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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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October 23, 2012

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

We have reviewed the audit reports prepared by KPMG LLP, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Marion County, as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

MARION COUNTY, INDIANA

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

ANNUAL
FINANCIAL REPORT

For the Year
Ended December 31, 2007

MARION COUNTY, INDIANA

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

ANNUAL
FINANCIAL REPORT

For the Year

Ended December 31, 2007

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COMMISSIONERS • MARION COUNTY, INDIANA

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2007 County Elected Officials

		TERM
Auditor	Billie J. Breaux	1-01-07 to 12-31-10
Treasurer	Michael Rodman	1-01-05 to 12-31-08
Clerk	Elizabeth White	1-01-07 to 12-31-10
Sheriff	Frank Anderson	1-01-07 to 12-31-10
Recorder	Julie Voohies	1-01-07 to 12-31-10
Assessor	Greg Bowes	1-01-07 to 12-31-10
Surveyor	Mary Catherine Barton	1-01-05 to 12-31-08**
Coroner	Dr. Kenneth Ackles, Sr.	1-01-05 to 12-31-08
Prosecutor	Carl Brizzi	1-01-07 to 12-31-10
County Executive	Bart Peterson	1-01-04 to 12-31-07*
Board of County Commissioners	Michael Rodman	1-01-05 to 12-31-08
Board of County Commissioners	Billie J. Breaux	1-01-07 to 12-31-10
Board of County Commissioners	Greg Bowes	1-01-07 to 12-31-10

*Greg Ballard elected in 2007 – term 01-01-08 to 12-31-11
**Debra S. Jenkins elected in 2007 – term 01-01-08 to 12-31-11

2007 Other Elected Officials and Department Heads

		TERM
Center Township Assessor	Eugene Ackles, Sr.	1-01-07 to 12-31-10
Decatur Township Assessor	Jason Holiday	1-01-07 to 12-31-10
Franklin Township Assessor	Becky L. Williams	1-01-07 to 12-31-10
Lawrence Township Assessor	Jeffrey Hill	1-01-07 to 12-31-10
Perry Township Assessor	Katherine A. Price	1-01-07 to 12-31-10
Pike Township Assessor	Barbara M. Hurst	1-01-07 to 12-31-10
Warren Township Assessor	Arlene Crooke	1-01-07 to 12-31-10
Washington Township Assessor	Joline Ohmart	1-01-07 to 12-31-10
Wayne Township Assessor	Michael McCormack	1-01-07 to 12-31-10

Voters Registration	Cindy Mowery Joel Miller
Marion County Cooperative Extension	Ronald Hoyt
Criminal Probation	Robert Bingham
Court Administrator	Ron Miller*
Guardian Home (Acting Director)	Rose Butler
Community Corrections	Brian Barton
Forensic Services	Michael Medler
Chief Public Defender	David Cook
Metropolitan Emergency Communication Agency	Wendall Raney
Chief Information Officer	Shital Patel

*Glenn Lawrence – appointed 06-25-07

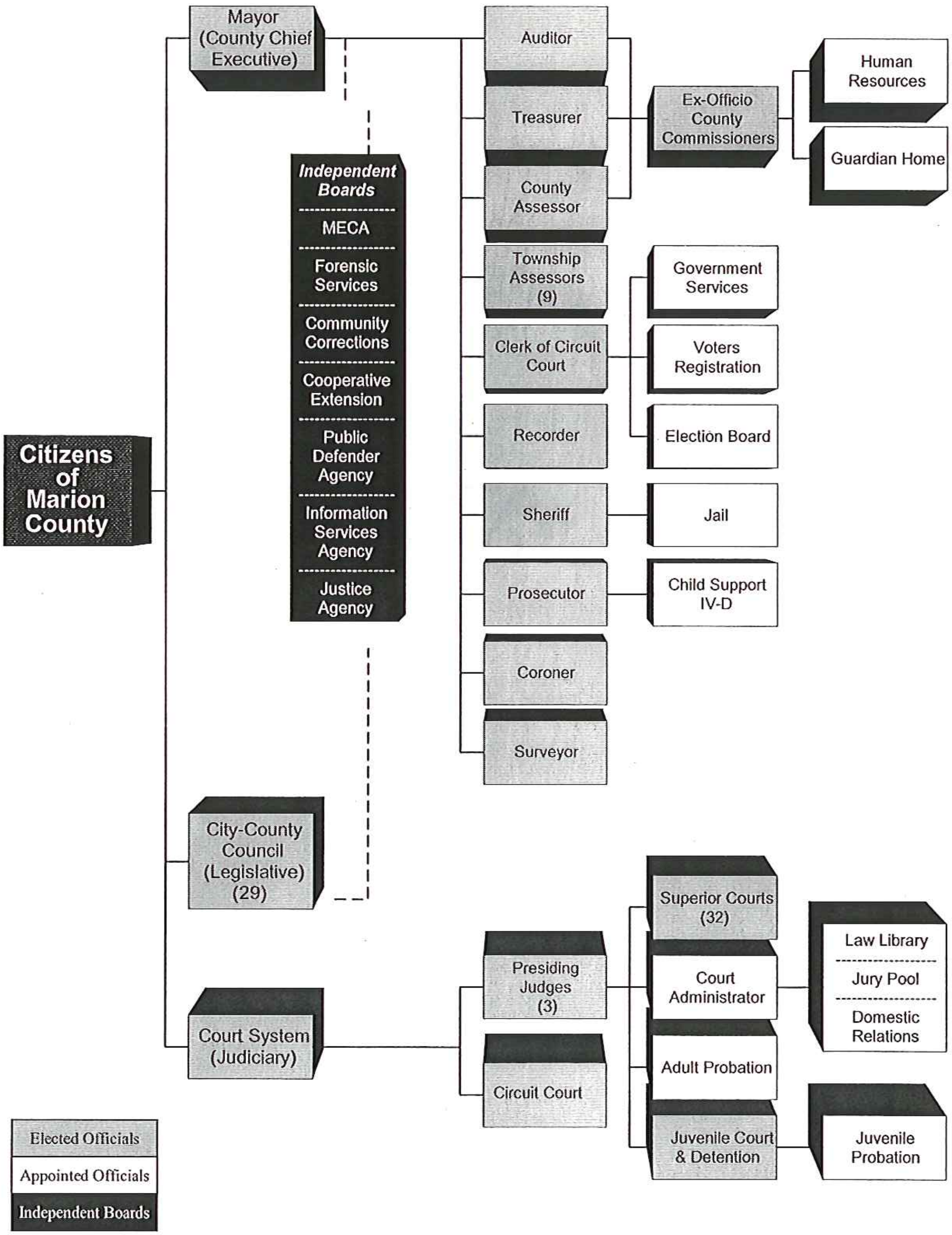
2007 City-County Council Members

President, Monroe Gray, Jr.	Ron Gibson	Cherrish Pryor
Majority Leader, Lonnell Conley	Scott Keller	Issac Randolph, Jr.
Minority Leader, Dr. Philip Borst	Lance Langsford	Joanne Sanders
Patrice Abduallah	Robert Lutz	Scott Schneider
Paul Bateman , Jr.	Dane Mahern	Mike Speedy
Rozelle Boyd	Angela Mansfield	Ryan Vaughn
Vernon Brown	Lynn McWhirter	
Virginia Alig Cain	Mary Moriarty Adams	
Andre Carson	Jackie Nytes	
Bob Cockrum	William Oliver	
N. Susie Day	Marilyn Pfisterer	
Sherron Franklin	Lincoln Plowman	

2007 Judiciary

CIRCUIT COURT			Theodore Sosin
Circuit – Paternity			Alicia Gooden, Commissioner
SUPERIOR COURT			
Criminal Division:	Court 1		Tanya Walton-Pratt
	Court 2		Robert Altice Jr.
	Court 3		Sheila A. Carlisle
	Court 4		Patricia J. Gifford
	Court 5		Grant Hawkins
	Court 6		Mark D. Stoner
	Court 7	Misdemeanor	William J. Nelson
	Court 8	Misdemeanor	Barbara Collins
	Court 9	D-Felony	Heather A. Welch
	Court 10	Misdemeanor	Linda E. Brown
	Court 11	Initial Hearing/APC	Commissioners
	Court 12	Community Court	Magistrate Louis Rosenberg
	Court 13	Traffic/Misdemeanor	Marc Rothenberg, Commissioner
	Court 14	D-Felony Drug Court, Re-Entry Court	Jose D. Salinas
	Court 15	Felony	Lisa F. Borges
	Court 16	Domestic Violence	Clark Rogers
	Court 17	Domestic Violence	Annie Christ-Garcia
	Court 18	D-Felony	Reuben Hill
	Court 19	Misdemeanor	R. F. Pierson-Treacy
	Court 20	Felony Drug	William Young
	Court 21	Domestic Violence	David J. Certo
	Court 22	Major Felony	Carol J. Orbison
	Court 23	Major Felony Drug	Steve Eichholtz
	Court 24	D Felony	John W. Hammel
Civil Division:	Court 1		David Shaheed
	Court 2		Kenneth H. Johnson
	Court 3		Patrick L. McCarty
	Court 4		Cynthia J. Ayers
	Court 5		Gary L. Miller
	Court 6		Thomas J. Carroll
	Court 7		Gerald S. Zore
	Court 8	Probate Division	Charles J. Deiter
	Court 9	Juvenile Division	Marilyn A. Moores
	Court 10		David Dreyer
	Court 11		John Hanley
	Court 12		Robyn Moberly
	Court 13		S. K. Reid
	Environmental Court		Michael D. Keele
	Title IV-D Court		Carol Terzo, Commissioner

Marion County, Indiana
Government Organization Chart



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COMMISSIONERS • MARION COUNTY, INDIANA

KPMG LLP
Suite 1500
111 Monument Circle
Indianapolis, IN 46204

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis – Marion County) (County) as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As more fully described in Note 1 to the basic financial statements, the County prepared its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position–modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County, Indiana as of December 31, 2007, and the respective changes in financial position–modified cash basis thereof for the year then ended, in conformity with the basis of accounting described in Note 1, except for Note 6 – Additional Pension Disclosures, on which we express no opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2010 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

KPMG

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund financial statements and schedules – other supplementary information on pages 36 through 49, are presented for purposes of additional analysis, and are not a required part of the basic financial statements. Such information, except the schedules of revenues and expenditures–budget and actual, on pages 38 through 45 which are unaudited, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1.

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

KPMG LLP

Indianapolis, Indiana
May 21, 2010

BASIC
FINANCIAL STATEMENTS

COMMISSIONERS • MARION COUNTY, INDIANA

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MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF ACTIVITIES AND NET ASSETS - MODIFIED CASH BASIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Cash Receipts		Net Cash Receipts (Disbursements) and Changes in Net Assets		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities:						
Administration and finance	$ 49,975,366	$ 22,394,290	$ 5,105,747	$ (22,475,329)	$ —	$ (22,475,329)
Protection of people and property program	78,600,760	19,967,501	5,636,327	(52,996,932)	—	(52,996,932)
Corrections program	60,793,394	2,412,017	5,443,603	(52,937,774)	—	(52,937,774)
Judicial program	76,392,540	14,105,509	7,540,978	(54,746,053)	—	(54,746,053)
Culture and recreation program	3,184,288	—	1,181,751	(2,002,537)	—	(2,002,537)
Real estate and assessments program	11,259,379	4,822,625	—	(6,436,754)	—	(6,436,754)
Health and welfare	83,365,484	609,192	—	(82,756,292)	—	(82,756,292)
Principal and interest on tax anticipation warrants	113,841,700	—	—	(113,841,700)	—	(113,841,700)
Principal and interest on long-term debt	26,505,771	—	—	(26,505,771)	—	(26,505,771)
Note issuance costs	330,403	—	—	(330,403)	—	(330,403)
Principal payment on loan from City of Indianapolis	1,100,000	—	—	(1,100,000)	—	(1,100,000)
Payment on refinanced note	7,150,000	—	—	(7,150,000)	—	(7,150,000)
Total governmental activities	512,499,085	64,311,134	24,908,406	(423,279,545)	—	(423,279,545)
Business-type activities:						
Drug testing laboratory	680,803	460,921	—	—	(219,882)	(219,882)
Total business-type activities	680,803	460,921	—	—	(219,882)	(219,882)
Total	$ 513,179,888	$ 64,772,055	$ 24,908,406	(423,279,545)	(219,882)	(423,499,427)
General cash receipts:						
Property taxes				183,804,560	—	183,804,560
Financial institution tax				1,726,386	—	1,726,386
Excise tax				16,498,251	—	16,498,251
Local option income tax				36,229,348	—	36,229,348
Other state and local taxes				1,485,591	—	1,485,591
State wagering taxes				2,465,127	—	2,465,127
Unrestricted investment earnings				15,512,333	—	15,512,333
Other				1,205,463	992	1,206,455
Note proceeds				16,750,000	—	16,750,000
Tax anticipation warrant proceeds				148,930,297	—	148,930,297
Total general cash receipts				424,607,356	992	424,608,348
Change in net assets				1,327,811	(218,890)	1,108,921
Net assets – beginning of year				69,097,395	1,618	69,099,013
Net assets – end of year				$ 70,425,205	$ (217,272)	$ 70,207,933
Cash and Investment Assets - December 31, 2007						
Cash and cash equivalents				$ 68,011,561	$ (217,272)	$ 67,794,289
Cash with fiscal agents				1,026,840	—	1,026,840
Restricted cash and cash equivalents				386,804	—	386,804
Certificates of deposit				1,000,000	—	1,000,000
Total cash and investment assets - December 31, 2007				$ 70,425,205	$ (217,272)	$ 70,207,933
Cash and Investment Net Assets - December 31, 2007						
Restricted for:						
Debt service				$ 1,026,840	$ —	$ 1,026,840
Capital projects				75,986	—	75,986
Grantor purposes				5,460,929	—	5,460,929
Statutory purposes				22,218,606	—	22,218,606
Unrestricted				41,642,844	(217,272)	41,425,572
Total cash and investment net assets - December 31, 2007				$ 70,425,205	$ (217,272)	$ 70,207,933

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Welfare Sinking	Nonmajor Governmental Funds	Total Governmental Funds
Receipts				
Taxes	$ 189,237,372	$ 29,849,548	$ 23,122,342	$ 242,209,262
Intergovernmental	15,711,992	—	9,196,414	24,908,406
Interest	15,443,372	—	68,961	15,512,333
Charges for services	21,619,578	—	20,906,539	42,526,117
Miscellaneous	251,572	—	904,166	1,155,738
Total receipts	242,263,886	29,849,548	54,198,422	326,311,856
Disbursements				
Current:				
General government	99,869,033	—	24,252,563	124,121,596
Public safety	115,195,096	—	23,756,204	138,951,300
Welfare	83,134,454	—	—	83,134,454
Culture and recreation	1,066,212	—	264	1,066,476
Capital outlay	893,786	—	1,362,928	2,256,714
Debt service:				
Principal on notes	—	24,565,000	—	24,565,000
Principal payment on loan from City of Indianapolis	1,100,000	—	—	1,100,000
Principal and interest on tax anticipation warrants	113,841,700	—	—	113,841,700
Interest	489,709	1,451,062	—	1,940,771
Note issuance costs	330,403	—	—	330,403
Total disbursements	415,920,393	26,016,062	49,371,959	491,308,414
Excess (deficiency) of receipts over disbursements	(173,656,507)	3,833,486	4,826,463	(164,996,558)
Other Financing Sources (Uses)				
Transfers in (out)	16,385,498	—	(16,385,498)	—
Proceeds from note issuances	16,750,000	—	—	16,750,000
Proceeds from tax anticipation warrants	148,930,297	—	—	148,930,297
Payment on refinanced note	(7,150,000)	—	—	(7,150,000)
Sale of capital assets	22,320	—	27,405	49,725
Total other financing sources (uses)	174,938,115	—	(16,358,093)	158,580,022
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,281,608	3,833,486	(11,531,630)	(6,416,536)
Cash and investment fund balances - beginning of year	24,619,859	7,770,095	30,057,555	62,447,509
Cash and investment fund balances - end of year	$ 25,901,467	$ 11,603,581	$ 18,525,925	$ 56,030,973

