HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY INDIANA

(a component unit of the Consolidated City of Indianapolis - Marion County)

Comprehensive Annual Financial Report For the Year Ended December 31, 2007

Matthew R. Gutwein
President and
Chief Executive Officer

Daniel E. Sellers
Treasurer and
Chief Financial Officer

The Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis - Marion County)

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Prepared by: The Treasurer's Office

Comprehensive Annual Financial Report
of The 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, 2007

Table of Contents

I. INTRODUCTORY SECTION **PAGE**

Letter of Transmittal 1
Certificate of Achievement 6
Elected Officials, Appointed Officials – Board of Trustees 7
Officers of the Corporation and Independent Auditors 8
Organizational Chart 9

II. FINANCIAL SECTION

Independent Auditors' Report 10
Management's Discussion and Analysis (MD&A) 11
Basic Financial Statements:
  Government-wide Financial Statements:
    Statement of Net Assets 22
    Statement of Activities 23
  Fund Financial Statements:
    Balance Sheet – Governmental Funds 24
    Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 25
    Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Governmental Activities 26
    Statement of Net Assets – Proprietary Funds 27
    Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds 28
    Statement of Cash Flows – Proprietary Funds 29
  Notes to Basic Financial Statements 30

	SCHEDULE	PAGE
Required Supplementary Information (Other than MD&A):		
General Fund Budgetary Comparison Information:		
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	1	65
Notes to the Required Supplementary Information		66
Other Supplementary Information		
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service Fund	2	67
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Capital Projects	3	68

III. STATISTICAL SECTION

	TABLE	PAGE
Net Assets by Component – Last Six Fiscal Years	I	69
Schedule of Changes in Net Assets – Last Six Fiscal Years	II	70
Fund Balances, Governmental Funds – Last Ten Fiscal Years	III	73
Changes in Fund Balances Governmental Funds – Last Ten Fiscal Years	IV	74
Assessed Value and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	V	75
Property Tax Rates – Direct and Overlapping Governments – Last Ten Fiscal Years	VI	76
Principal Property Tax Payers – Current Year and Nine Years Ago	VII	77
Property Tax Levies and Collections – Last Ten Fiscal Years	VIII	78
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	IX	79
Ratio of Net General Obligation Debt Outstanding – Last Ten Fiscal Years	X	80
Schedule of Direct and Overlapping Debt and Bonded Debt Limit – December 31, 2007	XI	81
Legal Debt Margin Calculation – Last Ten Fiscal Years	XII	84
Demographic and Economic Statistics – Last Ten Calendar Years	XIII	85
Principal Employers – Current Year and Nine Years Ago	XIV	86
Full-time Equivalent City Government Employees by Function/Program – Last Ten Calendar Years	XV	87

INTRODUCTORY SECTION

There are no such things as incurables; there are only things for which man has not found a cure. – Bernard M. Baruch

HEALTH AND HOSPITAL CORPORATION
OF MARION COUNTY

3838 North Rural Street • Indianapolis • Indiana • 46205-2930

TEL 317 221 2000 FAX 317 221 2020

October 31, 2008

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

The Comprehensive Annual Financial Report of the Health and Hospital Corporation of Marion County, Indiana (Corporation) (a component unit of the Consolidated City of Indianapolis - Marion County), for the fiscal year ended December 31, 2007, is submitted herewith. This report is presented in conformity with U.S generally accepted accounting principles (GAAP) and is audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Corporation has a responsibility to inform both the taxpayers of Marion County and its investors of its financial condition. We believe that this report fulfills that responsibility.

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

The Corporation's financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Corporation for the fiscal year ended December 31, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that the Corporation's financial statements for the fiscal year ended December 31, 2007, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

PROFILE OF THE CORPORATION

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

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

Wishard is comprised of Wishard Memorial Hospital, a general acute care facility with 340-staffed beds, excluding newborn nursery; eight community health centers, Midtown Community Mental Health Center, Regenstrief Health Center, Wishard's Emergency Trauma Service, Wishard's Ambulance Service, and the Richard M. Fairbanks Burn Center. It also includes Lockefield Village, a long-term care facility, which provides a multi-level Alzheimer's unit, traditional long-term care, medically complex services, and an acute rehabilitation unit. Wishard is accounted for as an Enterprise Fund.

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

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

The Corporation also has a long-term care (LT Care) unit which, at the time of this issuance, operated 27 nursing homes throughout Indiana (excluding Lockefield Village). The LT Care unit was expanded in 2007 with the purchase of four additional nursing home operations and one in 2008. LT Care supports the Corporation's mission and goal to provide quality care and services to elderly and disabled people. LT Care is reported as an individual Enterprise Fund similar to Wishard. Lockefield Village is accounted for in the Wishard Enterprise Fund.

A seven member Board of Trustees governs the Corporation. The Mayor of Indianapolis appoints three, the Commissioners of Marion County two, and the City-County Council two, to serve staggered terms of four years each. The Board is bipartisan by statute. The Board levies its own taxes, adopts its own ordinances having the effect of local law governing health matters, and issues its own general obligation bonds subject to approval of the State of Indiana Department of Local Government Finance (DLGF). The DLGF is also the final authority over the Corporation's budget. Since the governing body is appointed and not elected, under Governmental Accounting Standards Board (GASB) Statement No. 14 the Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County. 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.

ECONOMIC CONDITION AND OUTLOOK

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

LOCAL ECONOMY

Marion County is the most populous county in the State and is the home of the State Capital. It has a diversified economic base with a relatively low unemployment rate and per capita income levels consistently higher than state and national averages. Strategically located on the major east-west and north-south transportation routes across North America. Marion County is also the geographic, financial, and cultural center of Indiana.

