Health and Hospital Corporation of Marion County, Indiana

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

Accountants' Report and Financial Statements

For the Year Ended December 31, 2008

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
For the Year Ended December 31, 2008

Contents

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
For the Year Ended December 31, 2008

Contents (Continued)

Supplementary Information

BKD LLP
CPAs & Advisors

201 N. Illinois Street, Suite 700
P.O. Box 44998
Indianapolis, IN 46244-0998
317.383.4000 Fax 317.383.4200 www.bkd.com

Independent Accountants' Report on Financial Statements and Supplementary Information

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis - Marion County) (Corporation) as of and for the year ended December 31, 2008, which collectively comprise the Corporation's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Health and Hospital Corporation of Marion County, Indiana as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 8, the Corporation changed its accounting method related to Medicaid Special Revenue.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2009, on our consideration of Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

experience BKD

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

The accompanying management's discussion and analysis and General Fund budgetary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying supplementary information, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

BKD, LLP

September 10, 2009

Management's Discussion and Analysis

As management of the Health and Hospital Corporation of Marion County, Indiana (Corporation), we offer readers of this Corporation's Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter at the front of this report along with the financial statements, including the footnotes that follow the basic financial statements.

Financial Highlights

- The assets of the Corporation exceeded its liabilities at the close of the most recent fiscal year by $445,502,524 (net assets). Of this amount, $337,371,696 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Corporation's total net assets increased by $12,403,830.
- As of the close of 2008, the Corporation's governmental funds reported combined ending fund balances of $213,800,445 an increase of $41,383,653 in comparison with the prior year. Approximately 96.2% of this total amount, $205,654,513, is available for spending at the discretion of the Corporation's Board of Trustees (unreserved and undesignated fund balance).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was $144,967,336 or 190.7% of total general fund expenditures.
- The Corporation's total debt excluding capital leases decreased by $1.9 million or 4.4% during the current fiscal year. This reflects scheduled principal payments on outstanding notes and bonds. The capital lease obligation decreased by $2,531,753 or (1.3)% in 2008.

Overview of the Financial Statements

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

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

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

The statement of activities presents information showing how the Corporation's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

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

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

The Corporation maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Debt Service Fund and Capital Projects Fund, all of which are considered to be major funds.

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

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

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

Other information - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Corporation's progress in funding its obligation to provide pension benefits to its employees and the budgetary comparison schedule for the General Fund. Also, budgetary schedules are provided for the Debt Service Fund and the Capital Projects Fund as other supplementary information.

Financial Analysis of the Corporation as a Whole

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, assets exceeded liabilities by $445,502,524 at December 31, 2008.

A portion of the Corporation's net assets, 24.1%, reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Corporation uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Corporation's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Corporation's net assets, 0.2%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $337,371,696, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of 2008, the Corporation is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The Corporation’s net assets increased by $12,403,830 during the current fiscal year. The majority of the increase reported in connection with the Corporation’s governmental activities resulted from Medicaid special revenue payments.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	$ 269,720,086	$ 247,350,147	$ 208,554,069	$ 201,555,330	$ 478,274,155	$ 448,905,477
Capital assets, net of accumulated depreciation	12,144,116	13,472,861	314,098,422	325,202,690	326,242,538	338,675,551
Total Assets	281,864,202	260,823,008	522,652,491	526,758,020	804,516,693	787,581,028
Liabilities						
Long-term liabilities	51,134,124	47,751,564	221,669,744	205,544,194	272,803,868	253,295,758
Other liabilities	10,626,510	10,677,156	75,583,791	90,509,420	86,210,301	101,186,576
Total Liabilities	61,760,634	58,428,720	297,253,535	296,053,614	359,014,169	354,482,334
Net Assets						
Invested in capital assets, net of related debt	(17,518,906)	7,784,239	124,917,253	106,358,255	107,398,347	114,142,494
Restricted	-	-	732,481	1,261,455	732,481	1,261,455
Unrestricted	237,622,474	194,610,049	99,749,222	123,084,696	337,371,696	317,694,745
Total Net Assets	$ 220,103,568	$ 202,394,288	$ 225,398,956	$ 230,704,406	$ 445,502,524	$ 433,098,694

Changes in Net Assets

The Corporation's total revenue was $791,624,923 during the current fiscal year. Taxes represent 13.3% of the Corporation’s revenue. Medicaid special revenue represents 11.0% of revenue, while 70.1% of revenue came from fees charged for services. The remaining 5.6% came from grants and contributions, interest earnings, and miscellaneous revenues.

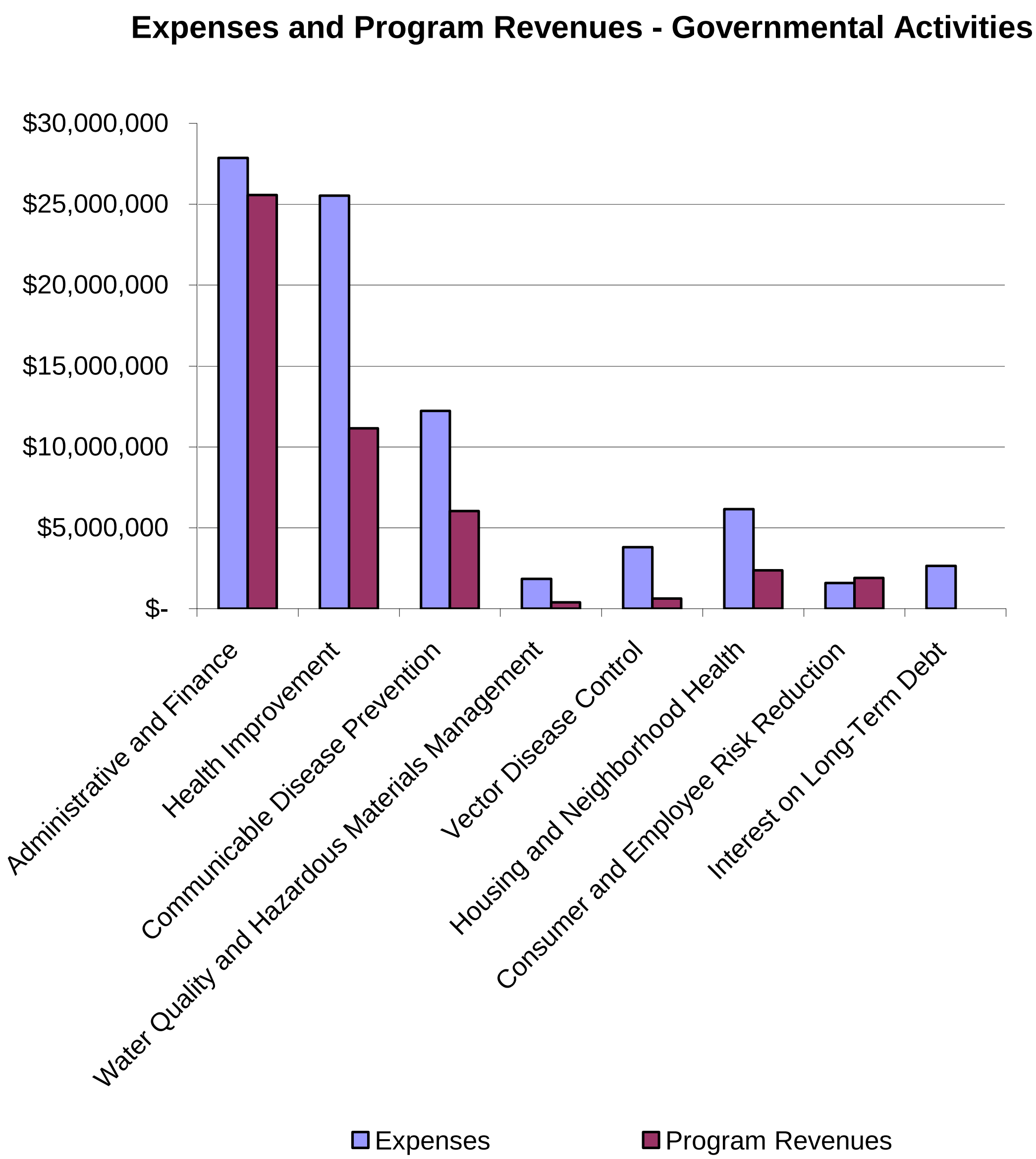
The total cost of all programs and services was $779,221,093. This resulted in an increase in net assets for the year of $12,403,830.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	$ 31,002,923	$ 36,715,671	$ 524,256,255	$ 450,327,883	$ 555,259,178	$ 487,043,554
Operating grants and contributions	15,513,792	13,955,419	16,646,528	9,308,853	32,160,320	23,264,272
Capital grants and contributions	1,527,403	1,217,110	-	314,400	1,527,403	1,531,510
General revenues						
Property and local option income taxes	97,126,269	89,583,638	-	-	97,126,269	89,583,638
Other taxes	8,211,558	8,099,762	-	-	8,211,558	8,099,762
Medicaid special revenue	87,227,322	102,956,478	-	-	87,227,322	102,956,478
Unrestricted investment earnings	4,056,678	7,077,243	6,056,195	3,451,521	10,112,873	10,528,764
Total revenues	244,665,945	259,605,321	546,958,978	463,402,657	791,624,923	723,007,978
Expenses						
Administration and finance	27,873,858	20,163,477	-	-	27,873,858	20,163,477
Health improvement	25,527,724	24,159,226	-	-	25,527,724	24,159,226
Communicable disease prevention	12,223,308	11,352,654	-	-	12,223,308	11,352,654
Water quality and hazardous material management	1,839,289	1,935,157	-	-	1,839,289	1,935,157
Vector disease control	3,804,382	3,940,890	-	-	3,804,382	3,940,890
Housing and neighborhood health	6,143,281	5,269,185	-	-	6,143,281	5,269,185
Consumer and employee risk reduction	1,580,062	1,579,658	-	-	1,580,062	1,579,658
Interest on long-term debt	2,652,816	2,690,760	-	-	2,652,816	2,690,760
Wishard Health Services	-	-	457,457,787	424,232,288	457,457,787	424,232,288
Long-term care	-	-	240,118,586	212,410,072	240,118,586	212,410,072
Total expenses	81,644,720	71,091,007	697,576,373	636,642,360	779,221,093	707,733,367
Increase (Decrease) in Net Assets Before Transfers	163,021,225	188,514,314	(150,617,395)	(173,239,703)	12,403,830	15,274,611
Transfers	(145,311,945)	(157,734,870)	145,311,945	157,734,870	-	-
Increase (Decrease) in Net Assets	17,709,280	30,779,444	(5,305,450)	(15,504,833)	12,403,830	15,274,611
Net Assets, Beginning of Year	202,394,288	171,614,844	230,704,406	246,209,239	433,098,694	417,824,083
Net Assets, End of Year	$ 220,103,568	$ 202,394,288	$ 225,398,956	$ 230,704,406	$ 445,502,524	$ 433,098,694

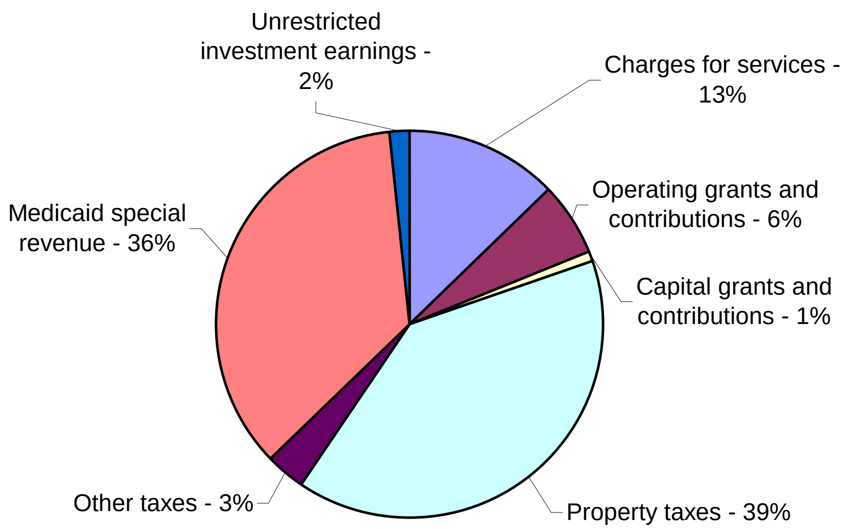
Governmental Activities - Governmental activities increased the Corporation's net assets by $17,709,280 compared to the total $12,403,830 increase in net assets of the Corporation. Property and local option income taxes increased by $7,542,631. Medicaid special revenues decreased $15,729,156 due to more settlements being received in 2007.

Capital contributions to Wishard Health Services were $377,910 a decrease of $356,960 from prior year. The current year capital contributions to Wishard were for computers, software, and support for the continued implementation of the public health preparedness response system. Transfers to Wishard Health Services were $175,234,035, an increase of $18,234,035 from last year. Transfers of $30,300,000 were also made from LT Care to the governmental funds.

The following charts provide comparisons of the Corporation's governmental program revenues and expenses by function, and revenues by source. As shown, administrative and finance is the largest function in expense. General revenues such as property tax are not shown by program; but are included in the revenues by source chart to show their significance. Taxes are used to support program activities for the entire Corporation.