Amounts reported for governmental activities in the statement of activities and net assets - modified cash basis are different because:	
Internal service funds are used by management to charge the costs of certain services to individual funds. The cash and investment assets of the internal service fund is included in governmental activities in the statement of activities and net assets - modified cash basis.	14,394,232
Cash and investment net assets of governmental activities	$ 70,425,205

Cash and Investment Assets - December 31, 2007	General	Welfare Sinking	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 23,874,627	$ 11,603,581	$ 18,525,925	$ 54,004,133
Cash with fiscal agents	1,026,840	—	—	1,026,840
Certificates of deposit	1,000,000	—	—	1,000,000
Total cash and investment assets - December 31, 2007	$ 25,901,467	$ 11,603,581	$ 18,525,925	$ 56,030,973

Cash and Investment Fund Balances - December 31, 2007	General	Welfare Sinking	Nonmajor Governmental Funds	Total Governmental Funds
Unreserved, reported in:				
General fund	$ 25,901,467	$ —	$ —	$ 25,901,467
Special revenue funds	—	—	17,855,685	17,855,685
Debt service funds	—	11,603,581	14,097	11,617,678
Capital projects funds	—	—	656,143	656,143
Total cash and investment fund balances - December 31, 2007	$ 25,901,467	$ 11,603,581	$ 18,525,925	$ 56,030,973

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF ASSETS AND NET ASSETS AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

	Enterprise Fund	
	Drug Testing Laboratory	Internal Service Funds
Operating receipts:		
Charges for services	$ 460,921	$ 34,104,492
Miscellaneous	992	2,128,120
Total operating receipts	461,913	36,232,612
Operating disbursements:		
Services and charges	680,803	25,765,662
Administration including salaries and wages	—	2,671,525
Other	—	51,079
Total operating disbursements	680,803	28,488,266
Excess (deficit) of operating receipts over operating disbursements	(218,890)	7,744,346
Cash and investment net assets – beginning of year	1,618	6,649,886
Cash and investment net assets – end of year	$ (217,272)	$ 14,394,232
Cash and Investment Assets - December 31, 2007		
Cash and cash equivalents	$ (217,272)	$ 14,007,428
Restricted cash and cash equivalents	—	386,804
Total cash and investment assets - December 31, 2007	$ (217,272)	$ 14,394,232
Cash and Investment Net Assets - December 31, 2007		
Cash and investment net assets - unrestricted - December 31, 2007	$ (217,272)	$ 14,394,232

See accompanying notes to the basic financial statements.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
STATEMENT OF ASSETS AND NET ASSETS AND ADDITIONS, DEDUCTIONS, AND CHANGES IN NET ASSETS – MODIFIED CASH BASIS
FIDUCIARY FUNDS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

	Pension Trust Funds	Agency Funds
Additions		
Contributions:		
Employer	$ 9,038,098	
Employee	233,142	
Total contributions	9,271,240	
Investment income:		
Interest and dividends	2,832,918	
Realized gain on sales, net	2,898,196	
Net investment receipts	5,731,114	
Total additions	15,002,354	
Deductions		
Investment management fees	450,047	
Benefits	8,480,891	
Total deductions	8,930,938	
Excess of total additions over total deductions	6,071,416	
Cash and investment net assets – beginning of year	142,642,386	
Cash and investment net assets – end of year	$ 148,713,802	
Cash and Investment Assets - December 31, 2007		
Cash and cash equivalents	$ 5,262,725	$ 169,308,374
Investments (cost basis):		
Exchange-traded funds	16,255,698	—
Common stocks	7,718,999	—
Mutual funds	119,476,380	—
Total cash and investment assets – December 31, 2007	$ 148,713,802	$ 169,308,374
Cash and Investment Net Assets – December 31, 2007		
Cash and investment net assets -- December 31, 2007	$ 148,713,802	$ 169,308,374

See accompanying notes to the basic financial statements.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

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

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

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

B. Government-wide and Fund Financial Statements

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

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

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

(Continued)

C. Basis of Accounting and Financial Statement Presentation

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

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

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

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

Governmental Fund Types

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

The following are the County's major governmental funds:

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

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

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

Proprietary Fund Types

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

The following are the County's proprietary fund types:

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

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

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

Fiduciary Fund Types

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

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

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

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

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

Proceeds from the Information Service Agency fund's capital lease with JUSTIS.Net, amounting to $386,804 at December 31, 2007, are classified as restricted cash and cash equivalents on the statement of activities and net assets - modified cash basis, as these funds are restricted for the purchase of software or hardware equipment relating to JUSTIS.Net, the Marion County Court's case management IT system.

E. Property Taxes

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

The County's 2007 property taxes were levied based on assessed valuations determined by the Auditor as of the March 1, 2006 assessed valuations, which were adjusted for estimated appeals, tax credits and deductions. The lien date for the 2007 property taxes was March 1, 2006 (assessment date); the amount of property tax to be collected cannot be measured until the levy and tax rates are certified in the subsequent year. Taxable property is assessed at 100% of the true tax value. In 2007, taxes were due and payable to the Marion County Treasurer in two installments on May 10, 2007 and November 10, 2007. However, the 2006 assessment involved a new procedure for assessing properties which resulted in homeowner assessments being increased excessively while business assessments stayed nearly stagnant. The spring bills were sent out and a public outcry led the Governor of Indiana to require Marion County to review and reperform new assessments and the Governor instructed the public to pay an amount for the 2007 spring billing equal to only one-half of their 2006 tax bill. It was determined that the new assessments could not be completed until the spring of 2008 and therefore, the taxpayers were asked to again pay only one-half of the 2006 bill for the fall billing for 2007 property taxes. Most of the property taxes collected in 2007 were distributed to the units of government by December 31, 2007. In June 2008 the final reconciliation bill was sent out based on the final assessments. The final distribution of taxes for 2007 occurred in August 2008.

F. Capital Assets

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

G. Debt

Long-term debt

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

County Option Income Tax

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

Notes payable

On April 16, 2007, the County's Indiana Limited Recourse Notes, Series 2007 A were issued in the amount of $7,150,000 with a maturity date of March 1, 2008. The County used the proceeds to refinance the Indiana Limited Recourse Notes, Series 2006, which were outstanding in the amount of $7,150,000. Interest is payable at maturity at a rate of 4.54% per annum.

Tax anticipation warrants

During 2007, tax anticipation warrants were issued on the taxes levied in 2006 and collected in 2007. The City-County Council authorizes the temporary borrowing pending the receipt of taxes levied and repayment of loans on June 30 and December 31 of the year borrowed. This procedure assures the County of sufficient funds for operating disbursements between the property tax distribution dates.

Fund	Balance January 1, 2007	Issued	Redeemed	Balance December 31, 2007
General fund	$ —	94,086,744	71,022,172	$ 23,064,572
Agency funds	—	54,843,553	41,360,426	13,483,127
	$ —	148,930,297	112,382,598	$ 36,547,699

As of December 31, 2007, the County has pledged future property tax receipts to repay these outstanding warrants and related interest.

(Continued)

H. Interfund Transactions

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

Transfers

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

Interfund Services Provided/Used

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

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

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

I. Receipts and Disbursements

Program Receipts

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

Operating Receipts and Disbursements

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

J. Fund Balance / Net Assets

Government-wide Financial Statement

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

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

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

Fund Financial Statements

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

K. Pensions

The County has separate defined benefit pension plans that cover substantially all employees. The Indiana Public Employees' Retirement Fund (PERF), administered by the State of Indiana, applies to County employees. The Marion County Law Enforcement Personnel Retirement Plan (Retirement Plan) and the Marion County Law Enforcement Personnel Dependents

(Continued)

and Disability Benefits Plan (Disability Plan) cover employees of the Sheriff's Department. The policy of the County is to fund accrued pension costs for the plans.

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

NOTE 2—STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

NOTE 3—CASH AND INVESTMENTS

A summary of all cash and investments at December 31, 2007 is as follows:

Cash and cash equivalents and certificates of deposit	$	68,794,289
Cash with fiscal agents		1,026,840
Restricted cash and cash equivalents		386,804
Cash and cash equivalents and investments		
– Pension Trust Funds		
Cash and cash equivalents		5,262,725
Investments (cost basis)		143,451,077
Cash and cash equivalents – Agency Funds		169,308,374
	$	388,230,109

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

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

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

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

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

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

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

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

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

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

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

1. The Plans' financial condition.

2. Liquidity reserves are established, and any remaining assets are fully invested at all times.

3. The Marion County Sheriff's Pension Board (Board) has set a shortfall constraint that current plans' assets must be equal to 90% of the annual benefit obligation.

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

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

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

Interest Rate Risk

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

As of December 31, 2007, the County's investments consisted of the following:

			Investment maturities (in years)	
Investment type		Cost	Less than 1	Fair value
Certificate of deposit	$	1,000,000	1,000,000	1,000,000
Exchange-traded funds		16,255,698	16,255,698	15,632,383
Common stocks		7,718,999	7,718,999	8,399,244
Mutual funds		119,476,380	119,476,380	138,499,444
	$	144,451,077	144,451,077	163,531,071

Total cash and cash equivalent deposits at December 31, 2007 amounted to $243,779,032.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Moody's Investor Services. The County uses the highest integrity when choosing an instrument of investment. The County keeps its credit risk as it pertains to investments at a low rate by requiring all investments of the County, which are rated, to be rated in the three highest ratings categories by Moody's Investor Service, Standard & Poor's Corporation, or Fitch's Ratings Service. Investments were rated as follows by Moody's Investors Service, Standard & Poor's Corporation, or Fitch's Rating Service at December 31, 2007:

Investments		Cost	Rating		Fair value
Certificate of deposit	$	1,000,000	Not rated	$	1,000,000
Exchange-traded funds		16,255,698	Not rated		15,632,383
Common stocks		7,718,999	Not rated		8,399,244
Mutual funds		119,476,380	Not rated		138,499,444
	$	144,451,077		$	163,531,071

Concentration of Credit Risk

The County policy provides that the County may invest up to 30% of their investment pool in negotiable certificates of deposit having maturities of less than two years and in multiples of one million dollars providing that market yields on certificates of deposit exceed treasury bills of comparable maturity duration. The County has investments of certificates of deposits at December 31, 2007 in the amount of $75,020,000, which represents approximately 20% of total cash and investments. Of this total, $74,020,000 are included in cash and cash equivalents at December 31, 2007.

NOTE 4—INTERFUND TRANSACTIONS AND BALANCES

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

Interfund transfers for the year ended December 31, 2007 consisted of the following:

			Transfer from Nonmajor governmental funds
Transfer to	General fund	$	16,385,498
		$	16,385,498

(Continued)

NOTE 5—PENSIONS

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

A. Plan Description

Marion County Law Enforcement Personnel Retirement Plan

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

Retirement Plan benefits begin to vest after 10 years of service. As of December 31, 2007, there are 99 fully vested employees (over 20 years of service), 78 partially vested (between 10 and 20 years of services), and 188 nonvested employees. Law enforcement employees who retire at or after age 55 with 10 years of credited services are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.50% of the highest monthly average of consecutive five-year salary per year of service up to a maximum of 20 years; plus 2.00% of such salary per year of service in excess of 20 years, if any, up to an additional 12 years; plus $1 for each year of service up to a maximum of $20. Full benefits do not commence before attainment of age 50; however, employees with 20 years of service can elect earlier benefits at a reduced rate. As of December 31, 2007, there are 293 retirees and beneficiaries receiving benefits, 8 terminated members entitled to benefits but not yet receiving benefits, and 365 current active members.

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

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

Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan

The Disability Plan is a single-employer defined benefit plan covering all participants in the Retirement Plan. The Disability Plan provides benefits to the beneficiaries of disabled employees and payments of pensions to dependent parents, surviving spouses, and dependent children under age 18 for deceased employees. This plan is accounted for in a single fund in accordance with state statutes, which require the County to make minimum contributions necessary to keep the Disability Plan sound on an actuarial basis. At December 31, 2007, there are 79 benefit recipients and no vested employees.

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

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

PERF

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

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

(Continued)

which is mandated by state statute, in addition to the employer contribution amount, which is actuarially determined and is currently 5.00% of annual covered payroll.

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

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

B. Funding Policy

The County is obligated by state law to make all required contributions to the Retirement and Disability Plans based upon an annual actuarial valuation. The required contributions are actuarially determined. The costs of administering the plan are financed through plan assets. There are no long-term contracts for contributions to the plan. For PERF, the County pays the employee contribution portion, 3.00% of annual salary, which is mandated by state statute, in addition to the employer contribution amount, which is actuarially determined and is currently 5.00%.

The annual required contribution and actual contribution made for each plan is as follows for the year ending December 31, 2007:

Plan	Annual required contribution (ARC)	Actual contribution
Retirement	$ 3,804,775	$ 4,389,806
Disability	1,045,907	1,045,907
PERF	4,925,141	4,494,201

C. Concentration of Investments

As of December 31, 2007, investments that represent 5% or more of the Retirement and Disability Plans' assets included the following:

Investment	Retirement	Disability
Mutual funds:		
Passive bond market fund	$ 10,273,303	$ 11,458,489
Hartford retirement fund	27,332,844	—
Vanguard institutional index fund 94	39,982,941	—
Fidelity diversified international fund 325	12,602,912	—
Barrow Hanley	8,499,433	—
	$ 98,691,433	$ 11,458,489
Exchange-traded funds:		
iShares trust russell 2000	$ 16,255,698	$ —
	$ 16,255,698	$ —

D. Financial Statements

Combining schedule for the statement of assets and net assets and additions, deductions, and changes in net assets – modified cash basis – pension trust funds, as of and for the year ended December 31, 2007, are as follows:

	Retirement	Disability	Total
Additions			
Contributions:			
Employer	$ 8,029,685	$ 1,008,413	$ 9,038,098
Employee	233,142	—	233,142
Total contributions	8,262,827	1,008,413	9,271,240
Investment income:			
Interest and dividends	2,808,022	24,896	2,832,918
Realized gain on sales, net	2,897,756	440	2,898,196
Net investment receipts	5,705,778	25,336	5,731,114
Total additions	13,968,605	1,033,749	15,002,354
Deductions			
Investment management fees	434,562	15,485	450,047
Benefits	7,423,852	1,057,039	8,480,891
Total deductions	7,858,414	1,072,524	8,930,938
Excess (deficiency) of total additions over total deductions	6,110,191	(38,775)	6,071,416
Cash and investment net assets – beginning of year	130,981,993	11,660,393	142,642,386
Cash and investment net assets – end of year	$ 137,092,184	$ 11,621,618	$ 148,713,802

Cash and Investment Assets - December 31, 2007

	Retirement	Disability	Total
Cash and cash equivalents	$ 5,099,596	$ 163,129	$ 5,262,725
Investments:			
Exchange-traded funds	16,255,698	—	16,255,698
Common stocks	7,718,999	—	7,718,999
Mutual funds	108,017,891	11,458,489	119,476,380
Total cash and investment assets – December 31, 2007	$ 137,092,184	$ 11,621,618	$ 148,713,802

Cash and Investment Net Assets – December 31, 2007

	Retirement	Disability	Total
Cash and investment net assets – December 31, 2007	$ 137,092,184	$ 11,621,618	$ 148,713,802

(Continued)

NOTE 6—ADDITIONAL PENSION DISCLOSURES (UNAUDITED)

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

A. Annual Pension Cost and Net Pension Asset

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

	Retirement Plan	Disability Plan	County Employees (PERF)
Valuation date	1/01/08	1/01/08	7/01/07
Actuarial cost method	Frozen initial liability	Aggregate	Entry age normal cost
Asset valuation method	75% of expected actuarial value plus 25% of market value	75% of expected actuarial value plus 25% of market value	75% of expected actuarial value plus 25% of market value
Investment return	7.5%	7.5%	7.25%
Inflation rate	4.0%	4.0%	*****
Projected salary increases	5.0%*	5.0%	*****
Postretirement increases	**	**	1.5% compounded annually after retirement
Amortization method	Fixed period level annual installments	N/A****	Level dollar
Amortization period	20-year period	N/A****	Open 30-year period***

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

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

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

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

***** Based on PERF experience 2000-2005.

Marion County Law Enforcement Personnel Retirement Plan

For the plan year 2007, the County's annual pension cost of $4,011,294 for the Retirement Plan was more than the required annual contribution of $3,804,775 but less than the actual County contribution of $4,389,806. The required contribution was determined as part of the January 1, 2007 valuation using frozen entry age actuarial cost method. Under the accrual basis of accounting, the calculation of the annual pension cost and the net pension asset (NPA) is as follows for the Retirement Plan:

Annual required contribution (ARC)	$	3,804,775
Interest on net pension asset		(181,128)
Adjustment to ARC		387,647
Annual pension cost		4,011,294
Actual contribution made		(4,389,806)
Increase in net pension asset		378,512
Net pension asset at beginning of year		2,415,041
Net pension asset at end of year	$	2,793,553

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

Marion County Law Enforcement Personnel Dependents and Disability Benefits Plan

For the plan year 2007, the County's annual pension cost of $1,047,140 for the Disability Plan was more than the required annual contribution of $1,045,907, and the actual County contribution of $1,045,907. The required contribution was determined as part of the January 1, 2007 valuation using aggregate actuarial cost method. Under the accrual basis of accounting, the calculation of the annual pension cost and the NPA is as follows for the Disability Plan:

Annual required contribution (ARC)	$	1,045,907
Interest on net pension asset		(1,081)
Adjustment to ARC		2,314
Annual pension cost		1,047,140
Actual contribution made		(1,045,907)
Decrease in net pension asset		(1,233)
Net pension asset at beginning of year		14,419
Net pension asset at end of year	$	13,186

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

PERF

For the plan year 2007, the County's annual pension cost of $4,947,083 for PERF was more than the required annual contribution of $4,925,141 and the actual County contribution of $4,494,201. The required contribution was determined as part of the July 1, 2007 valuation using entry age normal cost liability method.