The economy in Marion County has remained relatively strong over the past several years. Despite this fact, the number of people without health insurance has grown significantly, which has negatively affected the finances of MCHD and Wishard. More people than ever are relying on the Corporation for health services. At the end of 2007, there were approximately 56,300 people enrolled in the Wishard Advantage Program, and 70% of those individuals were in families with a working adult. The Wishard Advantage program provides care management for many of the uninsured seeking healthcare at Wishard.

The Health and Hospital Corporation's mandate is to provide health services to all persons within Marion County, regardless of their ability to pay for those services. The growing number of uninsured combined with declining property tax revenues and reduced funding for supplemental Medicaid programs makes it difficult for the Corporation to continue to fund its mission. The Corporation continues to pursue all available sources of revenue including commercial insurance, Medicare, Medicaid, and supplemental Medicaid funds (disproportionate share and upper payment funds) to offset and reduce its reliance on property taxes. HHC protects its assets by partnering in membership of a primary care physician practice group (IUMG PC) and a managed care organization (MDwise) which manages some of the Medicaid programs used by Wishard.

MAJOR INITIATIVES FOR THE YEAR

Marion County Health Department

During 2007, and in the context of increasing fiscal constraint, the Department continued to focus its energies on 1) maintaining the quality of necessary, existing services while 2) meeting new challenges and 3) achieving significant long-term impact on those health problems that will have the greatest overall impact on Indianapolis. The latter include antibiotic resistance, emergency preparedness, childhood lead poisoning, immunizations, asthma, smoking, obesity and sedentary life style, cardio-vascular disease, and diabetes. Most of these diseases and risks are inter-related, most involve individual's behavior, and all require long-term efforts and long-term commitment.

The Department intensified its efforts to build Indianapolis' capacity to detect and respond to bio-terrorism. Other challenges commanding the Department's attention included the delivery of school-based health services, optimizing the coordination of public health and neighborhood-based primary care, surface and ground water sampling, housing inspections, abandoned property cleanups, West Nile Virus testing, expanding outreach services to substance abusers, responding to the health needs of a rapidly increasing older adult population, reducing the transmission of HIV/AIDS and sexually transmitted diseases, and addressing the overwhelming and critical problem of dental disease in disadvantaged children.

Wishard Health Services

Wishard continued to experience increased demand for clinical services. The average daily census increased 6% during 2007, compared with 2006. In addition, Emergency Department visits increased almost 9%. With the operating room construction complete in 2007, volumes for 2007 exceeded 2006 by 12%. Physical capacity continues to be a significant challenge, especially in the critical care areas. Trauma diversion was significantly decreased due to increased operational effectiveness. In an effort to better operationally align our Community Health Centers (CHC) with our main campus facilities, the CHC staff were transitioned to Wishard employment.

Revenue cycle initiatives continued to produce favorable results. Charge capturing and cash collections continue to improve. With respect to cost efficiency and effectiveness, Wishard continues or operate in the top quartile according to the University Health System Consortium.

The Corporation continued to expand the Wishard Advantage program. The program provides a managed care approach to the County's underserved population. Many Advantage patients previously did not participate in primary or preventive care for themselves or their families, instead relying on the emergency room for primary care. Advantage helps the patients receive better care and at the same time reduce costs by providing care before a trip to the emergency room becomes necessary. The Advantage program had 56,300 members and had grown by 3,500 people in fiscal year 2007.

For The Future

The Corporation receives much of its funding from Medicare, Medicaid, and supplemental Medicaid programs. Reimbursement rates for both Medicare and Medicaid are increasing at rates less than inflation. Supplemental Medicaid programs have limited funds available and the number of hospitals eligible for these funds has increased over the past few years which leaves less money available for the Corporation. The Corporation's ability to increase taxes is limited by State law, and there continues to be a growing number of persons who need assistance from both the Marion County Health Department and Wishard Health Services.

As listed above, the Corporation has many difficult financial issues to manage. All levels of the organization continue to work together to find savings from current operations without diminishing the care it provides to the County. The grants department continues to expand and has applied for more new money this year. The Corporation is working to ensure that fees collected by the Marion County Health Department are calculated correctly to collect 100% of expenses. Wishard has improved its productivity into the 85th percentile of all hospitals nation-wide according to the University Healthcare Consortium.

The challenges to the Corporation are great in 2008 and into the future. The Corporation is working with our State and Federal partners to provide adequate funding for our mission to provide healthcare to the uninsured. During the 2007 legislative session the State expanded Medicaid with a coverage program called the Healthy Indiana Plan (HIP). The Corporation is excited to participate in the program as it will provide insurance for individuals who were previously uninsured. Included in HIP, was a federally mandated reduction in the State's supplemental funds of disproportionate share revenue. The Corporation will participate aggressively in HIP to help offset the reduction in supplemental Medicaid that we expect over the next few years.

Cash Management

Cash temporarily idle during the year was invested in Money Market Savings Accounts. Interest income from all cash funds except capital projects and enterprise funds totaled $5,100,000 in 2007. Capital Projects Fund investments have been invested in U.S. Government obligations, certificates of deposit, and tax-exempt money market funds at yields not to exceed the related bond issue.

Total interest income produced for the Capital Projects Fund was $2,000,000. Interest income of $10,500,000 was earned from investments of all fund types during 2007. The Corporation's investment policy is to minimize credit and market risks. State statutes authorize the Corporation to invest in certificates of deposit, obligations of the U.S. Treasury, and U.S. agencies and repurchase agreements with a maximum maturity of two years. The statutes further require that repurchase agreements be fully collateralized by U.S. Government or U.S. agency obligations. Compliance with these statutes provides protection for cash and investments by the Indiana Public Deposit Insurance Fund. This fund provides protection for amounts not covered by federal depository insurance.

