progress

Valuation Date	(A) Actuarial Value of Assets	(B) Entry Age Actuarial Accrued Liability (AAL)	(B - A) Excess of Assets Over (Unfunded) AAL	(A / B) Funded Ratio	(C) Anticipated Covered Payroll	[(B - A) / C] Excess/ Unfunded AAL as a % of Covered Payroll
June 30, 2011	\$ 148,061,020	\$ 249,233,595	\$ (101,172,575)	59%	\$ 225,695,409	45%
June 30, 2010	168,526,115	237,985,099	(69,458,984)	71%	212,866,807	33%
June 30, 2009	182,825,348	217,419,549	(34,594,201)	84%	202,354,641	17%

The schedule of funding progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 13: Deferred Compensation Plan

Employees of the Corporation are eligible to participate in a deferred compensation plan (Plan) adopted under the provisions of Internal Revenue Code (IRC) Section 457. The deferred compensation plan is available to substantially all employees of the Corporation. 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. The plan assets are held in trust for the exclusive benefits of participants and their beneficiaries.

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Note 14: Hospital Management Agreement

An agreement between the Corporation and the Indiana University (University) was signed in February 2007. During 2011, the Corporation primarily paid for physician services under a relative value unit basis. The Corporation continued to rely on the University to supply several leadership positions for Wishard, but the operations of Wishard remains the direct responsibility of the Corporation. Wishard incurred fees for professional, management, and resident physician services of approximately \$43,520,570 during the year (recorded in medical and professional fees on the statement of revenues, expenses and changes in fund net assets - proprietary funds). The University also rents office space from Wishard, which resulted in revenue to Wishard of \$1,297,198 in 2011.

Note 15: Agreement With Indiana University Medical Group - Primary Care

The Indiana University Medical Group - Primary Care (IUMG-PC) is a related party of the Corporation through joint control. Under its agreement with Wishard, IUMG-PC provides administration of the risk-based managed care program and the Wishard Advantage Program and also provides physician services to Wishard and the Community Health Centers.

Total 2011 expense recognized in the Wishard fund to IUMG-PC totaled \$16,562,323.

Note 16: LT Care Management Agreement

The Corporation has entered into a management agreement with American Senior Communities, LLC (ASC) to manage the 52 nursing homes, which are accounted for in the LT Care Fund. The term of the management agreement extends until March 31, 2022 with the Corporation having the right to extend the term for an additional period of ten years if written notice is given to ASC at least 60 days prior to the expiration of the initial term. During 2011, the Corporation incurred approximately \$24,250,000 in management fees to ASC for LT Care operations.

ASC has contracted with EagleCare, LLC (EagleCare) to provide the personnel required to operate each of the respective facilities. EagleCare and ASC are related parties in that the persons who own 100% of EagleCare also own 95% of ASC. ASC also provides management services to EagleCare in connection with its operations.

The Corporation leases 26 of the nursing homes from organizations related to ASC. During 2011, the Corporation paid approximately \$30,906,000 to this organization in associated lease costs from LT Care operating revenue.

At December 31, 2011, the LT Care Fund had a payable to EagleCare of approximately \$14,519,000 primarily for accrued labor and related benefits. The LT Care Fund also had a payable to ASC at December 31, 2011 of approximately \$4,842,000 for outstanding management services rendered to be paid from operations.

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Note 17: Nursing Home Leases

The Corporation has entered into various transactions with entities related to ASC and unrelated third parties involving the leasing of buildings and purchasing of equipment for the operation of nursing homes throughout the state of Indiana. These leases carry terms that expire on various dates through August 2025. These transactions require the Corporation to make monthly lease payments, ranging from \$19,000 to \$171,125 per home. Certain transactions require the lease payments to increase by the greater of the Consumer Price Index (CPI) or a set percentage as defined in each agreement, which is typically 2% to 3%. Additionally, many of the leases have optional extensions available to the Corporation in five-year increments.

The Corporation is also required to make various capital improvements for many of these facilities, ranging from \$32,000 to \$230,000 annually per home. In the same way as the lease payments above, these amounts increase annually. The Corporation expects to fund the capital improvements from cash flows generated from the operations of each nursing home.

The Corporation closed the Irvington Nursing & Rehab nursing home in September 2011. The facility was originally acquired in March 2011, with annual lease payments of \$79,884. Due to the closing and termination of the lease agreement, the Corporation was required to pay an early termination payment of \$1,000,000. Upon closing, the residents were moved to another facility owned by the Corporation.

Note 18: Related Parties

During the year, the Corporation had transactions with the City of Indianapolis (the City) and Marion County (the County) that were conducted in the normal course of business. The County collects and distributes taxes and other special assessment fees on behalf of the Corporation. For the year ended December 31, 2011, the Corporation received \$111,330,546 in tax cash receipts and \$942,170 in special assessment fees cash receipts from the County for the "Clean and Lien" program to clean up vacant lots and for unsafe building enforcement. The Corporation paid the County \$443,945 in 2011 for autopsy and death reports, vital records coroner fees, and other matters. In addition, the Corporation acted as a subrecipient or a pass-through agent for various state and federal grant programs with the City and County during 2011.

Note 19: Joint Ventures

The Corporation is a 50% member in MDwise. MDwise is a not-for-profit corporation that contracts with the State of Indiana through the Office of Medicaid Policy and Planning and the Office of Children's Health Insurance Program, to arrange for and administer a risk-based managed care program for certain Indiana Medicaid enrollees. The investment is recorded in the Wishard fund and accounted for under the equity method. Complete financial statements for MDwise can be obtained from the MDwise administrative offices at 1099 North Meridian, Suite 320, Indianapolis, Indiana 46204.

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The Corporation is a 50% partner in the HHC/Duke Realty Development LLC (LLC). LLC is a limited liability corporation established by HHC and Duke Realty to jointly develop and construct an office building located on Eskenazi Health Campus. The estimated cost design and construction of the building is \$80.4 million; funded through equity contributions from HHC and Duke Realty. The office building will be completed in late 2013 and will be owned by the LLC. HHC will continue to own the land under the building and has leased the land to the LLC for 50 years. HHC will be the sole primary lessee of the building for the next 30 years but does have the authority to sublet as it wishes.

Duke Realty will be the property manager for the building. HHC will pay full/unsubsidized lease rates to the LLC. HHC, as a partner in the LLC, will also receive a return on its equity investment equal to 8.25% over the life of the lease. The LLC will continue to own the building at the end of the 30 year lease. HHC will be able to purchase the building at market value or continue to lease the building from the LLC at the end of the original lease period.

Note 20: Loan Guarantee

In January 2004, the Corporation guaranteed a bond issuance to support the renovation of a building for the Charter for Accelerated Learning, Inc. (Charter School). The bonds were issued through the Indiana Finance Authority and had an original par value of \$4,000,000. The debt carries a 30-year term and matures November 1, 2038. The Corporation also guaranteed a line of credit for the Charter School in the amount of \$200,000. The incorporated name of the Charter School is the Charles A. Tindley Accelerated High School, which is a charter school authorized by the City of Indianapolis (the City). At December 31, 2011, the outstanding amount on the bond issuance was approximately \$3,212,006, and there was no outstanding amount on the line of credit. The Corporation knows of no event of default that would require it to satisfy these guarantees, and therefore, no amount has been recorded in the Corporation's financial statements. The Charter School remains current on its debt service payments.

Note 21: Concentrations of Credit Risk

Wishard and LT Care grant credit without collateral to their patients, most of whom are generally insured under third-party agreements. The mix of receivables from patients and third-party payers at December 31, 2011 is as follows:

Commercial insurance	13%
Medicare	32%
Medicaid	23%
Self-pay	22%
Other	10%
	100%

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Note 22: Commitments and Contingencies

Litigation

In addition to pending medical malpractice claims, the Corporation has various other litigation pending against it. It is the opinion of management that loss, if any, from pending litigation will not have a material adverse effect on its financial position, results of operations or liquidity.

Government Grants

The Corporation participates in a number of federal financial assistance programs. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although, the Corporation expects such amounts, if any, to be immaterial.

Commitments

The Corporation has entered into certain commitments related to the construction of Eskenazi Health of \$325,000,000 at December 31, 2011. Additionally, the General Fund and Capital Projects Fund have outstanding encumbrances aggregating \$3,174,846 and \$43,653,601, respectively, at December 31, 2011.

Note 23: Subsequent Events

In January 2012, the Corporation entered into a transaction with an independent third party, which involved the purchase of assets at five nursing homes for \$6,000,000. In addition, the Corporation entered into a lease agreement for the real estate of these nursing homes. The lease ends in November 2021 with four optional five-year extensions. Annual base lease payments for all facilities total \$3,141,156, increasing by 2.25% annually, to be paid in equal monthly installments.

In February 2012, the Corporation entered into a transaction with an entity related to ASC, which involved the purchase of assets of a single nursing home for \$2,330,046. In addition, the Corporation entered into a lease agreement for the real estate of this nursing home. The lease ends in March 2022 and requires annual base lease payments of \$2,150,196, increasing by the greater of the Consumer Price Index or 2.25% annually, to be paid in equal monthly installments.

Subsequent to year end, the Centers for Medicare and Medicaid Services (CMS) approved the Medicaid State Plan Amendment incorporating a Hospital Assessment Fee (HAF) retroactively to July 1, 2011. The state of Indiana assesses participating hospitals a fee based largely upon inpatient utilization to further fund the state Medicaid program. These fees are subject to certain Federal funding participation that ultimately increases funding available for Medicaid services and will increase base fee for service and diagnosis related group payment rates to Indiana hospitals. The increase in Medicaid base rates may ultimately reduce the level of Medicaid lump-sum payments made under the existing Medicaid Supplemental Payment programs described above. Management believes the implementation of the HAF will have a positive effect on overall financial performance of the financial statements, taken as a whole.

**Required Supplementary Information
(Other Than MD&A)**

Health and Hospital Corporation of Marion County, Indiana
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Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 100,625,538	\$ 100,625,538	\$ 105,817,015	\$ 5,191,477
Licenses and permits	3,937,200	3,937,200	3,933,301	(3,899)
Intergovernmental	1,077,000	1,077,000	942,170	(134,830)
Charges for services	1,303,400	1,303,400	1,170,893	(132,507)
Medicaid special revenue	168,425,000	119,348,596	128,691,854	9,343,258 *
Interest	250,000	250,000	237,567	(12,433)
Grants	18,920,000	18,920,000	18,950,009	30,009
Miscellaneous	13,482,400	13,482,400	33,703,050	20,220,650
Total revenues	<u>308,020,538</u>	<u>258,944,134</u>	<u>293,445,859</u>	<u>34,501,725</u>
Expenditures				
Personal services	51,200,000	53,000,000	51,759,770	1,240,230
Supplies	5,334,000	5,700,000	4,935,398	764,602
Other charges and services	68,205,000	86,039,000	30,008,876	56,030,124 *
Capital outlays	2,998,000	2,998,000	2,409,717	588,283
Total expenditures	<u>127,737,000</u>	<u>147,737,000</u>	<u>89,113,761</u>	<u>58,623,239</u>
Other Financing Sources				
Transfers out, net	<u>(180,000,000)</u>	<u>(180,000,000)</u>	<u>(221,903,275)</u>	<u>(41,903,275)</u>
Total other financing sources	<u>(180,000,000)</u>	<u>(180,000,000)</u>	<u>(221,903,275)</u>	<u>(41,903,275)</u>
Net change in fund balances	283,538	(68,792,866)	(17,571,177)	51,221,689
Fund balances - beginning of year	<u>182,430,929</u>	<u>182,430,929</u>	<u>144,645,957</u>	<u>(37,784,972)</u>
Fund balances - end of year	<u>\$ 182,714,467</u>	<u>\$ 113,638,063</u>	<u>\$ 127,074,780</u>	<u>\$ 13,436,717</u>

* Transactions related to the intergovernmental transfers associated with the Medicaid Special Revenue are budgeted with gross values; however, for generally accepted accounting principles, these transactions are reported as net.

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Notes to the Required Supplementary Information
December 31, 2011

Budgets and Budgetary Accounting

The Corporation is required by state statute to prepare a budget each calendar year. The budget is prepared for the General, Debt Service and Capital Projects, but is not required for certain activities of the Capital Projects Funds since they are controlled by bond indentures. The Corporation's annual budget is subjected to review by the Corporation's Board of Trustees and the City-County Council, and approved by the State of Indiana Department of Local Government Finance (DLGF). Any additional appropriations that increase the total expenditures require approval by the Corporation's Board of Trustees and the DLGF. Any decreases to total appropriated expenditures require the approval by the Corporation's Board of Trustees but not the DLGF. Budgetary control is exercised at the object of expenditure level. Management may amend department and cost center budgets without seeking Board approval, as long as the total appropriation by Division, and by object of expenditure, remains unchanged.