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

Annual required contribution (ARC)	$	4,925,141
Interest on net pension asset		(157,201)
Adjustment to ARC		179,143
Annual pension cost		4,947,083
Actual contribution made		(4,494,201)
Decrease in net pension asset		(452,882)
Net pension asset at beginning of year		2,168,295
Net pension asset at end of year	$	1,715,413

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

B. Trend Information

Selected trend information for the years ended December 31, 2005, 2006, and 2007 is as follows:

Valuation date		Annual pension cost	Percentage contributed			Net pension asset
Marion County law enforcement personnel:						
Retirement plan						
1/01/05	$	4,439,205	104	%	$	2,166,182
1/01/06		4,857,256	105			2,415,041
1/01/07		4,011,294	109			2,793,553
Disability plan						
1/01/05		963,357	100			15,767
1/01/06		965,256	100			14,419
1/01/07		1,047,140	100			13,186
County employees (PERF)						
6/30/05		3,505,712	98			2,500,468
6/30/06		4,283,714	92			2,168,295
6/30/07		4,947,083	91			1,715,413

NOTE 7—RISK MANAGEMENT

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

(Continued)

NOTE 8—DEFERRED COMPENSATION PLAN

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

NOTE 9—JOINT VENTURE

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

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

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

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

The Building Authority has various long-term debt obligations, which are secured by the rent payments received from the County and City. During 2007, the County paid $3,595,000 and $6,234,201 in rent and maintenance, respectively. A copy of the separately issued financial statements of the Building Authority, which is prepared on a basis other than U.S. generally accepted accounting principles, is available upon request.

NOTE 10—RELATED-PARTY TRANSACTIONS

The legislative body of the County is the same in several respects as that of the City, and the position of County Executive is held by the Mayor of the City. The County provides certain information technology and telephone services to the City. Receipts from these services were $15,719,870 in 2007. In 2007, the County received $280,581 of 911 dispatch fees from the City.

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

The County acted as either a subrecipient or a pass-through agent for various state and federal grant programs with the City during 2007.

In 2007, Marion County entered into various contracts with Health and Hospital Corporation of Marion County (HHC). HHC is a separate municipal corporation and is considered to be a component unit of the Consolidated City of Indianapolis-Marion County. HHC has its own governing board separate from the County's legislative body. HHC has within it the division of public health and the division of public hospitals. HHC provides medical care to the inmates of the Marion County Jail through its division of public hospitals via a contract with the Marion County Sheriff's Department. In 2007, the cost of medical care provided to inmates for Marion County was $4,388,411. Additionally, in 2007, the County made $1,426,233 in mental health distributions to HHC as allowed by law.

NOTE 11—COMMITMENTS AND CONTINGENCIES

In 2007, Indiana law limits the liability of municipalities to $500,000 per person and $5,000,000 per occurrence. In 2008, the per person limit was increased to $700,000.

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

NOTE 12—DEFICIT FUND BALANCES/NET ASSETS

At December 31, 2007, the following nonmajor governmental and enterprise funds had a deficit fund balance/net assets:

Nonmajor Capital Projects Fund	
Public Safety Capital Projects	$ 12,244
Nonmajor Special Revenue Funds	
Supplemental Public Defender Fee	$ 28,717
Community Corrections Home Detention	1,311,248
MC Sheriffs Civil Division Fees	2,743,741
Enterprise	
Drug Testing Labatory	$ 217,272

The County intends to reduce the deficit in the MC Sheriff's Civil Division Fees, Supplemental Public Defender Fee and Drug Testing Laboratory funds by increasing charges for services accounted for in those funds. The deficit in the Public Safety Capital Projects and Community Corrections Home Detention funds will be funded by a transfer from the General Fund.

NOTE 13—SUBSEQUENT EVENTS

A. Property Tax Assessment

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

B. Issuance of Tax Anticipation Warrants

The County issued tax anticipation warrants in advance of property tax collections in each of the years 2007 through 2010. Due to the property tax reassessment issues discussed in note 13.A above, the County did not repay all of the tax anticipation warrants at the end of 2007, 2008, or 2009. Amounts borrowed and repaid by year by fund as well as the outstanding balance at the financial statement issuance date are as follows:

2008		Beginning Balance	Issued	Redeemed	December 31, 2008
General Fund	$	36,547,699	126,091,470	109,837,358	52,801,811
Property Reassessment Fund		—	308,829	308,829	—
Cumulative Capital Development Fund		—	1,132,374	1,132,374	—
Nonmajor funds		—	10,333,902	10,333,902	—
Agency funds		13,483,127	47,777,390	39,956,406	21,304,111
Total	$	50,030,826	185,643,965	161,568,869	74,105,922

2009		Beginning Balance	Issued	Redeemed	December 31, 2009
General Fund	$	52,801,811	150,052,094	105,466,642	97,387,263
Agency funds		21,304,111	—	21,304,111	—
Total	$	74,105,922	150,052,094	126,770,753	97,387,263

2010		Beginning Balance	Issued	Redeemed	Balance at Financial statement issuance date
General Fund	$	97,387,263	—	62,558,484	34,828,779

C. Credit Market Conditions

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

D. Child Welfare Juvenile Incarceration Takeover by State

As a result of 2008 legislative changes to Indiana statute, beginning January 1, 2009, the state took over the costs of the child welfare program and juveniles incarcerated in state facilities. These costs were previously part of the local property tax levy within Marion County, but with the change, the levy also transferred to the state. In 2007, the activity related to the child welfare program was accounted for in the Family and Children Services Agency Fund and the activity of the juvenile incarceration program was accounted for in the General Fund.

(Continued)

E. Closure of Children's Guardian Home

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

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

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COMMISSIONERS • MARION COUNTY, INDIANA

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
SCHEDULE OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
REQUIRED SUPPLEMENTARY INFORMATION
GENERAL FUND
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget – Positive
	Original	Final	Actual Amounts	(Negative)
Revenues				
Taxes	$ 169,355,998	$ 230,659,991	$ 189,341,969	$ (41,318,022)
Intergovernmental	12,181,401	12,181,401	13,626,938	1,445,537
Charges for services	20,440,740	20,440,740	15,974,595	(4,466,145)
Interest	18,355,000	18,355,000	24,366,036	6,011,036
Miscellaneous	992,000	992,000	79,140	(912,860)
Total revenues	221,325,139	282,629,132	243,388,678	(39,240,454)
Expenditures				
Current:				
General government	90,669,110	91,767,040	101,616,152	(9,849,112)
Public safety	128,720,605	126,230,605	112,530,323	13,700,282
Welfare	7,638,300	83,425,419	83,130,447	294,972
Culture and recreation	1,112,768	1,112,768	1,064,279	48,489
Debt service:				
Principal on tax anticipation warrants	—	112,382,598	112,382,598	—
Bond and note issuance costs	—	330,043	330,043	—
Total expenditures	228,140,783	415,248,473	411,053,842	4,194,631
Excess (deficiency) of revenues over expenditures	(6,815,644)	(132,619,341)	(167,665,164)	(43,435,085)
Other financing sources:				
Sale of capital assets	60,500	60,500	22,067	(38,433)
Proceeds on tax anticipation warrants	—	148,923,078	148,923,078	—
Transfers in	6,122,428	6,122,428	15,285,498	9,163,070
Total other financing sources	6,182,928	155,106,006	164,230,643	9,124,637
Excess (deficiency) of revenues over expenditures and other financing sources	$ (632,716)	$ 22,486,665	$ (3,434,521)	$ (34,310,448)

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

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
REQUIRED PENSION SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS
(UNAUDITED)
DECEMBER 31, 2007

Valuation date	(1) Net assets available for benefits	(2) Actuarial accrued liability	(3) Assets in excess of actuarial accrued liability (AEAAL) (1)-(2)	(4) Funded ratio (1)/(2)	(5) Annual covered payroll	AEAAL as a percentage of covered payroll (3)/(5)
Marion County Law Enforcement Personnel: Retirement Plan						
1/1/03	$ 123,778,462	$ 134,331,050	$(10,552,588)	92.1%	$ 20,011,664	52.7%
1/1/04	129,541,475	139,649,262	(10,107,878)	92.8	21,262,246	47.5
1/1/05	136,580,198	146,179,457	(9,599,259)	93.4	22,106,306	43.4
1/1/06	144,128,766	156,011,793	(11,883,027)	92.4	23,202,469	51.2
1/1/07	153,072,407	164,402,575	(11,330,168)	93.1	21,774,201	52.0
1/1/08	160,461,469	170,363,749	(9,902,280)	94.2	21,337,954	46.4
County Employees*						
7/1/2005	$ 67,450,700	$ 73,441,525	$ (5,990,825)	92.0%	$ 78,667,253	7.6%
7/1/2006	77,213,769	78,541,458	(1,327,689)	98.0	83,278,350	1.6
7/1/2007	85,898,382	85,370,625	527,757	101.0	86,572,232	0.6

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

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

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

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

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
REQUIRED PENSION SUPPLEMENTARY INFORMATION
SCHEDULES OF EMPLOYER CONTRIBUTIONS
(UNAUDITED)
DECEMBER 31, 2007

Valuation date	Annual required contributions	Percentage contributed	
Marion County Law Enforcement Personnel:			
Retirement Plan			
1/1/02	$ 2,665,033	107.1%	
1/1/03	3,434,668	110.5	
1/1/04	4,061,769	110.3	
1/1/05	4,270,397	108.5	
1/1/06	4,672,018	109.3	
1/1/07	3,804,775	115.4	
Disability Plan			
1/1/02	$ 949,714	100.0%	
1/1/03	956,210	100.0	
1/1/04	928,311	100.0	
1/1/05	961,883	105.0	
1/1/06	963,908	100.0	
1/1/07	1,045,907	100.0	
County Employees			
07/01/02	$ 2,028,297	106.8%	
07/01/03	3,194,174		71.6
07/01/04	2,559,233	116.9	
07/01/05	3,479,739	98.8	
07/01/06	4,258,411	92.8	
07/01/07	4,925,141	91.3	

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

NOTE 1—BUDGETS AND BUDGETARY ACCOUNTING

Budgets:

Budgets, detailed to the agency (i.e., department) and character level, are adopted for all governmental funds except Clerk's Title IV D Incentive (Special Revenue Fund), Sheriff Commissary (Special Revenue Fund), Prosecutor's Title IV D Incentive (Special Revenue Fund), Federal and State Grants (Special Revenue Fund), Campaign Finance Fees (Special Revenue Fund), Court Violations Bureau (Special Revenue Fund), and Sheriff's Continuing Education (Special Revenue Fund) which are not legally required to do so. Section 102 HAVA Reimbursement (Special Revenue Fund), County Sinking (Debt Service Fund), Capital Improvement Sinking (Debt Service Fund), Public Safety Interest Escrow (Capital Projects Fund), and Public Safety Capital Projects (Capital Projects Fund) were not budgeted during 2007 due to no expenditure activity.

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

The timetable for the budgetary process is as follows:

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

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

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

	General Fund
Original appropriation	$ 228,140,783
Revisions	187,107,690
Revised appropriation	$ 415,248,473

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

(continued)

NOTE 2—BUDGET / CASH AND INVESTMENT BASIS REPORTING DIFFERENCES

Adjustments required to convert the results of 2007 operations from a budgetary basis to a cash and investment basis are as follows:

	General Fund
Excess (deficiency) of revenues over expenditures and other financing sources (budgetary basis)	$ (3,434,521)
Adjustments:	
Prior year revenue	8,873,178
Prior year expense	(3,934,730)
Expenditures from prior year encumbrances	(596,520)
Vouchers payable outstanding	374,201
Excess of receipts and other financing sources over disbursements and other financing uses	$ 1,281,608

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COMMISSIONERS • MARION COUNTY, INDIANA

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES–OTHER SUPPLEMENTARY INFORMATION

1822

COMMISSIONERS • MARION COUNTY, INDIANA

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

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

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

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

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

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

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

DEBT SERVICE FUNDS

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

COUNTY SINKING—Established to account for the resources devoted to the payment of interest and principal on long-term general obligation debt issued by the County. This fund had no activity in 2007.