Risk Management

For over twenty years, the Corporation has utilized an incident reporting system to report accidents and incidents that might have resulted in legal matters. Management reviews the reports to identify and correct potential problems. In addition, the Corporation conducts various safety awareness and accident prevention programs for employees. Further, the Corporation is self insured for both health and vehicle insurance. Resources are being accumulated in the general fund to meet estimated losses.

During 2007, the Corporation maintained a number of commercial insurance policies to cover potential losses.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Health and Hospital Corporation of Marion County, Indiana for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2006. Health and Hospital Corporation of Marion County, Indiana has received a Certificate of Achievement for the last twenty-three consecutive years (fiscal years ended 1984-2006). In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

Matthew R. Gutwein
President and
Chief Executive Officer

Daniel E. Sellers
Treasurer and
Chief Financial Officer

I don’t see why any man who believes in
Medicine would shy at the faith cure.
-Finley Peter Dunne

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Health and Hospital Corporation of Marion County Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

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

President

Executive Director

HEALTH AND HOSPITAL CORPORATION

Elected Officials

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

Appointed Officials-Board of Trustees

James D. Miner, M.D.
Chairman
Physician

Lula M. Journey
Vice Chairman
Retired

David W. Crabb, M.D.
Physician

Gregory S. Fehribach
Attorney
Stark, Doninger & Smith

Angela J. Green
Deputy Director of Practice Support
State of Indiana

Marjorie H. O'Laughlin
Retired

Robert B. Pfeifer,
C.P.A.

HEALTH AND HOSPITAL CORPORATION

Officers

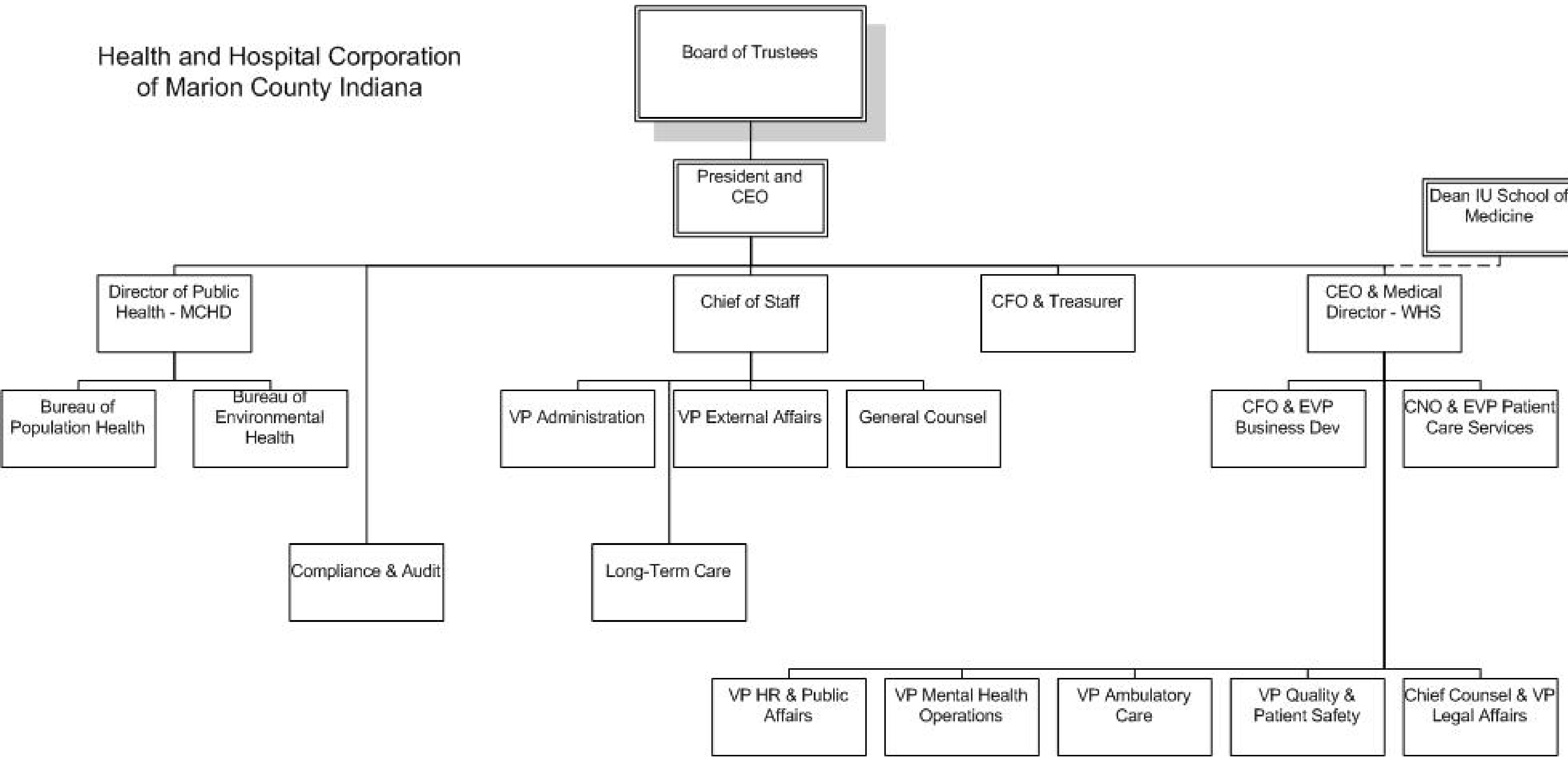
Name	Title
Matthew R. Gutwein	President and Chief Executive Officer
Daniel E. Sellers	Treasurer and Chief Financial Officer
Lisa E. Harris, M.D.	CEO and Medical Director, Wishard Health Services
Virginia A. Caine, M.D.	Director, Marion County Health Department