The General, Capital Projects, and Debt Service Funds budgets are adopted on a basis not consistent with GAAP for revenue as it is a mix of accrual and cash basis. Encumbrances are treated as expenditures for the year in which the commitment to purchase is incurred for budgetary purposes.

Encumbrance Accounting

For accounting purposes, purchase orders, contracts and other anticipated obligations to expend monies are recorded as encumbrances in governmental fund types in order to reserve that portion of the applicable appropriation. Encumbrances and their underlining appropriations do not lapse with the expiration of the budget period.

Reconciliation of Budgetary Basis Actual to GAAP Basis Actual

The schedule of revenues, expenditures, and changes in fund balances - budget and actual presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because the budgetary and GAAP presentations of actual data differ for the General Fund expenditures, a reconciliation of the two presentations is presented below for the General Fund.

Net change in fund balance - GAAP basis	\$ (17,628,676)
Add (Deduct)	
Change in encumbrances	(131,996)
Change in prepaid expenditures	(86,060)
Change in accounts receivable	(3,229,038)
Change in accounts payable	6,007,784
Change in self-insurance claims	(2,503,191)
Change in accrued expense	-
Net change in fund balance - Budgetary Basis	<u><u>\$ (17,571,177)</u></u>

Other Supplementary Information

Health and Hospital Corporation of Marion County, Indiana
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Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Debt Service
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 5,955,281	\$ 5,955,281	\$ 5,313,038	\$ (642,243)
Interest	1,000	1,000	670,843	669,843
Miscellaneous	-	-	13,775,283	13,775,283
Total revenues	<u>5,956,281</u>	<u>5,956,281</u>	<u>19,759,164</u>	<u>13,802,883</u>
Expenditures				
Principal retirement	29,077,000	29,077,000	29,077,000	-
Interest and fiscal charges	<u>13,106,679</u>	<u>13,106,679</u>	<u>13,106,679</u>	<u>*</u>
Total expenditures	<u>42,183,679</u>	<u>42,183,679</u>	<u>42,183,679</u>	<u>-</u>
Excess of revenues over expenditures	<u>(36,227,398)</u>	<u>(36,227,398)</u>	<u>(22,424,515)</u>	<u>13,802,883</u>
Other Financing Sources				
Transfers in	-	-	26,649,131	26,649,131
Total other financing sources	<u>-</u>	<u>-</u>	<u>26,649,131</u>	<u>26,649,131</u>
Net change in fund balances	(36,227,398)	(36,227,398)	4,224,616	40,452,014
Fund balances - beginning of year	<u>(4,617,376)</u>	<u>(4,617,376)</u>	<u>(939,330)</u>	<u>3,678,046</u>
Fund balances - end of year	<u>\$ (40,844,774)</u>	<u>\$ (40,844,774)</u>	<u>\$ 3,285,286</u>	<u>\$ 44,130,060</u>

* - Initial January 2011 interest payments are not shown here as they were funded by the original bond funding. The original appropriation approved for the 2010 bonds was for a multi-year approval of funding. This approval was seen as approving the first interest payments and they were not included in the 2011 annual budget appropriation.

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Capital Projects
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget- Positive (Negative)
Revenues				
Taxes	\$ 224,727	\$ 224,727	\$ 200,492	\$ (24,235)
Interest	500,000	98,000	103,046	5,046
Miscellaneous	-	5,000,000	10,000,000	5,000,000
Total revenues	<u>724,727</u>	<u>5,322,727</u>	<u>10,303,538</u>	<u>4,980,811</u>
Expenditures				
Capital outlays	<u>15,685,834</u>	<u>43,485,834</u>	<u>36,149,508</u>	<u>7,336,326</u>
Total expenditures	<u>15,685,834</u>	<u>43,485,834</u>	<u>36,149,508</u>	<u>7,336,326</u>
Excess of revenues over expenditures	<u>(14,961,107)</u>	<u>(38,163,107)</u>	<u>(25,845,970)</u>	<u>12,317,137</u>
Other Financing Sources				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(14,961,107)	(38,163,107)	(25,845,970)	12,317,137
Fund Balances - beginning of year	<u>67,099,380</u>	<u>17,099,380</u>	<u>39,806,921</u>	<u>22,707,541</u>
Fund balances - end of year	<u>\$ 52,138,273</u>	<u>\$ (21,063,727)</u>	<u>\$ 13,960,951</u>	<u>\$ 35,024,678</u>

Statistical Section (Unaudited)

Health and Hospital Corporation of Marion County, Indiana

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

Statistical Section (Unaudited)

Table of Contents

The statistical section of this report presents detailed information in order to understand what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Financial Trends

Tables I-IV contain trend information to help the reader understand how the Corporation's financial performance and well-being have changed over time.

Revenue Capacity

Tables V-VIII contain information to help the reader assess one of the Corporation's most significant sources of revenue, property taxes.

Debt Capacity

Tables IX-XII present information to help the reader assess the affordability of the Corporation's current levels of outstanding debt and the Corporation's ability to issue additional debt in the future.

Demographic and Economic Information

Tables XIII and Table XIV offer demographic and economic indicators to help the reader understand the environment within which the Corporation's financial activities take place.

Operating Information

Tables XV-XVII contain service and infrastructure data to help the reader understand how the information in the Corporation's financial report relates to the services the Corporation provides and the activities it performs.

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table I
Net Assets by Component - Accrual Basis of Accounting
Last Ten Fiscal Years

	December 31									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Primary Government										
Governmental activities										
Invested in capital assets, net of related debt	\$ 19,442,084	\$ (823,835)	\$ (25,570,275)	\$ (17,518,906)	\$ 7,784,239	\$ 7,134,802	\$ 7,971,335	\$ 5,855,427	\$ 13,101,552	\$ 11,766,693
Restricted	-	6,980,523	-	-	-	-	-	-	-	130,395
Unrestricted	<u>153,755,224</u>	<u>184,367,974</u>	<u>239,170,613</u>	<u>237,622,474</u>	<u>194,610,049</u>	<u>164,480,042</u>	<u>128,068,721</u>	<u>53,513,426</u>	<u>8,463,765</u>	<u>39,851,124</u>
Total governmental activities net assets	<u>\$ 173,197,308</u>	<u>\$ 190,524,662</u>	<u>\$ 213,600,338</u>	<u>\$ 220,103,568</u>	<u>\$ 202,394,288</u>	<u>\$ 171,614,844</u>	<u>\$ 136,040,056</u>	<u>\$ 59,368,853</u>	<u>\$ 21,565,317</u>	<u>\$ 51,748,212</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 98,753,758	\$ 120,295,667	\$ 154,871,843	\$ 124,917,253	\$ 106,358,255	\$ 136,595,394	\$ 147,262,474	\$ 157,761,870	\$ 166,804,507	\$ 158,392,048
Restricted	-	171,034	699,698	732,481	1,261,455	639,351	596,789	570,811	564,837	548,433
Unrestricted	<u>134,746,021</u>	<u>114,974,047</u>	<u>88,436,326</u>	<u>99,749,222</u>	<u>123,084,696</u>	<u>108,974,494</u>	<u>108,828,175</u>	<u>97,261,260</u>	<u>87,026,987</u>	<u>68,176,159</u>
Total business-type activities net assets	<u>\$ 233,499,779</u>	<u>\$ 235,440,748</u>	<u>\$ 244,007,867</u>	<u>\$ 225,398,956</u>	<u>\$ 230,704,406</u>	<u>\$ 246,209,239</u>	<u>\$ 256,687,438</u>	<u>\$ 255,593,941</u>	<u>\$ 254,396,331</u>	<u>\$ 227,116,640</u>
Primary Government										
Invested in capital assets, net of related debt	\$ 118,195,842	\$ 119,471,832	\$ 129,301,568	\$ 107,398,347	\$ 114,142,494	\$ 143,730,196	\$ 155,233,809	\$ 163,617,297	\$ 179,906,059	\$ 170,158,741
Restricted	-	7,151,557	699,698	732,481	1,261,455	639,351	596,789	570,811	564,837	678,828
Unrestricted	<u>288,501,245</u>	<u>299,342,021</u>	<u>327,606,939</u>	<u>337,371,696</u>	<u>317,694,745</u>	<u>273,454,536</u>	<u>236,896,896</u>	<u>150,774,686</u>	<u>95,490,752</u>	<u>108,027,283</u>
Total primary government net assets	<u>\$ 406,697,087</u>	<u>\$ 425,965,410</u>	<u>\$ 457,608,205</u>	<u>\$ 445,502,524</u>	<u>\$ 433,098,694</u>	<u>\$ 417,824,083</u>	<u>\$ 392,727,494</u>	<u>\$ 314,962,794</u>	<u>\$ 275,961,648</u>	<u>\$ 278,864,852</u>

Health and Hospital Corporation of Marion County, Indiana

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

Table II

Schedule of Changes in Net Assets - Accrual Basis of Accounting

Last Ten Fiscal Years

	Years Ended December 31									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses										
Governmental activities										
Administration and finance	\$ 23,045,390	\$ 28,400,818	\$ 24,180,194	\$ 27,873,858	\$ 20,163,477	\$ 17,551,946	\$ 14,166,259	\$ 9,612,142	\$ 17,009,724	\$ 17,173,960
Health improvement	28,917,502	28,146,044	27,632,587	25,527,724	24,159,226	24,145,228	24,399,358	25,275,328	26,408,831	23,876,063
Communicable disease prevention	14,388,516	14,696,779	14,706,663	12,223,308	11,352,654	9,215,253	10,379,233	9,425,318	9,360,310	8,914,142
Water quality and hazardous materials management	2,005,942	1,918,932	1,910,477	1,839,289	1,935,157	1,825,826	1,734,696	1,703,637	1,699,221	1,610,101
Vector disease control	3,954,524	3,905,768	3,871,946	3,804,382	3,940,890	3,509,809	2,977,009	2,965,406	2,930,571	2,796,196
Housing and neighborhood health	6,986,843	6,992,305	6,967,410	6,143,281	5,269,185	5,035,571	4,184,358	4,117,488	4,116,053	3,759,377
Consumer and employee risk reduction	1,795,884	1,916,259	1,694,473	1,580,062	1,579,658	1,557,309	1,546,218	1,581,187	1,507,781	1,395,880
Interest on long-term debt	49,636,823	2,359,635	2,519,440	2,652,816	2,690,760	2,898,454	2,532,873	3,260,807	3,354,422	3,442,160
Total governmental activities expenses	<u>130,731,424</u>	<u>88,336,540</u>	<u>83,483,190</u>	<u>81,644,720</u>	<u>71,091,007</u>	<u>65,739,396</u>	<u>61,920,004</u>	<u>57,941,313</u>	<u>66,386,913</u>	<u>62,967,879</u>
Business-type activities										
Wishard Health Services	519,774,867	487,807,076	459,732,722	457,457,787	424,232,288	400,293,483	384,487,424	368,212,850	362,588,065	336,219,601
LT Care	426,846,568	366,852,811	310,478,515	240,118,586	212,410,072	171,792,272	157,656,712	139,064,331	97,053,021	-
Total business-type activities expenses	<u>946,621,435</u>	<u>854,659,887</u>	<u>770,211,237</u>	<u>697,576,373</u>	<u>636,642,360</u>	<u>572,085,755</u>	<u>542,144,136</u>	<u>507,277,181</u>	<u>459,641,086</u>	<u>336,219,601</u>
Total primary government expenses	<u>\$ 1,077,352,859</u>	<u>\$ 942,996,427</u>	<u>\$ 853,694,427</u>	<u>\$ 779,221,093</u>	<u>\$ 707,733,367</u>	<u>\$ 637,825,151</u>	<u>\$ 604,064,140</u>	<u>\$ 565,218,494</u>	<u>\$ 526,027,999</u>	<u>\$ 399,187,480</u>
Program Revenues										
Governmental activities										
Charges for services										
Administration and finance (1)	\$ 3,375,608	\$ 583,185	\$ 11,553,387	\$ 24,835,565	\$ 29,516,097	\$ 32,198,505	\$ 12,042,413	\$ 323,299	\$ 304,285	\$ 154,995
Health improvement	2,259,188	2,420,983	2,343,511	2,324,464	2,382,740	2,036,999	2,094,473	1,979,376	1,108,469	1,225,594
Communicable disease prevention	559,475	631,281	571,655	533,564	363,533	358,954	395,412	323,576	318,275	338,184
Water quality and hazardous materials management	353,215	352,972	356,886	352,902	367,016	360,957	354,111	358,022	332,338	335,490
Vector disease control	563,276	752,623	687,121	614,797	1,261,037	898,812	125,523	102,741	66,994	26,138
Housing and neighborhood health	468,733	317,965	416,541	435,687	469,407	633,456	85,501	92,722	94,141	54,227
Consumer and employee risk reduction	2,177,656	2,109,083	2,022,930	1,905,944	2,355,841	2,087,249	1,898,597	1,757,581	1,552,017	1,471,489
Operating grants and contributions (1)	47,974,400	44,126,964	18,304,481	15,513,792	13,955,419	12,108,583	16,573,583	17,488,087	17,317,170	15,270,533
Capital grants and contributions	1,532,905	3,104,698	3,123,848	1,527,403	1,217,110	3,575,826	1,702,901	-	5,439,547	1,174,819
Total governmental activities program revenues	<u>59,264,456</u>	<u>54,399,754</u>	<u>39,380,360</u>	<u>48,044,118</u>	<u>51,888,200</u>	<u>54,259,341</u>	<u>35,272,514</u>	<u>22,425,404</u>	<u>26,533,236</u>	<u>20,051,469</u>

(1) Certain intergovernmental revenues have been reclassified in 2010; amounts in prior year have not been revised.