Revenues by Source - Governmental Activities

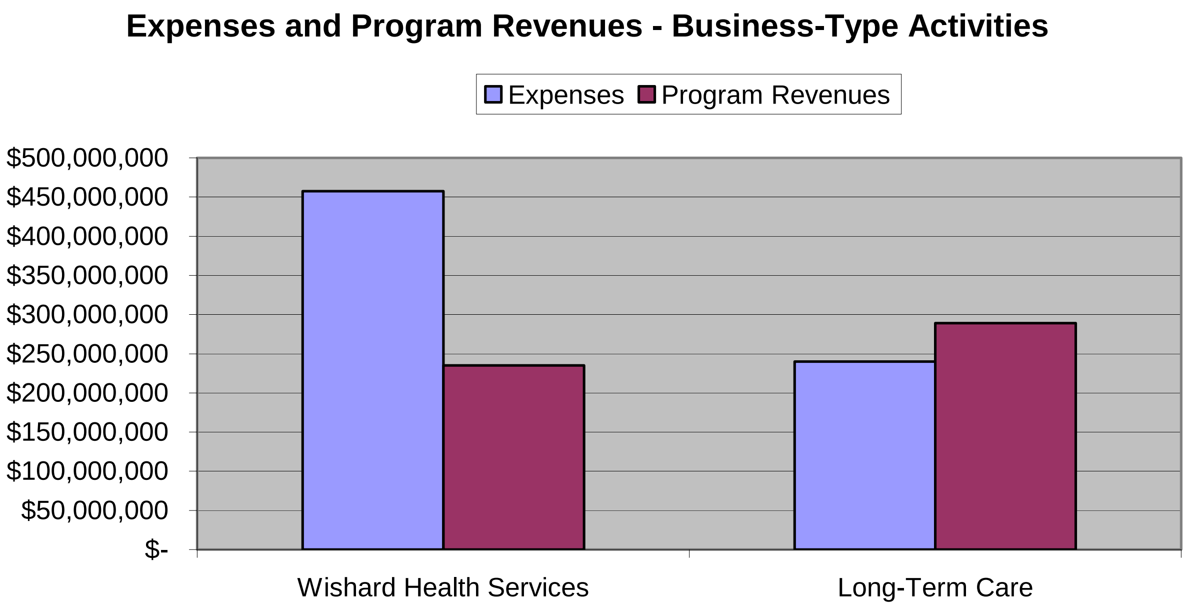


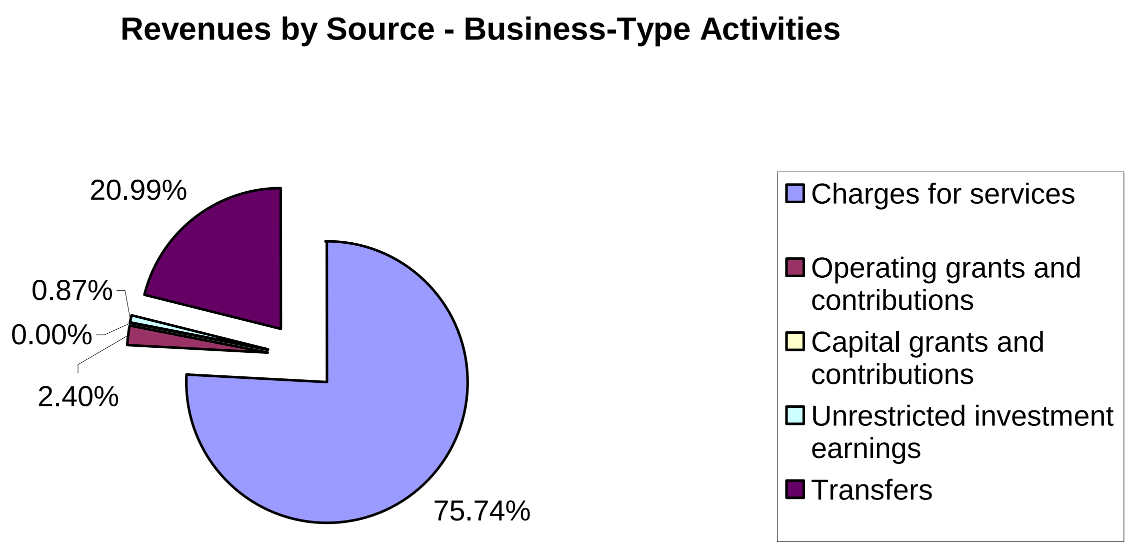
Business-Type Activities - Business-type activities decreased the Corporation's net assets by $5,305,450 compared to a decrease of $15,504,833 in 2007.

Wishard's net assets decreased by $24.1 million in the current year. Wishard's unrestricted net assets decreased by $45.7 million. Revenues increased by $5.6 million due to increases of $6.3 million and $7.3 million in net patient service revenue and noncapital gifts and grants, respectively. These increases were offset by a decrease of $10.8 million in other revenue. Operating expenses increased $33.2 million in response to increased patient volumes and cost inflation. Wishard incurred an operating loss of $222.2 million, which was offset by $175.2 million in transfers from Health and Hospital Corporation, $16.6 million in mental health grants from various agencies, and $5.9 million in investment income.

LT Care net assets were $35,595,624, which was an increase of $18.7 million over 2007. Operating revenues increased $78.4 million due to increased Medicaid reimbursements and operating expenses increased $27.4 million. This was primarily due to the addition of a nursing home in 2008. LT Care has a negative $20.3 million invested in capital assets, net of related debt. All 29 facilities are recorded as capital leases under non-current assets.

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





Financial Analysis of the Corporation's Funds

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

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

As of the end of the current fiscal year, the Corporation's governmental funds reported combined ending fund balances of $213,800,445, an increase of $41,383,653 in comparison with the prior year. Approximately 97.1% of this total amount, $207,531,530, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to 1) liquidate contracts and purchase orders of the prior period ($3.3 million) and 2) cover prepaid costs ($2.9 million).

The General Fund is the chief operating fund of the Corporation. At the end of the current fiscal year, unreserved and undesignated fund balance of the General Fund was $144,967,336, while total fund balance increased to $153,113,268. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 190.7% of total general fund expenditures, while total fund balance represents 201.4% of that same amount.

The fund balance of the Corporation's General Fund increased by $23,314,566 during the current fiscal year, in comparison to a $10,433,389 increase in 2007. Medicaid special revenue increased $21.4 million, primarily because of prior year settlements received during the availability period. Charges for service revenues decreased due to less medical education revenue recognized from Indiana University while miscellaneous revenues increased. Administrative expenses have increased $3.8 million related to increased contractual costs. Population health expense increases of $501,290 include increased efforts in health promotion and maternal and child health. Transfers reflect an increase in support to Wishard of $18.6 million. The increase in grant expenditures of $1,462,783 is a net result of a number of grants programs ending, a reduction in several others and an increase in the Healthcare Facilities Emergency Program.

Debt Service Funds - The Debt Service Fund has a negative fund balance of $(3,631,044) compared to a balance of $(412,637) in the prior year. The net decrease in fund balance during the current year was $(3,218,407). This decrease is due to 2008 property taxes being delayed and received in 2009.

Capital Projects Funds **-** The Capital Projects Fund has a total fund balance of $64,318,221. The net increase in fund balance during the current year was $21,287,494 due to taxes, interest income and a $20,300,000 transfer in from LT Care. There were no new construction or renovation projects this year requiring use of these funds.

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

Unrestricted net assets of Wishard Health Services at the end of the year amounted to $43,841,152. Total net assets decreased by $24.1 million. Other factors concerning the finances of Wishard have already been addressed in the discussion of the Corporation's business-type activities.

Unrestricted net assets of LT Care at the end of the year were $55,908,070 The increase in net assets was $18.7 million. Other information on LT Care operations can be found in the discussion of the Corporation's business-type activities.

General Fund Budgetary Highlights

The original budget of $264,156,345 was increased by $80,000,000 during 2008. This increase was the net of an increase of $1.7 million increase to supplies, an increase of $80 million in additional contractual services that is included in other charges and services, and a decrease of $1.7 million in capital outlays.

The final General Fund budget of $344,156,345 included $176,156,345 in expenditures and $168,000,000 in transfers. Actual expenditures and transfers out were $246,072,926. Of the total under spending, $1.2 million was budgeted for personal services, $570,000 for supplies, $90.5 million for contractual services, and $3.1 million for capital outlays. Under spending for contractual service reflects a change in accounting treatment in which intergovernmental transfers for special Medicaid are now being netted against revenue rather than shown as expense. Other under spending reflects potential year-end expenses that did not occur. General revenues and other resources were originally estimated at $258,892,227, final budgets were $338,892,227, and actual was $259,666,224. Taxes collected were $15.2 million under budget due to delays in collection of property tax revenues and Medicaid special revenue was $76.4 million under budget due to a change in accounting treatment. Miscellaneous revenue was over budget due to increased cash collections of medical education revenues from Indiana University.

Capital Asset and Debt Administration

Capital Assets **-** The Corporation's capital assets for its governmental and business-type activities as of December 31, 2008, amount to $326,242,538 (net of accumulated depreciation), compared to $338,675,551 at the end of 2007. This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles and construction in progress.

Major capital asset events during 2008 included the following:

- Completed software conversion of McKesson software and pharmacist workflow and document imaging program
- Purchase of a new mammogram RV
- Opthamology Clinic renovation
- Exterior waterproofing of Hasbrook Building
- Upgrade of electronic software storage unit

Additional information on the Corporation's capital assets can be found in the notes to the financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	$ 1,826,707	$ 1,782,995	$ 1,189,877	$ 1,189,877	$ 3,016,584	$ 2,972,872
Land improvements	-	-	2,047,148	2,055,667	2,047,148	2,055,667
Buildings and improvements	7,350,603	8,224,680	262,271,182	274,812,337	269,621,785	283,037,017
Equipment	2,204,852	2,618,742	39,661,472	32,103,094	41,866,324	34,721,836
Vehicles	565,666	846,444	1,328,463	718,183	1,894,129	1,564,627
Construction in progress	196,288	-	7,600,280	14,323,532	7,796,568	14,323,532
Total assets	$ 12,144,116	$ 13,472,861	$ 314,098,422	$ 325,202,690	$ 326,242,538	$ 338,675,551

Long-Term Debt **-** At the end of 2008, the Corporation had total debt outstanding of $41,734,522, excluding capital leases. This amount represents the total general obligation debt.

Moody's Investors Service rates the Corporation's general obligation debt "Aaa".

State statutes limit the amount of general obligation debt a governmental entity may issue to 0.67% of its total assessed valuation. The current debt limitation for the Corporation is $292,821,329. Outstanding debt at December 31, 2008 represents 14.6% of this limit.

Additional information on the Corporation's long-term debt can be found in the notes to the financial statements.

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
1988 renovation bonds	$ 17,245,000	$ 18,235,000	$ -	$ -	$ 17,245,000	$ 18,235,000
2005 general obligation bonds	25,390,000	26,140,000	-	-	25,390,000	26,140,000
Deferred premiums	848,306	901,326	-	-	848,306	901,326
Deferred amount on refunding	(1,748,784)	(1,912,964)	-	-	(1,748,784)	(1,912,964)
1998 promissory note	-	218,122	-	-	-	218,122
Capital leases	-	-	189,181,169	191,712,922	189,181,169	191,712,922
Total long-term debt	$ 41,734,522	$ 43,581,484	$ 189,181,169	$ 191,712,922	$ 230,915,691	$ 235,294,406

Economic Factors and Next Year's Budgets and Rates

The 2009 original budget for all annually budgeted funds was $286,594,980. No revisions have been made through August 2009. The 2009 General Fund budget is $282,238,000, a 21.9% decrease from the 2008 final General Fund budget of $344,156,345.

Requests for Information

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

Basic Financial Statements

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Statement of Net Assets
December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 211,383,065	$ 78,889,658	$ 290,272,723
Investments	-	4,659,862	4,659,862
Receivables, net:			
Patient services	-	61,151,446	61,151,446
Medicaid special revenue	-	8,943,835	8,943,835
Grants	3,864,037	4,415,167	8,279,204
Interest	-	33,725	33,725
Taxes	41,221,939	-	41,221,939
Other	9,719,858	8,748,976	18,468,834
Inventories	-	4,734,664	4,734,664
Prepaid costs and other assets	2,930,004	6,666,989	9,596,993
Restricted cash and cash equivalents	-	732,481	732,481
Bond issuance costs	331,380	-	331,380
Net pension asset	269,803	1,037,431	1,307,234
Lease acquisition costs (net of accumulated amortization)	-	9,808,845	9,808,845
Joint venture investments	-	11,441,884	11,441,884
Other long-term assets	-	7,289,106	7,289,106
Capital assets (net of accumulated depreciation):			
Land	1,826,707	1,189,877	3,016,584
Land improvements	-	2,047,148	2,047,148
Buildings and improvements	7,350,603	262,271,182	269,621,785
Equipment	2,204,852	39,661,472	41,866,324
Vehicles	565,666	1,328,463	1,894,129
Construction in progress	196,288	7,600,280	7,796,568
Total assets	281,864,202	522,652,491	804,516,693
Liabilities			
Accounts payable	5,503,199	36,900,301	42,403,500
Salaries and related benefits	4,271,849	24,069,716	28,341,565
Unearned revenue	851,462	4,109,272	4,960,734
Estimated Medicare/Medicaid settlements	-	3,156,996	3,156,996
Medical claims incurred but not reported	-	4,771,474	4,771,474
Risk share payable	-	2,576,032	2,576,032
Long-term liabilities			
Due within one year	7,623,198	28,184,733	35,807,931
Due in more than one year	43,510,926	193,485,011	236,995,937
Total liabilities	61,760,634	297,253,535	359,014,169
Net Assets			
Invested in capital assets, net of related debt	(17,518,906)	124,917,253	107,398,347
Restricted for:			
Health services	-	732,481	732,481
Unrestricted	237,622,474	99,749,222	337,371,696
Total net assets	$ 220,103,568	$ 225,398,956	$ 445,502,524

Health and Hospital Corporation of Marion County, Indiana

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

Statement of Activities
For the Year Ended December 31, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Administration and finance	$ 27,873,858	$ 24,835,565	$ 729,915	$ -	$ (2,308,378)	$ -	$ (2,308,378)
Health improvement	25,527,724	2,324,464	8,818,926	-	(14,384,334)	-	(14,384,334)
Communicable disease prevention	12,223,308	533,564	3,978,542	1,527,403	(6,183,799)	-	(6,183,799)
Water quality and hazardous materials management	1,839,289	352,902	30,583	-	(1,455,804)	-	(1,455,804)
Vector disease control	3,804,382	614,797	20,013	-	(3,169,572)	-	(3,169,572)
Housing and neighborhood health	6,143,281	435,687	1,935,813	-	(3,771,781)	-	(3,771,781)
Consumer and employee risk reduction	1,580,062	1,905,944	-	-	325,882	-	325,882
Interest on long-term debt	2,652,816	-	-	-	(2,652,816)	-	(2,652,816)
Total governmental activities	81,644,720	31,002,923	15,513,792	1,527,403	(33,600,602)	-	(33,600,602)
Business-Type Activities							
Wishard Health Systems	457,457,787	235,271,501	16,646,528	-	-	(205,539,758)	(205,539,758)
LT Care	240,118,586	288,984,754	-	-	-	48,866,168	48,866,168
Total business-type activities	697,576,373	524,256,255	16,646,528	-	-	(156,673,590)	(156,673,590)
Total	$ 779,221,093	$ 555,259,178	$ 32,160,320	$ 1,527,403	(33,600,602)	(156,673,590)	(190,274,192)
General revenues:							
Property and local option income taxes					97,126,269	-	97,126,269
Excise taxes					6,927,280	-	6,927,280
Financial institution taxes					1,284,278	-	1,284,278
Medicaid special revenue (unrestricted)					87,227,322	-	87,227,322
Unrestricted investment earnings					4,056,678	6,056,195	10,112,873
Transfers (capital contributions to Wishard and LT Care)					(377,910)	377,910	-
Transfers					(144,934,035)	144,934,035	-
Total general revenues and transfers					51,309,882	151,368,140	202,678,022
Change in net assets					17,709,280	(5,305,450)	12,403,830
Net assets - beginning of year					202,394,288	230,704,406	433,098,694
Net assets - end of year					$ 220,103,568	$ 225,398,956	$ 445,502,524

See Notes to Basic Financial Statements

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Balance Sheet - Governmental Funds
December 31, 2008

	General	Debt Service	Capital Projects	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 147,061,812	$ 2,950	$ 64,318,303	$ 211,383,065
Receivables (net of allowance for uncollectibles)				
Grants	4,920,995	-	-	4,920,995
Taxes	37,226,027	3,731,745	264,167	41,221,939
Other	9,719,858	-	-	9,719,858
Due from other funds	3,633,994	-	-	3,633,994
Prepaid costs and other assets	2,930,004	-	-	2,930,004
Total assets	$ 205,492,690	$ 3,734,695	$ 64,582,470	$ 273,809,855
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 5,503,199	$ -	$ -	$ 5,503,199
Salaries and related benefits	4,271,849	-	-	4,271,849
Deferred revenue	39,670,399	3,731,745	264,167	43,666,311
Due to other funds	1,056,958	3,633,994	82	4,691,034
Asserted and unasserted self-insurance claims	1,877,017	-	-	1,877,017
Total liabilities	52,379,422	7,365,739	264,249	60,009,410
Fund Balances				
Reserved for:				
Prepaid costs and other assets	2,930,004	-	-	2,930,004
Encumbrances	3,338,911	-	-	3,338,911
Unreserved:				
Designated for self insurance	1,877,017	-	-	1,877,017
Undesignated	144,967,336	(3,631,044)	64,318,221	205,654,513
Total fund balances	153,113,268	(3,631,044)	64,318,221	213,800,445
Total liabilities and fund balances	$ 205,492,690	$ 3,734,695	$ 64,582,470	