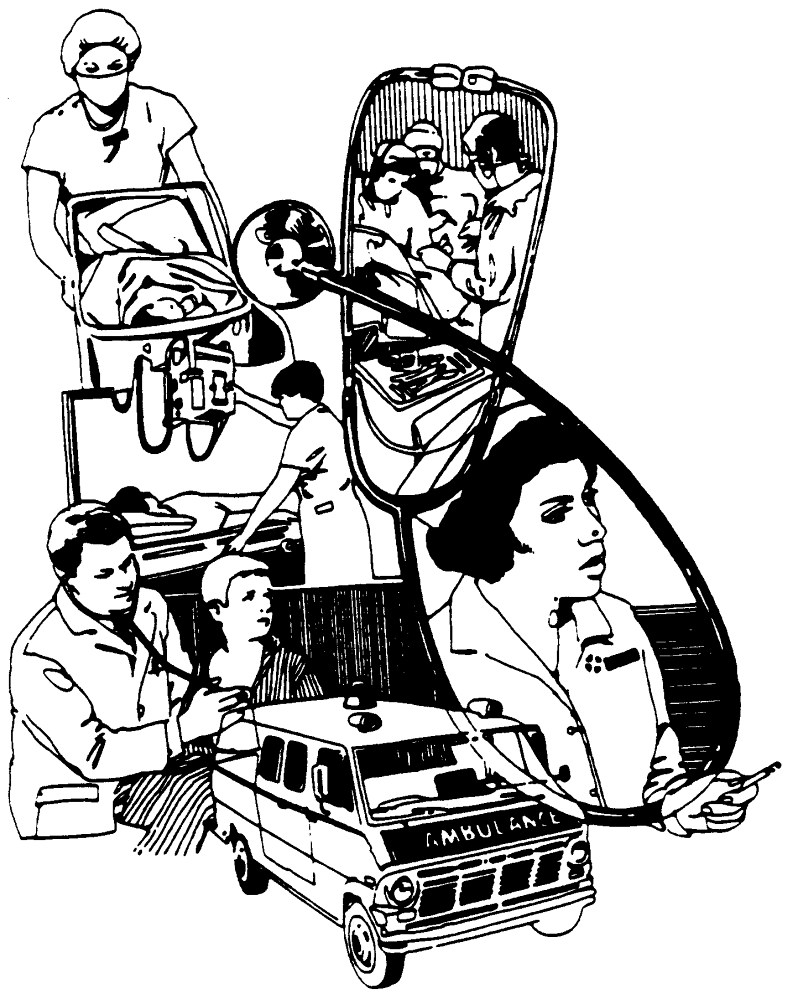
Independent Auditors

KPMG LLP — Indianapolis, Indiana

Officers of the Health and Hospital Corporation during 2007 were (left to right): Daniel E. Sellers, Treasurer and Chief Financial Officer; Virginia A. Caine, M.D., Director, Marion County Health Department; Lisa E. Harris, M.D., CEO and Medical Director, Wishard Health Services; and Matthew R. Gutwein, President and Chief Executive Officer.

Health and Hospital Corporation
of Marion County Indiana





FINANCIAL SECTION

Medicine, the only profession that labours incessantly to destroy the reason for its existence. – James Bryce

KPMG LLP
Suite 1500
111 Monument Circle
Indianapolis, IN 46204

Independent Auditors' Report

Board of Trustees
The 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, 2007, which collectively comprise the Corporation's basic financial statements as listed in the accompanying 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 (a component unit of the Consolidated City of Indianapolis – Marion County) as of December 31, 2007 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2008 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting 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.

The management's discussion and analysis (MD&A) on pages 11 through 21, the General Fund budgetary comparison information on pages 65 and 66 and the schedule of funding progress on page 59 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The information presented in the introductory section, the statistical section and the other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

Indianapolis, Indiana
October 31, 2008

Management’s Discussion and Analysis

As management of the Health and Hospital Corporation of Marion County, Indiana, (the 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, 2007. 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 $433,098,694 (net assets). Of this amount, $317,694,745 (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 $15,274,611.
- As of the close of 2007, the Corporation’s governmental funds reported combined ending fund balances of $172,416,792 an increase of $11,874,996 in comparison with the prior year. Approximately 95.4% of this total amount, $164,474,860, 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 $121,444,133 or 174% of total general fund expenditures.
- The Corporation’s total debt excluding capital leases decreased by $1.7 million or 3.8% during the current fiscal year. This reflects scheduled principal payments on outstanding notes and bonds. The capital lease obligation increased by $25,600,390 or 15.4% in 2007.

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 funds 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 $433,098,694 at December 31, 2007.

A portion of the Corporation’s net assets, 26.4%, 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, 0.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $317,694,745, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of 2007, 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 government’s net assets increased by $15,274,611 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.