Health and Hospital Corporation of Marion County, Indiana

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

Table II - Continued

Schedule of Changes in Net Assets - Accrual Basis of Accounting

Last Ten Fiscal Years

	2011	2010	2009	2008	Years Ended December 31		2005	2004	2003	2002
					2007	2006				
Business-type activities										
Charges for services										
Wishard Health Services	\$ 261,819,236	\$ 252,468,219	\$ 250,657,243	\$ 235,271,501	\$ 239,779,417	\$ 222,001,734	\$ 224,633,684	\$ 199,864,995	\$ 189,692,554	\$ 166,401,275
LT Care	574,233,417	429,785,305	381,662,295	288,984,754	210,548,466	167,574,919	167,009,420	134,559,380	95,858,819	-
Operating grants and contributions	20,460,189	18,703,315	21,668,536	16,646,528	9,308,853	7,680,805	8,414,943	10,038,960	11,735,585	12,126,208
Capital grants and contributions	-	769,000	-	-	314,400	-	-	-	-	-
Total business-type activities program revenue	<u>856,512,842</u>	<u>701,725,839</u>	<u>653,988,074</u>	<u>540,902,783</u>	<u>459,951,136</u>	<u>397,257,458</u>	<u>400,058,047</u>	<u>344,463,335</u>	<u>297,286,958</u>	<u>178,527,483</u>
Total primary government program revenues	<u>\$ 915,777,298</u>	<u>\$ 756,125,593</u>	<u>\$ 693,368,434</u>	<u>\$ 588,946,901</u>	<u>\$ 511,839,336</u>	<u>\$ 451,516,799</u>	<u>\$ 435,330,561</u>	<u>\$ 366,888,739</u>	<u>\$ 323,820,194</u>	<u>\$ 198,578,952</u>
Net program (expense)/revenue										
Governmental activities	\$ (71,466,968)	\$ (33,936,786)	\$ (44,102,830)	\$ (33,600,602)	\$ (19,202,807)	\$ (11,480,055)	\$ (26,647,490)	\$ (35,515,909)	\$ (39,853,677)	\$ (42,916,410)
Business-type activities	<u>(90,108,593)</u>	<u>(152,934,048)</u>	<u>(116,233,163)</u>	<u>(156,673,590)</u>	<u>(176,691,224)</u>	<u>(173,111,652)</u>	<u>(142,086,089)</u>	<u>(162,813,846)</u>	<u>(162,354,128)</u>	<u>(157,692,118)</u>
Total primary government net expense	<u>\$ (161,575,561)</u>	<u>\$ (186,870,834)</u>	<u>\$ (160,335,993)</u>	<u>\$ (190,274,192)</u>	<u>\$ (195,894,031)</u>	<u>\$ (184,591,707)</u>	<u>\$ (168,733,579)</u>	<u>\$ (198,329,755)</u>	<u>\$ (202,207,805)</u>	<u>\$ (200,608,528)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities										
Taxes										
Property and HCI taxes	\$ 104,742,264	\$ 105,792,726	\$ 99,656,899	\$ 97,126,269	\$ 89,583,638	\$ 89,435,326	\$ 87,980,567	\$ 88,498,342	\$ 92,454,172	\$ 76,292,234
Excise taxes	5,269,274	5,252,268	5,278,006	6,927,280	6,831,647	7,270,595	7,507,089	7,889,045	7,905,793	7,472,835
Financial institutions taxes	1,319,008	1,275,274	1,477,986	1,284,278	1,268,115	1,260,083	1,268,250	1,269,040	1,242,962	1,198,208
Disproportionate share Medicaid	14,374,161	39,048,278	61,819,896	87,227,322	102,956,478	101,186,941	143,381,951	137,474,685	95,965,768	76,364,494
Build America Bonds interest subsidies	13,775,283	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	1,316,116	2,482,149	795,022	4,056,678	7,077,243	6,521,273	3,614,043	978,823	774,638	2,386,068
Transfers (capital contributions to Wishard and LT Care)	-	-	-	(377,910)	(734,870)	(4,905,484)	(455,288)	(6,790,490)	(5,250,867)	(14,140,401)
Transfers	<u>(86,656,492)</u>	<u>(142,989,585)</u>	<u>(131,428,209)</u>	<u>(144,934,035)</u>	<u>(157,000,000)</u>	<u>(153,713,891)</u>	<u>(139,977,919)</u>	<u>(156,000,000)</u>	<u>(183,421,684)</u>	<u>(167,492,945)</u>
Total governmental activities	<u>54,139,614</u>	<u>10,861,110</u>	<u>37,599,600</u>	<u>51,309,882</u>	<u>49,982,251</u>	<u>47,054,843</u>	<u>103,318,693</u>	<u>73,319,445</u>	<u>9,670,782</u>	<u>(17,919,507)</u>

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table II - Continued
Schedule of Changes in Net Assets - Accrual Basis of Accounting
Last Ten Fiscal Years

	2011	2010	2009	2008	Years Ended December 31		2005	2004	2003	2002
					2007	2006				
Business-type activities										
Unrestricted investment earnings	\$ 1,511,132	\$ 1,377,344	\$ 3,403,865	\$ 6,056,195	\$ 3,451,521	\$ 4,014,078	\$ 2,746,379	\$ 1,220,966	\$ 961,268	\$ 1,625,149
Transfers (capital contributions to Wishard)	-	-	-	377,910	734,870	3,905,484	455,288	6,790,490	5,250,867	14,140,401
Transfers	86,656,492	142,989,585	131,428,209	144,934,035	157,000,000	154,713,891	139,977,919	156,000,000	183,421,684	167,492,945
Total business-type activities	<u>88,167,624</u>	<u>144,366,929</u>	<u>134,832,074</u>	<u>151,368,140</u>	<u>161,186,391</u>	<u>162,633,453</u>	<u>143,179,586</u>	<u>164,011,456</u>	<u>189,633,819</u>	<u>183,258,495</u>
Total primary government	<u>\$ 142,307,238</u>	<u>\$ 155,228,039</u>	<u>\$ 172,431,674</u>	<u>\$ 202,678,022</u>	<u>\$ 211,168,642</u>	<u>\$ 209,688,296</u>	<u>\$ 246,498,279</u>	<u>\$ 237,330,901</u>	<u>\$ 199,304,601</u>	<u>\$ 165,338,988</u>
Change in Net Assets										
Governmental activities	\$ (17,327,354)	\$ (23,075,676)	\$ (6,503,230)	\$ 17,709,280	\$ 30,779,444	\$ 35,574,788	\$ 76,671,203	\$ 37,803,536	\$ (30,182,895)	\$ (60,835,917)
Business-type activities	<u>(1,940,969)</u>	<u>(8,567,119)</u>	<u>18,608,911</u>	<u>(5,305,450)</u>	<u>(15,504,833)</u>	<u>(10,478,199)</u>	<u>1,093,497</u>	<u>1,197,610</u>	<u>27,279,691</u>	<u>25,566,377</u>
Total primary government	<u>\$ (19,268,323)</u>	<u>\$ (31,642,795)</u>	<u>\$ 12,105,681</u>	<u>\$ 12,403,830</u>	<u>\$ 15,274,611</u>	<u>\$ 25,096,589</u>	<u>\$ 77,764,700</u>	<u>\$ 39,001,146</u>	<u>\$ (2,903,204)</u>	<u>\$ (35,269,540)</u>

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table III
Fund Balances, Governmental Funds - Modified Accrual Basis of Accounting
Last Ten Fiscal Years

	2011 (1)	2010	2009	2008	December 31		2005	2004	2003	2002
					2007	2006				
General Fund										
Reserved	\$ -	\$ 4,120,202	\$ 2,985,130	\$ 6,268,915	\$ 7,046,198	\$ 8,407,286	\$ 3,640,918	\$ 5,214,233	\$ 4,864,915	\$ 26,655,124
Unreserved	-	149,037,699	158,561,111	146,844,353	122,752,504	110,958,027	111,837,016	37,286,974	7,642,777	21,588,774
Nonspendable	417,843	-	-	-	-	-	-	-	-	-
Assigned	3,174,846	-	-	-	-	-	-	-	-	-
Unassigned	131,936,536	-	-	-	-	-	-	-	-	-
Total general fund	<u>\$ 135,529,225</u>	<u>\$ 153,157,901</u>	<u>\$ 161,546,241</u>	<u>\$ 153,113,268</u>	<u>\$ 129,798,702</u>	<u>\$ 119,365,313</u>	<u>\$ 115,477,934</u>	<u>\$ 42,501,207</u>	<u>\$ 12,507,692</u>	<u>\$ 48,243,898</u>
All Other Governmental Funds										
Reserved	\$ -	\$ 189,574,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,330,048
Unreserved, reported in										
Debt service fund	-	(1,259,840)	(1,882,120)	(3,631,044)	(412,637)	362,060	(16,186)	198,382	297,281	-
Capital projects fund	-	23,895,431	65,127,048	64,318,221	43,030,727	40,814,423	38,643,862	37,281,256	36,659,175	28,708,879
Restricted, reported in										
Debt service fund	17,494,306	-	-	-	-	-	-	-	-	-
Capital projects fund	123,726,061	-	-	-	-	-	-	-	-	-
Unassigned, reported in										
Debt service fund	(633,693)	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 140,586,674</u>	<u>\$ 212,210,429</u>	<u>\$ 63,244,928</u>	<u>\$ 60,687,177</u>	<u>\$ 42,618,090</u>	<u>\$ 41,176,483</u>	<u>\$ 38,627,676</u>	<u>\$ 37,479,638</u>	<u>\$ 36,956,456</u>	<u>\$ 33,038,927</u>

(1) In 2011, the Corporation adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. While the 2011 amounts reflect the new fund balance classifications, prior year amounts have not been reclassified and are therefore not comparable.