Amounts reported for governmental activities in the statement of net assets are different because:	
Net capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the funds statement	12,144,116
Net pension assets are not financial resources and therefore are not recorded in the funds statement	269,803
Deferred revenues not meeting availability criteria in funds statement are not in the statement of net assets	42,814,849
Bond issuance costs reported in the governmental activities but not reported in the funds statement	331,380
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds statement	(49,257,025)
Net assets of governmental activities	$ 220,103,568

Health and Hospital Corporation of Marion County, Indiana

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

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended December 31, 2008

	General	Debt Service	Capital Projects	Total Governmental Funds
Revenues				
Taxes	$ 87,109,996	$ 1,125,355	$ 101,262	$ 88,336,613
Licenses and permits	3,700,835	-	-	3,700,835
Intergovernmental	18,820,201	-	-	18,820,201
Charges for services	20,149,821	-	-	20,149,821
Medicaid special revenue	126,524,776	-	-	126,524,776
Interest	3,163,085	7,361	886,232	4,056,678
Miscellaneous	5,470,057	-	-	5,470,057
Total revenues	264,938,771	1,132,716	987,494	267,058,981
Expenditures				
Current:				
Administrative	23,634,548	-	-	23,634,548
Population health	20,115,205	-	-	20,115,205
Environmental health	11,129,481	-	-	11,129,481
Health center program	1,654,880	-	-	1,654,880
Data processing	3,016,941	-	-	3,016,941
Grant programs	16,168,719	-	-	16,168,719
Debt service:				
Principal	218,122	1,740,000	-	1,958,122
Interest and fiscal charges	74,368	2,611,123	-	2,685,491
Total expenditures	76,012,264	4,351,123	-	80,363,387
Excess (Deficiency) of Revenues Over (Under) Expenditures	188,926,507	(3,218,407)	987,494	186,695,594
Other Financing Sources (Uses)				-
Transfers in	10,000,000	-	20,300,000	30,300,000
Transfers out	(175,611,941)	-	-	(175,611,941)
Total other financing sources and uses	(165,611,941)	-	20,300,000	(145,311,941)
				-
Net change in fund balances	23,314,566	(3,218,407)	21,287,494	41,383,653
Fund balances - beginning of year	129,798,702	(412,637)	43,030,727	172,416,792
Fund balances - end of year	$ 153,113,268	$ (3,631,044)	$ 64,318,221	$ 213,800,445

Health and Hospital Corporation of Marion County, Indiana

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities - Governmental Activities For the Year Ended December 31, 2008

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances - total governmental funds	$ 41,383,653
Depreciation expense reported in the statement of activities but not in the funds statement	(1,981,937)
Capital expenditures reported in the funds statement but reported as additions to capital assets in the statement of net assets	776,999
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds statement	15,907,529
Medicaid special revenue deferred in prior year governmental funds statement and subsequently recognized in current year	(38,342,578)
Bond and note principal payments reported as expenditures in the funds statement but as reductions of long-term liabilities in the statement of net assets	1,958,122
Increase in compensated absences not in the funds statement	(347,554)
Amortization of bond issuance costs reported in the statement of activities but not in the funds statement as there is no cash flow	(31,111)
Amortization of deferred bond premium and deferred loss on refunding reported in the statement of activities but not in the funds statement	(111,160)
Asserted and unasserted self-insurance claims not in the funds statement as they have not matured	(1,554,569)
Increase in net pension asset not in the funds statement	51,886
Change in net assets of governmental activities	$ 17,709,280

Health and Hospital Corporation of Marion County, Indiana

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

Statement of Net Assets - Proprietary Funds
December 31, 2008

	Wishard Health Services	LT Care	Total
Assets			
Current Assets:			
Cash and cash equivalents	$ 42,146,915	$ 36,742,743	$ 78,889,658
Investments	4,659,862	-	4,659,862
Receivables (net of allowance for uncollectibles):			
Patient services	44,727,997	16,423,449	61,151,446
Medicaid special revenue	-	8,943,835	8,943,835
Grants	3,358,209	-	3,358,209
Interest	33,725	-	33,725
Other	8,748,976	-	8,748,976
Inventories	4,734,664	-	4,734,664
Due from other funds	1,056,958	-	1,056,958
Prepaid costs and other assets	3,433,666	3,233,323	6,666,989
Total current assets	112,900,972	65,343,350	178,244,322
Noncurrent assets:			
Restricted cash and cash equivalents	732,481	-	732,481
Net pension asset	1,037,431	-	1,037,431
Lease acquisition cost (net of accumulated amortization)	-	9,808,845	9,808,845
Joint venture investments	11,441,884	-	11,441,884
Other long-term assets	-	7,289,106	7,289,106
Capital assets (net of accumulated depreciation)			
Land	1,189,877	-	1,189,877
Land improvements	1,103,504	943,644	2,047,148
Building and improvements	101,374,079	160,897,103	262,271,182
Equipment	32,674,250	6,987,222	39,661,472
Vehicles	1,287,709	40,754	1,328,463
Construction in progress	7,600,280	-	7,600,280
Total capital assets (net accumulated depreciation)	145,229,699	168,868,723	314,098,422
Total noncurrent assets	158,441,495	185,966,674	344,408,169
Total assets	271,342,467	251,310,024	522,652,491
Liabilities			
Current liabilities:			
Accounts payable	24,742,868	12,157,433	36,900,301
Accrued liabilities	16,554,163	7,515,553	24,069,716
Capital lease obligation - current	-	8,008,691	8,008,691
Estimated Medicare/Medicaid settlements	3,156,996	-	3,156,996
Deferred revenue	4,109,272	-	4,109,272
Medical claims incurred but not reported	4,771,474	-	4,771,474
Risk-shared payable	2,576,032	-	2,576,032
Accrued compensated absences - current	16,560,584	-	16,560,584
Asserted and unasserted self-insurance claims - current	2,186,998	6,860,245	9,047,243
Total current liabilities	74,658,387	34,541,922	109,200,309
Noncurrent liabilities:			
Asserted and unasserted self-insurance claims	4,818,450	-	4,818,450
Accrued compensated absences	2,062,298	-	2,062,298
Capital lease payable	-	181,172,478	181,172,478
Total noncurrent liabilities	6,880,748	181,172,478	188,053,226
Total liabilities	81,539,135	215,714,400	297,253,535
Net Assets			
Invested in capital assets, net of related debt	145,229,699	(20,312,446)	124,917,253
Restricted for health services	732,481	-	732,481
Unrestricted	43,841,152	55,908,070	99,749,222
Total net assets	$ 189,803,332	$ 35,595,624	$ 225,398,956

Health and Hospital Corporation of Marion County, Indiana

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

Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds

For the Year Ended December 31, 2008

	Wishard Health Services	LT Care	Total
Operating revenues:			
Net patient service revenue	$ 222,636,385	$ 236,436,768	$ 459,073,153
Medicaid special revenue	-	51,423,940	51,423,940
Other revenue	12,635,116	1,124,046	13,759,162
Total operating revenues	235,271,501	288,984,754	524,256,255
Operating expenses:			
Salaries	190,030,588	-	190,030,588
Employee benefits	48,845,569	-	48,845,569
Contract labor	3,254,216	131,439,279	134,693,495
Medical and professional fees	64,205,854	5,122,133	69,327,987
Purchased services	38,126,674	16,344,253	54,470,927
Supplies	44,849,780	25,659,373	70,509,153
Pharmaceuticals	36,596,619	-	36,596,619
Repairs and maintenance	4,618,505	1,702,972	6,321,477
Utilities	5,520,030	5,461,840	10,981,870
Equipment rental	1,777,155	1,507,233	3,284,388
Depreciation and amortization	17,029,176	19,337,822	36,366,998
Other	2,603,621	14,238,728	16,842,349
Total operating expenses	457,457,787	220,813,633	678,271,420
Operating income (loss)	(222,186,286)	68,171,121	(154,015,165)
Nonoperating revenue (expenses):			
Noncapital gifts and grants	16,646,528	-	16,646,528
Investment income	5,875,483	180,712	6,056,195
Interest expense	-	(19,304,953)	(19,304,953)
Total nonoperating revenue (expense)	22,522,011	(19,124,241)	3,397,770
Income (loss) before capital contributions and transfers	(199,664,275)	49,046,880	(150,617,395)
Capital contributions	377,910	-	377,910
Transfers - Capital Projects Fund	-	(20,300,000)	(20,300,000)
Transfers - General Fund	175,234,035	(10,000,000)	165,234,035
Changes in net assets	(24,052,330)	18,746,880	(5,305,450)
Total net assets at beginning of year	213,855,662	16,848,744	230,704,406
Total net assets at end of the year	$ 189,803,332	$ 35,595,624	$ 225,398,956

Health and Hospital Corporation of Marion County, Indiana

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

Statement of Cash Flows - Proprietary Funds
For the Year Ended December 31, 2008

	Wishard Health Services	LT Care	Total
Cash Flows From Operating Activities			
Receipts from patient services	$ 215,612,509	$ 233,256,825	$ 448,869,334
Receipts from other operations	7,518,903	1,306,169	8,825,072
Medicaid special revenue	-	42,480,105	42,480,105
Payments to suppliers	(197,668,012)	(43,147,941)	(240,815,953)
Payments to employees	(238,842,039)	(151,532,792)	(390,374,831)
Net cash provided by (used in) operating activities	(213,378,639)	82,362,366	(131,016,273)
Cash Flows From Noncapital Financing Activities			
Cash receipts from noncapital gifts and grants	17,441,410	-	17,441,410
Transfers (to) from the Capital Projects Fund	-	(20,300,000)	(20,300,000)
Transfers (to) from the General Fund	175,234,035	(10,000,000)	165,234,035
Net cash provided by (used in) noncapital financing activities	192,675,445	(30,300,000)	162,375,445
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	(11,724,718)	(8,208,353)	(19,933,071)
Proceeds from sale of capital assets	70,413	-	70,413
Deposits paid	-	(1,691,500)	(1,691,500)
Lease acquisition cost payments	-	(758,000)	(758,000)
Payment of capital lease obligations	-	(6,963,718)	(6,963,718)
Net change in borrowings	-	11,571	11,571
Interest expense payments	-	(19,304,953)	(19,304,953)
Net cash used in capital and related financing activities	(11,654,305)	(36,914,953)	(48,569,258)
Cash Flows From Investing Activities			
Proceeds from sale and maturities of investments	3,172,714	-	3,172,714
Purchases of investments	(3,018,328)	-	(3,018,328)
Interest and dividends received	931,931	180,712	1,112,643
Net cash provided by investing activities	1,086,317	180,712	1,267,029
Net Increase (Decrease) in Cash and Cash Equivalents	(31,271,182)	15,328,125	(15,943,057)
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, January 1	74,150,578	21,414,618	95,565,196
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, December 31	$ 42,879,396	$ 36,742,743	$ 79,622,139
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	$ (222,186,286)	$ 68,171,121	$ (154,015,165)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	17,029,176	19,337,822	36,366,998
Changes in operating assets and liabilities:			
Patient service receivables	(4,614,359)	(334,223)	(4,948,582)
Other receivables	892,469	(8,943,835)	(8,051,366)
Inventories	(114,306)	-	(114,306)
Prepaid costs and other assets	(915,705)	(243,745)	(1,159,450)
Net pension asset	(272,401)	-	(272,401)
Accounts payable	(245,194)	7,354,956	7,109,762
Accrued liabilities and compensation absences	741,390	(5,284,672)	(4,543,282)
Estimated Medicare/Medicaid settlements	(1,394,278)	-	(1,394,278)
Asserted and unasserted self-insurance claims	(2,270,521)	2,304,942	34,421
Risk share payable	(1,820,098)	-	(1,820,098)
Medical claims incurred but not reported	1,791,474	-	1,791,474
Total adjustments	8,807,647	14,191,245	22,998,892
Net cash provided by (used in) operating activities	$ (213,378,639)	$ 82,362,366	$ (131,016,273)
Noncash investing, capital and financing activities:			
Contributions of capital assets from governmental activities	$ 377,906	$ -	$ 377,906
Purchase of assets held under capital lease	-	4,431,965	4,431,965
Unrealized gain on investment, net	208,556	-	208,556

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

Financial Reporting Entity

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

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

Wishard comprises Wishard Memorial Hospital, a general acute care facility with 340 staffed beds; eight community health centers, Midtown Community Mental Health Center, Regenstrief Health Center, Wishard Emergency Trauma Service, Wishard Ambulance Service, and the Richard M. Fairbanks Burn Center. Lockefield Village, a long-term care facility, offers an Alzheimer's unit, traditional long-term care, medically complex services and an acute rehabilitation unit. For purposes of financial reporting, Wishard is accounted for as a separate enterprise fund.

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

The Corporation operates 29 long-term care facilities through capital leases. The homes are operated as part of the LT Care operations. LT Care supports the Corporation's mission and goal to provide quality care and services to elderly and disabled people. The Corporation contracted with a management company named American Senior Communities, LLC (ASC) to operate the facilities as further detailed later in these notes. Wishard also contracts with ASC to provide management services for Lockefield Village. Lockefield Village continues to be reported within Wishard. For purposes of financial reporting, LT Care is accounted for as a separate enterprise fund.

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

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

Component Unit

During 2006, the Corporation established a nonprofit entity, Lions Insurance Company, Inc. (Lions), which is legally separate from the Corporation and whose purpose is to provide insurance covering the professional (malpractice) and general liability exposures of the nursing homes operated by the Corporation. Lions is considered a blended component unit and is therefore reported as if it is a part of the LT Care Enterprise Fund because its primary purpose is to provide services solely to the LT Care Enterprise Fund. Complete financial statements for Lions may be obtained from Health and Hospital Corporation at 3838 N. Rural Street, Indianapolis, Indiana 46205.

Financial Statement Presentation, Measurement Focus and Basis of Accounting

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

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

Governmental Fund Types

Governmental funds are those through which most governmental functions are financed. The acquisition, uses, and balances of the Corporation's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds.

The following are the Corporation's major governmental funds:

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

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Debt service requirements are generally funded from property tax revenues or other operating revenues.

The Capital Projects Fund is used to account for resources designated to construct or acquire major capital facilities. Such resources are derived principally from general obligation bonds and ad valorem taxes.