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

CAPITAL PROJECTS FUNDS

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

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

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

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

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
COMBINING STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - MODIFIED CASH BASIS
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007

	Special Revenues Funds											
	Identification Security Protection	Adult Probation	Section 102 HAVA Reimbursement	Surveyor's Corner Perpetuation	County Records Perpetuation	Property Reassessment	Prosecutor's Diversion	Prosecutor's Law Enforcement	Clerk's Title IV D Incentive	Sheriff Commissary	County Extradition	County Misdemeanant
Receipts:												
Taxes	$ —	$ —	$ —	$ —	$ —	$ 1,389,479	$ —	$ —	$ —	$ —	$ —	$ —
Intergovernmental	—	—	—	—	—	—	—	—	—	—	—	—
Interest	—	—	—	—	—	39,127	—	—	—	—	—	—
Charges for services	346,049	2,514,170	—	228,410	1,162,540	—	763,494	716,406	—	2,599,695	106,550	—
Miscellaneous	—	28,795	—	—	95,920	—	—	65,671	—	—	77	604,601
Total receipts	346,049	2,542,965	—	228,410	1,258,460	1,428,606	763,494	782,077	—	2,599,695	106,627	604,601
Disbursements:												
Current:												
General government	—	2,529,806	—	70,380	3,352,203	2,550,500	—	—	—	—	—	—
Public safety	—	—	—	—	—	—	727,277	758,731	281,568	3,423,269	87,076	555,938
Culture and recreation	—	—	—	—	—	—	—	—	—	—	—	—
Capital outlay	—	—	—	—	250,552	22,000	—	40,792	9,543	—	—	5,804
Total disbursements	—	2,529,806	—	70,380	3,602,755	2,572,500	727,277	799,523	291,111	3,423,269	87,076	561,742
Excess (deficiency) of receipts over disbursements	346,049	13,159	—	158,030	(2,344,295)	(1,143,894)	36,217	(17,446)	(291,111)	(823,574)	19,551	42,859
Other financing sources (uses):												
Transfers out	—	—	—	—	—	—	—	—	—	—	—	—
Total other financing sources (uses)	—	—	—	—	—	—	—	—	—	—	—	—
Excess (deficiency) or receipts and other financing sources over disbursements and other financing uses	346,049	13,159	—	158,030	(2,344,295)	(1,143,894)	36,217	(17,446)	(291,111)	(823,574)	19,551	42,859
Cash and investment fund balances - beginning of year	361,192	411,277	2,396,275	1,239,469	5,697,407	1,554,553	273,738	1,555,495	1,182,428	1,039,419	97,630	125,477
Cash and investment fund balances - end of year	$ 707,241	$ 424,436	$ 2,396,275	$ 1,397,499	$ 3,353,112	$ 410,659	$ 309,955	$ 1,538,049	$ 891,317	$ 215,845	$ 117,181	$ 168,336
Cash and Investment Assets - December 31, 2007												
Cash and cash equivalents	$ 707,241	$ 424,436	$ 2,396,275	$ 1,397,499	$ 3,353,112	$ 410,659	$ 309,955	$ 1,538,049	$ 891,317	$ 215,845	$ 117,181	$ 168,336
Total cash and investment assets - December 31, 2007	$ 707,241	$ 424,436	$ 2,396,275	$ 1,397,499	$ 3,353,112	$ 410,659	$ 309,955	$ 1,538,049	$ 891,317	$ 215,845	$ 117,181	$ 168,336
Cash and Investment Fund Balances - December 31, 2007												
Unreserved	$ 707,241	$ 424,436	$ 2,396,275	$ 1,397,499	$ 3,353,112	$ 410,659	$ 309,955	$ 1,538,049	$ 891,317	$ 215,845	$ 117,181	$ 168,336
Total cash and investment fund balances – December 31, 2007	$ 707,241	$ 424,436	$ 2,396,275	$ 1,397,499	$ 3,353,112	$ 410,659	$ 309,955	$ 1,538,049	$ 891,317	$ 215,845	$ 117,181	$ 168,336

	Debt Service Funds			Capital Projects Funds					
	County Sinking	Juvenile Incarceration Sinking	Total Debt Service	Public Safety Capital Projects	Cumulative Capital Development	Public Safety Interest Escrow	Capital Improvement Lease Fund	Total Capital Project	Total Nonmajor Funds
Receipts:									
Taxes	$ —	$ 16,388,814	$ 16,388,814	$ —	$ 5,094,651	$ —	$ 249,398	$ 5,344,049	$ 23,122,342
Intergovernmental	—	—	—	—	—	—	—	—	9,196,414
Interest	—	—	—	—	—	—	—	—	68,961
Charges for services	—	—	—	—	—	—	—	—	20,906,539
Miscellaneous	—	—	—	—	—	—	—	—	904,166
Total receipts	—	16,388,814	16,388,814	—	5,094,651	—	249,398	5,344,049	54,198,422
Disbursements:									
Current:									
General government	—	—	—	—	6,294,078	—	—	6,294,078	24,252,563
Public safety	—	—	—	—	—	—	2,007,000	2,007,000	23,756,204
Culture and recreation	—	—	—	—	—	—	—	—	264
Capital outlay	—	—	—	—	674,142	—	—	674,142	1,362,928
Total disbursements	—	—	—	—	6,968,220	—	2,007,000	8,975,220	49,371,959
Excess (deficiency) of receipts over disbursements	—	16,388,814	16,388,814	—	(1,873,569)	—	(1,757,602)	(3,631,171)	4,826,463
Other financing sources (uses):									
Transfers in (out)	—	(16,385,498)	(16,385,498)	—	(2,000,000)	—	2,000,000	—	(16,385,498)
Sale of capital assets	—	—	—	—	27,405	—	—	27,405	27,405
Total other financing sources (uses)	—	(16,385,498)	(16,385,498)	—	(1,972,595)	—	2,000,000	27,405	(16,358,093)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	—	3,316	3,316	—	(3,846,164)	—	242,398	(3,603,766)	(11,531,630)
Cash and investment fund balances - beginning of year	10,781	—	10,781	(12,244)	3,920,466	1,684	350,003	4,259,909	30,057,555
Cash and investment fund balances - end of year	$ 10,781	$ 3,316	$ 14,097	$ (12,244)	$ 74,302	$ 1,684	$ 592,401	$ 656,143	$ 18,525,925
Cash and Investment Assets - December 31, 2007									
Cash and cash equivalents	$ 10,781	$ 3,316	$ 14,097	$ (12,244)	$ 74,302	$ 1,684	$ 592,401	$ 656,143	$ 18,525,925
Total cash and investment assets - December 31, 2007	$ 10,781	$ 3,316	$ 14,097	$ (12,244)	$ 74,302	$ 1,684	$ 592,401	$ 656,143	$ 18,525,925
Cash and Investment Fund Balances - December 31, 2007									
Unreserved	$ 10,781	$ 3,316	$ 14,097	$ (12,244)	$ 74,302	$ 1,684	$ 592,401	$ 656,143	$ 18,525,925
Total cash and investment fund balances - December 31, 2007	$ 10,781	$ 3,316	$ 14,097	$ (12,244)	$ 74,302	$ 1,684	$ 592,401	$ 656,143	$ 18,525,925

See accompanying independent auditor's report.

Special Revenues Funds														
Alcohol and Drug Services	Community Corrections Home Detention	Supplemental Public Defender Fee	Deferral Program Fees	County Drug Free Community	Conditional Release	State and Federal Grants	Enhanced Access	Prosecutor's Law Enforcement Equitable Share	Prosecutor's Title IV D Incentive	MC Sheriff's Civil Division Fees	Auditor's Endorsement Fee	County Sales Disclosure	Other	Total Special Revenue
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,389,479
—	—	—	—	—	—	8,928,786	—	—	—	—	—	—	267,628	9,196,414
—	—	—	—	—	—	—	—	29,834	—	—	—	—	—	68,961
832,600	1,948,685	167,984	5,655,073	445,598	511,844	—	330,139	50,750	—	1,030,800	250,185	100,187	1,145,380	20,906,539
—	695	—	—	—	—	6,550	—	—	27,870	—	—	—	73,987	904,166
832,600	1,949,380	167,984	5,655,073	445,598	511,844	8,935,336	330,139	80,584	27,870	1,030,800	250,185	100,187	1,486,995	32,465,559
608,813	—	236,978	4,366,778	100,382	2,809	1,137,485	400,168	—	—	—	1,000,000	500,000	1,102,183	17,958,485
—	3,514,657	—	—	526,285	253,666	7,296,166	—	78,867	492,553	3,639,641	—	—	113,510	21,749,204
—	—	—	—	—	—	—	—	—	—	—	—	—	264	264
—	3,455	—	59,939	—	—	295,022	—	1,219	—	—	—	—	460	688,786
608,813	3,518,112	236,978	4,426,717	626,667	256,475	8,728,673	400,168	80,086	492,553	3,639,641	1,000,000	500,000	1,216,417	40,396,739
223,787	(1,568,732)	(68,994)	1,228,356	(181,069)	255,369	206,663	(70,029)	498	(454,683)	(2,608,841)	(749,815)	(399,813)	270,578	(7,931,180)
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
223,787	(1,568,732)	(68,994)	1,228,356	(181,069)	255,369	206,663	(70,029)	498	(454,683)	(2,608,841)	(749,815)	(399,813)	270,578	(7,931,180)
493,240	257,484	40,277	1,723,960	562,734	513,799	1,435,561	778,880	414,462	470,961	(134,900)	1,261,323	527,612	1,507,112	25,786,865
$ 717,027	$ (1,311,248)	$ (28,717)	$ 2,952,316	$ 381,665	$ 769,168	$ 1,642,224	$ 708,851	$ 414,960	$ 6,278	$ (2,743,741)	$ 511,508	$ 127,799	$ 1,777,690	$ 17,855,685
$ 717,027	$ (1,311,248)	$ (28,717)	$ 2,952,316	$ 381,665	$ 769,168	$ 1,642,224	$ 708,851	$ 414,960	$ 6,278	$ (2,743,741)	$ 511,508	$ 127,799	$ 1,777,690	$ 17,855,685
$ 717,027	$ (1,311,248)	$ (28,717)	$ 2,952,316	$ 381,665	$ 769,168	$ 1,642,224	$ 708,851	$ 414,960	$ 6,278	$ (2,743,741)	$ 511,508	$ 127,799	$ 1,777,690	$ 17,855,685
$ 717,027	$ (1,311,248)	$ (28,717)	$ 2,952,316	$ 381,665	$ 769,168	$ 1,642,224	$ 708,851	$ 414,960	$ 6,278	$ (2,743,741)	$ 511,508	$ 127,799	$ 1,777,690	$ 17,855,685
$ 717,027	$ (1,311,248)	$ (28,717)	$ 2,952,316	$ 381,665	$ 769,168	$ 1,642,224	$ 708,851	$ 414,960	$ 6,278	$ (2,743,741)	$ 511,508	$ 127,799	$ 1,777,690	$ 17,855,685

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS – NONMAJOR
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget— Positive (Negative)
	Original	Final	Actual Amounts	
Adult Probation				
Revenues:				
Charges for services	$ 2,307,500	$ 2,307,500	$ 2,307,641	$ 141
Interest	—	—	451	451
Miscellaneous	—	—	19,814	19,814
Total revenues	2,307,500	2,307,500	2,327,906	20,406
Expenditures:				
General government	2,790,095	2,790,095	2,526,554	263,541
Excess (deficiency) of revenues over expenditures	$ (482,595)	$ (482,595)	$ (198,648)	$ 283,947
Identification Security Protection				
Revenues:				
Charges for services	$ 400,000	$ 400,000	$ 287,191	$ (112,809)
Expenditures:				
General government	—	—	—	—
Excess of revenues over expenditures	$ 400,000	$ 400,000	$ 287,191	$ (112,809)
Surveyor's Corner Perpetuation				
Revenues:				
Charges for services	$ 200,000	$ 200,000	$ 191,640	$ (8,360)
Expenditures:				
General government	173,051	173,051	70,380	102,671
Excess of revenues over expenditures	$ 26,949	$ 26,949	$ 121,260	$ 94,311
County Records Perpetuation				
Revenues:				
Charges for services	$ 1,300,000	$ 1,300,000	$ 1,018,081	$ (281,919)
Miscellaneous	—	—	95,920	95,920
Total revenues	1,300,000	1,300,000	1,114,001	(185,999)
Expenditures:				
General government	2,556,044	2,556,044	2,041,047	514,997
Excess (deficiency) of revenues over expenditures	$ (1,256,044)	$ (1,256,044)	$ (927,046)	$ 328,998
Property Reasessament				
Revenues:				
Taxes	$ 1,713,041	$ 1,713,041	$ 1,388,915	$ (324,126)
Interest	50,000	50,000	39,127	(10,873)
Miscellaneous	1,500	1,500	—	(1,500)
Total revenues	1,764,541	1,764,541	1,428,042	(336,499)
Expenditures:				
General government	3,058,317	3,058,317	2,553,326	504,991
Excess (deficiency) of revenues over expenditures	$ (1,293,776)	$ (1,293,776)	$ (1,125,284)	$ 168,492
Prosecutor's Diversion				
Revenues:				
Charges for services	$ 650,000	$ 650,000	$ 694,389	$ 44,389
Expenditures:				
Public safety	708,712	727,277	727,277	—
Excess (deficiency) of revenues over expenditures	$ (58,712)	$ (77,277)	$ (32,888)	$ 44,389

(Continued)

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS – NONMAJOR
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget— Positive (Negative)
Prosecutor's Law Enforcement				
Revenues:				
Intergovernmental	$ 50,000	$ 50,000	$ —	$ (50,000)
Charges for services	495,700	495,700	502,780	7,080
Total revenues	545,700	545,700	502,780	(42,920)
Expenditures:				
Public safety	1,163,129	1,393,791	796,563	597,228
Excess (deficiency) of revenues over expenditures	$ (617,429)	$ (848,091)	$ (293,783)	$ 554,308
County Extradition				
Revenues:				
Charges for services	$ 50,000	$ 50,000	$ 92,350	$ 42,350
Expenditures:				
Public safety	135,539	135,539	87,076	48,463
Excess (deficiency) of revenues over expenditures	$ (85,539)	$ (85,539)	$ 5,274	$ 90,813
County Misdemeanant				
Revenues:				
Miscellaneous	$ 600,551	$ 600,551	$ 600,601	$ 50
Expenditures:				
Public safety	616,933	616,933	556,396	60,537
Excess (deficiency) of revenues over expenditures	$ (16,382)	$ (16,382)	$ 44,205	$ 60,587
Alcohol and Drug Services				
Revenues:				
Charges for services	$ 825,000	$ 825,000	$ 756,426	$ (68,574)
Expenditures:				
General government	606,163	606,163	605,870	293
Excess of revenues over expenditures	$ 218,837	$ 218,837	$ 150,556	$ (68,281)
Community Corrections Home Detention				
Revenues:				
Charges for services	$ 3,800,000	$ 3,500,000	$ 1,948,655	$ (1,551,345)
Miscellaneous	—	—	670	670
Total revenues	3,800,000	3,500,000	1,949,325	(1,550,675)
Expenditures:				
Public safety	3,909,656	3,670,968	3,405,696	265,272
Excess (deficiency) of revenues over expenditures	$ (109,656)	$ (170,968)	$ (1,456,371)	$ (1,285,403)

(Continued)

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS – NONMAJOR
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget— Positive (Negative)
	Original	Final	Actual Amounts	
Supplemental Public Defender Fee				
Revenues:				
Charges for services	$ 202,000	$ 202,000	$ 154,768	$ (47,232)
Expenditures:				
General government	250,000	250,000	236,978	13,022
Excess (deficiency) of revenues over expenditures	$ (48,000)	$ (48,000)	$ (82,210)	$ (34,210)
Deferral Program Fees				
Revenues:				
Charges for services	$ 3,500,000	$ 3,500,000	$ 5,331,563	$ 1,831,563
Expenditures:				
Public safety	4,448,900	4,921,536	4,356,050	565,486
Excess (deficiency) of revenues over expenditures	$ (948,900)	$ (1,421,536)	$ 975,513	$ 2,397,049
County Drug Free Community				
Revenues:				
Charges for services	$ 475,000	$ 475,000	$ 405,921	$ (69,079)
Expenditures:				
General government	—	127,028	100,382	26,646
Public safety	575,000	512,972	318,640	194,332
Total expenditures	575,000	640,000	419,022	220,978
Excess (deficiency) of revenues over expenditures	$ (100,000)	$ (165,000)	$ (13,101)	$ 151,899
Conditional Release				
Revenues:				
Charges for services	$ —	$ 300,000	$ 506,624	$ 206,624
Expenditures:				
Public safety	—	271,188	265,151	6,037
Excess of revenues over expenditures	$ —	$ 28,812	$ 241,473	$ 212,661
Enhanced Access				
Revenues:				
Charges for services	$ 107,750	$ 107,750	$ 321,577	$ 213,827
Expenditures:				
General government	101,600	101,600	168	101,432
Excess of revenues over expenditures	$ 6,150	$ 6,150	$ 321,409	$ 315,259

(Continued)