Health and Hospital Corporation of Marion County, Indiana

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

Table IV

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

	Years Ending December 31									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Revenues										
Taxes	\$ 111,330,546	\$ 128,505,950	\$ 126,281,363	\$ 88,336,613	\$ 82,095,459	\$ 97,965,873	\$ 97,196,828	\$ 98,214,855	\$ 101,652,352	\$ 84,645,829
Licenses and permits	3,933,300	3,857,259	3,774,650	3,700,835	4,193,808	3,864,882	3,662,722	3,565,750	2,853,728	2,709,269
Intergovernmental	36,824,648	48,871,597	19,936,304	18,820,201	14,629,232	16,007,012	16,598,192	17,030,332	16,444,232	15,495,683
Charges for services	1,170,890	1,342,212	16,134,540	20,149,821	27,570,626	1,079,203	1,162,710	809,638	862,954	750,014
Disproportionate share Medicaid	14,374,161	39,799,959	62,927,328	126,524,776	105,102,078	72,864,271	142,926,951	122,974,685	95,965,768	76,364,494
Build American Bonds interest subsidies	13,775,283	-	-	-	-	-	-	-	-	-
Contributions	12,900,000	-	-	-	-	-	-	-	-	-
Interest	1,316,116	2,482,149	795,022	4,056,678	7,077,243	6,521,271	3,614,043	978,823	774,638	2,386,068
Miscellaneous	4,410,403	3,343,738	242,255	5,470,057	2,306,154	31,765,188	13,449,938	1,330,121	6,441,723	1,258,766
Total revenues	<u>200,035,347</u>	<u>228,202,864</u>	<u>230,091,462</u>	<u>267,058,981</u>	<u>242,974,600</u>	<u>230,067,700</u>	<u>278,611,384</u>	<u>244,904,204</u>	<u>224,995,395</u>	<u>183,610,123</u>
Expenditures										
Administrative	23,875,423	25,457,868	21,572,325	23,283,723	19,041,700	14,118,571	12,039,938	6,032,923	19,100,875	17,965,973
Population health	23,718,257	22,643,391	21,000,830	19,816,620	18,819,736	18,042,145	16,880,567	15,180,714	17,089,105	17,702,836
Environmental health	12,401,862	11,885,107	11,566,888	10,964,278	10,905,283	10,584,558	9,566,699	8,998,116	9,610,608	8,883,675
Health center program	1,615,344	1,491,812	2,012,429	1,630,315	1,151,665	1,049,574	1,100,104	1,131,120	1,458,533	1,146,006
Data processing	3,034,812	2,932,675	2,865,135	2,972,158	2,710,015	2,803,176	3,288,074	2,785,547	2,977,700	2,536,786
Grants program	16,546,600	18,324,824	20,059,103	15,928,714	14,110,484	15,264,642	14,536,941	14,399,483	15,890,222	14,727,717
Capital outlays	158,620,259	107,499,401	4,236,379	1,123,966	2,816,332	2,516,273	1,685,354	4,264,463	2,351,314	12,597,638
Debt service										
Principal	2,455,000	1,955,000	1,840,000	1,958,122	1,853,629	1,749,548	2,380,863	1,652,555	1,559,609	1,477,010
Interest and fiscal charges	49,636,823	2,359,635	2,519,440	2,685,491	2,690,760	2,789,136	2,574,872	3,301,307	3,354,422	3,442,160
Bond issuance costs	-	1,833,646	-	-	-	-	429,167	-	-	-
Total expenditures	<u>291,904,380</u>	<u>196,383,359</u>	<u>87,672,529</u>	<u>80,363,387</u>	<u>74,099,604</u>	<u>68,917,623</u>	<u>64,482,579</u>	<u>57,746,228</u>	<u>73,392,388</u>	<u>80,479,801</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(91,869,033)</u>	<u>31,819,505</u>	<u>142,418,933</u>	<u>186,695,594</u>	<u>168,874,996</u>	<u>161,150,077</u>	<u>214,128,805</u>	<u>187,157,976</u>	<u>151,603,007</u>	<u>103,130,322</u>

Health and Hospital Corporation of Marion County, Indiana

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

Table IV - Continued

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

	2011	2010	2009	2008	Years Ending December 31		2005	2004	2003	2002
					2007	2006				
Other Financing Sources (Uses)										
Proceeds of bonds	\$ -	\$ 195,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refunding on bonds issued	-	-	-	-	-	-	28,960,000	-	-	-
Premium on bonds issued	-	3,907,846	-	-	-	-	1,013,992	-	-	-
Payment to refunded bond escrow agent	-	-	-	-	-	-	(29,544,825)	-	-	-
Other debt issued	89,273,094	52,839,395	-	-	-	-	-	-	-	-
Transfers in	138,174,404	37,000,000	55,000,000	30,300,000	-	-	8,294	-	17,242	225,888
Transfers out	(224,830,896)	(179,989,585)	(186,428,209)	(175,611,941)	(157,000,000)	(154,713,891)	(140,441,501)	(156,641,279)	(183,438,926)	(167,718,833)
Total other financing sources (uses), net	<u>2,616,602</u>	<u>108,757,656</u>	<u>(131,428,209)</u>	<u>(145,311,941)</u>	<u>(157,000,000)</u>	<u>(154,713,891)</u>	<u>(140,004,040)</u>	<u>(156,641,279)</u>	<u>(183,421,684)</u>	<u>(167,492,945)</u>
Net change in fund balances	<u>\$ (89,252,431)</u>	<u>\$ 140,577,161</u>	<u>\$ 10,990,724</u>	<u>\$ 41,383,653</u>	<u>\$ 11,874,996</u>	<u>\$ 6,436,186</u>	<u>\$ 74,124,765</u>	<u>\$ 30,516,697</u>	<u>\$ (31,818,677)</u>	<u>\$ (64,362,623)</u>
Debt service as a percentage of noncapital expenditures	39.1%	4.9%	5.2%	5.9%	6.4%	6.8%	7.9%	9.3%	6.9%	7.2%
Debt service expenditures	\$ 52,091,823	\$ 4,314,635	\$ 4,359,440	\$ 4,643,613	\$ 4,544,389	\$ 4,538,684	\$ 4,955,735	\$ 4,953,862	\$ 4,914,031	\$ 4,919,170
Noncapital expenditures	133,284,121	88,883,958	83,436,150	79,239,421	71,283,272	66,401,350	62,797,225	53,481,765	71,041,074	67,882,163

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table V
Assessed Value and Estimated Actual Value of Taxable Property
December 31, 2011

Year	Real Property		Personal Property		Total		Total Direct Tax Rate
	Assessed Value (1)	True Tax Value	Assessed Value (1)	True Tax Value	Assessed Value (1)	True Tax Value	
2011	\$ 34,203,195,227	\$ 34,203,195,227	\$ 5,449,472,000	\$ 5,449,472,000	\$ 39,652,667,227	\$ 39,652,667,227	\$ 0.1805
2010	30,071,881,985	30,071,881,985	5,745,524,000	5,745,524,000	35,817,405,985	35,817,405,985	0.1595
2009	31,039,405,707	31,039,405,707	5,657,964,000	5,657,964,000	36,697,369,707	36,697,369,707	0.1543
2008	38,250,226,004	38,250,226,004	5,454,450,000	5,454,450,000	43,704,676,004	43,704,676,004	0.2114
2007	39,182,916,707	39,182,916,707	5,565,477,874	5,565,477,874	44,748,394,581	44,748,394,581	0.2022
2006	33,030,628,020	33,030,628,020	7,195,875,948	7,195,875,948	40,226,503,968	40,226,503,968	0.2242
2005	32,400,972,000	32,400,972,000	7,229,661,000	7,229,661,000	39,630,633,000	39,630,633,000	0.2249
2004	34,606,376,000	34,606,376,000	5,323,754,000	5,323,754,000	39,930,130,000	39,930,130,000	0.2253
2003	32,982,779,000	32,982,779,000	8,845,067,000	8,845,067,000	41,827,846,000	41,827,846,000	0.2253
2002	20,820,046,000	20,820,046,000	8,162,071,000	8,162,071,000	28,982,117,000	28,982,117,000	0.2633

(1) Represents the assessment (Marion County Auditor's "certified abstract") on March 1 of the prior year for taxes due and payable in the year indicated.

Source: Marion County Auditor

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table VI
Property Tax Rates - Direct and Overlapping Governments ⁽¹⁾
December 31, 2011

Year	Operations	Debt	Cumulative Building	Total	City	County	Other Municipal Corporations	School	State	Other	Total (1)
2011	0.1640	0.0159	0.0006	0.1805	1.6875	0.3665	0.1880	1.4065	0.0024	0.0615	3.8929
2010	0.1494	0.0095	0.0006	0.1595	1.5489	0.3534	0.1687	1.3692	0.0024	0.0615	3.6636
2009	0.1440	0.0097	0.0006	0.1543	1.5401	0.3513	0.1711	1.1569	0.0024	0.0578	3.4339
2008	0.2023	0.0085	0.0006	0.2114	1.5256	0.4936	0.1307	1.7668	0.0024	0.0553	4.1858
2007	0.1928	0.0088	0.0006	0.2022	1.4987	0.5708	0.1298	1.8713	0.0024	0.0656	4.3408
2006	0.2138	0.0098	0.0006	0.2242	0.8881	0.4131	0.1409	1.7172	0.0024	0.0644	3.4503
2005	0.2137	0.0106	0.0006	0.2249	0.9532	0.4163	0.1401	1.6744	0.0024	0.0637	3.4750
2004	0.2139	0.0108	0.0006	0.2253	0.9485	0.4129	0.1189	1.7827	0.0024	0.0607	3.5514
2003	0.2134	0.0113	0.0006	0.2253	0.9603	0.4443	0.1302	1.5503	0.0033	0.1403	3.4540
2002	0.2492	0.0133	0.0008	0.2633	1.2254	0.5354	0.1676	1.9594	0.0033	0.0799	4.2343

(1) Rate of District 101 (Indianapolis - Center Township), which is the only rate that includes all major services.

Source: Marion County Auditor's Office.

Health and Hospital Corporation of Marion County, Indiana

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

Table VII
Principal Property Tax Payers
Current Year and Nine Years Ago
December 31, 2011

2011				2002			
Principal Taxpayers	2011	Rank	Percentage of Total City Taxable Assessed Value	Principal Taxpayers	2002	Rank	Percentage of Total City Taxable Assessed Value
	Taxable Assessed Value (1) (2)				Taxable Assessed Value (2) (3)		
1 Eli Lilly and Company	\$ 1,150,974	1	3.173%	Eli Lilly & Company	\$ 508,054	1	1.753%
2 Indianapolis Power & Light Co.	392,297	2	1.082%	Allison Transmission Division of General Motors	386,846	2	1.335%
3 Allison Transmission, Inc.	180,737	3	0.498%	Indianapolis Power and Light	372,395	3	1.285%
4 Federal Express Corporation	161,539	4	0.445%	Simon Property Group, Inc.	229,385	4	0.791%
5 Macquarie Office Monument Center I LLC	138,940	5	0.383%	Visteon Corporation (formerly Ford Motor Co.)	204,732	5	0.706%
6 Convention Hotels Headquarters, LLC	105,185	6	0.290%	Rolls Royce	177,775	6	0.613%
7 Indiana Bell Telephone Co. Inc.	92,458	7	0.255%	International Truck and Engine Corp. (formerly Navistar)	160,340	7	0.553%
8 Circle Centre Development Co.	84,936	8	0.234%	Federal Home Bank	149,981	8	0.517%
9 Rolls Royce	78,551	9	0.217%	Clarian Health Partners	120,333	9	0.415%
10 American United Life	72,512	10	0.200%	Roche Diagnostics Corp.	108,512	10	0.374%
11 Hub Properties GA LLC	71,190	11	0.196%	National Starch and Chemical Company	93,244	11	0.322%
12 National Starch LLC	70,685	12	0.195%	American United Life Insurance Co.	90,649	12	0.313%
13 BNP Paribas Leasing Corp.	68,270	13	0.188%	Bank One Corporation	62,359	13	0.215%
14 MT Acquisitions LLC	64,404	14	0.178%	Daimler - Chrysler Corp.	50,081	14	0.215%
15 Crossroads Indiana LLC	60,589	15	0.167%	Marsh	47,605	15	0.164%
16 SVC Manufacturing Inc.	52,878	16	0.146%	General Motors Corporation	39,810	16	0.137%
17 Castleton Square, LLC	51,622	17	0.142%	Reilly Industries, Inc.	37,325	17	0.129%
18 LHO Indianapolis Hotel One, LLC	50,685	18	0.140%	Anthem, Inc.	37,081	18	0.128%
19 Automotive Components Holdings LLC	50,453	19	0.139%	H.H. Gregg	30,430	19	0.109%
20 Keystone Investors, LLC	50,111	20	0.138%	Citizens Gas & Coke Utility	31,552	20	0.105%
	<u>\$ 3,049,016</u>		8.41%		<u>\$ 2,938,489</u>		10.18%

(1) Represents the March 1, 2010 valuations for taxes due and payable in 2011 as represented by the taxpayer.

(2) Net Assessed Valuation was determined using public records from the Marion County Treasurer's Office. Taxable property is assessed at 100% of the true tax value.

(3) Data from the 2002 Health and Hospital Corporation's Comprehensive Annual Financial Report.

Source: Marion County Auditor's Office

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table VIII
Property Tax Levies and Collections
December 31, 2011

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years (3)	Delinquent Tax Receipt in 2011 (1)	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2011	\$ 61,736,767	\$ 52,513,485	85.06%	\$ -	\$ -	\$ 52,513,485	85.06%
2010	57,128,763	54,775,062	95.88%	-	2,040,968	56,816,030	99.45%
2009	56,624,041	31,594,513	55.80%	21,185,683	396,361	53,176,557	93.91%
2008	92,391,685	52,293,400	56.60%	39,094,389	80,527	91,468,316	99.00%
2007	90,456,328	72,009,781	79.61%	18,421,520	25,027	90,456,328	100.00%
2006	90,469,407	88,872,634	98.24%	-	12,721	88,885,355	98.25%
2005	88,832,049	87,127,862	98.08%	-	5,320	87,133,182	98.09%
2004	88,991,203	88,146,061	99.05%	-	-	88,146,061	99.05%
2003 (2)	87,982,909	91,505,477	104.00%	-	-	91,505,477	104.00%
2002 (2)	74,494,711	74,835,034	100.46%	-	-	74,835,034	100.46%

(1) Delinquent tax that was paid in addition to current tax in 2011. Information not available for prior years.