Proprietary Fund Type

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

As mentioned previously, the Corporation has two enterprise funds: (1) The Wishard Health Services Enterprise Fund, which accounts for the activities of Wishard and (2) the LT Care Enterprise Fund, which accounts for the activities of the 29 leased long-term care facilities that receive no funding from ad valorem taxes. An enterprise fund is used to account for operations that are financed and operated in a similar manner to a private business - where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Certain administrative expenses of Wishard and LT Care are accounted for by the General Fund. Because the capital outlay for Wishard is funded through ad valorem taxes, long-term debt interest expense relating to Wishard is accounted for by the Debt Service Fund and is not allocated to the Wishard Health Services Enterprise Fund. Only debt intended to be repaid by operations of Wishard are included in the Wishard Enterprise Fund. At December 31, 2008, no such debt existed. At December 31, 2008, the LT Care Enterprise Fund had capital leases, which are to be repaid from revenues from operations, and are therefore shown as long-term debt in the LT Care Enterprise Fund.

In accordance with the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Corporation follows all applicable GASB pronouncements. In addition, the Authority follows all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Measurement Focus and Basis of Accounting

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

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. At year-end, entries are recorded for financial reporting purposes to reflect the modified accrual basis of accounting for the governmental fund type and the accrual basis of accounting for the proprietary fund type.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Corporation considers property taxes to be available if they are collected and distributed within 60 days of the end of the current fiscal period. For all other revenue items, the Corporation considers revenue to be available if they are collected within 120 days of the end of the current fiscal period. Significant revenues susceptible to accrual include property and other taxes, grants, Medicaid special revenue and interest. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

In the governmental fund statements, the Corporation recognizes assets from derived tax revenue transactions in the period when the underlying exchange transaction on which the tax is imposed occurs or when the assets are received, whichever occurs first. Revenues are recognized, net of estimated refunds and estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred in the fund financial statement. Resources received in advance are reported as deferred revenues until the period of the exchange in both the government-wide and fund financial statements.

The Corporation recognizes assets from imposed non-exchange revenue transactions in the period when an enforceable legal claim to the assets arises or when the resources are received, whichever occurs first. Revenues are recognized in the period when the resources are required to be used or the first period that use is permitted. The Corporation recognizes revenues from property taxes, net of estimated refunds and uncollectible amounts, in the period for which the tax levy and rates are certified. Imposed non-exchange revenues also include permits.

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

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

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

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

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

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

Cash, Cash Equivalents and Investments

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

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

Receivables and Payables

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

All receivables are shown net of an allowance, if any, for uncollectible balances.

Inventories

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

Prepaid Costs and Other Assets

Prepaid costs and other assets for the governmental funds include prepaid insurance, a refundable advance to MDwise, Inc. (MDwise) (a not-for-profit health maintenance organization) as a means to reduce administrative fees and other miscellaneous assets. Prepaid costs and other assets of the proprietary fund consist of prepaid insurance, prepaid service contracts, prepaid rent and other miscellaneous assets.

Restricted Assets

Donor-restricted assets are used to differentiate resources, the use of which is restricted by donors or grantors, from resources of unrestricted assets on which donors or grantors place no restriction or that arise as a result of the operations of the Corporation for its stated purposes. Donor-restricted assets represent contributions to provide specific healthcare services.

Capital Assets

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

Purchased or constructed assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the estimated useful life of the asset are not capitalized.

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

Estimated useful lives used to compute depreciation are as follows:

	Years
Building and improvements	10 - 50
Equipment	5 - 20
Vehicles	4

Capitalization of Interest

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

Other Long-Term Assets

Other long-term assets consist of deposits made related to the leasing of nursing homes. The deposits will be returned in full if the leased buildings are returned in an acceptable condition by the holder of the deposit at the end of the leases in 2013, 2016 and 2017.

Deferred and Unearned Revenue

Deferred revenue is recorded in the governmental fund financial statements for receivables that are not considered either measurable or available at December 31, 2008 or when the related revenues have not been earned for enterprise fund activities. Deferred revenue for governmental funds in the fund statements is recognized as revenue when it is earned and considered measurable and available.

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

Risk Share Payable

Risk share payable relates to undistributed profits that are due to other providers who participate in Wishard's network as part of the risk-based Medicaid program.

Accrued Compensated Absences

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

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and any deferred losses on refundings. Bond issuance costs are reported and amortized over the term of the related debt. Deferred losses on refundings are amortized as a component of interest expense over the remaining life of the old bonds or the remaining life of the refunding bonds, whichever is shorter, using the effective interest method.

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

Lease Acquisition Costs

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

Interfund Transactions

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

Transfers

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

Contribution of Capital Assets

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

Interfund Services Provided/Used

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

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

Certain internal payments are treated as a reduction of expense, such as reimbursements. Elimination of interfund activity has been made for governmental activities in the government-wide financial statements.

Net Assets/Fund Balances

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

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

In the governmental fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the board of trustees and management, and can be increased, reduced, or eliminated by similar actions. As of December 31, 2008, reserves of fund balance are described below:

- *Prepaid Costs and Other Assets* - to reflect the portion of assets, which do not represent available spendable resources.
- *Encumbrances* - to reflect the outstanding contractual obligations for which goods and services have not been received.

As of December 31, 2008, designations of fund balance are described below:

- *Self-Insurance* - to reflect the board of trustee's tentative plans to set aside this portion of fund balance for health self-insurance plans. This designation is subject to change.
- *Bond Retirement* - to reflect the board of trustee's tentative plans to set aside this portion of fund balance for bond retirement. This designation is subject to change.

Indigent Care Services

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

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

Net Patient Service Revenue

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

Change in Accounting Principle

Prior to January 1, 2008, the Corporation adopted the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Upon adoption, the Corporation elected to apply all applicable GASB pronouncements, as well as all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins, except those that conflict with or contradict GASB pronouncements within the business-type activities of the government-wide and proprietary fund financial statements.

Effective January 1, 2008, the Corporation has reversed its election under GASB Statement No. 20 and, accordingly, no longer applies FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or after November 30, 1989. Management believes this election is a preferable application of this standard, given the future potential for significant divergence among standard-setting bodies in the development of authoritative literature affecting proprietary funds. This change had no impact on the Corporation's net assets, changes in net assets or financial reporting disclosures.

Note 2: Deposits and Investments

As of December 31, 2008, the Corporation had the following cash deposits and investments:

Cash deposits	$ 199,549,931
Repurchase agreements	69,659,715
State external investment pool	12,081,963
U.S. Government obligations	939,233
U.S. Government agency obligations	3,607,621
Money market mutual funds	9,826,603
	$ 295,665,066

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

	2008
Carrying value	
Deposits	$ 199,549,931
Investments	96,115,135
	$ 295,665,066
Cash and cash equivalents	
Current - unrestricted	$ 290,272,723
Current - restricted	732,481
	291,005,204
Investments	4,659,862
	$ 295,665,066

Deposits

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

The financial institutions holding the Corporation's cash accounts is participating in the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee Program. Under that program, through December 31, 2009, all noninterest-bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Effective October 3, 2008, the FDIC's insurance limits increased to $250,000 for all interest-bearing accounts. The increase in federally insured limits is currently set to expire December 31, 2013.

Any cash deposits in excess of the $250,000 FDIC limits are insured by the Indiana Public Deposits Insurance Fund (Fund). The Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

Investments

Indiana statues authorize the Corporation to invest in United States obligations and issued of federal agencies, secured repurchase agreements fully collateralized by U.S. Government or U.S. Government agency securities, certificates of deposit and open-end money market mutual funds. As of December 31, 2008, the Corporation had the following investments and maturities.

As of December 31, 2008, the Corporation had the following investments and maturities:

		Investment Activities (in years)			
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Repurchase agreements	$ 69,659,715	$ 69,659,715	$ -	$ -	$ -
State external investment pool	12,081,963	12,081,963	-	-	-
U.S. Government obligations	939,233	-	-	939,233	-
U.S. Government Agency obligations	3,607,621	147,311	1,955,950	1,231,265	273,095
Money market mutual funds	9,826,603	9,826,603	-	-	-
	$ 96,115,135	$ 91,715,592	$ 1,955,950	$ 2,170,498	$ 273,095

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

Interest Rate Risk

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

Credit Risk

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

At December 31, 2008, the Corporation's investments were rated by Standard & Poor's as follows:

	Fair Value	AAA	AA	A	Not Rated
Repurchase agreements	$ 69,659,715	$ 69,659,715	$ -	$ -	$ -
State external investment pool	12,081,963	-	-	-	12,081,963
U.S. Government obligations	939,233	939,233	-	-	-
U.S. Government Agency obligations	3,607,621	3,607,621	-	-	-
Money market mutual funds	9,826,603	9,826,603	-	-	-
	$ 96,115,135	$ 84,033,172	$ -	$ -	$ 12,081,963

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Corporation will not be able to recover the value of its investments or collateral that are in the possession of an outside party. At December 31, 2008, all of the Corporation's investments in overnight repurchase agreements (which are secured by U.S. Government and U.S. Government agency obligations) were exposed to custodial credit risk. These investments were uninsured and the collateral was held by the pledging financial institution's trust department or agent in the Corporation's name. The Corporation's investments in money market mutual funds and the state external investment pool were not subject to custodial credit risk at December 31, 2008, as their existence is not evidenced by securities that exist in physical book entry form. The Corporation's investment policy does not address how investment securities and securities underlying repurchase agreements are to be held.

Concentration of Credit Risk

The Corporation places no limit on the amount that may be invested in any one issuer. At December 31, 2008, the Corporation's investments in overnight repurchase agreements of JPMorgan Chase, National City Bank and National Bank of Indianapolis constituted 28%, 24%, and 12%, respectively, of its total investments.

Foreign Currency Risk

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

Investment Income

Investment income for the year ended December 31, 2008 consisted of:

	Governmental Fund-Types	Proprietary Fund-Types
Interest income	$ 4,056,678	$ 5,847,639
Unrealized gain on investments, net	-	208,556
	$ 4,056,678	$ 6,056,195

Note 3: Property Taxes

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

The assessment (or lien) date for Indiana property taxes is March 1 of each year; however, the Corporation does not recognize a receivable on the assessment date since the amount of property taxes to be collected cannot be measured until the levy and tax rates are certified in the subsequent year. Typically, property tax bills are mailed in April and October of each year and are due and payable by the property owners in May (spring) and November (fall), respectively. Property tax billings are considered delinquent if they are not paid by the respective due date, at which time the applicable property is subject to lien, and penalties and interest are assessed. Appeals may be filed within 45 days following the date the bills are mailed.

During 2007, the Governor of Indiana ordered a reassessment of property values in Marion County. The 2006 assessment (payable in 2007) involved a new methodology that resulted in significant increases in homeowner assessments, while it appeared that business assessments had been undervalued. As a result of the reassessment, homeowners were initially instructed to pay one-half of their 2006 annual tax bill in November 2007, as representative of their spring 2007 installment. Since the reassessment process was not completed until the spring of 2008, homeowners were therefore directed to pay one-half of their 2006 bill for the fall 2007 installment as well. Final bills relating to the reassessment were sent out in June of 2008 and the final distribution of 2006 property taxes (payable in 2007) occurred in August 2008.

Due to the delays necessitated by the reassessment process, the spring installment for the 2007 property tax assessment (payable in 2008) was billed in December 2008 and is due in January 2009. The fall installment (2007 taxes payable 2008) was not mailed until June 2009 and is due in July 2009. For the 2007 property tax assessment (payable in 2008), taxable property was assessed as of March 1, 2007, at 100% of the market value of the property at January 1, 2006. The DLGF certified the 2007 tax levy and rates in October 2008. However, advance distributions of property taxes were made to the Corporation during 2008 using 2007 rates.

Property tax bills relating to the 2008 tax assessment (payable in 2009) are expected to be issued in October 2009 and payable in November 2009 and February 2010. The DLGF has yet to certify the 2008 tax levy and rates (payable in 2009).

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

Note 4: Patient Services Receivables

Net patient services receivables consist of the following as of December 31, 2008:

	Wishard	LT Care	Total
Gross patient services receivables	$ 242,578,355	$ 18,652,050	$ 261,230,405
Allowance for estimated contractual adjustment	(102,210,649)	(247,634)	(102,458,283)
Allowance for uncollectible accounts	(95,639,709)	(1,980,967)	(97,620,676)
Net Patient services receivables	$ 44,727,997	$ 16,423,449	$ 61,151,446

Note 5: Interfund Balances and Transfers

Individual due to/from other funds as of December 31, 2008 are as follows:

Interfund Receivables	Interfund Payables	Amount
General Fund	Debt Service Fund	$ 3,633,994
Enterprise Fund - Wishard	General Fund	1,056,958

These interfund balances are due to timing differences, the elimination of negative cash balances within the various funds, or amounts related to pass-through grant activity. The interfund balances are expected to be repaid during the fiscal year ending December 31, 2009.

Interfund transfers for the year ended December 31, 2008 on the fund statements consisted of the following:

	Transfer From (to) General Fund	Transfer From (to) Capital Projects Fund	Total
Transfer to:			
Enterprise Fund - Wishard Health Services	$ 175,234,035	$ -	$ 175,234,035
Enterprise Fund - Wishard Health Service - capital transfer	377,906	-	377,906
	$ 175,611,941	$ -	$ 175,611,941
Transfer from:			
Enterprise Fund - LT Care	$ (10,000,000)	$ (20,300,000)	$ (30,300,000)

Interfund transfers were used for the following: 1) to move revenues from the funds that are required by ordinance or budget to collect them to the funds that will ultimately expend them, 2) to cover deficits of other funds, or 3) to transfer capital assets from the funds that paid for them to the funds that will ultimately use them. For the government-wide statements, capital contributions received by the Wishard Health Services Fund from other funds are reported as transfers; however, for the fund statements, this transfer is shown as a capital contribution in the Wishard Enterprise Fund as it represents the actual transfer of capital assets.

Note 6: Deferred and Unearned Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are unavailable to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2008, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable	$ 30,953,375	$ -
Other taxes receivable	1,104,867	-
Grant draw-downs prior to meeting all eligibility requirements	-	851,462
Grant reimbursements not received within 120 days	401,582	-
Other revenues not received within 120 days	6,359,113	-
Total General Fund	38,818,937	851,462
Property taxes receivable	3,714,897	-
Other taxes receivable	16,848	-
Total Debt Service Fund	3,731,745	-
Property taxes receivable	262,228	-
Other taxes receivable	1,939	-
Total Capital Projects Fund	264,167	-
Total	$ 42,814,849	$ 851,462

In addition, the Wishard Health Services Fund had $2,981,075 of unearned revenue recorded at December 31, 2008 related to advances received on federal grants, which had not met eligibility requirements and $1,128,197 related to the Healthy Indiana Plan.