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS – NONMAJOR
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget— Positive (Negative)
	Original	Final		
Prosecutor's Law Enforcement Equitable Share				
Revenues:				
Charges for services	$ 120,000	$ 120,000	$ 50,750	$ (69,250)
Interest	7,000	7,000	18,874	11,874
Total revenues	127,000	127,000	69,624	(57,376)
Expenditures:				
Public safety	183,425	183,425	80,086	103,339
Excess (deficiency) of revenues over expenditures	$ (56,425)	$ (56,425)	$ (10,462)	$ 45,963
Auditor's Endorsement Fee				
Revenues:				
Charges for services	$ 250,000	$ 250,000	$ 228,027	$ (21,973)
Expenditures:				
General government	24,000	24,000	—	24,000
Excess of revenues over expenditures	$ 226,000	$ 226,000	$ 228,027	$ 2,027
County Sales Disclosure				
Revenues:				
Charges for services	$ 105,000	$ 105,000	$ 86,166	$ (18,834)
Expenditures:				
General government	—	—	—	—
Excess of revenues over expenditures	$ 105,000	$ 105,000	$ 86,166	$ (18,834)
Other–MC Sheriff Medical Care for Inmates				
Revenues:				
Charges for services	$ 32,000	$ 32,000	$ 12,229	$ (19,771)
Expenditures:				
Public safety	—	—	—	—
Excess (deficiency) of revenues over expenditures	$ 32,000	$ 32,000	$ 12,229	$ (19,771)
Other–MC Sheriff's Civil Div Fees				
Revenues:				
Charges for services	$ 3,155,807	$ 3,155,807	$ 1,030,800	$ (2,125,007)
Expenditures:				
Public safety	3,768,106	3,768,106	3,693,354	(74,752)
Excess (deficiency) of revenues over expenditures	$ (612,299)	$ (612,299)	$ (2,662,554)	$ (2,050,255)
Other–Guardian Ad Litem				
Revenues:				
Charges for services	$ 185,000	$ 185,000	$ 393,381	$ (208,381)
Expenditures				
General government	185,000	185,000	182,564	2,436
Excess of revenues over expenditures	$ —	$ —	$ —	$ (210,817)

(Continued)

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS – NONMAJOR
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget—
	Original	Final	Actual Amounts	Positive (Negative)
Other – County Grants				
Revenues:				
Intergovernmental	$ —	$ 3,900	$ 184,000	$ 180,100
Miscellaneous	—	—	2,400	2,400
Total revenues	—	3,900	186,400	182,500
Expenditures:				
General government	27,917	44,957	37,945	7,012
Public safety	—	232,346	107,343	125,003
Culture and recreation	—	533	269	264
Total expenditures	27,917	277,836	145,557	132,279
Excess (deficiency) of revenues over expenditures	$ (27,917)	$ (273,936)	$ 40,843	$ 314,779
Other – Child Advocacy				
Revenues:				
Charges for services	$ 2,000	$ 2,000	$ 3,827	$ 1,827
Expenditures:				
General government	—	—	—	—
Excess of revenues over expenditures	$ 2,000	$ 2,000	$ 3,827	$ 1,827
Other – Clerk's Perpetuation Fund				
Revenues:				
Charges for services	$ 340,000	$ 340,000	$ 276,051	$ (63,949)
Expenditures:				
General government	338,010	338,010	159,522	178,488
Excess of revenues over expenditures	$ 1,990	$ 1,990	$ 116,529	$ 114,539
Other – Drug Treatment Diversion				
Revenues:				
Charges for services	$ —	$ —	$ 7,138	$ 7,138
Expenditures:				
General government	—	53,858	47,640	6,218
Excess (deficiency) of revenues over expenditures	$ —	$ (53,858)	$ (40,502)	$ 13,356
Other – Juvenile Probation				
Revenues:				
Charges for services	$ 185,000	$ 185,000	$ 191,737	$ 6,737
Expenditures:				
General government	599,648	599,648	421,791	177,857
Excess (deficiency) of revenues over expenditures	$ (414,648)	$ (414,648)	$ (230,054)	$ 184,594
Other – Jury Pay				
Revenues:				
Charges for services	$ 150,000	$ 150,000	$ 120,430	$ (29,570)
Expenditures:				
General government	150,000	150,000	100,000	50,000
Excess of revenues over expenditures	$ —	$ —	$ 20,430	$ 20,430

(Continued)

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
SPECIAL REVENUE FUNDS – NONMAJOR
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget—
	Original	Final	Actual Amounts	Positive (Negative)
Other – Alternate Dispute Resolution				
Revenues:				
Charges for services	$ 85,000	$ 85,000	$ 75,887	$ (9,113)
Miscellaneous	—	—	1,251	1,251
Total revenues	85,000	85,000	77,138	(7,862)
Expenditures:				
General government	128,583	128,583	69,648	58,935
Excess (deficiency) of revenues over expenditures	$ (43,583)	$ (43,583)	$ 7,490	$ 51,073
Other – Local Emergency Planning				
Revenues:				
Miscellaneous	$ 70,000	$ 70,000	$ 42,345	$ (27,655)
Expenditures:				
Public safety	100,000	100,000	87,515	12,485
Excess (deficiency) of revenues over expenditures	$ (30,000)	$ (30,000)	$ (45,170)	$ (15,170)

See accompanying independent auditors' report.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
DEBT SERVICE AND CAPITAL PROJECTS FUNDS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			Variance with Final Budget –
	Original	Final	Actual Amounts	Positive (Negative)
Cumulative Capital Development - Capital Projects Fund				
Revenues:				
Taxes	$ 5,793,361	$ 5,793,361	$ 5,092,686	$ (700,675)
Total revenues	5,793,361	5,793,361	5,092,686	(700,675)
Expenditures:				
Capital outlay	2,616,548	2,624,475	6,966,720	(4,342,245)
Total expenditures	2,616,548	2,624,475	6,966,720	(4,342,245)
Excess (deficiency) of revenues over expenditures	$ 3,176,813	$ 3,168,886	$ (1,874,034)	$ (5,042,920)
Other financing sources (uses):				
Transfers in (out)	—	—	1,250,000	(1,250,000)
Total other financing sources (uses)	—	—	1,250,000	(1,250,000)
Excess (deficiency) of revenues over expenditures and other financing sources	$ 3,176,813	$ 3,168,886	$ (624,034)	$ (6,292,920)
Capital Improvement Lease - Capital Projects Fund				
Revenues:				
Taxes	$ 314,980	$ 314,980	$ 249,292	$ (65,688)
Expenditures:				
Public safety	2,258,400	2,258,400	2,007,000	251,400
Excess (deficiency) of revenues over expenditures	$ (1,943,420)	$ (1,943,420)	$ (1,757,708)	$ (317,088)
Juvenile Incarceration Debt Service - Debt Service Fund				
Revenues:				
Taxes	$ 19,890,951	$ 19,890,951	$ 16,382,065	$ (3,508,886)
Total revenues	19,890,951	19,890,951	16,382,065	(3,508,886)
Expenditures:				
Capital outlay	19,890,951	19,890,951	—	19,890,951
Total expenditures	19,890,951	19,890,951	—	19,890,951
Excess of revenues over expenditures	$ —	$ —	$ 16,382,065	$ 16,382,065
Other financing sources (uses):				
Transfers in (out)	—	—	(16,385,498)	16,385,498
Total other financing sources (uses)	—	—	(16,385,498)	16,385,498
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	$ —	$ —	$ (3,433)	$ 32,767,563

(continued)

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS–MARION COUNTY)
SCHEDULES OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
DEBT SERVICE AND CAPITAL PROJECTS FUNDS
(UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget – Positive (Negative)
Welfare Sinking Fund - Debt Service Fund				
Revenues:				
Taxes	$ 35,092,000	$ 35,092,000	$ 29,843,850	$ (5,248,150)
Expenditures:				
Debt service:				
Principal on bonds	33,360,000	33,360,000	24,565,000	8,795,000
Interest on bonds	1,640,000	1,640,000	1,451,061	188,939
Total expenditures	35,000,000	35,000,000	26,016,061	8,983,939
Excess of revenues over expenditures	$ 92,000	$ 92,000	$ 3,827,789	$ (14,232,089)

See accompanying independent auditor's report.

FIDUCIARY FUND TYPES

PENSION TRUST FUNDS

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

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

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

AGENCY FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

OTHER—Represents 18 other less significant fiduciary funds that are maintained by Marion County on behalf of others.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
COMBINING STATEMENT OF ASSETS AND NET ASSETS AND ADDITIONS, DEDUCTIONS,
AND CHANGES IN NET ASSETS – MODIFIED CASH BASIS
PENSION TRUST FUNDS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

	Retirement	Disability	Total
Additions			
Contributions:			
Employer	$ 8,029,685	$ 1,008,413	$ 9,038,098
Employee	233,142	—	233,142
Total contributions	8,262,827	1,008,413	9,271,240
Investment income:			
Interest and dividends	2,808,022	24,896	2,832,918
Realized gain on sales, net	2,897,756	440	2,898,196
Net investment receipts	5,705,778	25,336	5,731,114
Total additions	13,968,605	1,033,749	15,002,354
Deductions			
Investment management fees	434,562	15,485	450,047
Benefits	7,423,852	1,057,039	8,480,891
Total deductions	7,858,414	1,072,524	8,930,938
Excess (deficiency) of total additions over total deductions	6,110,191	(38,775)	6,071,416
Cash and investment net assets – beginning of year	130,981,993	11,660,393	142,642,386
Cash and investment net assets – end of year	$ 137,092,184	$ 11,621,618	$ 148,713,802
Cash and Investment Assets - December 31, 2007			
Cash and cash equivalents	$ 5,099,596	$ 163,129	$ 5,262,725
Investments:			
Exchange-traded funds	16,255,698	—	16,255,698
Common stocks	7,718,999	—	7,718,999
Mutual funds	108,017,891	11,458,489	119,476,380
Total cash and investment assets – December 31, 2007	$ 137,092,184	$ 11,621,618	$ 148,713,802
Cash and Investment Net Assets - December 31, 2007			
Cash and investment net assets – December 31, 2007	$ 137,092,184	$ 11,621,618	$ 148,713,802

See accompanying independent auditors' report.

MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
COMBINING STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN NET ASSETS – MODIFIED CASH BASIS
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Excise Tax Refunds	Property Tax Refunds	State Taxes	Tax Sale Redemption	Tax Sale Surplus	State Public Safety Fees	Sale of County-Owned Property	Treasurer's Surplus	Trust Clearance	Court Costs to Municipalities	Homestead Credit Rebate	Treasurer's Tax Collection
Additions:												
Agency fund additions	$ 60 $	68,971,041 $	36,204,593 $	3,834,926 $	1,232 $	1,430,433 $	176,780 $	1,276,874 $	711,233 $	402,274 $	51,717,108 $	1,510,712,885
Deductions:												
Agency fund deductions	586	62,823,485	36,204,593	4,156,393	20,347,748	1,437,594	104,996	2,799,822	562,291	—	—	1,461,434,625
Excess (deficiency) of total addtions over total deductions	(526)	6,147,556	—	(321,467)	(20,346,516)	(7,161)	71,784	(1,522,948)	148,942	402,274	51,717,108	49,278,260
Cash net assets – beginning of year	1,335	(3,771,262)	(3,222)	42,619	26,769,229	125,513	847,406	4,610,288	288,522	341,753	—	26,221,655
Cash net assets – end of year	$ 809 $	2,376,294 $	(3,222) $	(278,848) $	6,422,713 $	118,352 $	919,190 $	3,087,340 $	437,464 $	744,027 $	51,717,108 $	75,499,915

	Family and Children Services	Delinquent Business Personal Property	Law Enforcement Continuing Education	Payroll	Clerk of Circuit Court	Sheriff	IMAGIS	Other	Total
Additions:									
Agency fund additions	$ 84,980,333 $	11,022,711 $	196,794 $	147,102,289 $	216,128,501 $	482,136,260 $	— $	5,999,478 $	2,623,005,805
Deductions:									
Agency fund deductions	88,587,186	10,969,614	307,044	148,185,097	214,784,620	479,226,541	58,711	5,998,944	2,537,989,890
Excess (deficiency) of total addtions over total deductions	(3,606,853)	53,097	(110,250)	(1,082,808)	1,343,881	2,909,719	(58,711)	534	85,015,915
Cash net assets – beginning of year	7,967,126	1,948,437	486,907	4,987,898	9,873,728	3,146,462	58,711	349,354	84,292,459
Cash net assets – end of year	$ 4,360,273 $	2,001,534 $	376,657 $	3,905,090 $	11,217,609 $	6,056,181 $	— $	349,888 $	169,308,374

See accompanying independent auditors' report.

City of
Indianapolis
Gregory A. Ballard, Mayor

April 23, 2010

CONFIDENTIAL

Mr. Jonathan Brown
KPMG LLP
111 Monument Circle
Suite 1500
Indianapolis, IN 46204

Re: 2007 County Audit

Dear Mr. Brown:

The County Auditor has requested that I furnish you with updated information in connection with your examination of the financial statements of Marion County. This letter considers matters that occurred prior to December 31, 2007, and the results of those matters through today's date.

The information contained in this letter is confidential and is to be used specifically for the purposes of the audit conducted by your firm of the County. This information cannot be published or redistributed for any purpose without the express, written authorization of the Office of Corporation Counsel.

The following information is limited to matters that are believed to involve potential losses in excess of $50,000.00.

1. **JSRD, LLC v. Marion Superior Courts**
   Agency: Marion Superior Courts
   Date Filed: 8/22/2005
   Date of Loss: 6/20/2005

JSRD, LLC has brought a breach of contract claim against the Marion Superior Court, alleging almost $250,000 in damages because we damaged the HVAC in the building in doing work. **It is probable that Plaintiff will recover $200,000-$250,000.**

Office of Corporation Counsel
1601 City County Building
200 E. Washington Street
Indianapolis, Indiana 46204
(317) 327-4055
(fax) 327-3968
www.indy.GOV

2. **<u>Amanda Pearson v. MCSD</u>**
   Agency: Marion Superior Courts
   Date Filed: 11/1/2004
   Date of Loss: 9/4/2005

On or about September 4, 2005, Jeremy Ray committed suicide at the Marion County Jail. His Estate filed a lawsuit against Marion County Board of Commissioners and Marion County Sheriff Frank Anderson on 11/1/04 contending that defendants were negligent and that said negligence was the cause of the death of Jeremy Ray. Defendants have denied that they were negligent. **The MCSD reached the following payment schedule on March 12, 2007:**

> In consideration of the release set forth above, the Defendants agree to pay to the individual(s) named below the sums outlined in this Section 2.1 below:
>
> Payments due by May 4, 2007 as follows:
>
> Cash in the amount of $35,000 payable to Wilson, Kehoe & Winingham
>
> 2.2 In consideration of the release set forth above, the Defendants agree to pay to the individual(s) named below (the "Payee(s)") the sums outlined in this Section 2.2 below:
>
> Periodic payments made according to the schedule as follows (the "Periodic Payments"):
>
> Premium amount of $35,000.00 to be paid as follows:
>
> Payee: Hailey Ray
>
> $15,000.00 guaranteed lump sum, payable on 04/08/2021 (age 18)
> $20,000.00 guaranteed lump sum, payable on 04/08/2024 (age 21)
> $30,000.00 guaranteed lump sum, payable on 04/08/2028 (age 25)
> $34,100.00 guaranteed lump sum, payable on 04/08/2033 (age 30)

3. **<u>Syberg v. MCSD and City</u>**
   Agency: Marion County Sheriff
   Date Filed: 11/14/2005
   Date of Loss: 9/5/2004

Plaintiff Mark Syberg ("Plaintiff") was arrested on September 5, 2004 for impersonation of a public servant and forcibly resisting law enforcement. Plaintiff was employed by Value City Department Store as a law prevention manager. Officer Rieger, Deputy Ferrell, Defendant Deputy Shelby Wickliffe, and Value City loss prevention employee, Diana Chiscon, set up a scenario in which Deputy Wickliffe pretended to be drunk in Plaintiff's presence at the Value City store to see if Plaintiff would identify himself as a police officer.

On the day of the incident, Wickliffe positioned himself in the front of the Value City store and pretended to be drunk. Officer Rieger had been monitoring the situation and moved in to place Plaintiff under arrest when Wickliffe made a prearranged signal indicating that Plaintiff had identified himself as a police officer. Wickliffe attempted to assist Rieger in Plaintiff's arrest. During Plaintiff's efforts to resist Wickliffe and Rieger, all three individuals fell to the ground and Plaintiff suffered minor injuries.