(2) In these years, the Corporation was allowed by law to collect more than its original levy.

(3) Beginning with the 2006 tax year payable 2007, all real property assessments have been revalued annually to reflect market value based on comparable sales data ("Trending"). The implementation of Trending caused delays in the collection of property taxes in 2008 and 2009. In addition, due to technical concerns relating to Trending, the Governor ordered a reassessment of property value in Marion County for 2006 taxes payable in 2007 (the "Special Reassessment"). This Special Reassessment delayed collection of a portion of the taxes payable in 2007 and 2008.

Source: Marion County Auditor's Office

Health and Hospital Corporation of Marion County, Indiana

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

Table IX
Ratios of Outstanding Debt by Type
December 31, 2011

Fiscal Year	Governmental Activities							Business-Type Activities				
	General Obligation Bonds of 2005 (1)	General Obligation Bonds of 2000 (1)	General Obligation Bonds of 2010	Due to Local Government	Capital Lease	Renovation Bonds of 1988	Notes Payable	Long-Term Care Capital Leases (2)	Total Primary Government	Percentage of Personal Income (3) (4)	Per Capita (3)	
2011	\$ 22,570,000	\$ -	\$ 195,000,000	\$ 135,659,802	\$ 6,452,687	\$ 13,815,000	\$ -	\$ 353,793,730	\$ 727,291,219	-	\$ 803.29	
2010	23,795,000	-	195,000,000	52,839,395	-	15,045,000	-	284,101,584	570,780,979	1694.35%	631.82	
2009	24,610,000	-	-	-	-	16,185,000	-	275,252,457	316,047,457	935.77%	354.76	
2008	25,390,000	-	-	-	-	17,245,000	-	189,181,169	231,816,169	685.88%	263.31	
2007	26,140,000	-	-	-	-	18,235,000	218,122	191,712,922	236,306,044	710.97%	269.51	
2006	26,865,000	-	-	-	-	19,155,000	426,751	166,112,532	212,559,283	650.98%	245.59	
2005	27,565,000	-	-	-	-	20,005,000	626,299	151,253,286	199,449,585	637.83%	231.44	
2004	-	27,280,000	-	-	-	20,800,000	817,162	117,886,520	166,783,682	557.94%	193.78	
2003	-	28,010,000	-	-	-	21,540,000	999,717	125,548,785	176,098,502	616.30%	203.99	
2002	-	28,705,000	-	-	-	22,230,000	1,174,326	-	52,109,326	186.14%	60.35	

- (1) The General Obligation (GO) Bonds of 2000 were refunded in late 2005 and replaced with the GO bonds of 2005.
- (2) The Long-Term Care Division within the business-type activities did not exist within the Corporation prior to 2003.
- (3) See Table XIII for personal income and population data.
- (4) Personal income not available for 2011.

Source: Notes to basic financial statements.

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table X
Ratio of Net General Obligation Debt Outstanding
December 31, 2011

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Notes Payable	Total Net Bonded Debt		
2011	\$ 231,385,000	\$ -	\$ 231,385,000	0.58%	\$ 255.56
2010	233,840,000	-	233,840,000	0.65%	258.85
2009	40,795,000	-	40,795,000	0.11%	45.79
2008	42,635,000	-	42,635,000	0.10%	48.43
2007	44,375,000	218,122	44,593,122	0.10%	50.86
2006	46,020,000	426,751	46,446,751	0.12%	53.66
2005	47,570,000	626,299	48,196,299	0.12%	55.93
2004	48,080,000	817,162	48,897,162	0.12%	56.81
2003	49,550,000	999,717	50,549,717	0.12%	58.56
2002	50,935,000	1,174,326	52,109,326	0.18%	60.35

Source: Notes to basic financial statements and Marion County Auditor's Office.

Health and Hospital Corporation of Marion County, Indiana

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

Table XI
Schedule of Direct and Overlapping Debt and Bonded Debt Limit (1)
December 31, 2011

	Assessed Value (6) (7) (in thousands)	Bonding Limit % Dollar Amount (in thousands)	Bonds Outstanding (in thousands)
Direct Debt:			
Health and Hospital Corporation of Marion County	\$ 36,271,852	0.67% \$ 243,021	\$ 231,385
Overlapping:			
Marion County	36,271,852	0.67% \$ 243,021	\$ -
City of Indianapolis			
Civil City	33,913,488	0.67% \$ 227,220	\$ 76,715
Consolidated County	36,271,852	(3) -	-
Park District	36,271,852	0.67% -	17,157
Redevelopment District	33,913,488	(7) -	6,777
Flood Control District	36,271,852	0.67% 243,021	8,511
Metropolitan Thoroughfare District	36,271,852	1.33% 482,416	32,195
Sanitary District	33,959,774	4.00% 1,358,392	41,803
Police Special Service District	10,360,126	(2) -	-
Fire Special Service District	25,564,445	(2) -	-
Solid Waste Collect Spec Service District	33,400,090	(2) -	-
Solid Waste Disposal District	33,400,090	2.00% 668,002	-
Pub Safety Comm and Comp Facilities District	36,271,852	0.67% 243,021	35,030
Total city debt		\$ 3,222,072	\$ 218,188
Other Municipal Corporations			
Airport Authority	36,271,852	0.67% \$ 243,021	\$ -
Capital Improvement Board	36,271,852	0.67% 243,021	-
Indpls-Marion Co. Building Authority	36,271,852	(4) -	14,820
Indianapolis-Marion County Library	35,285,012	0.67% 236,410	94,925
Indianapolis Public Transportation Corp.	32,268,101	0.67% 216,196	7,835
Total municipal corporations		\$ 938,649	\$ 117,580
School Districts			
Beech Grove	399,801	(8) \$ 65,488	\$ 5,000
Decatur	1,071,405	(8) 169,850	6,430
Franklin	1,755,155	(8) 272,284	3,885
Indianapolis Public Schools	9,225,666	(8) 594,648	23,760
Lawrence	4,606,490	(8) 251,442	21,085
Perry	3,243,437	(8) 182,072	18,575
Pike	4,774,364	(8) 115,172	25,415
Speedway	587,039	(8) 11,741	-
Warren	2,489,920	(8) 49,798	-
Washington	5,505,300	(8) 151,726	11,490
Wayne	2,613,275	(8) 305,146	21,291
Total school districts	\$ 36,271,852	\$ 2,169,367	\$ 136,931

Health and Hospital Corporation of Marion County, Indiana

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

Table XI - Continued
Schedule of Direct and Overlapping Debt and Bonded Debt Limit (1)
December 31, 2011

	Assessed Value (6) (7) (in thousands)	Bonding Limit % (in thousands)	Dollar Amount (in thousands)	Bonds Outstanding (in thousands)
Other Cities and Towns				
Beech Grove	\$ 426,644	0.67%	\$ 2,859	\$ 150
Lawrence	1,298,395	0.67%	8,699	5,335
Southport	46,287	0.67%	310	230
Speedway	587,039	0.67%	3,933	3,535
	<u>\$ 2,358,365</u>		<u>\$ 15,801</u>	<u>\$ 9,250</u>
Townships				
Center	\$ 4,921,847	0.67%	\$ 32,976	\$ -
Decatur	1,076,042	0.67%	7,209	-
Franklin	1,902,520	0.67%	12,747	-
Lawrence	4,976,521	0.67%	33,343	1,805
Perry	3,539,182	0.67%	23,713	-
Pike	4,884,524	0.67%	32,726	-
Warren	3,345,058	0.67%	22,412	-
Washington	7,609,894	0.67%	50,986	-
Wayne	4,016,265	0.67%	26,909	-
	<u>\$ 36,271,853</u>		<u>\$ 243,021</u>	<u>\$ 1,805</u>
Excluded Library Districts				
Beech Grove	\$ 399,801	0.67%	\$ 2,679	\$ -
Speedway	587,039	0.67%	3,933	185
	<u>\$ 986,840</u>		<u>\$ 6,612</u>	<u>\$ 185</u>
Ben Davis Conservancy District	<u>\$ 898</u>	(5)		-
Total Overlapping Debt				<u>\$ 483,939</u>
Total Direct and Overlapping Debt				<u>\$ 715,324</u>

- (1) Excludes Revenue Bonds not payable from ad valorem taxes.
- (2) No bonding authority.
- (3) No bonding authority from ad valorem taxes.
- (4) There is no debt limit for the Building Authority. Its debt service requirements are funded by rentals paid by the City of Indianapolis and Marion County from ad valorem taxes mandated by the Authority's enabling legislation.
- (5) Ben Davis Conservancy District has no bonding limit. Bonds are payable from either collection of special benefit taxes or revenues produced from the project per Indiana Code 13-3-3-81.
- (6) Represents the final billing abstract for taxes due and payable in 2011.
- (7) There is no statutory constitutional debt limitation to the Park and Redevelopment Districts.
- (8) 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 the 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.

Source: City of Indianapolis, Office of Finance and Management

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table XII
Legal Debt Margin Calculation
December 31, 2011

Legal Debt Margin Calculation for Fiscal Year Ended	
December 31, 2011	
Net assessed value - 2011	\$ 36,271,852,000
Debt limit (.67% of assessed values)	243,021,408
Debt applicable to limit	
Bonded Debt	231,385,000
Legal Debt Margin	\$ 11,636,408

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Debt limit	\$ 243,021,408	\$ 239,976,620	\$ 245,872,377	\$ 292,821,329	\$ 299,814,244	\$ 269,517,577	\$ 265,525,241	\$ 267,531,873	\$ 278,852,313	\$ 193,214,113
Total net debt applicable to limit	231,385,000	233,840,000	40,795,000	42,635,000	44,593,122	46,446,751	48,196,299	48,897,162	50,549,717	52,109,326
Legal debt margin	\$ 11,636,408	\$ 6,136,620	\$ 205,077,377	\$ 250,186,329	\$ 255,221,122	\$ 223,070,826	\$ 217,328,942	\$ 218,634,711	\$ 228,302,596	\$ 141,104,787
Total net debt applicable to the limit as a percentage of debt limit	95.21%	97.44%	16.59%	14.56%	14.87%	17.23%	18.15%	18.28%	18.13%	26.97%

Source: Marion County Auditor's Office and Basic Financial Statements.

Health and Hospital Corporation of Marion County, Indiana

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

Table XIII
Demographic and Economic Statistics
December 31, 2011

Year	(1) Population	(2) Personal Income	(2) Per Capita Personal Income	Public School Enrollment	(3) Unemployment Rate
2011	905,393	-	-	143,053	8.9%
2010	903,393	33,687,344	38,796	159,865	8.4%
2009	890,879	33,774,144	38,532	159,089	8.5%
2008	880,380	33,798,139	39,318	145,569	5.6%
2007	876,804	33,237,000	38,980	136,883	4.5%
2006	865,504	32,652,000	37,403	133,697	4.4%
2005	861,760	31,270,050	36,286	133,694	4.8%
2004	860,674	29,892,584	34,732	132,505	4.7%
2003	863,251	28,573,705	33,142	131,543	4.8%
2002	863,429	27,994,389	32,479	129,682	4.6%

(1) Source: Census Bureau-Population Estimates base reflects changes to the Census 2000 population.

(2) Source: U.S. Bureau of Economics Census Bureau midyear population estimates. Estimates for 2002-2010 reflect county population estimates available as of March 2011. Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2002-2010 reflect county population estimates available as of March 2011. Data was not yet available for 2011 personal income or per capita personal income.

(3) Source: Data provided by the U.S. Bureau of Labor Statistics.