Note 7: Capital Assets

Following is a summary of the changes in capital assets - governmental activities for the year ended December 31, 2008:

	January 1, 2008	Transfers/ Additions	Transfers/ Disposals	December 31, 2008
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 1,782,995	$ 43,712	$ -	$ 1,826,707
Construction in progress	-	196,288	-	196,288
Total capital assets not being depreciated	1,782,995	240,000	-	2,022,995
Capital assets being depreciated:				
Buildings and improvements	15,959,035	8,441	(144,492)	15,779,272
Equipment	14,464,335	494,750	(199,659)	14,759,426
Vehicles	4,326,451	46,584	-	4,373,035
Total capital assets being depreciated	34,749,821	549,775	(344,151)	34,911,733
Less accumulated depreciation for:				
Buildings and improvements	7,734,355	745,935	(40,000)	8,428,669
Equipment	11,845,593	908,640	(199,659)	12,554,574
Vehicles	3,480,007	327,362	-	3,807,369
Total accumulated depreciation	23,059,955	1,981,937	(239,659)	24,790,612
Total capital assets being depreciated, net	11,689,866	(1,432,162)	(104,492)	10,121,121
Governmental activities capital assets, net	$ 13,472,861	$ (1,192,162)	$ (104,492)	$ 12,144,116

The following is a summary of changes in capital assets - business-type activities for the year ended December 31, 2008:

	January 1, 2008	Transfers/ Additions	Transfers/ Disposals	December 31, 2008
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 1,189,877	$ -	$ -	$ 1,189,877
Construction in progress	14,298,179	8,897,971	(15,595,870)	7,600,280
Total capital assets not being depreciated	15,488,056	8,897,971	(15,595,870)	8,790,157
Capital assets being depreciated:				
Land improvements	6,207,583	304,068	-	6,511,651
Buildings and improvements	457,269,931	12,070,680	-	469,340,611
Equipment	140,905,351	17,863,711	(219,816)	158,549,246
Vehicles	5,370,240	1,228,731	(237,831)	6,361,140
Total capital assets being depreciated	609,753,105	31,467,190	(457,647)	640,762,648
Less accumulated depreciation for:				
Land improvements	4,151,916	312,587	-	4,464,503
Buildings and improvements	182,457,594	24,611,835	-	207,069,429
Equipment	108,776,904	10,305,333	(194,463)	118,887,774
Vehicles	4,652,057	547,038	(166,418)	5,032,677
Total accumulated depreciation	300,038,471	35,776,793	(360,881)	335,454,383
Total capital assets being depreciated, net	309,714,634	(4,309,603)	(96,766)	305,308,265
Business-type activities capital assets, net	$ 325,202,690	$ 4,588,368	$ (15,692,636)	$ 314,098,422

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Notes to Basic Financial Statements
December 31, 2008

The following is a summary of changes in capital assets - Wishard enterprise fund for the year ended December 31, 2008:

	January 1, 2008	Transfers/ Additions	Transfers/ Disposals	December 31, 2008
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 1,189,877	$ -	$ -	$ 1,189,877
Construction in progress	13,533,067	8,897,971	(14,830,758)	7,600,280
Total capital assets not being depreciated	14,722,944	8,897,971	(14,830,758)	8,790,157
Capital assets being depreciated:				
Land improvements	5,354,329	8,457	-	5,362,786
Buildings and improvements	241,116,229	2,041,149	-	243,157,378
Equipment	125,028,662	14,804,935	(219,816)	139,613,781
Vehicles	5,232,036	1,207,227	(237,831)	6,201,432
Total capital assets being depreciated	376,731,256	18,061,768	(457,647)	394,335,377
Less accumulated depreciation for:				
Land improvements	4,039,652	219,630	-	4,259,282
Buildings and improvements	133,286,238	8,497,061	-	141,783,299
Equipment	99,350,122	7,783,872	(194,463)	106,939,531
Vehicles	4,551,528	528,613	(166,418)	4,913,723
Total accumulated depreciation	241,227,540	17,029,176	(360,881)	257,895,835
Total capital assets being depreciated, net	135,503,716	1,032,592	(96,766)	136,439,542
Business-type activities capital assets, net	$ 150,226,660	$ 9,930,563	$ (14,927,524)	$ 145,229,699

The following is a summary of changes in capital assets - LT Care enterprise fund for the year ended December 31, 2008:

	January 1, 2008	Transfers/ Additions	Transfers/ Disposals	December 31, 2008
Business-Type Activities:				
Capital assets not being depreciated:				
Construction in progress	$ 765,112	$ -	$ (765,112)	$ -
Total capital assets not being depreciated	765,112	-	(765,112)	-
Capital assets being depreciated:				
Land improvements	853,254	295,611	-	1,148,865
Buildings and improvements	216,153,702	10,029,531	-	226,183,233
Equipment	15,876,689	3,058,776	-	18,935,465
Vehicles	138,204	21,504	-	159,708
Total capital assets being depreciated	233,021,849	13,405,422	-	246,427,271
Less accumulated depreciation for:				
Land improvements	112,264	92,957	-	205,221
Buildings and improvements	49,171,356	16,114,774	-	65,286,130
Equipment	9,426,782	2,521,461	-	11,948,243
Vehicles	100,529	18,425	-	118,954
Total accumulated depreciation	58,810,931	18,747,617	-	77,558,548
Total capital assets being depreciated, net	174,210,918	(5,342,195)	-	168,868,723
Business-type activities capital assets, net	$ 174,976,030	$ (5,342,195)	$ (765,112)	$ 168,868,723

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

Governmental Activities:	
Administration and finance	$ 1,085,743
Health improvements	426,166
Communicable disease prevention	126,716
Water quality and hazardous material management	26,779
Vector disease control	280,876
Housing and neighborhood health	33,026
Consumer and employee risk reduction	2,631
Total depreciation expense, governmental activities	$ 1,981,937
Business-Type Activities:	
Wishard	$ 17,029,176
LT Care	18,747,617
Total depreciation expense, business-type activities	$ 35,776,793

In addition, the LT Care Fund recognized $590,198 of amortization expense related to lease acquisition costs, which is included in depreciation and amortization expense.

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

Estimated Medicare and Medicaid settlements reflect differences between interim reimbursement and reimbursement as determined by cost reports filed or to be filed with federal and state governments after the end of each year. In addition, such settlement amounts reflect, if applicable, any differences determined to be owed to or from Wishard after an audit of such reports. Changes to any previous years' estimated settlements are reflected in the period such changes are identified. At December 31, 2008, Wishard's Medicare and Medicaid cost reports have been audited by the fiscal intermediaries through December 31, 2006. In 2008, Wishard recognized approximately $960,000 of favorable settlements related to audits or finalization of audit appeals by the fiscal intermediaries of prior year cost reports.

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

Medicare

Under the Medicare program, Wishard receives reimbursement under a prospective payment system (PPS) for inpatient services. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group. When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional "outlier" payments. Outpatient services provided to Medicare patients are reimbursed to Wishard based on service groups called ambulatory payment classifications. During 2008, inpatient psychiatric services began its third year of a 3-year transition from cost reimbursement to a PPS.

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

Medicaid

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

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

Medicaid Special Revenue

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

Medicaid Special Revenue is distributed through an intergovernmental transfer (IGT) arrangement. The basis for payment is derived from services rendered to patients through Wishard (including the physician access to care program) and through LT Care Funds. The Indiana Office of Medicaid Policy and Planning determines the level of DSH or UPL funds available for distribution and initiates a transaction with the Corporation to facilitate the IGT. The Corporation is responsible for funding the IGT for the services rendered on behalf of the Wishard and LT Care funds and such transactions are reported in the General Fund financial statements at net with the exception of the LT Care. In 2008, LT Care reports revenue associated with its UPL at gross in the Statement of Revenue, Expenses and Changes in Net Assets, which is a change in presentation from previous years reported.

Medicaid Special Revenue associated with services provided at Wishard is comprised of UPL and DSH payments, which are all recorded in the Corporation's General Fund. Such payments are limited to a Hospital Specific Limit, which is defined by the State of Indiana Office of Medicaid Planning and Policy and are codified in the Indiana State Medicaid Plan and IC 12-15-15. Methodologies supporting such payments are complex and the timing and levels of payment may vary materially from year to year, often times resulting in material recoupements of the net receipts previously made to the Corporation. The Corporation does not have access to reasonable information to estimate levels of combined DSH and UPL payments and therefore cannot reasonably estimate levels of revenue by state fiscal (or their own) fiscal year. As such, management records this portion of the Medicaid Special Revenue on a cash basis. The reporting of these transactions on a cash basis is a change in accounting from previous periods. The result of the change in accounting increased unreserved, undesignated fund balances in the fund statements and unrestricted net assets in the government-wide statements by $19,950,000.

Medicaid Special Revenue associated with LT Care is based upon UPL payments, which is more predictable than the payments related to Wishard's services. As such, management recognized such payments on an accrual basis at the LT Care fund level.

The General Fund recognized $126,524,776 in Medicaid Special revenue during the period. The LT Care fund recognized revenue of $51,423,940 including a receivable of $8,943,835 as of and for the year ended December 31, 2008.

Other Payors

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

Following is a summary of total patient service revenue, contractual adjustments, and charity and indigent care for the year ended December 31, 2008:

	Wishard Health Service	LT Care	Total	Percentage
Patient service revenue:				
Inpatient	$ 331,465,990	$ -	$ 331,465,990	34%
Outpatient	388,100,973	-	388,100,973	40%
Long-term care	21,477,013	240,224,934	261,701,947	27%
Gross patient service less:	741,043,976	240,224,934	981,268,910	100%
Contractual adjustments	266,191,090	1,264,834	267,455,924	27%
Charity and indigent care	166,310,410	-	166,310,410	17%
Provision for uncollectible accounts	85,906,091	2,523,332	88,429,423	9%
Net patient service revenue	$ 222,636,385	$ 236,436,768	$ 459,073,153	47%

Revenue from the Medicare and Medicaid programs accounted for approximately 33% and 31%, respectively, of net patient service revenue for the year ended 2008. These percentages exclude Medicaid special revenue received and recognized in the General Fund. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Note 9: Short-Term Loan Agreement

During 2008, the Corporation entered into a loan agreement with a financial institution with the intent of borrowing up to $130,000,000 to fund certain payments relating to the State of Indiana Disproportionate Share Hospital Payment Program.

Short-term debt activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Draws	Repayments	Ending Balance
Short-term note	$ -	$ 130,000,000	$ (130,000,000)	$ -

Note 10: Long-Term Liabilities

Renovation Bonds of 1988

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

General Obligation Bonds of 2005

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

The following is a summary of changes in long-term liabilities for the year ended December 31, 2008:

	January 1, 2008	Additions	Reductions	December 31, 2008	Due Within One Year
Governmental Activities:					
General obligation bonds payable:					
Renovation Bonds of 1988					
($28,000,000 original amount),					
6.00% to 7.40%, due					
January 1, 2020	$ 18,235,000	$ -	$ (990,000)	$ 17,245,000	$ 1,060,000
Refunding Bonds of 2005					
($28,960,000 original amount),					
3.50% to 5.25%, due					
January 1, 2025	26,140,000	-	(750,000)	25,390,000	780,000
Deferred Amounts:					
Less: loss on refunding	(1,912,964)	-	164,180	(1,748,784)	(164,179)
Plus: bond premium	901,326	-	(53,020)	848,306	53,019
Total bonds payable	43,363,362	-	(1,628,840)	41,734,522	1,728,840
Notes payable:					
1998 Promissory Notes					
($1,800,000 original amount),					
4.5%, due December 30, 2008	218,122	-	(218,122)	-	-
Asserted and unasserted self insurance claims	2,740,309	23,676,951	(21,553,735)	4,863,525	1,877,017
Accrued compensated absences	4,170,080	3,825,039	(3,477,485)	4,536,077	4,017,341
Governmental activities long-term liabilities	$ 50,491,873	$ 27,501,990	$ (26,878,182)	$ 51,134,124	$ 7,623,198
Business-Type Activities:					
Wishard Health Services:					
Asserted and unasserted self-insurance claims	$ 9,275,969	$ 2,718,906	$ (4,989,427)	$ 7,005,448	$ 2,186,998
Accrued compensated absences	17,975,068	15,634,292	(14,986,478)	18,622,882	16,560,584
LT Care:					
Capital leases	191,712,922	4,431,965	(6,963,718)	189,181,169	8,008,691
Asserted and unasserted self-insurance claims	4,555,303	2,313,358	(8,416)	6,860,245	1,428,460
Business-type activities long-term liabilities	$ 223,519,262	$ 25,098,521	$ (26,948,039)	$ 221,669,744	$ 28,184,733

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

The governmental activities debt service requirements, including interest, on bonds and notes outstanding at December 31, 2008 is as follows:

	Principal	Interest
Bonds:		
2009	$ 1,840,000	$ 2,474,980
2010	1,955,000	2,359,635
2011	2,455,000	2,231,885
2012	2,595,000	2,086,675
2013	2,760,000	1,925,795
2014 - 2018	16,640,000	6,789,294
2019 - 2023	12,100,000	2,057,574
2024 - 2028	2,290,000	77,625
	$ 42,635,000	$ 20,003,463

The Corporation has a legal debt limit of 0.67% of the assessed values of Marion County Property as certified by the DLGF. A computation of the Corporation's legal debt margin as of December 31, 2008, is as follows:

Net assessed value - 2008	$ 43,704,676,004
	0.67%
Debt limit	292,821,329
Debt applicable to debt limit:	
Bonded debt	42,635,000
Legal debt margin	$ 250,186,329

In 2005, the Corporation refunded its General Obligation Bonds of 2000 with the issuance of the General Obligation Refunding Bonds, Series 2005. The General Obligation Bonds of 2000 are considered to have been defeased and have been removed from the basic financial statements. At December 31, 2008, $24,850,000 of these defeased bonds remains outstanding.

Note 11: Leases

Operating

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

The following is a summary of the future minimum payments of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2008 for the governmental activities:

2009	$ 545,109
2010	426,262
2011	198,793
2012	148,881
2013	125,881
2014 - 2018	314,342
Total future payments	$ 1,759,268

Lease expenditures of $536,415 were reported in the governmental activities for the year ended December 31, 2008.

The following is a summary of the future minimum payments of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2008 for the business-type activities:

2009	$ 1,077,444
2010	925,737
2011	799,841
2012	75,488
2013	-
2014 - 2018	-
Total future payments	$ 2,878,510

The Corporation reported $3,041,176 of lease expense in the business-type activities for the year ended December 31, 2008.

Capital

The governmental activities had no capital leases outstanding at December 31, 2008. For business-type activities, including the LT Care Enterprise Fund, the Corporation is obligated under capital leases covering 29 nursing homes. At December 31, 2008, the gross amount of buildings and related accumulated amortization recorded under capital leases was as follows:

Buildings	$ 210,740,087
Less accumulated amortization	(61,002,548)
	$ 149,737,539

Amortization expense of assets held under capital leases of $14,981,757 is included with depreciation and amortization expense for the year ended.

Future minimum capital lease payments as of December 31, 2008 are:

2009	$ 26,868,537
2010	27,506,518
2011	28,161,442
2012	28,826,956
2013	29,232,416
2014 - 2018	127,619,181
2019 - 2022	76,496,083
Total minimum lease payments	344,711,133
Less amount representing interest (at rates ranging from 4.58% to 11.74%)	155,529,964
Present value of net minimum capital lease payment	189,181,169
Less current installments of obligations under capital leases	8,008,691
Obligations under capital lease, excluding current installments	$ 181,172,478

Note 12: Risk Management

Insurance Coverage

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and patients; and natural disasters. The Corporation is self-insured for workers' compensation, general liability, and medical malpractice claims to defined limits. With respect to general liability, the Corporation is protected by the Indiana tort claims act, under IC 34- 13-3-4, which limits the tort liability for all Indiana governmental entities, in aggregate, to $700,000. The Corporation also purchases commercial insurance policies for certain other risks of loss with deductibles that range from $10,000 to $50,000. Settled claims have not exceeded coverages for the past three years.