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS-MARION COUNTY)
SCHEDULE OF NET ASSETS
DECEMBER 31, 2007

	Governmental Activities		Business-type Activities		Total	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**
Assets:						
Current and other assets	$ 247,350,147	233,434,730	201,555,330	199,316,927	448,905,477	432,751,657
Capital assets net of accumulated depreciation	13,472,861	13,308,053	325,202,690	302,707,926	338,675,551	316,015,979
Total Assets	260,823,008	246,742,783	526,758,020	502,024,853	787,581,028	748,767,636
Liabilities:						
Long-term liabilities outstanding	47,751,564	49,225,148	205,544,194	180,415,601	253,295,758	229,640,749
Other liablilities	10,677,156	25,902,791	90,509,420	75,400,013	101,186,576	101,302,804
Total Liabilities	58,428,720	75,127,939	296,053,614	255,815,614	354,482,334	330,943,553
Net Assets:						
Invested in capital assets net of related debt	7,784,239	7,134,802	106,358,255	136,595,394	114,142,494	143,730,196
Restricted	—	—	1,261,455	639,351	1,261,455	639,351
Unrestricted	194,610,049	164,480,042	123,084,696	108,974,494	317,694,745	273,454,536
Total Net Assets	$ 202,394,288	171,614,844	230,704,406	246,209,239	433,098,694	417,824,083

Changes in Net Assets

The Corporation's total revenue was $723,007,978 during the current fiscal year. Taxes represent 13.5% of the Corporation’s revenue. Medicaid special revenue represents 14.2% of revenue, while 67.4% of revenue came from fees charged for services. The remaining 4.9% came from grants and contributions, interest earnings, and miscellaneous revenues.

The total cost of all programs and services was $707,733,367. This resulted in an increase in net assets for the year of $15,274,611.

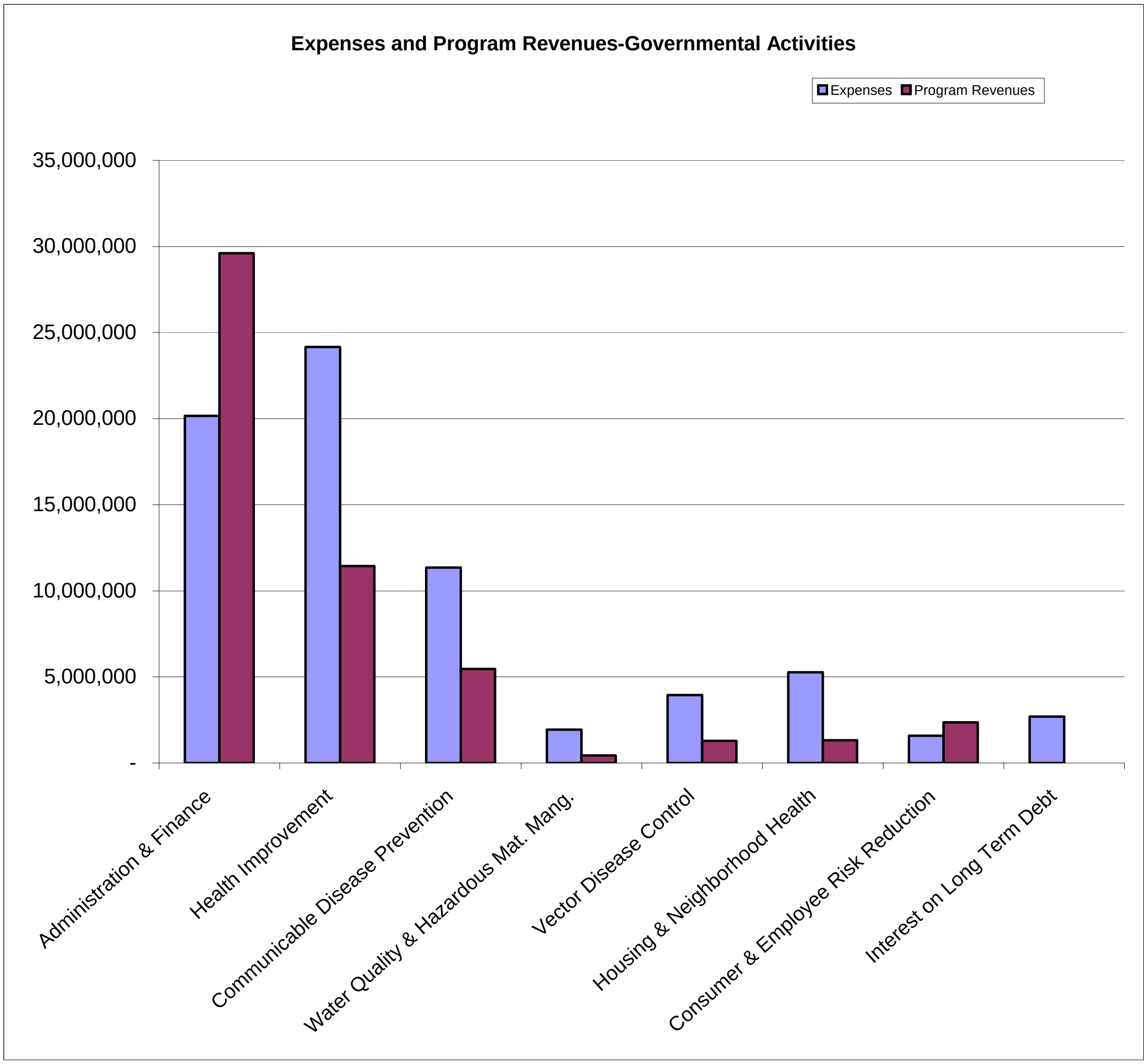
THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULE OF CHANGES IN NET ASSETS
DECEMBER 31, 2007