Health and Hospital Corporation of Marion County, Indiana

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

Table XIV
Principal Employers
Current Year and Nine Years Ago
December 31, 2011

Taxpayer	2011			2002 (2)		
	(1) Employees	(1) Rank	(1) Percentage of Total Metropolitan Statistical Area Employment	Employees	Rank	Percentage of Total Metropolitan Statistical Area Employment
Clarian Health Partners, Inc. (IU Health)	12,763	1	1.41%	15,051	1	(3)
Eli Lilly & Company	11,550	2	1.28%	-		(3)
St. Vincent Hospitals & Health Service	10,640	3	1.18%	-		(3)
IUPUI	7,066	4	0.78%	6,763	2	(3)
Federal Express Corp. (FedEx)	6,311	5	0.70%	-		(3)
Community Health Network	5,341	6	0.59%	5,293	3	(3)
Rolls-Royce	4,300	7	0.47%	4,335	4	(3)
St. Francis Hospital & Health Centers	4,152	8	0.46%	-		(3)
WellPoint, Inc.	3,950	9	0.44%	-		(3)
Allison Transmission/Div of GMC	3,800	10	0.42%	4,119	5	(3)
Marsh	-			3,680	6	(3)
Anthem, Inc.	-			3,509	7	(3)
Kroger Company	-			3,224	8	(3)
Visteon Corporation (formerly Ford Motor Company)	-			2,616	9	(3)
Roche Diagnostics	-			2,300	10	(3)
	<u>69,873</u>			<u>50,890</u>		

(1) Source: The Indianapolis Economic Development in conjunction with The Indy Partnership. Data was taken from the information warehouse containing a listing of the largest employers in the City of Indianapolis/Marion County located at www.indypartnership.com.

(2) Data from the 2002 Health and Hospital Corporation's Comprehensive Annual Financial Report.

(3) Not available.

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table XV
Full-Time Equivalent City Government Employees by Function/Program
December 31, 2011

Function/Program	Full-Time Equivalent Employees at December 31									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Primary Government Employees:										
Administration	132	127	117	118	115	112	112	113	109	97
Health improvement	327	337	343	313	311	313	309	304	314	315
Communicable disease prevention	125	125	120	122	119	119	124	123	123	122
Water quality and hazardous materials	26	27	25	27	28	29	29	29	30	79
Housing and neighborhood health	98	100	90	84	84	84	82	82	83	79
Consumer and employee risk reduction	27	27	28	25	26	27	27	27	27	27
Vector disease control	58	61	64	55	57	52	52	53	52	54
Business-type Employees:										
Wishard Health Services	3,820	3,622	3,724	3,764	3,404	3,243	3,232	3,269	3,388	3,126
Long-Term Care (1)	-	-	-	-	-	-	-	-	-	-
Total Employees	4,613	4,426	4,511	4,508	4,144	3,979	3,967	4,000	4,126	3,899

(1) The Long-Term Care personnel are not employees of the Corporation.

Source: SAP Payroll System used by Health & Hospital Corporation.

Health and Hospital Corporation of Marion County, Indiana

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

Table XVI
Operating Indicators by Function
Last Ten Fiscal Years

Function/Program	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Health Improvement										
Community Based Clinics Services										
Vaccine doses administered	168,493	147,469	186,096	63,268	33,279	33,749	31,960	31,708	41,453	36,624
Vital Statistics - certified birth copies issued	49,029	59,067	59,258	62,008	66,601	61,617	62,233	64,413	76,523	70,886
Vital Statistics - certified death copies issued	53,335	57,763	56,434	99,185	59,558	60,062	58,027	55,595	66,386	69,766
WIC Services - vouchers per month	28,918	29,124	27,593	26,011	n/a	n/a	n/a	24,064	21,307	18,265
WIC Services - nutrition education	13,624	11,210	12,267	16,388	n/a	n/a	n/a	10,151	8,208	48,707
Dental Health/Education Services	70,120	68,370	54,011	72,119	80,358	65,224	69,905	67,113	53,260	46,055
Communicable Disease Prevention										
Chronic Disease										
Hepatitis A,B,C shots	1,090	1,068	1,121	1,098	1,115	1,083	1,098	1,042	1,149	1,309
AIDS cases	52	63	51	40	43	136	168	165	225	129
HIV infection - total cases	164	188	225	214	185	191	177	184	169	228
Tuberculosis cases reported	31	33	49	37	42	51	40	54	36	31
Sexually transmitted diseases total cases	9,856	6,959	11,086	11,923	11,918	10,795	11,336	9,618	9,666	10,784
Water Quality and Hazardous Materials										
Water Quality										
Laboratory services performed	62,336	60,238	59,261	58,926	167,657	180,000	168,297	125,874	97,421	99,902
Swimming pool samples	2,151	2,483	2,744	2,483	5,113	n/a	n/a	3,921	4,861	4,261
Surface water samples taken	2,598	6,225	5,844	6,480	2,421	2,418	2,454	4,450	4,679	3,528
Hazardous Materials Management										
Responses to emergency situations	878	1,031	938	1,188	440	213	406	493	296	302
Drinking water wells surveyed for toxins	748	940	1,442	1,402	389	704	707	904	1,035	1,393
Septic systems permits	91	144	115	127	12	19	26	223	235	331
Well construction permits	88	70	102	78	12	111	108	118	111	129
Well pump permits	101	112	164	148	218	205	211	242	238	304
Housing and Neighborhood Health										
Initial housing orders	2,649	4,621	5,565	2,682	3,827	3,822	3,528	3,311	3,180	3,128
Housing compliances	5,252	4,190	4,948	4,201	3,904	3,649	3,452	3,539	3,129	3,398
Initial sanitation orders	14,265	20,801	21,463	15,422	21,080	20,841	20,383	18,672	17,725	15,803
Sanitation compliances	14,046	19,501	20,845	13,056	19,021	18,654	18,099	16,079	14,527	6,135
Court cases filed	2,826	2,333	2,925	2,873	3,859	4,256	4,371	4,463	4,276	2,845
Court cases resolved	1,504	957	1,573	1,269	1,688	1,520	1,544	1,345	1,670	1,583
Citations issued - illegal dumping	n/a	n/a	n/a	n/a	299	425	366	409	462	n/a
Unsafe buildings-structures demolished	589	537	658	836	349	475	414	521	515	441
Unsafe buildings-structures boarded	9,430	7,111	7,586	6,516	6,182	5,064	4,217	3,268	3,209	3,056
Unsafe buildings-structures repaired	789	672	844	672	802	676	1,004	953	883	680
Lead - children screened	14,265	5,346	4,648	3,786	14,797	11,841	12,460	13,979	13,380	7,746

Health and Hospital Corporation of Marion County, Indiana

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

Table XVI - Continued
Operating Indicators by Function
Last Ten Fiscal Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Consumer and Employee Risk Reduction										
Foodborne disease prevention										
Foodborne inspections	20,486	19,326	19,148	18,088	19,561	20,942	20,824	20,315	20,820	20,185
Foodborne investigations	144	156	199	206	115	118	107	107	95	121
Foodborne complaints	861	726	918	895	1,108	825	766	825	754	1,007
Foodborne licenses issued	5,138	5,885	5,604	5,265	5,862	5,933	5,857	5,972	5,779	5,793
Occupational health										
Occupational health consultations	n/a	n/a	n/a	n/a	222	293	252	1,873	1,609	729
Asbestos investigations	301	360	114	173	n/a	437	406	447	303	204
Radon investigations	4	7	30	12	n/a	n/a	n/a	n/a	n/a	19
Related indoor air inspections	2,981	2,722	3,014	3,976	2,218	1,778	1,717	1,722	1,791	1,752
Vector Disease Control										
Environmental/Rodent Control										
Total premises baited for rodents	2,102	2,751	2,838	2,478	2,072	2,510	2,125	2,009	1,944	1,849
Abandoned property cleanups	2,897	3,541	3,557	2,975	3,561	3,489	2,577	2,729	2,096	2,050
Assisted cleanups of neighborhoods	15	10	4	-	n/a	n/a	n/a	167	262	448
Total weight (lbs.) of trash removed	19,568,321	17,382,448	21,941,740	16,587,585	16,868,920	15,617,360	11,878,160	12,570,680	9,768,700	10,341,120
Mosquito Control										
Inspections of mosquito breeding sites	19,439	18,430	20,400	18,000	16,920	17,484	16,273	18,422	15,363	14,247
Mosquito breeding sites treated	9,311	8,881	11,746	10,121	6,030	9,132	7,878	8,797	8,361	9,863
Adulticiding, lineal miles sprayed	3,999	5,164	5,169	6,576	5,384	5,899	4,925	6,454	16,106	17,721
Complaint services, adulticiding	5,545	5,584	5,566	5,454	3,214	4,329	3,596	4,232	8,132	4,642
Combination complaints	711	689	803	572	221	536	310	590	1,178	548
Long-Term Care										
Total Beds	7,176	5,857	5,457	4,053	4,086	3,710	3,187	2,880	2,996	n/a
Wishard Health Services										
Admissions (Acute, Behavioral, Lockefield)	18,568	18,525	18,585	19,624	19,674	18,971	18,220	17,947	18,181	16,950
Patient Days (Acute, Behavioral, Lockefield)	89,997	89,418	107,018	159,932	161,170	160,788	155,470	152,136	85,085	80,482
OP Encounters (net of ED)	885,045	1,077,726	1,120,658	1,126,196	1,079,108	1,068,042	1,075,380	854,545	891,618	798,812
ED Visits	105,120	105,854	110,451	113,680	108,102	98,946	97,657	94,576	110,989	109,584
Advantage Members	55,993	58,133	54,165	50,241	50,879	49,421	47,572	43,528	39,078	33,438
Uncompensated Care (000's Omitted)	344,552	305,243	267,058	254,836	236,691	218,080	193,558	182,780	182,015	158,261
Surgeries	8,069	8,092	8,162	7,816	7,607	6,682	6,305	6,103	6,443	6,293
Births	1,800	2,107	2,414	2,643	2,760	2,610	2,447	2,496	3,047	3,006

n/a = Not available.

Sources: Marion County Health Dept. "Report to the Community", American Senior Communities Census Summary and Wishard Health Services Financial Statements.

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)

Table XVII
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Health Improvement										
Dental chairs	25	25	25	25	25	24	24	24	23	23
Dental x-ray units	23	23	23	23	23	23	23	23	23	23
Fiberoptic Dentalite	10	10	10	7	7	7	7	7	7	7
Dental Portable Scaler	7	7	7	7	7	7	7	7	7	-
Kiosk Touchscreen system	5	5	4	4	4	4	4	4	4	4
Vital Statistics scanners/readers	1	1	1	1	1	2	1	1	-	-
Generators/power source	4	4	4	-	-	-	-	-	-	-
Planmeca digital panoramic machine	2	2	-	-	-	-	-	-	-	-
Communicable Disease Prevention										
Water purification systems for lab	3	3	3	3	3	1	1	1	1	1
Refrigerators/freezer for lab	13	12	12	9	9	9	9	9	9	7
Incubator for lab	7	7	6	6	6	4	4	4	4	4
Trailer with hitch	8	8	-	-	-	-	-	-	-	-
Generator power-diesel	3	3	-	-	-	-	-	-	-	-
Storage area network w/cabinet	2	1	-	-	-	-	-	-	-	-
Kodak color scanners	5	5	-	-	-	-	-	-	-	-
Truck-Super 4X4	3	1	-	-	-	-	-	-	-	-
Water Quality and Hazardous Materials										
Water quality trucks for site cleanups	17	16	16	16	16	16	15	15	14	13
Analyzers for hazardous materials	5	5	5	5	5	5	3	2	2	-
Housing and Neighborhood Health										
Analyzers for lead testing	8	8	5	5	4	3	3	2	2	2
Vans/cars for housing visits	6	6	6	5	4	3	3	3	1	1
Vector Disease Control										
Environmental trucks/vans for cleanup	23	17	16	24	24	22	18	18	18	17
Dump Trucks	17	17	16	14	14	13	11	11	11	10
Tractors/Trailers	28	28	28	18	18	16	14	8	8	6
Rodent/Mosquito control trucks for spraying	57	57	57	72	72	70	70	69	63	62
Rodent/Mosquito control - sprayers	10	10	9	11	11	11	11	11	11	9
Rodent/Mosquito Control - generators	6	6	6	6	6	5	5	5	5	4
Long-Term Care										
# of buildings	52	42	38	27	26	23	18	17	18	n/a
Wishard Health Services										
# of beds	316	312	313	340	340	314	294	296	302	275

n/a = Not available.

Sources: SAP system - Asset Management Listing, American Senior Communities Fixed Asset System and Wishard Health Services Financial Statements.