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

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

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

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

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

Balance at January 1, 2007	$ 14,303,069
Change in incurred claims (including IBNRs), net	5,116,976
Claim payments	(5,588,773)
Balance at January 1, 2008	13,831,272
Change in incurred claims (including IBNRs), net	5,032,264
Claim payments	(4,997,843)
Balance at December 31, 2008	$ 13,865,693

Medical Claims Incurred But Not Reported

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

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

Medical claims incurred but not reported represents an estimate of the ultimate net cost to Wishard for amounts that are unpaid at December 31, 2008. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of Wishard and gives effect to estimates of trends in claim severity and frequency. Although Wishard's management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to an absence of a significant amount of historical experience on which to base projections and the inherent variability with respect to the significant assumptions utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for unpaid claims included in the Wishard Health Services Fund.

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

Balance at January 1, 2007	$ 3,269,539
Change in incurred claims (including IBNRs), net	16,647,696
Claim payments	(16,937,235)
Balance at January 1, 2008	2,980,000
Change in incurred claims (including IBNRs), net	19,371,910
Claim payments	(17,580,436)
Balance at December 31, 2008	$ 4,771,474

Health Insurance Coverage

The Corporation began in 2001 to provide self-insurance to its employees for healthcare and prescription usage and began covering the claims out of the General Fund. Asserted and unasserted self-insurance claims in the governmental activities of the government-wide statements represents an estimate of the ultimate net cost to the Corporation for amounts that are unpaid at December 31, 2008. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of the Corporation and gives effect to estimates of trends in claim severity and frequency. Although the Corporation's management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to an absence of a significant amount of historical experience on which to base projections and the inherent variability with respect to the significant assumption utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for asserted and unasserted self-insurance claims included in governmental activities.

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

Balance at January 1, 2007	$ 3,203,900
Change in incurred claims (including IBNRs), net	17,424,772
Claim payments	(17,888,363)
Balance at January 1, 2008	2,740,309
Change in incurred claims (including IBNRs), net	23,676,951
Claim payments	(21,553,735)
Balance at December 31, 2008	$ 4,863,525

The amount recorded as a liability in the General Fund at December 31, 2008 is $1,877,017 and represents the claims which are matured and due as of year end. At December 31, 2008, $1,877,017 of the fund balance of the General Fund is designated for payment of future health insurance and prescriptions claims in the fund statements.

Note 13: Retirement Plan

Plan Description

The Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), established in accordance with Indiana Code (§5-10.2 and §5-10.3). PERF is an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. The authority to establish or amend benefit provisions of PERF rests with the Indiana General Assembly. However, obligations to contribute to the plan are determined by the board of PERF in accordance with actuarial methods. Substantially all full-time employees of the Corporation are covered by the plan. The following disclosures represent the most current and available information on the plan through the July 1, 2008 actuarial valuation.

The plan is a benefit plan with components of both a defined-benefit and defined-contribution plan. PERF retirement benefits vest after 10 years of service. Effective July 1, 1995, Senate Bill 74 enabled PERF members to be eligible for early retirement with 100% of the defined-benefit pension if certain conditions were met. An employee may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the employee's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions is met, an employee may retire with 100% of the defined pension benefit at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years of PERF-covered employment. The average annual salary used for calculating the pension benefit is an average of the employee's highest five years of employment earned. Employees who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit ranging from 44.0% to 98.8% of the pension benefit described above. PERF also provides death and disability benefits. These benefit provisions and all other requirements are established by state statute and county ordinance.

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

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

Funding Policy

The Corporation's employees are required to contribute 3.0% of their annual salaries to an annuity savings account that may be withdrawn at any time should an employee terminate employment. The Corporation has elected to pay the required employee contribution. In addition, the Corporation is required by state statute to contribute at an actuarially determined rate (6.00% for calendar year 2008) of annual covered payroll. Therefore, the total employer contribution rate for 2008 was 9.00%. The contribution requirements of plan members are determined by PERF's Board of Directors as authorized by Indiana state statute. The Corporation-financed pension benefits are classified as defined-benefits and the employee-financed pension benefits are classified as defined-contributions.

Annual Pension Cost and Net Pension Obligation

The PERF funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The required contributions were determined as part of the July 1, 2008 actuarial valuation using the entry age normal cost method. The actuarial assumptions used for the July 1, 2008 actuarial valuation included: (a) a rate of return on investment of present and future assets of 7.25% per year, compounded annually; (b) future salary increases based on PERF experience from 2000 to 2005; and (c) a cost of living increase of 1.50% (compounded) that is applied to pension benefit each year following retirement, with no increase assumed to be applied to the PERF annuity benefit. The actuarial value of the plan's assets is determined by taking the previous year's actuarial value, adding contributions, subtracting pension payments and plan expenses and adding expected earnings at the valuation rate of interest, based on a midyear weighted-average fund. The result is multiplied by 75% and added to 25% of the cost value of the plan assets as of the valuation date. PERF uses the level percentage of payroll method to amortize the unfunded liability over an open 30-year period.

The standardized measure of the net pension asset is as follows:

Annual required contributions (ARC)	$ 10,523,722
Interest on net pension asset	(69,321)
Adjustment to ARC	78,996
Annual pension cost	10,533,397
Actual contributions made	10,884,486
Increase in net pension asset	351,089
Net pension asset, beginning of year	956,145
Net pension asset, end of year	$ 1,307,234

The net pension asset of $1,307,234 as of December 31, 2008 is reflected in the government-wide financial statements. Wishard's share of this asset is $1,037,431 and $269,803 is reflected as an asset of the governmental activities.

Historical Trend Information

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

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
2008	$ 10,533,397	103%	$ 1,307,234
2007	9,194,237	96%	956,145
2006	8,805,152	86%	1,324,311

Required Supplemental Information - Schedule of Funding Progress (Unaudited)

Valuation Date	(A) Actuarial Value of Assets	(B) Entry Age Actuarial Accrued Liability (AAL)	(B - A) Excess of Assets over (Unfunded) AAL	(A / B) Funded Ratio	(C) Anticipated covered payroll	[(B - A) / C] Excess/ Unfunded AAL as a % of Covered Payroll
June 30, 2008	$ 187,042,181	$ 207,763,313	$ (20,721,132)	90%	$ 179,348,484	12%
June 30, 2007	173,941,258	179,183,954	(5,242,696)	97%	163,141,523	3%
June 30, 2006	156,034,145	158,825,643	(2,791,498)	98%	148,166,818	2%

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

Note 14: Deferred Compensation Plan

Employees of the Corporation are eligible to participate in a deferred compensation plan (the Plan) adopted under the provisions of Internal Revenue Code (IRC) Section 457. The deferred compensation plan is available to substantially all employees of the Corporation. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death or unforeseeable emergency. The plan assets are held in trust for the exclusive benefits of participants and their beneficiaries.

Note 15: Hospital Management Agreement

An agreement between the Corporation and the Indiana University (University) was signed in February 2007. During 2008, the Corporation primarily paid for physician services under a relative value unit basis. The Corporation continued to rely on the University to supply several leadership positions for Wishard but the operations of Wishard became the direct responsibility of the Corporation in 2005. Wishard incurred fees for professional, management, and resident physician services of approximately $45,949,043 during the year (recorded in medical and professional fees on the statement of revenues, expenses, and changes in fund net assets - proprietary funds). The University also rents office space from Wishard, which resulted in revenue to Wishard of $2,163,348 in 2008.

Note 16: Agreement With Indiana University Medical Group-Primary Care

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

As of December 31, 2008, the agreement had not been renewed, however, both Wishard and IUMG-PC continue to operate under the original terms of the agreement. Total 2008 expense recognized in the Wishard fund to IUMG-PC totaled $12,257,222.

Note 17: LT Care Management Agreement

The Corporation has entered into a management agreement with American Senior Communities, LLC (ASC) to operate the 29 nursing homes, which are accounted for in the LT Care Fund. The term of the management agreement extends until March 31, 2022 with the Corporation having the right to extend the term for an additional period of ten years if written notice is given to ASC at least 60 days prior to the expiration of the initial term. During 2008, the Corporation incurred approximately $13,427,693 in management fees to ASC for LT Care operations.

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

The Corporation leases 16 of the nursing homes from EagleCare. During 2008, the Corporation paid approximately $17,600,000 to EagleCare in associated lease costs from LT Care operating revenue (see note 21).

At December 31, 2008, the LT Care Fund had a payable to EagleCare of approximately $6,500,000 primarily for accrued labor and related benefits. The LT Care Fund also had a payable to ASC at December 31, 2008 of approximately $3,039,000 for outstanding management services rendered to be paid from operations.

Note 18: Nursing Home Leases

In January 2003, the Corporation entered into a transaction with EagleCare, which involves the leasing of buildings and purchasing of the equipment for the purpose of operating 12 nursing homes for $9,669,000. The leases end in 2022 and require minimum annual lease payments of approximately $11,766,000 (Base Rate), paid in equal monthly installments. In 2005, the Corporation and EagleCare amended the lease terms so that annually, the lease payments will increase by the greater of the Consumer Price Index or 2.25%. The Corporation is required to make capital improvements of at least $1,725,000 annually to these 12 nursing homes, with the amount of the commitment increasing annually by the same percentage as the annual rent increase. If the Corporation would not make the minimum capital improvements, the shortfall would accumulate. The Corporation expects to fund the capital improvements through cash flow generated from the operations of these nursing homes. The Corporation has a put option on these nursing homes by which the Corporation would pay EagleCare $4,000,000 if the put option is exercised by December 31, 2012 and $7,000,000 if exercised after this date.

In October 2003, the Corporation entered into another transaction with EagleCare, which involved the purchase of assets of one nursing home for $2,000,000. In addition, the Corporation entered into a lease for the real estate of the nursing home. The lease ends in 2022 and requires minimum annual lease payment of $1,920,000, paid in equal monthly installments. In 2005, the Corporation and EagleCare amended the lease terms so that annually, the lease payment will increase by the greater of the Consumer Price Index or 2.25%. The Corporation is required to make capital improvements of at least $222,650 annually to this nursing home. This commitment would increase in the same percentage as the annual rent increase. If the Corporation would not make the minimum capital improvements, the shortfall would accumulate. The Corporation expects to fund the capital improvements through cash flow generated from the operation of this nursing home. The Corporation has a put option on this nursing home by which the Corporation would pay EagleCare $500,000 if the put option is exercised by December 31, 2012 and $750,000 if exercised after this date.

In December 2003, the Corporation entered into capital lease agreements for five additional nursing homes with an unrelated third party. The lease agreements terminate in 2013. The Corporation was required to make a $2,400,000 deposit, which is refundable at the end of the leases, contingent upon the acceptable condition of the facilities at lease-end. The Corporation was required to make one-time capital improvements of $2,000,000. Under the lease terms, the lease payment will increase based upon a predetermined rate each year of approximately 2%. Rent payments made in 2008 were approximately $2,700,000.

The Corporation closed the Mid-Town Nursing and Rehabilitation facility (Mid-Town) located in Indianapolis in May 2004. The operations of the home were purchased on December 1, 2003. The home was in disrepair and was typically less than 50% occupied. The Corporation owns the operations of another home located on North Capitol Street less than one mile from the Mid-Town facility. The North Capitol facility was also in disrepair when the operations were purchased on December 1, 2003, and was also approximately 50% occupied. LT Care invested $1,800,000 of working capital to improve the North Capitol facility. After the improvements were completed, the patients of Mid-Town were transferred to North Capitol and the process of closing the Mid-Town facility commenced and was completed in 2004. The employees of the Mid-Town facility were offered other positions LT Care operations. During 2005, Mid-Town was converted into a Midtown Mental Health facility, which became operational in 2007.

In April 2005, the Corporation entered into a transaction with an independent third party, which involved the purchase of assets of one nursing home for $2,593,750. In addition, the Corporation entered into a lease for the real estate of the nursing home with EagleCare. The lease ends in March 2022 and requires minimum annual lease payment of $1,356,000, paid in equal monthly installments. Annually, the lease payments will increase by the greater of the Consumer Price Index or 2.25%. Contingent rental income up to $120,000 per year can also be earned under the lease agreement. The Corporation is required to make capital improvements of at least $230,000 annually to this nursing home, with the mount of the commitment increasing annually by the sane percentage as the annual rent increase. If the Corporation would not make the minimum capital improvements, the shortfall would accumulate. The Corporation expects to fund the capital improvements through cash flow generated from the operation of the nursing home. The Corporation has a put option on this nursing home by which the Corporation would pay EagleCare 55% of the average monthly revenue as defined in the asset purchase agreement, if the put option is exercised by March 2022.

In October 2006, the Corporation entered into transactions with independent third parties, which involved the purchase of assets of four nursing homes for $2,810,000, of which $1,532,000 was paid in 2006 and the remainder to be paid from 2007 - 2009. In addition, the Corporation entered into leases for the real estate of the nursing homes, of which two are related entities to ASC. The leases end in September 2016 through September 2021 with the annual total lease payments of approximately $2,300,000, paid in equal monthly installments. Contingent rental income up to $184,000 per year can also be earned under the lease agreements. Under the lease terms, the lease payment will increase by 2% each year after the third year of the lease.

During 2007, the Corporation entered into two transactions with independent third parties, which involved the purchase of assets of four nursing homes for a total of approximately $1,000. In addition, the Corporation entered into real estate leases for the nursing homes. The lease terms are for 10 years with annual total lease payments of approximately $3,100,000 paid in equal monthly installments. Also, the leases required additional deposits of approximately $3,100,000.

Also during 2007, the Corporation entered into a transaction with an entity related to ASC, which involved the purchase of assets of two senior living facilities for $531,250. In addition, the Corporation entered into leases for the real estate of the two facilities with this related entity. The leases end in March 2022 and requires minimum annual lease payments of $564,000, paid in equal monthly installments. Annually, the lease payments will increase by the greater of the Consumer Price Index or 2.25%. The Corporation is required to make capital improvements of at least $102,000 annually to these facilities, with the amount of the commitment increasing annually by the same percentage as the annual rent. The Corporation has a put option on these facilities by which the Corporation would pay the owner 55% of the average monthly revenue as defined in the asset purchase agreement, if the put option is exercised by March 2022.

During 2008, the Corporation entered into a transaction with an independent third party, which involved the purchase of assets of a single nursing home for $540,000. In addition, the Corporation entered into a lease for the real estate of the nursing home. The purchase price of $540,000 is to be paid in installments of $440,000 on the closing and $100,000 on the one year anniversary of the close. The lease ends in June 2018 with the annual total lease payments of approximately $540,000. Under the lease terms, the lease payment will increase by approximately 2.5% each year after the second year of the lease.