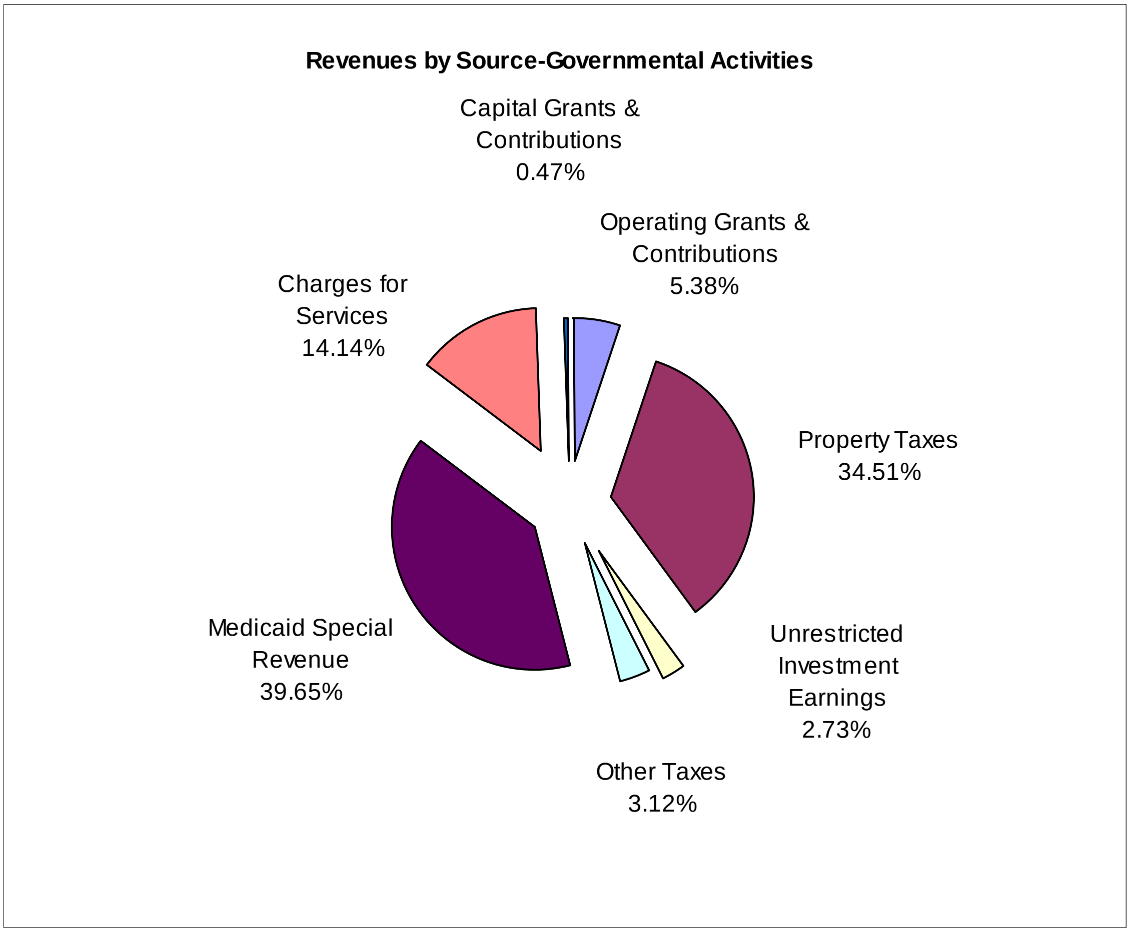
	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues:						
Charges for services	$ 36,715,671	38,574,932	450,327,883	389,576,653	487,043,554	428,151,585
Operating grants and contributions	13,955,419	12,108,583	9,308,853	7,680,805	23,264,272	19,789,388
Capital grants and contributions	1,217,110	3,575,826	314,400	—	1,531,510	3,575,826
General revenues:						
Property taxes	89,583,638	89,435,326	—	—	89,583,638	89,435,326
Other taxes	8,099,762	8,530,678	—	—	8,099,762	8,530,678
Medicaid special revenue	102,956,478	101,186,941	—	—	102,956,478	101,186,941
Unrestricted investment earnings	7,077,243	6,521,273	3,451,521	4,014,078	10,528,764	10,535,351
Total revenues	259,605,321	259,933,559	463,402,657	401,271,536	723,007,978	661,205,095
Expenses:						
Administration and finance	20,163,477	17,551,946	—	—	20,163,477	17,551,946
Health improvement	24,159,226	24,145,228	—	—	24,159,226	24,145,228
Communicable disease prevention	11,352,654	9,215,253	—	—	11,352,654	9,215,253
Water quality and hazardous mat mgmt	1,935,157	1,825,826	—	—	1,935,157	1,825,826
Vector disease control	3,940,890	3,509,809	—	—	3,940,890	3,509,809
Housing and neighborhood health	5,269,185	5,035,571	—	—	5,269,185	5,035,571
Consumer and employee risk reduction	1,579,658	1,557,309	—	—	1,579,658	1,557,309
Interest on long-term debt	2,690,760	2,898,454	—	—	2,690,760	2,898,454
Wishard Health Services	—	—	424,232,288	398,576,838	424,232,288	398,576,838
LT Care	—	—	212,410,072	171,792,272	212,410,072	171,792,272
Total expenses	71,091,007	65,739,396	636,642,360	570,369,110	707,733,367	636,108,506
Increase (decrease) in net assets before transfers	188,514,314	194,194,163	(173,239,703)	(169,097,574)	15,274,611	25,096,589
Transfers	(157,734,870)	(158,619,375)	157,734,870	158,619,375	—	—
Increase (decrease) in net assets	30,779,444	35,574,788	(15,504,833)	(10,478,199)	15,274,611	25,096,589
Net assets beginning of year	171,614,844	136,040,056	246,209,239	256,687,438	417,824,083	392,727,494
Net assets end of year	$ 202,394,288	171,614,844	230,704,406	246,209,239	433,098,694	417,824,083

Governmental activities. Governmental activities increased the Corporation's net assets by $30,779,444 compared to the total $15,274,614 increase in net assets of the Corporation. Property taxes increased by $148,312. Medicaid special revenues increased $1,769,537 due to more prior year settlements being received in 2007. Capital grants and contributions decreased by $2.4 million due to decreased funding for emergency preparedness.

Capital contributions to Wishard Health Services were $734,870 a decrease of $3.2 million 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 $157 million, an increase of $2.3 million from last year. Transfers reflect an increase in support to Wishard.