On December 8, 2006 a jury awarded Plaintiff a judgment of $300,000 in compensatory damages. Plaintiff's counsel estimated that attorney fees totaled an additional $105,000. **Therefore the decision was made to forgo an appeal and pay $235,000 in settlement, and settlement was reached September 7, 2007.**

4. **<u>Est. Jeffrey Brown v. MCSD</u>**
   Agency: Marion County Sheriff
   Date Filed: 7/1/2005
   Date of Loss: 10/9/2004

On April 6, 2004, Jeffery Brown committed suicide while in custody at the Marion County Arrestee Processing Center. Plaintiff, the Estate of Jerry Brown, by its administrator Jerry Brown sought monetary compensation for the loss of his brother, Jeffrey Brown due to the alleged negligence of the MCSD and the APC. **This case was settled for $155,000 at mediation on December 19, 2007.**

5. **<u>Evelyn Foster v. City</u>**
   Agency: Marion County Sheriff
   Date Filed: 7/1/2007
   Date of Loss: 7/31/2006

MCSD Deputy, Darla Anderson, was driving east on Southeastern Avenue. As she crossed Arlington, she looked to her right to check a Speedway gas station. When she looked back in front of her, she was very close to Evelyn Foster's vehicle. Ms. Foster had stopped in the road on Southeastern. Deputy Anderson rear-ended Ms. Foster. She did not have time to brake. Ms. Foster suffered serious medical injuries. **This was settled for $175,000 in December 2007.**

6. Steven Lawson v. MCSD
Agency: Marion County Sheriff
Date Filed: 4/25/2007
Date of Loss: 8/18/2006

On August 18, 2006, late in the evening, Corporal Kevin Stickford was dispatched to 2351 E. Stop 11 Road in Indianapolis for a complaint of two men fighting. The two men were Plaintiff and Plaintiff's son, Michael. When Stickford got out of his car, he saw Lawson and Michael; Michael's mouth and shirt were bloody. While Stickford attempted to speak with Michael to find out what had occurred, Plaintiff kept interrupting and would not let Michael speak with Stickford. Stickford gave Plaintiff several opportunities to stop interfering but he did not comply and was arrested for interfering with an officer. Plaintiff struggled throughout the arrest process. Plaintiff claimed that his handcuffs were too tight. Plaintiff was handcuffed by Stickford and remained handcuffed for approximately thirty minutes and then was handcuffed again by the MCSD wagon driver for another thirty minutes. Plaintiff claimed that this resulted in his carpel tunnel syndrome. Plaintiff was seen by a doctor shortly after the arrest and requested a letter stating that it was the handcuffs that caused his injuries. The doctor complied but only noted at the time Plaintiff was seen that he had a bruise. Plaintiff later had surgery for his carpel tunnel syndrome. We settled this case to avoid the uncertainty at trial. Stickford's arrest has problems because Lawson did not forcibly interfere with him which is required under clearly established law. The judge in Lawson's criminal case found Lawson not guilty because of this element. **This case was settled in 2008 for $72,500 to avoid the uncertainty of trial.**

7. Ralph Wessling v. MCSD
Agency: Marion County Sheriff
Date Filed: 3/24/2002
Date of Loss: 9/13/2001

Wessling was a jail inmate. He died while in custody. Because an empty bottle of zyprexa (an anti-schziophrenia drug) was found near his body, Plaintiff asserts that he died of a drug overdose. Plaintiff claims that jail officials failed to monitor him properly. We have defended this case vigorously, but Plaintiff has not pursued the case aggressively in the last year. However, an eventual settlement between $25,000 and $50,000 is probable. **The Sheriff settled this case for $50,000 in 2007.**

8. Kevin Notter v. MCSD
Agency: Marion County Sheriff
Date Filed: 11/1/2004
Date of Loss: 5/5/2004

An autistic boy living next to a MCSD K-9 officer was accidentally bit by the police dog. It appears as if the boy opened up the back door of the officer's car when neither the officer nor the boy's parents were present. The dog then attacked the boy. This is a new case that we intend to defend by arguing that the boy was partially responsible for his injuries due to his own negligence. We have yet to discover the precise nature of the boy's injuries but believe them to be serious. We value this case at $100,000. **This case settled for $75,000.00 in 2008.**

9. **Joseph Bishop v. MCSD**
   Agency: Marion County Sheriff
   Date Filed: 7/13/2006
   Date of Loss: 11/13/2004

On November 13, 2004, IPD Officers were dispatched to the home of Joseph Bishop. A friend of Plaintiff's then seventeen year old daughter, Sarah Bishop, had called to say that Plaintiff had beaten Sarah. Officer Dobbs was first at the scene. Mr. Bishop answered the door with a large dog and would not permit Officer Dobbs to enter the home. Officer Dobbs felt that Plaintiff was using the dog to threaten her and she called for back up after Mr. Bishop slammed the front door to the home. Two more IPD Officers were called. Officer Soria arrived when Dobbs called for back up and Sgt. Atzhorn was called in as a supervisor. The Officers attempted to speak with Sarah and Sgt. Atzhorn felt that she was in risk of being injured once the officers left. There was some confusion as to the events during the arrest of Mr. Bishop. Atzorn believed that Mr. Bishop was trying to close the front door of the home and attempted to stop him. Dobbs believed that Bishop was being aggressive towards Atzhorn. Both Atzhorn and Dobbs struggled with Bishop on the front porch. Soria who had been outside speaking with two women, came to the porch to assist the other officers. He attempted to spray Bishop with CS-OC spray, but it did not make contact. Bishop was then tazed twice by Atzhorn. At that point, the officers were able to handcuff the Plaintiff. Bishop was transferred to Wishard Hospital, complaining of chest pains. Sarah Bishop was also transported to Wishard. She had bruises and contusions on her face, neck, legs, back and ear and she also had self-inflicted wounds to her arms.

We settled this case in 2008 for $105,000.00 because of the uncertainty of taking this case to trial. The uncertainty stems from the false statement made by Sgt. Atzhorn. He later admitted to exaggerating Plaintiff's actions. Atzhorn contacted Chief Spears and advised him of the false statement and was suspended for five days. Internal Affairs investigated the incident and concluded that Sgt. Atzhotn did not use excessive force during the arrest.

10. **Kevin Barnett v. MCSD**
    Agency: Marion County Sheriff
    Date Filed: 9/1/2006
    Date of Loss: 1/9/2004

Plaintiff filed suit seeking compensation for an accident that took place at the intersection of white river and 30th. Plaintiff was a passenger in Officer Hughes' car during the accident. Plaintiff alleged that Officer Huges ran a red light and was at fault for the accident. **This case was settled for $40,000 plus the cost of the Wishard medical bills at $12,591 in 2008.**

11. <u>Michael Overton v. Bradley Beaton</u>
Agency: Marion County Sheriff
Date Filed: 10/16/2006
Date of Loss: 9/2/2005

In the early morning hours of Labor Day Weekend—Saturday, September 2, 2005—Marion County Sheriff's Deputy Brad Beaton arrested Plaintiff Michael Overton for two counts of resisting law enforcement and one count of failure to stop after an accident with no injury. The officers' experience with Mr. Overton began after he drove north in the southbound lanes on busy Madison Avenue and hit a vehicle. Mr. Overton continued to drive north, until he attempted a u-turn and drove his vehicle onto a curb. Officers shouted commands to show his hands and exit the vehicle, but Mr. Overton refused to comply. Ultimately, Deputy Hicks deployed his taser in an attempt to gain compliance from Mr. Overton. Deputy Beaton used a minimal amount of controlled force to take Mr. Overton to the ground.

Unbeknownst to the officers on scene, Overton was incoherent due to a low blood sugar episode caused by his diabetes. In his lawsuit, Overton claims that excessive force was used in his arrest, that he was falsely arrested, and that the Deputies violated his rights under the Americans With Disabilities Act ("ADA").

A jury awarded Overton $400,000.00 in damages and Plaintiff was entitled to an additional $200,000 in attorneys fees. **The parties reached a post-judgment settlement in lieu of appeal of $475,000.00 in 2009.**

The information set forth herein is current as of April 23, 2010, and I hereby disclaim any undertaking to advise you of the changes which may be brought to my attention hereafter.

Sincerely,

Samantha S. Karn
Corporation Counsel

CC: Billie J. Breaux

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

OMB Circular A-133
Single Audit Report

For the year ended December 31, 2007
(with Independent Auditors' Reports Thereon)

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

OMB Circular A-133
Single Audit Report

For the year ended December 31, 2007

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MARION COUNTY, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2007

Federal grantor	Pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
U.S. Department of Agriculture						
Child Nutrition Cluster:						
	Indiana Department of Education	C2-4-49-K160 and C2-4-49-K162	School Breakfast Program	10.553	$ —	72,857
	Indiana Department of Education	C2-4-49-K160 and C2-4-49-K162	National School Lunch Program	10.555	—	128,882
			Total Child Nutrition Cluster		—	201,739
Total U.S. Department of Agriculture					—	201,739
U.S. Department of Justice						
	City of Indianapolis, Indiana	2005-VT-BX-1160	Services for Trafficking Victims	16.320	—	49,849
	ICJI***	05-JB-014	Juvenile Accountability Block Grants	16.523	53,994	141,878
	ICJI***	05-JB-015	Juvenile Accountability Block Grants	16.523	—	9,900
	ICJI***	06-JB-014	Juvenile Accountability Block Grants	16.523	—	367
	ICJI***	03-JB-039	Juvenile Accountability Incentive Block Grants	16.523	2,091	4,150
	ICJI***	01-DB-041	Juvenile Accountability Incentive Block Grants	16.523	86	3,674
			Total 16.523		56,171	159,969
	ICJI***	05JF011	Juvenile Justice and Delinquency Prevention – TAS	16.540	6,000	6,000
	ICJI***	05JF018	Juvenile Justice and Delinquency Prevention – Child Advocates	16.540	8,952	8,952
	ICJI***	06JF018	Juvenile Justice and Delinquency Prevention – Restorative Justice	16.540	20,986	20,986
	ICJI***	06JF019	Juvenile Justice and Delinquency Prevention – Reception Assessment Center 07/08	16.540	84,375	84,375
			Total 16.540		120,313	120,313
			National Institute of Justice Research, Evaluation, and Development Project Grants – Firearms Backlog Reduction	16.560	—	4,187
	ICJI***	06FS002	National Institute of Justice Research, Evaluation, and Development Project Grants – Forensic Improvement Program 06/07	16.560	—	54,957
			Total 16.560		—	59,144
	Indiana State Police	2005-DN-BX-K082	National Institute of Justice Research, Evaluation, and Development Project – DNA Backlog Reduction	16.564	—	17,759
	ICJI***	04VA173	Crime Victim Assistance – Kid's Voice Parent – CASA for Kids 06/07	16.575	8,020	8,020
	ICJI***	04VA174	Crime Victim Assistance – Kid's Voice Parent – Parent-Child Visitation 06/07	16.575	6,038	6,038
	ICJI***	06VA090	Crime Victim Assistance – Victim Advocate 06/07	16.575	—	158,519
	ICJI***	06VA091	Crime Victim Assistance – Child Interviewer 06/07	16.575	—	48,780
	ICJI***	02VA106	Crime Victim Assistance – Victim Assistance MCSD	16.575	—	12,099
	ICJI***	05VA167	Crime Victim Assistance – Victim Advocate 07/08	16.575	—	119,265
	ICJI***	07VA079	Crime Victim Assistance – Child Interviewer 07/08	16.575	—	45,105
	ICJI***	DDBX07	Crime Victim Assistance – Street Level Advocacy	16.575	—	158
	ICJI***	VX9500	Crime Victim Assistance – Victim Advocate 00/01	16.575	—	1,895
	ICJI***	00VX099	Crime Victim Assistance – Victim Assistance MCSD 00/01	16.575	—	41,816
			Total 16.575		14,058	441,695

(continued)

MARION COUNTY, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2007

Federal grantor	Pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
	ICJI***	03-DB-054	Edward Byrne Memorial Formula Grant Program – Juvenile Deposition Project 04/05	16.579	$ —	4,612
	ICJI***	04-DB-028	Edward Byrne Memorial Formula Grant Program – Forensic Diversion 05/06	16.579	—	(4,612)
	ICJI***	02-DB-057	Edward Byrne Memorial Formula Grant Program – Community Prosecution 05/06	16.579	—	145,816
	ICJI***	04-DB-031	Edward Byrne Memorial Formula Grant Program – Community Court	16.579	—	212
	ICJI***	03-DB-032	Edward Byrne Memorial Formula Grant Program – Drug Treatment Diversion Program	16.579	—	296
	ICJI***	03-DB-071	Edward Byrne Memorial Formula Grant Program - Beyond Translation	16.579	—	24,500
	ICJI***	98-DB-015	Edward Byrne Memorial Formula Grant Program – Johnson County Drug Interdiction 99/00	16.579	—	(609)
	ICJI***	99-DB-024	Edward Byrne Memorial Formula Grant Program – Expedited Case Management	16.579	—	36,477
	ICJI***	99-DB-070	Edward Byrne Memorial Formula Grant Program – Alternative Sentencing 01/02	16.579	—	21,999
			Total 16.579		—	228,691
	City of Indianapolis, Indiana	2005WEAX0010	The Community – Defined Solutions to Violence Against Women Grant Program – Partnership to Combat Domestic Violence	16.590	—	34,423
	City of Indianapolis, Indiana	2003-LB-BX-1439	Local Law Enforcement Block Grant Program – Block Grant # 8	16.592	—	3,228
	City of Indianapolis, Indiana	2004-LB-BX-1302	Local Law Enforcement Block Grant Program – Block Grant # 9	16.592	—	(35)
			Total 16.592		—	3,193
	City of Indianapolis, Indiana	2004WSQ40063	Community Capacity Development Office – Weed and Seed Conflict Resolution 05/06	16.595	—	4,570
			Bulletproof Vest Partnership Program – 2005	16.607	—	5,586
			Bulletproof Vest Partnership Program – 2006	16.607	—	2,464
			Total 16.607		—	8,050
		2003SECX0034	Community Prosecution and Project Safe Neighborhoods – Project Sentry	16.609	—	(94)
	ICJI ***	05-DJ-006	Edward Byrne Memorial Justice Assistance Grant Program – Juvenile Drug Treatment Court 06	16.738	—	69,410
	ICJI ***	05-DJ-014	Edward Byrne Memorial Justice Assistance Grant Program – Forensic Incarceration 06/07	16.738	—	68,530
	ICJI ***	05-DJ-019	Edward Byrne Memorial Justice Assistance Grant Program – Life Effectiveness / Fairbanks 06/07	16.738	47,709	49,685
	ICJI ***	05-DJ-029	Edward Byrne Memorial Justice Assistance Grant Program – Young Offenders 06/07	16.738	—	123,054
	ICJI ***	05-DJ-030	Edward Byrne Memorial Justice Assistance Grant Program – Community Court 06/07	16.738	—	41,007
	ICJI ***	05-DJ-062	Edward Byrne Memorial Justice Assistance Grant Program – Juvenile Disposition Grant 06/07	16.738	—	22,880
	ICJI***/Johnson County	05-DJ-064	Edward Byrne Memorial Justice Assistance Grant Program – Johnson Co Regional Gang 06/07	16.738	—	16,512
	ICJI ***	05-DJ-068	Edward Byrne Memorial Justice Assistance Grant Program – Metro Drug Task Force 06/07	16.738	—	114,978
	ICJI ***	05-DJ-005	Edward Byrne Memorial Justice Assistance Grant Program – ICJI 06	16.738	—	179,612
	ICJI ***	05-DJ-082	Edward Byrne Memorial Justice Assistance Grant Program – Community Prosecution 2007	16.738	—	200,000
	ICJI ***	05-DJ-088	Edward Byrne Memorial Justice Assistance Grant Program – Technology Grant	16.738	—	10,000
	ICJI ***	06-DJ-007	Edward Byrne Memorial Justice Assistance Grant Program – Drug Treatment Diversion	16.738	—	120,989
	ICJI ***	06-DJ-014	Edward Byrne Memorial Justice Assistance Grant Program – Forensic Div Alt To Incarceration 07/08	16.738	—	32,649
	ICJI ***	06-DJ-017	Edward Byrne Memorial Justice Assistance Grant Program – Community Court 2007	16.738	—	54,324
	ICJI ***	06-DJ-023	Edward Byrne Memorial Justice Assistance Grant Program – Metro Drug Task Force 2007	16.738	—	113,309
	ICJI ***	06-DJ-056	Edward Byrne Memorial Justice Assistance Grant Program – Addictions Treatment 07/08	16.738	27,225	27,225
	ICJI ***	06-DJ-057	Edward Byrne Memorial Justice Assistance Grant Program – Juvenile Disposition Grant 07/08	16.738	—	14,772
	City of Indianapolis, Indiana	2006-DJ-BX-0967	Edward Byrne Memorial Justice Assistance Grant Program – JAG Grant #2	16.738	—	208,656
			Total 16.738		74,934	1,467,592
	Indiana State Police	2005DABXK-054	Forensic DNA Backlog Reduction Program	16.741	—	217,482
			Safe Streets Task Force 04/05	16.xxx	—	31,323
			Drug Enforcement Task Force	16.xxx	—	20,695
			Metro Gang Safe Streets Task Force	16.xxx	—	17,213
			Safe Streets Violent Crime Initiatives	16.xxx	—	5,507
			Joint Terrorism Task Force 05/06	16.xxx	—	329
			Violent Crime Major Offender Task Force	16.xxx	—	9,323
			Federal Equitable Share	16.xxx	—	80,085
			Total 16.xxx		—	164,475
Total U.S. Department of Justice					$ 265,476	2,977,111