Note 19: Related Parties

During the year, the Corporation had transactions with the City of Indianapolis (the City) and Marion County (the County) that were conducted in the normal course of business. The County collects and distributes taxes and other special assessment fees on behalf of the Corporation. For the year ended December 31, 2008, the Corporation had received $83,168,827 in tax cash receipts and $1,078,768 in special assessment fees cash receipts from the County and at December 31, 2008, the Corporation had a tax receivable of $41,221,938 all of which was deferred in the fund financial statements. The Corporation paid the City $1,000,000 for the Housing Trust Fund to support the creation of more affordable housing opportunities for the underserved of Marion County. Also, the Corporation paid the County $217,055 in 2008 in autopsy and death reports and $80,775 in continuing education fees that the Corporation had collected on behalf of the County based on the issuance of death certificates. Wishard received $2,319,237 from the County to provide healthcare services to certain prisoners in the Marion County jail system during 2008. The City paid the Corporation $713,768 for the “Clean and Lien” program to clean up vacant lots. The City paid the Corporation $365,000 for unsafe building enforcement in 2008. In addition, the Corporation acted as a subrecipient or a pass-through agent for various state and federal grant programs with the City and County during 2008.

Note 20: Joint Venture

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

Note 21: Loan Guarantee

In January 2004, the Corporation guaranteed a bond issuance to support the renovation of a building for the Charter for Accelerated Learning, Inc. (Charter School). The bonds were issued through the Indiana Finance Authority and had an original par value of $4,000,000. The Corporation also guaranteed a line of credit for the Charter School in the amount of $200,000. The incorporated name of the Charter School is the Charles A. Tindley Accelerated High School, which is a charter school authorized by the City of Indianapolis (the City). At December 31, 2008, the outstanding amount on the bond issuance was $3,570,000, and there was no outstanding amount on the line of credit. The Corporation knows of no event of default that would require it to satisfy these guarantees, and therefore, no amount has been recorded in the Corporation's financial statements.

In December 2008, Charter School refinanced this loan and the made a principal payment of $171,000. The term of the note was changed to 30 years with a maturity date of November 1, 2038. The Charter School remains current on its loan payment.

Note 22: Negative Fund Balance

The Debt Service Fund has a negative fund balance of $3,631,044 at December 31, 2008. This has been eliminated as of August 2009 by the collection of property tax revenues, which were not recognized due to the availability period.

Note 23: Concentrations of Credit Risk

Wishard and LT Care grant credit without collateral to their patients, most of whom are generally insured under third-party agreements. The mix of receivables from patients and third-party payors at December 31, 2008 is as follows:

Commercial insurance	21%
Medicare	33%
Medicaid	21%
Self pay	13%
Other	12%
	100%

Note 24: Commitments and Contingencies

Litigation

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

Government Grants

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

Note 25: Subsequent Events

In January 2009, the Corporation entered into a transaction with an independent third party, which involved the purchase of assets of three nursing homes. The purchase price of the intangible operating assets was $100. No tangible assets were acquired. The Corporation executed leases for each of the three facilities with initial terms of ten years and two renewal options of five years each.

In February 2009, the Corporation acquired three nursing homes and the purchase price for the tangible and intangible assets comprising the facilities was $7,175,250. The Corporation executed leases for each of the three facilities with terms that run from the closing date until March 31, 2022.

In March 2009, the Corporation acquired one nursing home. The purchase price for the tangible personal property comprising the facility was $850,000, of which $700,000 was payable at the closing and $15,000 is payable on the first anniversary of the closing. The purchase price for the intangible operating assets was $100. The Corporation executed a lease for the facility with an initial term of 13 years and two renewal options of five years each.

Effective May 13, 2009, Wishard closed Lockefield Village Health and Rehabilitation Center in Indianapolis. Revenue for Lockefield Village for 2008 was approximately $9.8 million and expenses were approximately $15.7 million. Upon closing, Wishard assisted the residents of Lockefield Village to obtain placement in other skilled nursing facilities or residential care settings.

In June 2009, the Indiana General Assembly passed House Bill 1001 allowing a county-wide referendum on November 3, 2009, which would authorize HHC to build a new Wishard campus. The management team of HHC has begun spending time educating the community on the project. The Corporation is required to hold a preliminary determination hearing and pass a preliminary determination resolution prior to October 1, 2009, to outline the legal and financial parameters of the project. At the time of issuance, the Corporation had not held the preliminary determination hearing.

Required Supplementary Information
(Other Than MD&A)

Health and Hospital Corporation of Marion County, Indiana

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

Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance With Final Budget- Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes	$ 97,121,729	$ 97,121,729	$ 81,942,211	$ (15,179,518)
Licenses and permits	4,067,750	4,067,750	3,700,835	(366,915)
Intergovernmental	1,083,546	1,083,546	1,090,241	6,695
Charges for services	1,253,700	1,253,700	1,283,126	29,426
Medicaid special revenue	123,838,498	203,838,498	127,452,582	(76,385,916) *
Interest	4,000,000	4,000,000	3,163,085	(836,915)
Grants	17,682,000	17,682,000	19,896,993	2,214,993
Miscellaneous	9,845,004	9,845,004	21,137,151	11,292,147
Total revenues	258,892,227	338,892,227	259,666,224	(79,226,003)
Expenditures				
Personal services	45,000,000	45,000,000	43,806,336	(1,193,664)
Supplies	4,027,000	5,727,000	5,159,681	(567,319)
Other charges and services	40,803,345	120,803,345	30,312,720	(90,490,625) *
Capital outlays	6,326,000	4,626,000	1,557,767	(3,068,233)
Total expenditures	96,156,345	176,156,345	80,836,504	(95,319,841)
Other Financing Uses				
Transfers out	(168,000,000)	(168,000,000)	(165,236,422)	2,763,578
Total other financing sources	(168,000,000)	(168,000,000)	(165,236,422)	2,763,578
Net change in fund balances	(5,264,118)	(5,264,118)	13,593,298	18,857,416
Fund balances - beginning of year	126,076,112	126,076,112	126,076,112	-
Fund balances - end of year	$ 120,811,994	$ 120,811,994	$ 139,669,410	$ 18,857,416

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

Budgets and Budgetary Accounting

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

The General, Capital Projects, and Enterprise Funds budgets are adopted on a basis consistent with GAAP for revenue. Encumbrances are treated as expenditures for the year in which the commitment to purchase is incurred for budgetary purposes. The Debt Service Fund is budgeted on a basis consistent with GAAP.

Encumbrance Accounting

Purchase orders, contracts and other anticipated obligations to expend monies are recorded as encumbrances in governmental fund types in order to reserve that portion of the applicable appropriation. Encumbrances and their underlining appropriations do not lapse with the expiration of the budget period. Accordingly, outstanding encumbrances at year-end are reported as reservations of fund balances on the fund financial statements.

Reconciliation of Budgetary Basis Actual to GAAP Basis Actual

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

Net change in fund balance - GAAP basis	$ 23,314,566
Add (Deduct)	
Change in encumbrances	(2,930,770)
Change in prepaid expenditures	(206,418)
Change in accounts receivable	(9,015,367)
Change in accounts payable	(615,791)
Change in self-insurance claims	2,119,268
Medicaid special revenue partial payment	927,810
Net change in fund balance - Budgetary Basis	$ 13,593,298

Supplementary Information

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2008

Federal Grantor	Pass-Through Grantor	Pass-Through Grantor Number (1)	Program Title	Federal CFDA #	2008 Amount Passed-Through to Subrecipients	Combined 2008 Total Federal Expenditures
U.S. Department of Homeland Security						
	City of Indianapolis, Indiana	C44P-5-240	Urban Areas Security Initiative	97.008	$ -	$ 690,981
	Hamilton County, Indiana	Not provided	Urban Areas Security Initiative	97.008	-	10,950
					-	701,931
	City of Indianapolis, Indiana	PO I6602686	Metropolitan Medical Response System	97.071	37,152	98,464
			Total U.S. Department of Homeland Security		**37,152**	**800,395**
U.S. Department of Labor						
	Indianapolis Private Industry Council	HG147540560	Workforce Investment Act Pilots, Demonstrations and Research Projects	17.261	-	15,209
National Institute of Health						
	Indiana University	R24MH080827	Mental Health Research Grants	93.242	-	50,969
	Indiana University	U19AI031494-16	Allergy, Immunology and Transplantation Research	93.855	-	42,179
	Indiana University	U01 A1025859-18S3	Microbiology and Infectious Diseases Research	93.856	-	27,974
	Indiana University	R01HD044387	Child Health and Human Development Extramural Research	93.865	-	62,562
	Indiana University	R01 AG029884	Aging Research	93.866	-	8,256
	Indiana University	K23 AG031830	Discovery and Applied Research for Technological Innovations to Improve Human Health	96.866	-	4,784
			Total National Institute of Health		**-**	**196,724**
U.S. Department of Agriculture						
	Indiana Department of Health	3610-572100-142500 198-6	Special Supplemental Nutrition Program for Women, Infants and Children	10.557	-	23,915,623
	Indiana Department of Health	3610-572100-144300 198-11	Special Supplemental Nutrition Program for Women, Infants and Children	10.557	-	52,695
	Indiana Department of Health	3610-572100-142500 198-6	Special Supplemental Nutrition Program for Women, Infants and Children	10.557	-	104,811
			Total U.S. Department of Agriculture		**-**	**24,073,129**
U.S. Department of Education						
	Indiana Family and Social Services Administration Division of Disability, Aging and Rehabilitative Services	49-07-YG-1580-1 & 49-08-YG-1580-1	Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	-	370,644

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2008

Federal Grantor	Pass-Through Grantor	Pass-Through Grantor Number (1)	Program Title	Federal CFDA #	2008 Amount Passed-Through to Subrecipients	Combined 2008 Total Federal Expenditures
U.S. Department of Health and Human Services						
	Indiana Department of Health	3610537000103920DRHP198-56	Public Health Emergency Preparedness	93.069	$ -	$ 2,681
	Indiana Department of Health	3610-572100-103200-BPRS 198-51	Public Health Emergency Preparedness	93.069	-	241,154
					-	243,835
	Direct	Direct	Bilingual/Bicultural Service Demonstration Grants	93.105	-	147,736
	Indiana Department of Health	3610-572100-140300 TB198-40	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	-	113,430
	Indiana Family and Social Services Division of Mental Health Administration	49-05-YG-1580-1	Projects for Assistance in Transition from Homelessness	93.150	-	62,341
	Indiana Department of Health	3610-572100-130300 CLP 198-1	Childhood Lead Poisoning Prevention Project - State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	-	173,189
	Direct	Direct	Consolidated Health Centers	93.224	1,009,773	1,009,773
	Direct	Direct	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	-	(16,625)
	Indiana Department of Health	3610-572100-142300 IP198-3	Immunization Grants	93.268	-	387,974
	University of Cincinnati	1.U10-DA13732-01 / 5.U10-DA01372-04	Drug Abuse and Addiction Research Programs	93.279	-	15,328
	Indiana Department of Health	3610-572100-149900 ELCID 198-48	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	-	64,621
	Indiana Department of Health	3610-572100-103500 AA198-13	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	-	3,784
	Indiana Department of Health	3610-572100-103200 BPRS 198-12	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	-	35,699
	Indiana Department of Health	3610-572100-103200A BPRS 198-38	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	-	(3,200)
	Indiana Department of Health	3610-572100-103200-BPRS 198-49	Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	-	1,199
					-	102,103
	HealthNet and Indiana University	HEA-01208/108597/2293N3	Temporary Assistance for Needy Families	93.558	-	229,739
	Indiana Family & Social Service Administration	48-05-60-1580	Temporary Assistance for Needy Families	93.558	-	1,148,964
	Indiana Department of Child Services	49-05-60-1580	Temporary Assistance for Needy Families	93.558	-	787,955
					-	2,166,658

Health and Hospital Corporation of Marion County, Indiana

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

Schedule of Expenditures of Federal Awards (Continued)

Year Ended December 31, 2008

Federal Grantor	Pass-Through Grantor	Pass-Through Grantor Number (1)	Program Title	Federal CFDA #	2008 Amount Passed-Through to Subrecipients	Combined 2008 Total Federal Expenditures
	Indiana Department of Health	3610-537000-141300 HPR 198-49	Refugee and Entrant Assistance - Discretionary Grants	93.576	$ -	$ 19,533
	Indiana Department of Health	3610-537000-141300 HPR 198-48	Refugee and Entrant Assistance - Discretionary Grants	93.576	-	18,730
					-	38,263
	Direct	Direct	National Bioterrorism Hospital Preparedness Program	93.889	463,302	736,654
	Direct	HFPEP070015-01-00	National Bioterrorism Hospital Preparedness Program	93.889	-	359,700
	Indiana Department of Health	3610-572100-103100 BHP 197-41	National Bioterrorism Hospital Preparedness Program	93.889	-	36,285
					463,302	1,132,639
	Direct	Direct	HIV Emergency Relief Project Grants	93.914	1,748,809	3,400,503
	Direct	Direct	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	291,892	746,603
	Direct	Direct	Healthy Start Initiative	93.926	61,213	840,836
	Indiana Department of Health	3610-572100-144100 AIDS 198-8	HIV Prevention Activities - Health Department Based	93.940	-	75,872
	Indiana Department of Health	3610-572100-144400 ASP 198-7	Human Immunodeficiency Virus/Acquired Immunodeficiency Virus Syndrome Surveillance	93.944	-	54,050
	InteCare, Inc.	MISSING	Block Grants for Community Mental Health Services	93.958	-	589,608
	Indiana Department of Health	MISSING	Block Grants for Prevention and Treatment of Substance Abuse	93.959	-	19,403
	Indiana Department of Health	3610-572100-145500-PSUP198-16	Block Grants for Prevention and Treatment of Substance Abuse	93.959	-	21,485
	Division of Mental Health/Addiction	49-07-SA-1580	Block Grants for Prevention and Treatment of Substance Abuse	93.959	-	259,644
	InteCare, Inc.	49-07-HO-1580 and 49-08-HO-1580	Block Grants for Prevention and Treatment of Substance Abuse	93.959	-	927,445
					-	1,227,977
	Indiana Department of Health	3610-572900-141610 STD 198-21	Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	68,464	495,531
	Indiana Department of Health	H25/CCH504340	Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	-	7,808
					68,464	503,339
	Indiana Department of Health	3620-572100-141600 MCH 199-2	Maternal and Child Health Services Block Grant to the States	93.994	-	21,559
	Indiana University	280192	Maternal and Child Health Services Block Grant to the States	93.994	-	239,546
					-	261,105
	Clarian Health Partners	HRSA 2H4AHA00062	AIDS Education and Training Centers	93.145	-	77,658
	Indiana Family Health Council	FPHPA050511-32-03	Family Planning Services	93.217	-	1,254,531
	Indiana Family & Social Service Administration	49-07-1P-1580	Social Services Block Grant	93.667	-	263,973
			Total U.S. Department of Health and Human Services		**3,643,453**	**14,872,699**

Health and Hospital Corporation of Marion County, Indiana

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

Schedule of Expenditures of Federal Awards (Continued)

Year Ended December 31, 2008

Federal Grantor	Pass-Through Grantor	Pass-Through Grantor Number (1)	Program Title	Federal CFDA #	2008 Amount Passed-Through to Subrecipients	Combined 2008 Total Federal Expenditures
U.S. Department of Housing and Urban Development						
	City of Indianapolis, Indiana	POI 7300673	Supportive Housing Program	14.235	$ -	$ 4,250
	City of Indianapolis, Indiana	POI#6300878 & POI#7300852	Supportive Housing Program	14.235	-	276,743
	City of Indianapolis, Indiana	POI#6301074 & POI#7301074	Supportive Housing Program	14.235	-	249,656
					-	530,649
	City of Indianapolis, Indiana	CIT#6300847 & POI #7300773	Shelter Plus Care	14.238	-	228,231
	Direct	Direct	Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	549,387	678,044
	Direct	Direct	Lead Hazard Reduction Demonstration Grant Program	14.905	805,143	997,888
			Total U.S. Department of Housing and Urban Development		**1,354,530**	**2,434,812**
U.S. Department of Justice						
	Indiana Criminal Justice Institute	07JF025	Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	27,409	27,409
	Indiana Criminal Justice Institute	3680-572500-114910-06 VA088	Crime Victim Assistance	16.575	-	91,424
	Indiana Criminal Justice Institute	06VA171	Crime Victim Assistance	16.575	-	87,176
	Indiana Criminal Justice Institute	06VA-098 and 07VA-086	Crime Victim Assistance	16.575	-	36,038
					-	214,638
			Total U.S. Department of Justice		**27,409**	**242,047**
			Total Federal Expenditures		**$ 5,062,544**	**$ 43,005,659**

Note to Schedule

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

BKD LLP
CPAs & Advisors

201 N. Illinois Street, Suite 700
P.O. Box 44998
Indianapolis, IN 46244-0998
317.383.4000 Fax 317.383.4200 www.bkd.com

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

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

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of the Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis - Marion County) (Corporation) as of and for the year ended December 31, 2008, which collectively comprise its basic financial statements and have issued our report thereon dated September 10, 2009, which contained an explanatory paragraph regarding a change in method of accounting. 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 Corporation'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 Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 Corporation'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 Corporation's financial statements that is more than inconsequential will not be prevented or detected by the Corporation's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 08-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Corporation's internal control.