The following charts provide comparisons of the Corporation's governmental program revenues and expenses by function, and revenues by source. As shown, health improvement 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.



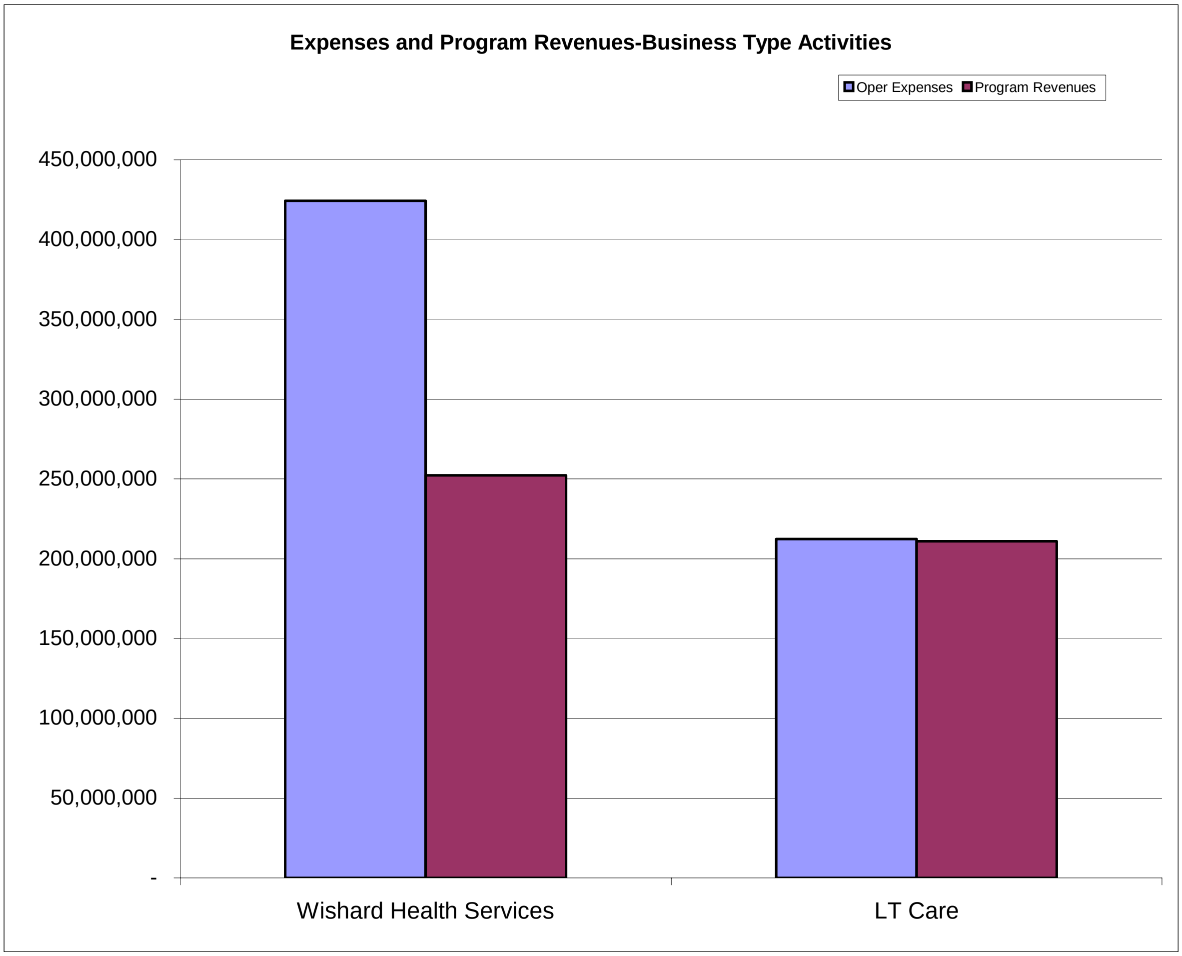


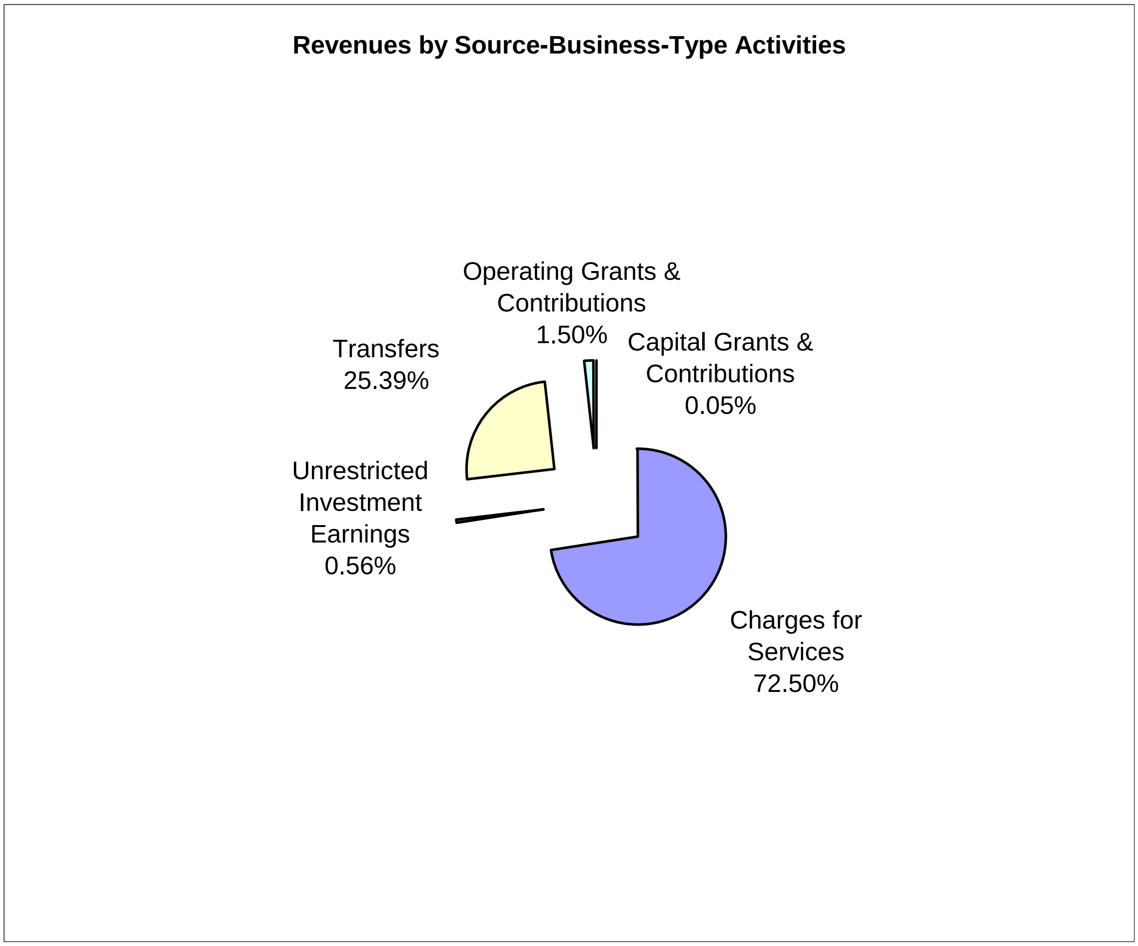
Business-type activities. Business-type activities decreased the Corporation's net assets by $15,504,833 compared to a decrease of $10,478,199 in 2006.

Wishard's net assets decreased by $14 million in the current year. Net assets invested in capital assets decreased by $24.8 million due to depreciation expense in excess of capital additions. Wishard's unrestricted net assets increased by $10.2 million. Revenues increased by $17.8 million due to a $7.3 million increase in other revenue and $10.5 million increase in net patient service revenues. Operating expenses increased $25.7 million in response to increased patient volumes and cost inflation. Wishard incurred an operating loss of $184.5 million, which was offset by $157 million in transfers from Health and Hospital Corporation, $9.3 million in mental health grants from various agencies, and $3.1 million in investment income.

LT Care net assets were $16,848,744, which was a decrease of $1.5 million over 2006. Operating revenues increased $43.0 million due to increased Medicaid reimbursements and operating expenses increased $38.7 million. This was primarily due to the addition of six nursing homes in 2007. LT Care has a negative $16.7 million invested in capital assets, net of related debt. All 28 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 $172,416,792, an increase of $11,874,996 in comparison with the prior year. Approximately 95.9% of this total amount, $164,474,860, 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 ($2.2 million) and 2) cover prepaid costs ($4.8 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 $121,444,133, while total fund balance increased to $129,798,702. 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 174% of total general fund expenditures, while total fund balance represents 186% of that same amount.

The fund balance of the Corporation's General Fund increased by $10,433,389 during the current fiscal year, in comparison to a $3,887,379 increase in 2006. Medicaid special revenue increased $32 million, primarily because of prior year settlements. Charges for service revenues increased while miscellaneous revenues decreased due to a reclassification of medical education payments from Indiana University in the amount of $26.4 million. Administrative expenses have increased $5.2 million related to increased contractual costs and a 2006 decrease in medical self insurance expense due to actuarial estimates that was not repeated in year 2007. Population health increases of $837,903 include increased efforts in health promotion, maternal and child health, public health preparedness, and the laboratory. Transfers reflect an increase in support to Wishard of $2.3 million. The decrease in grant expenditures of $1,179,597 is a result of a number of a decrease in public health preparedness expenditures.