(continued)

MARION COUNTY, INDIANA
(A Component Unit of the Consolidated
City of Indianapolis – Marion County)
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2007

Federal grantor	Pass-through grantor	Pass-through grantor number	Program title	CFDA number	Amount passed through to subrecipients	Total federal expenditures
National Highway Traffic Safety Administration						
State and Community Highway Safety Program Cluster:						
	ICJI***	154HE-2007-08-01-02	State and Community Highway Safety – Fatality Crash Reduction Effort	20.600	$ —	9,564
	ICJI***	OPIN3-03-07-05-42	State and Community Highway Safety – Big City County Seatbelt 03/04	20.600	—	1,859
			Total 20.600		—	11,423
	ICJI***	154AL-07-02-02-06	Alcohol Impaired Driving Countermeasures Incentive Grants – Fatal Alcohol Crash Team 06/07	20.601	—	166,588
	ICJI***	K4-2008-02-02-05	Alcohol Impaired Driving Countermeasures Incentive Grants – Fatal Alcohol Crash Team 07/08	20.601	—	14,151
	ICJI***	K8-07-03-01-05	Alcohol Impaired Driving Countermeasures Incentive Grants – DUI Traffic Safety 06/07	20.601	—	193,882
	ICJI***	K8-2008-02-03-18	Alcohol Impaired Driving Countermeasures Incentive Grants – DUI Traffic Safety 07/08	20.601	—	8,060
	ICJI***	PT07040107	Alcohol Impaired Driving Countermeasures Incentive Grants – Big City County Seatbelts 06/07	20.601	—	219,972
	ICJI***	PT08-04-1-06	Alcohol Impaired Driving Countermeasures Incentive Grants – Big City County Seatbelts 07/08	20.601	—	7,068
			Total 20.601		—	609,721
			Total State and Community Highway Safety Program Cluster		—	621,144
Total National Highway Traffic Safety Administration					—	621,144
U.S. Department of Health and Human Services						
	FSSA**	N/A	Child Support Enforcement	93.563	—	4,936,521
	Indiana Judicial Center	N/A	State Court Improvement Program	93.586	—	26,499
Total U.S. Department of Health and Human Services					—	4,963,020
Total Expenditures of Federal Awards					$ 265,476	8,763,014

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

** Indiana Family and Social Services Administration (FSSA)

*** Indiana Criminal Justice Institute (ICJI)

N/A Pass-through grantor number not available

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

Notes to Schedule of Expenditures of Federal Awards

For the year ended December 31, 2007

(1) Basis of Presentation

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

(2) Basis of Accounting

The accompanying schedule has been prepared on a modified cash basis of accounting as permitted by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Under the modified cash basis of accounting, expenditures are reported when paid by the County.

KPMG LLP
Suite 1500
111 Monument Circle
Indianapolis, IN 46204

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marion County, Indiana (County), a component unit of the Consolidated City of Indianapolis – Marion County, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 21, 2010. Our report on the basic financial statements was modified to include references to the County's preparation of the basic financial statements on a modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, modified to include reference to a note in the basic financial statements for which we expressed no opinion, and modified to include reference to the exclusion of Management's Discussion and Analysis, which is required supplementary information. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 07-01 through 07-04 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in a more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07-01, 07-02, and 07-03 to be material weaknesses.

Compliance and Other Matters

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

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

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

KPMG LLP

Indianapolis, Indiana
May 21, 2010

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KPMG LLP
Suite 1500
111 Monument Circle
Indianapolis, IN 46204

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

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

Compliance

We have audited the compliance of Marion County, Indiana (County), a component unit of the Consolidated City of Indianapolis – Marion County, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in items 07-07, 07-09, 07-10, and 07-17 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding subrecipient monitoring; reporting; activities allowed or unallowed; allowable costs/cost principles; cash management; period of availability of federal funds; or matching, level of effort, earmarking that are applicable to its Crime Victim Assistance program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply, in all material respects, with the requirements referred to above that are applicable to the Crime Victim Assistance program for the year ended December 31, 2007.

As described in items 07-06, 07-07, 07-08, 07-11, 07-12, and 07-14 in the accompanying schedule of findings and questioned costs, the County did not comply with the requirements regarding allowable costs/cost principles, subrecipient monitoring, cash management, period of availability of federal funds, or procurement and suspension and debarment that are applicable to its Edward Byrne Memorial Justice Assistance Grant program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply, in all material respects, with the requirements referred to above that are applicable to the Edward Byrne Memorial Justice Assistance Grant program for the year ended December 31, 2007.

As described in item 07-09 in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient documentation supporting the compliance of the County with the State and Community Highway Safety Program Cluster regarding reporting, nor were we able to satisfy ourselves as to the County's compliance with that requirement by other auditing procedures. In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the County's compliance with the requirements of the State and Community Highway Safety Program Cluster regarding reporting, the County complied, in all material respects, with the requirements referred to above that are applicable to its State and Community Highway Safety Program Cluster program for the year ended December 31, 2007. However, the results of our auditing procedures also disclosed an other instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-06.

As described in items 07-06, 07-13, 07-14, 07-15, and 07-16 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding allowable costs/cost principles, procurement and suspension and debarment, or activities allowed or unallowed that are applicable to its Child Support Enforcement program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program. In our opinion, because of the effects of the noncompliance described in this paragraph, the County did not comply, in all material respects, with the requirements referred to above that are applicable to the Child Support Enforcement program for the year ended December 31, 2007.

Internal Control over Compliance

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

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned

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functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 07-05 through 07-17 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 07-05, 07-06, 07-07, 07-09, 07-10, and 07-14 to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of and for the year ended December 31, 2007, and have issued our report thereon dated May 21, 2010. Our report on the basic financial statements was modified to include references to the County's preparation of the basic financial statements on a modified cash basis, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles, modified to include reference to a note in the basic financial statements for which we expressed no opinion, and modified to include reference to the exclusion of Management's Discussion and Analysis, which is required supplementary information. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

KPMG LLP

Indianapolis, Indiana
October 15, 2010 except as to the paragraph relating to the schedule of expenditures of federal awards, which is as of May 21, 2010

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

Schedule of Findings and Questioned Costs

For the year ended December 31, 2007

(1) Summary of Auditors' Results

(a)	The type of report issued on the basic financial statements:	**Unqualified Opinions**
(b)	Significant deficiencies in internal control were disclosed by the audit of the basic financial statements:	**Yes**
	Material weaknesses:	**Yes**
(c)	Noncompliance which is material to the basic financial statements:	**No**
(d)	Significant deficiencies in internal control over major programs:	**Yes**
	Material weaknesses:	**Yes**
(e)	The type of report issued on compliance for major programs:	
	Crime Victim Assistance (CFDA No. 16.575)	**Adverse**
	Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738)	**Adverse**
	State and Community Highway Safety Program Cluster (CFDA Nos. 20.600/20.601)	**Qualified**
	Child Support Enforcement (CFDA No. 93.563)	**Adverse**
(f)	Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133:	**Yes**

(g) Major programs:

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

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

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

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

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$300,000**

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

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

07-01 Bank Reconciliations – Material Weakness

Comment and Recommendation

Sound internal control over cash assets includes regular reconciliation of accounting records and interfund cash activity to bank account statements and independent review of bank reconciliations. Marion County (County), specifically the Clerk's office, had significant delays in reconciling cash accounts for 2007. Additionally, when bank reconciliations for all agencies were audited by us, a significant number of material adjustments were necessary to correct the financial statements. Additionally, the County maintains a significant number of cash accounts that are not maintained on the financial accounting system. Significant time and effort were incurred reconciling, summarizing, and recording amounts on the year-end financial statements. Moreover, there is not a control in place to consolidate the reconciliations from the various County agencies and record amounts in the financial statements.

We recommend the County reconcile all accounts to the general ledger on a monthly basis and all accounting adjustments that are identified through the monthly reconciliation process be made prior to the close of each month's accounting activity. Additionally, all cash accounts maintained by the County should be recorded and accounted for on the County's general ledger system. We also recommend that an independent review of the bank reconciliations occur by a management-level individual with reconciling items being recorded on the reconciliation and in the general ledger, if necessary. Further, we recommend a control be designed to consolidate all reconciliations and record all cash on the general ledger.

Views of Responsible Officials

It is, and will continue to be, the County's policy to reconcile cash on a monthly basis. As was noted in our 2006 report, many of the cash accounts that were previously not maintained on the County's general ledger system have been transitioned. The County will continue to work towards moving the remaining accounts onto the County's general ledger system, with the exception of one that by Indiana law does not require the elected official to maintain the account on the County's general ledger. The County is in the beginning stages of implementing a new enterprise resource system and will consider each of these remaining accounts during the implementation process.

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

07-02 Financial Reporting and Year-End Transactions – Material Weakness

Comment and Recommendation

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

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

We recommend the County establish appropriate procedures to provide for accurate and timely financial statements. Management should critically review their year-end financial reporting process and implement procedures to ensure that year-end accounting entries are appropriate, complete, and accurate. All accounts should be reconciled on a monthly and timely basis. Monthly reconciliations should include posting adjustments identified each month. Appropriate and timely management review should occur for all reconciliations and financial reporting entries. All cash accounts should be recorded on the same general ledger system. All financial reporting processes should be formally documented in an accounting procedures manual to allow for consistent implementation.

Views of Responsible Officials

As noted in the financial reporting finding in the 2006 report, enhancements are already in place to facilitate the reporting process. Training has been provided, additional coding has been created, and the compilation of the financial statements has been transitioned to the general ledger system through the use of months 13 and 14. Because the County operates on the cash basis for its day-to-day operations, transactions that may be posted in a particular manner due to budgetary requirements, must be adjusted, as well as other similar entries that require a different presentation for financial reporting purposes.

We will continue to enhance the preparation of the financial statements to address the adjustments for the underlying transactions as we become more comfortable with the process. Again, improvements in this area will be more evident in future years.

07-03 Transfers – Material Weakness

Comment and Recommendation

During testwork over transfers, we noted several payments to and from the City of Indianapolis and other governmental agencies that were recorded as transfers, rather than intergovernmental revenues or expenditures. Additionally, we noted a significant payment from one County fund to another that was recorded as an expenditure to the transferring fund and a receipt to the receiving fund rather than as a transfer in/out.

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

Views of Responsible Officials

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

07-04 IT System Program Change Management and User Access – Significant Deficiency

Comment and Recommendation

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

We recommend the County review policies and procedures with the IT system third-party contractors to ensure that all program changes made to the system are properly reviewed and approved prior to migration into production. This is especially critical given the system developers ability to move program changes into production. These approvals should be formally documented on the Production Implementation Plan. All change management policies should also be formally documented to provide guidance to both of the third-party contractors regarding the County's approval, testing, and implementation procedures. Furthermore, restrictions should be implemented to prevent developer's ability to directly move program changes into production.

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

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

Views of Responsible Officials

The County concurs with this finding, and as noted in our response in the 2006 single audit report, part of this recommendation was implemented in 2009. The County will continue to work with its IT agency to review all policies and procedures surrounding data access and security to develop appropriate change and enhanced controls.

(3) Findings and Questioned Costs Relating to Federal Awards

07-01 to
07-04 See Section (2) – Findings related to the Financial Statements Reported in Accordance with *Government Auditing Standards*.

07-05 Procurement and Suspension and Debarment

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

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

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

Criteria

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

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

Condition Found

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

- Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738) – exceptions found in one (1) of one (1) subrecipient agreement tested which represented 100% of the relevant population. In addition, we found exceptions in four (4) of four (4) vendor contracts tested, which represented 48% of the relevant population of expenditures.

- Child Support Enforcement (CFDA No. 93.563) – exceptions found in three (3) of three (3) vendor contracts tested. We sampled 61% of the expenditures for the relevant population.

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

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

Recommendation

We recommend that the County implement policies and procedures to make sure that all vendors and subrecipients are reviewed for debarred and/or suspended status or that certification is received to that extent or that documentation is maintained of the County's check of the EPLS.

The EPLS check should be performed prior to the County contracting with the vendor or subrecipient.

Views of Responsible Officials

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

As noted in our 2006 report, improvements have been made but will not be evident until future years because of the delinquency of our reports. Improvement in this specific area should be apparent in 2008 as the new procedures were implemented in the spring of 2007.

07-06 Allowable Costs/Cost Principles

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

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

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

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

Criteria

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

Condition Found

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

Below are the specifics of each of the grants:

Federal program	Sample size		Amount of payroll tested associated with exceptions	Estimated total payroll expenditures with exceptions
Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738)	Exceptions in 33 of 69 payroll expenditures selected for testing	$	42,800	565,980
Child Support Enforcement (CFDA No. 93.563)	Exceptions in 22 of 22 payroll expenditures selected for testing for Prosecuting Attorney, 26 of 26 payroll expenditures selected for testing for the Superior Court, and 20 of 27 payroll expenditures selected for testing for the Circuit Court		65,539	3,261,613

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

- For the Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738), we identified twenty-nine (29) of sixty-nine (69) time cards tested related to payroll expenditures that did not contain a supervisor approval.
- For the State and Community Highway Safety Program Cluster (CFDA No. 20.600/20.601), we identified eight (8) of ten (10) time cards tested related to payroll expenditures that did not contain a supervisor approval.
- For the Child Support Enforcement program (CFDA No. 93.563), we identified one (1) of twenty-five (25) time cards tested related to payroll expenditures for the Clerk's Office that did not contain a supervisor approval.

Questioned Costs

The amount of most likely questioned costs by program is equal to the amounts reported in the last column of the table above. The amount of most likely questioned costs were computed by multiplying the error rate percentage found in our sample population segregated by each of the relevant County agencies by the amount of total payroll related expenditures for that particular County agency.

Possible Asserted Cause and Effect

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

Recommendation

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

Views of Responsible Officials

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

07-07 Subrecipient Monitoring

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

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

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

Criteria

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

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

Condition Found

The following programs, which were audited as major programs for 2007, had a portion of the grant funds passed through to subrecipients:

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

Schedule of Findings and Questioned Costs

For the year ended December 31, 2007

CFDA number	Program title		Total expenditures	Amount passed to subrecipients
16.575	Crime Victim Assistance	$	441,695	14,058
16.738	Edward Byrne Memorial Justice Assistance Grant Program		1,467,592	74,934

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

- For the Crime Victim Assistance program (CFDA No. 16.575), out of a total of two (2) subrecipients with expenditures in 2007, two (2) agreements did not contain the program title or number (i.e., CFDA number).

- For the Edward Byrne Memorial Justice Assistance Grant Program (CFDA No. 16.738), out of a total of two (2) subrecipients, the County was not able to locate the grant agreements for both of the subrecipients, and thus, we could not determine that they were properly executed or that they contained the appropriate award information.