Our consideration of 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 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, we consider the significant deficiency described above as item 08-01 to be a material weakness.

Compliance and Other Matters

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

We also noted certain additional matters that we reported to the Corporation's management in a separate letter dated September 10, 2009.

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

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

BKD, LLP

Indianapolis, Indiana
September 10, 2009

BKD LLP
CPAs & Advisors

201 N. Illinois Street, Suite 700
P.O. Box 44998
Indianapolis, IN 46244-0998
317.383.4000 Fax 317.383.4200 www.bkd.com

Independent Accountants' Report on Compliance and Internal Control Over Compliance With Requirements Applicable to Major Federal Awards Programs

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

Compliance

We have audited the compliance of the Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis - Marion County) (Corporation) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Corporation's management. Our responsibility is to express an opinion on the compliance of the Corporation based on our audit.

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

In our opinion, the Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 08-02, 08-03 and 08-04.

Internal Control Over Compliance

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

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 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.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-04 to be a significant deficiency.

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. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-04 to be a material weakness.

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

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

BKD, LLP

Indianapolis, Indiana
January 27, 2010

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Findings and Questioned Costs
Year Ended December 31, 2008

Summary of Auditor's Results

1. The opinion(s) expressed in the independent accountants' report over financial reporting was (were): (Check each description that applies)

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financial reporting described:

   Significant deficiency(ies) noted considered material weakness(es)? ☒ Yes ☐ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

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

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

   Significant deficiency(ies) noted considered material weakness(es)? ☒ Yes ☐ No

   Significant deficiency(ies) noted that are not considered to be a material weakness? ☐ Yes ☒ No

5. The opinion(s) expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was (were):

   (Check each description that applies. If any other than unqualified apply, also list the name of each major program by the type of opinion applicable to that program.)

   ☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed

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

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2008

7. The Corporation's major programs were:

Cluster/Program	CFDA Number
Special Supplemental Nutrition Program for Women, Infants & Children	10.557
Temporary Assistance for Needy Families	93.558
HIV Emergency Relief Project	93.914

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was $1,290,170.

9. The Corporation qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☐ Yes ☒ No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number		Finding	Questioned Costs
08-01	**Criteria or Specific Requirement:**	Accounting for grant activity.	
	Condition:	Over the course of our audit, we encountered significant delays in the preparation of audit schedules supporting the Corporation's grant activity (federal and otherwise). This can be attributed primarily to difficulties Headquarters staff experienced in gathering supporting documentation from, and reconciling the accounts of, Wishard Health Services. In addition, management experienced difficulty in preparing a complete and accurate Schedule of Expenditures of Federal Awards in accordance with Office of Management and Budget (OMB) Circular A-133. Again, this was due primarily to difficulties encountered relative to Wishard Health Services' activity. We also believe the Corporation does not have an adequate internal control system in place to account for grants in a manner that ensures the completeness, accuracy and timeliness of this activity from a financial reporting perspective. This is evidenced, in part, by the following: 1. Interfund grant activity (between the Headquarters and Wishard Health Services) is not being reconciled on a regular basis. Additionally, BKD proposed an audit adjustment to correct the accounting for such activity. 2. The Corporation does not consistently hold its subrecipients accountable for timely filing of pay request claims and associated supporting documentation. Delays in obtaining subrecipient claims make it difficult for the Corporation to reconcile grant accounts on a regular basis and prevent the Corporation from preparing timely and accurate financial statements. 3. Unclaimed grant expenditures/revenues are not being tracked separately from claimed amounts. This may lead to errors in the period-end accruals for earned grant revenue. We believe that these deficiencies, when considered in the aggregate, represent a material weakness in internal control.	

Reference Number		Finding	Questioned Costs
	Context:	Timely and accurate financial statements are critical to managing operations and communicating financial position and results of operations to interested parties.	
	Cause:	Staffing levels may not be sufficient and/or communication, coordination and review between the Headquarters and Wishard Health Services accounting departments may not be adequate to support timely and accurate financial reporting.	
	Effect:	Potential material misstatements in the financial statements or material compliance findings could occur and not be detected and/or corrected in a timely manner.	
	Recommendation:	We recommend that the Headquarters and Wishard Health Services divisions evaluate current personnel resources and accounting mechanisms in place for monitoring interfund grant activity associated with Wishard Health Services to determine how they can be enhanced to minimize the potential for material error or compliance findings.	
	Views of Responsible Officials and Planned Corrective Action:	We concur. The Corporation has experienced staff turnover at our Hospital Division, which resulted in delays and training issues with respect to the audit. The Corporation has hired a Grants Accountant, located at our Hospital Division, that will focus on all financial aspects of grants including intercompany transactions and timely subrecipient claim submission. The Corporation now tracks claimed dollars by grant and date in a separate ledger.	

Findings Required to be Reported by OMB Circular A-133

Reference Number		Finding	Questioned Costs
08-02	**Federal Agency:**	U.S. Department of Health and Human Services U.S. Department of Agriculture	$343,681 - See Context Section of Finding
	CFDA Title and Number:	93.217 - Family Planning Services 93.558 - Temporary Assistance for Needy Families 93.959 - Block Grants for Prevention and Treatment of Substance Abuse	
	Award Number:	FPHPA050511-32-03, 48-05-60-1580, 49-05-60-1580 49-07-HO-1580, 49-08-HO-1580 and 3610-572100-142500 198-6	
	Award Year:	July 1, 2007 - June 30, 2008	
	Criteria or Specific Requirement:	Allowable Costs/Cost Principles - 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 and wages will be supported by personnel activity reports or equivalent documentation that must be signed by the employee.	
	Condition:	BKD obtained a listing of individuals whose wages were allocated to the grants specified above and reviewed the completed and signed time attestation forms submitted by each individual. Signed time attestation forms were not available for certain individuals tested.	

Reference Number	Finding	Questioned Costs

Context: A sample of 28 employee files was tested to determine that there was documentation to support the percentage of time worked by each employee on a specific grant and if the documentation was signed or approved by either the employee or the employee's direct supervisor. Of the files tested, seven did not contain a completed and signed attestation form for the time period worked. Of the seven findings, five relate to employees of Midtown Community Mental Health Center and two relate to employees of Wishard Health Services. A summary of the testing performed is provided below:

Federal Program		Population		Sample		Number of	Questioned
CFDA	Title	Items	Dollar Value	Items	Dollar Value	Exceptions	Costs
93.558	Temporary Assistance for Needy Families	83	$ 1,784,663	16	$ 374,355	1	$ 1,331
93.217	Family Planning Services	27	783,432	5	116,369	1	20,842
93.959	Block Grants for Prevention and Treatment of Substance Abuse	34	1,136,841	7	350,893	5	321,508

Cause: The Corporation did not ensure that all employees provide the signed attestation form.

Effect: The Corporation is not compliant with the requirements of OMB Circular A-87.

Recommendation: It is recommended that management adhere to established policies and procedures for obtaining required supporting documentation for employee wages charged to grants.

Views of Responsible Officials and Planned Corrective Action: We concur. Procedures, which include spreadsheet tracking of employees required to complete bi-annual attestations, are being implemented at our Hospital Division and Midtown Community Health Center. Procedures also include follow-up processes for active employees who have not submitted attestation forms by the required deadline. In addition, Human Resources staff have been instructed to obtain attestations from terminated and transferred staff. These procedures were implemented at our Headquarters location with success.

Reference Number		Finding	Questioned Costs
08-03	**Federal Agency:**	U.S. Department of Health and Human Services	None
	CFDA Title and Number:	93.959 - Block Grants for Prevention and Treatment of Substance Abuse	
	Award Number:	3610-572100-145500-PSUP198-16, 49-07-SA-1580, 49-07-HO-1580 and 49-08-HO-1580	
	Award Year:	July 1, 2007 - June 30, 2008	
	Criteria or Specific Requirement:	Eligibility - Under the terms of the grant agreement, the Corporation is required to perform the necessary procedures to determine the eligibility of individuals enrolled under the grant agreement.	
	Condition:	The predecessor auditor determined that effective internal controls were not in place to ensure that individuals were eligible to be serviced under the program. Because of this, it could not be determined whether the Corporation was in compliance with the program's eligibility requirements, as sufficient documentation was not available to determine eligibility for services. It was recommended that the Corporation strengthen its processes and controls in this area. The Corporation designed a process whereby the Corporation would perform audit procedures every January and July to ensure appropriate documentation to determine eligibility is maintained. As this grant is exclusive to Midtown Community Mental Health Center, these procedures are to be performed by members of their staff. While this program was not tested as a major program for 2008, we inquired as to the status of the semi-annual audits that were to be conducted to ensure compliance with the eligibility requirements. Upon inquiry, it was determined that such audits are not being conducted.	
	Context:	Under the grant agreement, the Corporation is responsible for determining the eligibility of individuals enrolled under this grant.	
	Cause:	Procedures identified in the prior period by management to correct the prior year finding were not implemented at all locations subject to the compliance requirement.	
	Effect:	The Corporation cannot ensure compliance with said eligibility requirements.	

Reference Number		Finding	Questioned Costs
	Recommendation:	We recommend that the Corporation take steps to ensure that the required semi-annual audit procedures at Midtown Community Health Center are reinforced.	
	Views of Responsible Officials and Planned Corrective Action:	We concur. Due to staff turnover, delays were encountered with these self-audit procedures. We will commit to starting the process in January 2010 and will continue to do the review bi-annually (January and July of each year).	
08-04	**Criteria or Specific Requirement:**	Accounting for grant activity.	None
	Condition:	See Finding 08-01 required to be reported in accordance with *Government Auditing Standards*	

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2008

Reference Number	Summary of Finding	Status
2007-1	The Corporation issues a Consolidated Annual Financial Report (CAFR) each year. The preparation of the CAFR is a collaborative effort between the accounting staff of Wishard Hospital and the Corporation. Both of these accounting departments experienced significant turnover in the current year and as a result encountered difficulties and delays in compiling the CAFR. Significant audit adjustments were ultimately required to accurately and materially state the financial statements.	Corrected
2007-2	The Corporation receives significant funding from the State of Indiana Disproportionate Share Hospital Payment Program and the Upper Payment Limit Program that are accounted for as a Medicaid special revenue in the Corporation's financial statements. Significant audit adjustments were required to accurately state these revenues in the financial statements. The Corporation did not have an adequate management review process to ensure that such revenues were recorded properly.	Corrected
2007-3	The Corporation does not have an adequate process in place at Wishard Health Services to properly identify federal grant expenditures for inclusion in the schedule of expenditures of federal awards for the Office of Management and Budget Circular A-133 audit (Single Audit).	Unresolved, see current finding 08-01
2007-4	It was determined that the Corporation did not properly accrue some items. The Corporation did not have a formal process in place to accurately review for such items. Additionally, several errors were identified in the classification of amounts between accounts payable and accrued liability accounts.	Corrected
2007-5	During the 2007 audit, it was identified that two material prepaid assets were incorrectly recorded by the Corporation.	Corrected
2007-6	Wishard Health Services utilizes a spreadsheet that estimates the total amount of cash expected to be collected on the accounts receivable. Wishard Health Services did not adjust its accounts receivable allowance to match estimated collections, which resulted in a recorded accounts receivable balance that was lower than the subsequent year-related cash collections. An audit adjustment was required to properly value the accounts receivable balance.	Corrected
2007-7	Deficiencies in internal controls in place to ensure proper reconciliation of transfers between the governmental and proprietary funds of the Corporation were noted during the audit. Several audit adjustments were necessary to properly balance the transfers between funds.	Corrected
2007-8	The Corporation records accounts receivable amounts at year-end primarily by reviewing the subsequent year cash receipts and determining the propriety of their inclusion or exclusion in the year-end accounts receivable balance. It was determined that there were amounts that were not properly recorded in the correct fiscal year, and thus were excluded from accounts receivable.	Corrected

Health and Hospital Corporation of Marion County, Indiana
(A Component Unit of the Consolidated City of Indianapolis - Marion County)
Summary Schedule of Prior Audit Findings (Continued)
Year Ended December 31, 2008

Reference Number	Summary of Finding	Status
2007-9	The program change control objective within the Information Technology (IT) general control environment was determined to be ineffective because business owners were not approving requests before implementation into production, and evidence of testing by IT business analysts was missing in many cases. Furthermore, inappropriate access to the transaction code STMS (used to migrate changes into production) existed that allowed segregation of duties between development and migration to be bypassed. Consequently, it was not able to be determined if all changes made to SAP were authorized and received appropriate approval and testing.	Corrected
2007-10	The access to programs and data control objective within the IT general control environment for SMS failed due to a lack of enforcement of any password complexity parameters and ineffective controls around end-user administration. Specifically, no periodic access reviews of end-user access were performed.	Corrected
2007-11	Charges for employee salaries and wages are required to 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 semi-annually and are to 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 and wages are required to be supported by personnel activity reports or equivalent documentation that must be signed by the employee.	Unresolved, see current finding 08-02
2007-12	The Corporation is responsible for determining the eligibility of individuals enrolled in the Substance Abuse Program, but sufficient documentation was not available to determine eligibility for all individuals tested.	Unresolved, see current finding 08-03
2007-13	A pass-through entity is responsible for award identification at the time of the award, identifying to the subrecipient the federal award information (e.g. CFDA title and number, award name, name of federal agency) and applicable compliance requirements. It was noted that there was no grant agreement with one subrecipient.	Corrected
2007-14	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 semi-annually 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 and wages will be supported by personnel activity reports or equivalent documentation that must be signed by the employee.	Unresolved, see current finding 08-02