**Health and Hospital Corporation
of Marion County, Indiana**

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

Single Audit Reports

For the Year Ended December 31, 2011

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
For the Year Ended December 31, 2011

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Health and Hospital Corporation of Marion County, Indiana

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

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2011

Federal Grantor	Pass-Through Grantor	Pass-Through Grantor Number	Program Title	Federal CFDA #	2011 Amount Passed-Through to Subrecipients	Combined 2011 Total Federal Expenditures
U.S. Department of Homeland Security						
	Indiana University	C44P-0-105A	Non-Profit Security Program	97.008	\$ -	\$ 998
	City of Indianapolis, Indiana	POI06029358068	Non-Profit Security Program	97.008	-	419,745
	City of Indianapolis, Indiana	POI1603117	Non-Profit Security Program	97.008	-	16,017
	Indiana University	C44P-1-030A	Non-Profit Security Program	97.008	-	55,826
	Indiana University	C44P-1-074A	Non-Profit Security Program	97.008	-	1,652
	City of Indianapolis, Indiana	POI1603117	Non-Profit Security Program	97.008	-	97,082
					-	591,320
	Indiana University	C44P-1-233A	Emergency Management Performance Grants	97.042	-	41,000
	City of Indianapolis, Indiana	POI1602547	Metropolitan Medical Response System	97.071	-	26,252
	City of Indianapolis, Indiana	POI0602000	Metropolitan Medical Response System	97.071	65,250	84,776
	City of Indianapolis, Indiana	POI0602000	Metropolitan Medical Response System	97.071	-	159,029
					65,250	270,057
					65,250	902,377
			Total U.S. Department of Homeland Security			
U.S. Department of Labor						
	Indianapolis Private Industry Council	S2303-H-09	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	17.275	-	66,908
U.S. Department of Agriculture						
	Indiana State Department of Health	3610-572100-142500 198-6	Special Supplemental Nutrition Program for Women, Infants and Children	10.557	-	22,197,374
	Indiana State Department of Health	A70-1-070320	Special Supplemental Nutrition Program for Women, Infants and Children	10.557	-	3,032,918
	Indiana State Department of Health	A70-2-070357	Special Supplemental Nutrition Program for Women, Infants and Children	10.557	-	914,017
	Indiana State Department of Health	A70-2-070323	Special Supplemental Nutrition Program for Women, Infants and Children	10.557	-	43,722
	Indiana State Department of Health	A70-0-070259	Special Supplemental Nutrition Program for Women, Infants and Children	10.557	-	97,903
					-	26,285,934
			Total U.S. Department of Agriculture			
U.S. Department of Education						
	Indianapolis Public Schools	10-4700-5385	Career and Technical Education - Basic Grants to States	84.048	-	62,447
	Indiana Family and Social Services Administration Division of Disability, Aging and Rehabilitative Services	VR1-9-49-09-0X-IS80	Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	-	265,068
					-	327,515
			Total U.S. Department of Education			
U.S. Department of Health and Human Services						
	National Association of County; City Health Officials	MRC100088	Medical Reserve Corps Small Grant Program	93.008	-	4,714
	CICOA	A345-0-49-10-SP-1581	Special Programs for the Aging Title IV and Title II Discretionary Projects	93.048	-	5,076
	Indiana University	POIHK000077-01; POIHK000077-012; 5POIHK000077-03	Laboratory Leadership, Workforce Training and Management Development, Improving Public Health Laboratory Infrastructure	93.065	-	23,995
	Indiana State Department of Health	61910-573100-4003610103200 BPRS 198-38	Public Health Emergency Preparedness	93.069	-	9,249
	Indiana State Department of Health	A70-1-0531666	Public Health Emergency Preparedness	93.069	-	239,100
	Indiana State Department of Health	A70-2-0531883	Public Health Emergency Preparedness	93.069	-	22,713
	Indiana State Department of Health	3610537000103920DRHP198-56	Public Health Emergency Preparedness	93.069	-	(275,000)
	Indiana State Department of Health	A70-0-0531487	Public Health Emergency Preparedness	93.069	-	27,926
	Indiana State Department of Health	A70-1-05317122	Public Health Emergency Preparedness	93.069	-	141,902
					-	165,890

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

Federal Grantor	Pass-Through Grantor	Pass-Through Grantor Number	Program Title	Federal CFDA #	2011 Amount Passed-Through to Subrecipients	Combined 2011 Total Federal Expenditures
Indiana State Department of Health		61910-573100-4003610140300 TB198-4	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	\$ -	\$ (2,330)
Indiana State Department of Health		A70-0-106032	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	-	154,041
Indiana State Department of Health		A70-9-106026	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	-	3,352
					<u>-</u>	<u>155,063</u>
Clarian Health Partners, Inc.		2H4AHA00062	AIDS Education and Training Centers	93.145	-	41,142
University of Illinois at Chicago		HAH4A00062	AIDS Education and Training Centers	93.145	6,298	84,201
					<u>6,298</u>	<u>125,343</u>
Indiana Family & Social Service Administration, Division of Mental Health Administration		A55-1-49-11-HO-1580 / A55-2-49-12-Y3-1580	Projects for Assistance in Transition from Homelessness	93.150	-	127,546
Indiana State Department of Health		A70-1-068041	Childhood Lead Poisoning Prevention Project - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	-	57,918
Indiana Family Health Council		FHPHA050511-32-03 (IFHC-1)	Family Planning Services	93.217	-	1,331,177
Direct		N/A	Consolidated Health Centers	93.224	763,707	763,707
Indiana University		ROIHS018553-01	Research on Healthcare Costs, Quality and Outcomes	93.226	-	6,425
Indiana University		1R01HS020909-01	Research on Healthcare Costs, Quality and Outcomes	93.226	-	674
Direct		N/A	Research on Healthcare Costs, Quality and Outcomes	93.226	37,328	60,530
					<u>37,328</u>	<u>67,629</u>
Indiana University		R24MH080827	Mental Health Research Grant	93.242	-	34,047
Damien Center		1U79SP015100	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	-	35,511
Damien Center		1U79SP015100-01	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	-	10,548
Indiana University		5U79T1020281-02 / 5U79T1020281-03	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	-	112,893
					<u>-</u>	<u>158,952</u>
Indiana State Department of Health		61910-573100-4003610142300 IP198-1	Immunization Grants	93.268	-	(317)
Indiana State Department of Health		A70-1-073112	Immunization Grants	93.268	-	397,099
Indiana State Department of Health		A70-2-073131	Immunization Grants	93.268	-	3
					<u>-</u>	<u>396,785</u>
University of Cincinnati		2U10DA013732-11 / 5U10DA013732-12	Drug Abuse and Addiction Research Programs	93.279	-	202,703
Indiana State Department of Health		61910-583110-4003610149900 ELCID 198-55	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	-	(9)
Indiana State Department of Health		A70-1-0531751	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	-	27,379
Indiana State Department of Health		3610-572100-103200-BPRS 198-49	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	-	5,504
					<u>-</u>	<u>32,874</u>
Indiana University		UH2DK083980	Trans-NIH Research Support	93.310	-	(18,305)
Indiana University		4UH3A1094641-02	Trans-NIH Research Support	93.310	-	51,843
Indiana University		5UH3A109464	Trans-NIH Research Support	93.310	-	17,977
					<u>-</u>	<u>51,515</u>

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

Federal Grantor	Pass-Through Grantor	Pass-Through Grantor Number	Program Title	Federal CFDA #	2011 Amount Passed-Through to Subrecipients	Combined 2011 Total Federal Expenditures
Indiana University		1R21NR010593	Nursing Research	93.361	\$ -	\$ 1,043
Direct		N/A	Consolidated Health Centers	93.527	397,314	397,314
Indiana Department of Child Services		A93-2-12-HF-MO-0872	Affordable Care Act - Maternal, Infant, and Early Childhood Home Visit Program	93.505	-	338
Indiana Family & Social Service Administration		48-09-60-1580	Temporary Assistance for Needy Families	93.558	-	816,450
Indiana Department of Child Services		A93-9-48-09-60-1580	Temporary Assistance for Needy Families	93.558	-	429,925
Indiana Department of Child Services		A93-9-49-09-60-1580	Temporary Assistance for Needy Families	93.558	-	1,134,100
Indiana Family Health Council		IFHC-3	Temporary Assistance for Needy Families	93.558	-	396,726
					<u>-</u>	<u>2,777,201</u>
Indiana State Department of Health		F1-10-49-10-R5-1580	Refugee and Entrant Assistance - State Administered Programs	93.566	-	528,652
Indiana State Department of Health		A70-2-106046	Refugee and Entrant Assistance - Discretionary Grants	93.576	-	21,555
Indiana Family Health Council		IFHC-2	Social Services Block Grant	93.667	-	73,729
Indiana Family Health Council		IFHC-2	Social Services Block Grant	93.667	-	2,884
InteCare, Inc.		A55-1-49-12-HO-1580 / A55-2-49-12-HO-1580	Social Services Block Grant	93.667	-	257,107
					<u>-</u>	<u>333,720</u>
Direct		N/A	ARRA - Grants to Health Center Programs	93.703	90,037	90,037
Indiana University		1R01HS019818-01	Comparative Effectiveness Research	93.715	-	11,256
Indiana University			Comparative Effectiveness Research	93.715	-	5,531
					<u>-</u>	<u>16,787</u>
Indiana University		5R01DK081329	Diabetes, Digestive and Kidney Disease Extramural Research	93.847	-	169
Indiana University		R01HD053231	Child Health and Human Development Extramural Research	93.865	-	43,188
Indiana University		1R01AG034205; R01AG034205; 1R01AG034946-01A1; 5R01AG034946	Aging Research	93.866	-	104,029
Direct		N/A	National Bioterrorism Hospital Preparedness Program	93.889	-	1,357
Indiana State Department of Health		A70-0-0531687	National Bioterrorism Hospital Preparedness Program	93.889	-	4,962
Indiana State Department of Health		A70-9-053896	National Bioterrorism Hospital Preparedness Program	93.889	-	(70)
Indiana State Department of Health		A70-0-0531061	National Bioterrorism Hospital Preparedness Program	93.889	-	3,916
The District 5 Hospital Preparedness Planning Committee		A70-1-0531545	National Bioterrorism Hospital Preparedness Program	93.889	-	22,797
Indiana State Department of Health		A70-1-0531545	National Bioterrorism Hospital Preparedness Program	93.889	-	585
Indiana State Department of Health			National Bioterrorism Hospital Preparedness Program	93.889	-	465
					<u>-</u>	<u>34,012</u>

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

Federal Grantor	Pass-Through Grantor	Pass-Through Grantor Number	Program Title	Federal CFDA #	2011 Amount Passed-Through to Subrecipients	Combined 2011 Total Federal Expenditures
	Direct	N/A	HIV Emergency Relief Project Grants	93.914	\$ 2,004,841	\$ 3,879,055
Indiana State Department of Health		A70-2-112214	HIV Care Formula Grants	93.917		11,474
Direct		N/A	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	286,810	719,518
Direct		N/A	Healthy Start Initiative	93.926	54,637	889,852
Indiana Department of Education		A58-1-11SS-030	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	-	8,166
American College of OB/GYN		1U65/PS00813	HIV Demonstration, Research, Public and Professional Education Projects	93.941	3,381	18,154
Indiana State Department of Health		A70-0-112153	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV) Infection in Selected Population Groups	93.943	-	297,980
InteCare, Inc.		A55-1-49-12-HO-1580 / A55-2-49-12-HO-1580	Block Grants for Community Mental Health Services	93.958	-	219,611
Indiana State Department of Health		3610-572100-145500-PSUP198-16	Block Grants for Prevention and Treatment of Substance Abuse	93.959	-	14,509
Indiana State Department of Health		A70-2-069380	Block Grants for Prevention and Treatment of Substance Abuse	93.959	-	26,646
InteCare, Inc.		A55-1-49-12-HO-1580 / A55-2-49-12-HO-1580	Block Grants for Prevention and Treatment of Substance Abuse	93.959	-	423,000
InteCare, Inc.		A55-1-49-12-HO-1580 / A55-2-49-12-HO-1580	Block Grants for Prevention and Treatment of Substance Abuse	93.959		543,279
					<u>-</u>	<u>1,007,434</u>
Indiana State Department of Health		61910-573100-4003610141610 STD 198-22	Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	-	12,621
Indiana State Department of Health		A70-0-112140	Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	97,158	170,981
					<u>97,158</u>	<u>183,602</u>
Indiana University		A70-0-069263; A70-2-069477	Maternal and Child Health Services Block Grant to the States	93.994	-	178,285
Total U.S. Department of Health and Human Services					<u>3,741,511</u>	<u>15,466,110</u>
U.S. Department of Housing and Urban Development						
City of Indianapolis, Indiana		POI0300132	Community Development Block Grants/Entitlement Grants	14.218	-	(5)
City of Indianapolis, Indiana		POI1300237	Community Development Block Grants/Entitlement Grants	14.218	-	9,975
					<u>-</u>	<u>9,970</u>
City of Indianapolis, Indiana		POI1300217 / POI1300861	Supportive Housing Program	14.235	-	273,641
City of Indianapolis, Indiana		IN0081C5H030802/POI1300472; IN0082C5H030802/POI1300349; POI7300851; IN0111C5H030900; IN0072C5H030800	Shelter Plus Care	14.238	-	516,312
Direct		N/A	Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	1,043,120	1,278,161
Direct		N/A	Office of Lead-Based Paint Abatement and Poisoning Prevention	14.901	-	310,436
Direct		N/A	Office of Healthy Homes and Lead Hazard Control	14.904	-	144,717
Direct		N/A	Lead Hazard Reduction Demonstration Grant Program	14.905	-	5,359
Direct		N/A	Healthy Homes Production Grant Program	14.913	-	2,421
Total U.S. Department of Housing and Urban Development					<u>1,043,120</u>	<u>2,541,017</u>