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

This finding is considered systemic given the number of grant programs and subrecipients that the County maintains. We also noted that the Juvenile Accountability Block Grants (CFDA No. 16.523) and the Juvenile Justice and Delinquency Prevention (CFDA No. 16.540) programs that were not audited as major federal programs in 2007 have $56,171 and $120,313, respectively, of the related grant award passed through to subrecipients.

Questioned Costs

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

Possible Asserted Cause and Effect

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

Recommendation

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

Views of Responsible Officials

We concur with this finding. As noted in our 2006 audit report, subrecipient monitoring procedures were documented by the Office of Finance and Management in early 2007 and subsequently distributed to all County agencies. Training was provided and agencies were instructed on how to comply with the OMB Circular A-133 requirements. Improvement in this area can be anticipated in years following.

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

07-08 Cash Management

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

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

Criteria

According to the March 2007 Compliance Supplement, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government.

Condition Found

In our sample of forty-six (46) expenditures for testing from which were incurred by County agencies excluding the Courts and the Prosecutor's Office, we found that three (3) expenditures had a payment date that was after the date of the County's request for reimbursement. The total associated dollar amount of these expenditures was $21,181 or 4% of the total sample items for the other agencies. We also tested thirty (30) items each from the Courts and the Prosecutor's Office (i.e., total of sixty (60) from both agencies) and found no exceptions.

Questioned Costs

The most likely questioned costs associated with this finding are $68,824 and were computed by multiplying the 4% error rate as calculated in our sample population to the total of the program expenditures of $444,029, which were incurred by the County agencies other than the Courts and the Prosecutor's Office.

Possible Asserted Cause and Effect

The asserted cause of this finding is that there was a delay in the actual payment of the invoice, and thus, the federal reimbursement was requested by the grant personnel prior to the County's payment. The effect of this finding is that the County may be drawing down funds prior to making payment with their own funds, and thus not being on a reimbursement basis.

Recommendation

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

Views of Responsible Officials

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

07-09 Reporting

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

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

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

Criteria

The March 2007 Compliance Supplement indicates that recipients shall submit performance reports at least annually but not more frequently than quarterly. Performance reports generally contain, for each award, brief information on each of the following:

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

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

The March 2007 Compliance Supplement indicates that for performance reports, the auditor is to trace the data to records that accumulate and summarize data and perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports.

Condition Found

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

Questioned Costs

There are no questioned costs associated with this finding.

Possible Asserted Cause and Effect

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

Recommendation

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

Views of Responsible Officials

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

07-10 Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, and Period of Availability of Federal Funds

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

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

Criteria

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

According to the March 2007 Compliance Supplement, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the federal government. Additionally, the March 2007 Compliance Supplement indicates that federal awards may specify a time period during which the nonfederal entity may use the federal funds. Where a funding period is specified, a nonfederal entity may charge to the award only costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency.

Condition Found

Federal expenditures of $55,810 were reported for this program that relate to grants that have grant periods prior to 2007 and date back to 2000. The grant numbers for these programs are 02VA106, VX9500, and VX9900. Based on the dates that these expenditures were originally recorded in the County's general ledger, the actual payment dates were in years prior to 2007, however, were not initially appropriately charged to the applicable grant in the County's accounting system and thus were not previously reported as grant expenditures on the County's schedule of expenditures of federal awards (SEFA) in the proper year (i.e., the year incurred). In 2007, the County identified that these costs should have been charged to the grant in the general ledger and recorded the correction in 2007, thus causing the expenditures to be reported as grant expenditures on the SEFA in 2007. The County was not able to provide the supporting documentation for these expenditures, and thus, we were not able to determine if the costs were allowable, whether the costs were paid for by the entity before the applicable request for reimbursement, or whether they were incurred within the grant period.

Questioned Costs

Questioned costs are $55,810, which were calculated as the total costs submitted for reimbursement for which we were not able to obtain supporting documentation.

Possible Asserted Cause and Effect

The asserted cause of this finding is that the supporting documentation was not available due to the significant time period that has elapsed since the actual expenditures were incurred. The effect of this condition is that the County could incur expenditures that are not allowable or within the stated grant period.

Recommendation

We recommend that the County implement policies and procedures to ensure that all costs are adequately documented and maintained.

Views of Responsible Officials

The County concurs with this finding and will work with the agencies involved, and all agencies receiving federal funds, to assure that appropriate documentation is maintained for individuals assigned to grants. It is important to note that due to the delinquency in our reporting, we have encountered some difficulties in locating support. As we become more current on our reporting, improvement in this area should be evident.

07-11 Period of Availability of Federal Funds

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

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

Criteria

According to the March 2007 Compliance Supplement, federal awards may specify a time period during which the nonfederal entity may use the federal funds. Where a funding period is specified, a nonfederal entity may charge, to the award only costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency.

Condition Found

During our period of availability of federal funds testwork for this program, we identified one (1) item for which the related expenditure was not incurred within the related grant award period. The exception was found in our sample for the Courts for which we selected thirty (30) sample items.

We also selected sixty (60) sample items from other County agencies with expenditures under this program and found no exceptions.

Additionally, for one (1) of the eighteen (18) grants (grant number 05-DJ-005) with expenditures under this program, the County did not have a properly executed (i.e., signed) grant amendment that extended the grant end period by two months from March 31, 2007 to May 31, 2007. While the County did have a copy of the grant amendment, it was not properly approved by the grantor, and we were unable to determine if the grant period was amended.

Questioned Costs

For the finding associated with the expenditure incurred outside of the grant period, the known questioned costs are $775, which were calculated as the amount associated with the one exception in our sample. The most likely questioned costs are $8,368 and were calculated by extrapolating the known questioned costs over the relevant sample (for the Courts only) to the total expenditures incurred by the Courts for this program.

For the finding associated with the improperly executed grant amendment, the known and most likely questioned costs are $119,391 and represent expenditures under this grant incurred after the grant-end period (i.e., after March 31, 2007) stated in the original grant agreement.

Possible Asserted Cause and Effect

The effect of this condition is that the County incurred expenditures that were not within the stated grant period or which we could not obtain evidence were appropriately approved by the grantor.

Recommendation

We recommend that the County review and reinforce policies and procedures to ensure that all costs are incurred within a grant's period of availability. Additionally, the County should ensure that all grant amendments and approvals for the extension of any grant periods are properly approved by the grantor and that such approval is appropriately documented and maintained.

Views of Responsible Officials

The County concurs with this finding and will work with the agencies involved, and all agencies receiving federal funds, to assure that appropriate documentation and approvals are maintained for individuals assigned to grants.

07-12 Allowable Costs/Cost Principles and Period of Availability of Federal Funds

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

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

Criteria

According to the March 2007 Compliance Supplement, federal awards may specify a time period during which the nonfederal entity may use the federal funds. Where a funding period is specified, a nonfederal entity may charge to the award only costs resulting from obligations incurred during the funding period and any preaward costs authorized by the federal awarding agency. Additionally, the March 2007 Compliance Supplement indicates that costs must be adequately documented.

Condition Found

The County incurred expenditures under eighteen (18) different grants during 2007 for this program. One (1) of the grants was not properly executed in that County could not provide a fully executed copy of the grant agreement (grant 06-DJ-056) and the County could not provide a final grant budget that agreed with the amount awarded by the grantor.

Questioned Costs

There were no questioned costs associated with this finding.

Possible Asserted Cause and Effect

The effect of this condition is that the County may incur expenditures that are not allowable by the grantor based on the final budget award or did not comply with the final award document.

Recommendation

We recommend that the County ensure that properly executed grant agreements are maintained, which includes signatures by all parties and a final grant budget.

Views of Responsible Officials

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

07-13 Allowable Costs/Cost Principles

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

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

Criteria

Pursuant to 45 CFR Section 304.23, unallowed activities include activities related to administering other titles of the Social Security Act. Additionally, per OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B, Paragraphs 8(h)(3) and (4), where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certification that the employees worked solely on that program for the period covered by the certification. These certifications are to be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee. Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation, which, (1) reflects an after-the-fact distribution of the actual activity of each employee; (2) accounts for the total activity for which each employee is compensated; (3) is prepared at least monthly and must coincide with one or more pay periods; and (4) must be signed by the employee.

Condition Found

We noted that $295,474 of the total $323,615 in federal reimbursement received by the Circuit Court relates to payroll related charges. During our testwork, we selected payroll expenditures from the Circuit Court and noted that these were supported by personnel activity reports whereby the employees certified that 100% of their time was spent working on the Child Support Enforcement program. However, based upon conversations with management in the Circuit Court in previous years and correspondence with the pass-through entity in prior years, it appears that employees in this Court actually spend a portion of their time on non-Title IV-D cases; however, they are not allocating any of the employees' time to these non-Title IV-D cases.

Questioned Costs

The amount of questioned costs is undetermined as no accounting has been done of actual time spent by the employees. Total expenditures reimbursed (at 66% reimbursement rate) for the Circuit Court in 2007 were $295,474.

Possible Asserted Cause and Effect

County management is aware that the amount charged to the grant represents 100% of employee time although they acknowledge that a portion of employees' time is spent on non-Title IV-D cases. Management asserts that these employees are working a significant amount of overtime without compensation, and thus, the 100% reimbursement should be allowed. No approval from the pass-through entity has been obtained.

Recommendation

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

Views of Responsible Officials

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

07-14 Procurement and Suspension and Debarment

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

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

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

Criteria

According to the March 2007 Compliance Supplement and §__.36(b)(9), §__.36(c)(1), §__.36(b)(1), and §__.36(d)(4), procurements should conform to the following criteria:

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

Condition Found

For the Edward Byrne Memorial Justice Assistance Grant Program, we selected a sample of four (4) vendors with total expenditures in 2007 of $141,666 and which represented 48% of the total

$294,754 expenditures subject to this compliance requirement. Of these vendors, none of the four (4) had sufficient information in the contract file to detail the bids or quotes obtained to evidence full and open competition. There was also no formal documentation that indicated a rationale to limit competition.

For the Child Support Enforcement program, we tested three (3) vendors with total expenditures of $453,579 and which represented 61% of the total federal expenditures under this program subject to this compliance requirement for the Prosecuting Attorney. Of these vendors, none of the three (3) had sufficient information in the contract file to detail the bids or quotes obtained to evidence full and open competition. There was also no formal documentation that indicated a rationale to limit competition.

Questioned Costs

The known questioned costs for the Edward Byrne Memorial Justice Assistance Grant Program are $141,666 and were computed as the entire 2007 expenditures for the vendors in our sample. The most likely questioned costs are $294,754 and were computed by extrapolating the error rate percentage of 100% found in our sample to the relevant population of $294,754.

The known questioned costs for the Child Support Enforcement program are $453,579 and were computed as the entire 2007 expenditures for the three (3) vendors in our sample. The most likely questioned costs are $748,958 and were computed by extrapolating the error rate percentage of 100% found in our sample to the relevant population of $748,958.

Possible Asserted Cause and Effect

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

Recommendation

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

Views of Responsible Officials

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

07-15 Activities Allowed or Unallowed and Allowable Costs/Cost Principles

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

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

Criteria

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

Condition Found

The County was not able to provide documentation to support two (2) of the five (5) sample items that we selected for nonpayroll expenditures which were incurred by the Clerk's Office.

Questioned Costs

The known questioned costs associated with this finding are $5,574, which is the amount of the two (2) sample items that could not be located and represents 63% of the total nonpayroll sample items selected for the Clerk's Office. The most likely questioned costs are $77,724 and were calculated by extrapolating the 63% error rate in our sample by the total nonpayroll expenditures for the Clerk's Office in 2007 of $123,312.

Possible Asserted Cause and Effect

The asserted cause of this finding is that the supporting documentation was not available due to the significant time period that has elapsed since the actual expenditures were incurred. The effect of this condition is that the County could incur expenditures that are not allowable or for activities which were unallowed.

Recommendation

We recommend that the County implement policies and procedures to ensure that all costs are adequately documented and maintained.

Views of Responsible Officials

The County concurs with this finding and will work with the agencies involved, and all agencies receiving federal funds, to assure that appropriate documentation is maintained for items claimed for federal reimbursement.

07-16 Allowable Costs/Cost Principles

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

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

Criteria

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

Condition Found

Based on findings and questioned costs reported in past single audit reports, we identified expenditures totaling $546,003 that related to internal data processing charges (i.e., information technology or IT charges) submitted for reimbursement. In past years, these costs were only charged for the Superior and Circuit Courts, but in 2007, the County began submitting such costs for reimbursement for the Prosecutor and Clerk's Offices as well. Costs are reimbursed at 66% for this program, and therefore, the total federal reimbursement received for 2007 related to these expenditures was $360,362. The County provided documentation for these costs consisting of amounts budgeted to be charged to each of these agencies by the central IT agency that services both the County and the City of Indianapolis. We selected a sample of costs amounting to $13,137,883 of the total $26,030,162 of budgeted IT costs. The County was not able to provide support for amounts of which $74,954 was allocated to the Child Support Enforcement program. At the 66% reimbursement rate, this amounts to questioned costs of $49,535. Additionally, the County did perform an after-the-fact determination as to the comparison of actual IT costs charged to the budgeted amount.

Questioned Costs

Questioned costs are $49,535, which is calculated as the total costs submitted for reimbursement in our sample at the 66% reimbursement rate. Most likely questioned costs were $97,925 and were determined by applying the error rate in our sample of 0.57% to the total population of $26,030,162 and then multiplying the result by the 66% reimbursement rate for the Child Support Enforcement program.

Possible Asserted Cause and Effect

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

Recommendation

We recommend management ensure that all costs submitted for reimbursement are adequately documented and can be supported. Internal data processing charges should be appropriately documented, and the County should ensure that such costs are being allocated to the department/agency submitting the cost to be reimbursed. Additionally, if budgeted costs are being used to charge the federal program, management should ensure that a true-up to actual costs is performed and any discrepancies are appropriately adjusted in the federal reimbursements.

Views of Responsible Officials

It was the County's understanding that the agencies that participate in the Child Support Enforcement program were working with the funding agency to obtain approval for reimbursement of the data processing charges. The County agrees that unsupported expenditures should not be claimed for reimbursement and will review the current processes with the agencies impacted by this finding.

07-17 Matching, Level of Effort, Earmarking

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

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

Criteria

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

- Verifiable from the nonfederal entity's records
- Not included as contributions for any other federally assisted project or program, unless specifically allowed by federal program laws and regulations

- Necessary and reasonable for proper and efficient accomplishment of project or program objectives

- Allowed under the applicable cost principles

- Not paid by the federal government under another award, except where authorized by federal statute to be allowable for cost sharing or matching

- Provided for in the approved budget when required by the federal awarding agency

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

Condition Found

We selected a sample of thirty (30) expenditures (total of $46,677), which were claimed in 2007 on the quarterly financial reports submitted to the grantor as match amounts. These amounts represented 29% of the total $160,756 claimed as match amounts for 2007 for this program. We noted three (3) exceptions as follows:

- Two (2) items with exceptions totaling $3,868, which represent internally allocated computer charges and which could not be fully supported by the actual costs charged to the various County agencies

- One (1) item totaling $250, which represents a copier charge that based on the documentation provided appeared to be in excess of the amount that should be allocated to the three employees working on this grant.

Questioned Costs

The total actual match amounts tested and found to be exceptions amounted to $4,118, which represents 9% of our total sample tested. Total most likely exceptions were $14,182 and were calculated by multiplying the error rate of 9% in our sample by the total population of match amounts claimed in 2007 of $160,756.

Possible Asserted Cause and Effect

The asserted cause of this finding is that the County has not maintained appropriate documentation to support match amounts claimed for this grant program. The effect is that the County may not incur appropriate costs to meet the matching requirements of this program.

Recommendation

We recommend that the County maintain appropriate documentation to adequately support match amounts reported and that verification of such amounts is reviewed by a management-level employee prior to submission of the quarterly financial report that reports the match amounts.

Views of Responsible Officials

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