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

Federal Grantor	Pass-Through Grantor	Pass-Through Grantor Number	Program Title	Federal CFDA #	2011 Amount Passed-Through to Subrecipients	Combined 2011 Total Federal Expenditures
U.S. Department of Justice		D3-11-5620 (Req 0000002612); 11VANP082/D3-12-6844; D3-12-6144; D3-12-6832	Crime Victim Assistance	16.575	\$ -	\$ 112,297
	Indiana Criminal Justice Institute					
	Indiana University	D3-11-5621 (PO 886659); D3-12-6135	Crime Victim Assistance	16.575	-	48,634
					-	160,931
	Indiana Criminal Justice Institute	09STR22 (D3-10-4765)	ARRA - Violence Against Women Formula Grants	16.588	-	38,820
	City of Indianapolis, Department of Public Safety	POI0602440	Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	-	51,051
	City of Indianapolis, Department of Public Safety	09-JRA-017	Recovery Act - Edward Byrne Memorial Justice Assistant Grant Program	16.803	-	17,477
Total U.S. Department of Justice					-	268,279
U.S. Environmental Protection Agency	Indiana State Department of Health	A70-1-096096	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	-	6,860
					-	6,860
					-	6,860
Total U.S. Environmental Protection Agency					-	6,860
Total Federal Expenditures					\$ 4,849,881	\$ 45,865,000

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2011

Note to Schedule

1. This schedule includes the federal awards activity of Health and Hospital Corporation of Indianapolis - Marion County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Independent Accountants' Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Based on an Audit of
the Financial Statements Performed in Accordance
With Government Auditing Standards**

Board of Trustees
Health and Hospital Corporation of Marion County, Indiana
Indianapolis, Indiana

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis - Marion County) (Corporation) as of and for the year ended December 31, 2011, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated June 29, 2012, which contained an explanatory paragraph regarding a change in accounting principle. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the accompanying schedule of findings and responses, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Corporation's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 11-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation'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*.

We also noted certain matters that we reported to the Corporation's management in a separate letter dated June 29, 2012.

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Corporation's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body, management and others within the Corporation 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.

BKD, LLP

June 29, 2012

**Independent Accountants' Report on Compliance With Requirements That
Could Have a Direct and Material Effect on Each Major Program and on
Internal Control Over Compliance in Accordance With OMB Circular A-133
and Schedule of Expenditures of Federal Awards**

Board of Trustees
Health and Hospital Corporation of Marion County, Indiana
Indianapolis, Indiana

Compliance

We have audited the compliance of Health and Hospital Corporation of Marion County, Indiana (Corporation) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The Corporation's major federal programs are identified in the summary of auditor's 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 Corporation's management. Our responsibility is to express an opinion on the compliance of the Corporation based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation'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 on the Corporation's compliance with those requirements.

As described in item 11-02 in the accompanying schedule of findings and questioned costs, the Corporation did not comply with requirements regarding subrecipient monitoring that are applicable to its Consolidated Health Centers program. Compliance with such requirements is necessary, in our opinion, for the Corporation to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The results of our auditing procedures also disclosed an instance of noncompliance with those requirements that are 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 11-03.

Internal Control Over Compliance

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Corporation's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund and the aggregate remaining fund information of the Corporation as of and for the year ended December 31, 2011, and have issued our report thereon dated June 29, 2012, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

This report is intended solely for the information and use of the governing body, management, others within the Corporation, 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.

BKD, LLP

June 29, 2012

Health and Hospital Corporation of Marion County, Indiana

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

Schedule of Findings and Questioned Costs

Year Ended December 31, 2011

Summary of Auditor's Results

1. The opinions expressed in the independent accountants' report over financial reporting were:
☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting disclosed:
 Significant deficiency(ies)? ☐ Yes ☒ No
 Material weakness(es)? ☒ Yes ☐ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent accountants' report on internal control over compliance with requirements that could have a direct and material effect on major federal awards programs disclosed:
 Significant deficiency(ies)? ☐ Yes ☒ No
 Material weakness(es)? ☐ Yes ☒ No

5. The opinions expressed in the independent accountants' report on compliance with requirements that could have a direct and material effect on major federal awards were:
☒ Unqualified ☒ Qualified ☐ Adverse ☐ Disclaimed

Special Supplemental Nutrition Program for Women, Infants & Children (CFDA No. 10.557)	Unqualified
Lead-Based Paint Hazard Control in Privately-Owned Housing (CFDA No. 14.900)	Unqualified
Consolidated Health Centers - Section 330 Funding (CFDA No. 93.224/93.527)	Qualified

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2011

6. The audit disclosed findings required to be reported by OMB Circular A-133? ☒ Yes ☐ No

7. The Corporation's major programs were:

Cluster/Program	CFDA Number
Special Supplemental Nutrition Program for Women, Infants & Children	10.557
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900
Consolidated Health Centers - Section 330 Funding	93.224/93.527

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$1,375,950.
9. The Corporation qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☐ Yes ☒ No

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2011

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
11-01	Criteria or Specific Requirement: Internal Control Over Financial Reporting Condition: The Corporation issues a Comprehensive Annual Financial Report (CAFR) on an annual basis. Certain audit adjustments were required in order to present materially accurate financial statements. These adjustments were not detected by management's internal control structure. Context: Timely and accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties. Cause: Reconciliation and review of various accounts in the general ledger may not be adequate to support timely and accurate financial reporting. Effect: Potential material misstatements in the financial statements could occur and not be detected and/or corrected in a timely manner. Recommendation: We recommend that the Corporation evaluate current accounting mechanisms in place for timely closing and reconciling of accounts to determine how they can be enhanced to minimize the potential for material error. Views of Responsible Officials and Planned Corrective Action: We concur. Management will evaluate current controls related to account reconciliation procedures/detection of adjustments. Audit adjustments determined to be material to the financial statements will be recorded timely.	

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2011

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
11-02	Federal Agency: U.S. Department of Health and Human Services CFDA Title and Number: 93.224/93.527 - Consolidated Health Centers - Section 330 Funding Award Number(s): 6H80CS00592-10 Award Year: July 1, 2002 to November 30, 2012 Criteria or Specific Requirement: Subrecipient Monitoring - In accordance with the Single Audit Act, OMB Circular A-133 and other program and award guidance, the Corporation is required to conduct certain "During-the-Award" monitoring activities that incorporate reporting, site visits, regular contact or other means to provide reasonable assurance that the subrecipient administers the award in compliance with laws, regulations and the provisions of the grant agreement. Among other responsibilities, the Corporation is required to (1) ensure that the subrecipient obtains an audit in accordance with Circular A-133; (2) issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; (3) ensure that the subrecipient takes timely and corrective action on all audit findings; and (4) evaluate the impact of subrecipient activities on the Corporation's ability to comply with applicable federal regulations. Condition: Timely and sufficient subrecipient monitoring activities were not performed in accordance with the requirements of the Single Audit Act and OMB Circular A-133. The subrecipient has not provided an audit in accordance with OMB Circular A-133 to the Corporation since the completion of its February 28, 2009 audit report (dated March 5, 2010). Subsequent to the receipt of this report, which contained a number of audit findings, the Corporation failed to issue its management decision on the findings within the required 6-month timeframe. Such management decision was issued in November 2011. Additionally, the Corporation was unable to demonstrate that it had performed sufficient monitoring and follow up procedures prior to November 2011.	None

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2011

Reference Number	Finding	Questioned Costs
	Context: The Corporation has made numerous attempts to obtain the required audit reports from the subrecipient, which have included offers to pay for the cost of such audits. Sanctions have been threatened by the Corporation, including the potential withholding of funds. Subsequent to December 31, 2011, the Corporation communicated to both HRSA and the subrecipient its intention to relinquish its funding under this program, effective November 30, 2012. Cause: Since 2001, the Corporation has been a party to a Co-Applicant Agreement with the subrecipient whereby the Corporation is considered the grantee of record for this program and the co-applicant (subrecipient) retains eligibility for spending the grant proceeds. Since inception of the Co-Applicant Agreement, the Corporation understood the nature of its relationship with the co-applicant to be something other than a grantor-subrecipient relationship. Accordingly, the scope and timing of the Corporation's oversight activities reflected this understanding. During 2012, HRSA confirmed through a communication from one of its consultants that the Corporation was involved in a grantor-subrecipient relationship relative to this program and was therefore responsible for complying with the subrecipient monitoring requirements. Effect: By not performing periodic and sufficient subrecipient monitoring activities, the Corporation is unable to ensure that the subrecipient has taken timely and appropriate corrective action on all audit findings or evaluate the adequacy of compliance with program laws and regulations. Recommendation: We recommend the Corporation continue its monitoring and follow up activities relative to this program with the goals of (1) obtaining past due audit reports; (2) ensuring that corrective actions on all audit findings have been taken; and (3) gaining assurance that the subrecipient is administering the program in compliance with applicable federal laws, regulations and provisions of the grant award. Views of Responsible Officials and Planned Corrective Action: We concur. However, the Corporation has chosen to relinquish this grant effective November 30, 2012. Until such time, the Corporation will make every reasonable attempt to conduct monitoring and follow up activities relative to this subrecipient. The Corporation will attempt to (1) obtain past due audit reports if available, (2) confirm that corrective actions on all audit findings have been taken, and (3) ascertain whether the subrecipient is administering the program in compliance with applicable Federal laws, regulations and provisions of the grant award through on-site testing and other means.	

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2011

Reference Number	Finding	Questioned Costs
11-03	Federal Agency: U.S. Department of Health and Human Services CFDA Title and Number: 93.703 - ARRA - Health Center Integrated Services Development Initiative Award Number(s): C81CS14238-01-00 Award Year: June 29, 2009 - June 28, 2011 Criteria or Specific Requirement: Allowable costs during period of availability. Condition: Expenditures totaling \$10,968 were incurred by the Corporation's subrecipient under this program, but were not deemed allowable as they were not fully incurred during the period of availability, which expired June 28, 2011. Context: The Corporation reimbursed the subrecipient for a capital expenditure to install a sign in front of its facility. At the end of the grant term, upon testing by the federal agency, it was noted that the project had not been fully completed and the sign had not been put into use by the end of the grant term. Cause: Costs were incurred to purchase a permanent sign as part of a capital project but the project had not been fully completed by the end of the grant term. Effect: By not completing the project within the estimated and budgeted timeline, these costs were deemed unallowable by the federal agency and a refund was requested by the federal agency. Recommendation: We recommend the Corporation review and revise, if necessary, its subrecipient monitoring procedures to ensure that all specific grant requirements are identified and appropriately monitored for compliance. Views of Responsible Officials and Planned Corrective Action: We concur. The Corporation will review and, if necessary, revise its subrecipient monitoring procedures related to capital/construction projects to ensure all specific grant requirements are identified and appropriately monitored for compliance. With respect to the \$10,968 costs incurred for this sign, appropriate supporting documentation was submitted by the subrecipient for the purchase of the sign. The Corporation was assured by the subrecipient that the sign would be installed within the availability period. Management reviewed this documentation noting the costs were allowable and reimbursed the subrecipient. Installation of the sign did not occur during the period of availability. The Corporation requested an extension of time from Health Resources and Services Administration-U.S. Department of Health and Human Services to permit more time to install the sign. The extension request was denied. The Corporation reimbursed the U.S. Department of Health and Human Services in June 2012.	\$10,968

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2011

Reference Number	Summary of Finding	Status
10-01	The Corporation issues a Comprehensive Annual Financial Report (CAFR) on an annual basis, which includes the activities of the Wishard Health Systems. A material audit adjustment was required for Wishard Health Services in order to present materially accurate financial statements. This adjustment was not detected by management's internal control structure.	Corrected
10-02	The Corporation is responsible for determining that vendors with which it contracts for covered transactions are not suspended or debarred or whose principals are not suspended or debarred. For two programs tested, documentation to support this compliance requirement was not available.	Corrected
10-03	Subrecipient monitoring requirements, including "During-the-Award" monitoring and follow-up on subrecipient's Single Audit reports for two programs tested.	Corrected
10-04	The Corporation is required to maintain documentation and support regarding income verification and eligibility.	Corrected