Debt Service funds. The Debt Service Fund has a negative fund balance of ($412,634) compared to a balance of $362,060 in the prior year. The net decrease in fund balance during the current year was ($774,697). This decrease is due to 2007 property taxes being delayed and received in 2008.

Capital Projects funds. The Capital Projects Fund has a total fund balance of $43,030,727. The net increase in fund balance during the current year was $2,216,304 due to taxes and interest income. 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 $89,499,064. Total net assets decreased by $14.0 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 $33,585,632. The decrease in net assets was $1.5 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 $230,092,785 was increased by $17,500,000 during 2007. This increase was the net of an increase of $1.0 million to personal services, a $1.0 million increase to supplies, an increase of $17.5 million in additional contractual services that is included in other charges and services, and a decrease of $2 million in capital outlays.

The final General Fund budget of $247,592,785 included $85,592,785 in expenditures and $162,000,000 in transfers. Actual expenditures and transfers out were $225,318,553. Of the total under spending, $1.3 million was budgeted for personal services, $950,000 for supplies, $13.9 million for contractual services, $2.0 million for capital outlays, and $4.1 million for transfers to Wishard. This under spending reflects potential year-end initiatives that did not occur. General revenues and other resources were originally estimated at $234,647,101, final budgets were $238,570,884, and actual was $248,166,589. Taxes collected were $17.5 million under budget due to delays in collection of property tax revenues and Medicaid special revenue was $10.3 million over budget due to timing of settlements. Miscellaneous revenue was over budget due to increased medical education payments 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, 2007, amount to $338,675,551 (net of accumulated depreciation), compared to $316,015,979 at the end of 2006. This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, and construction in progress.

Major capital asset events during 2007 included the following:

- Land purchase and renovations for an ambulance building
- Purchase of McKesson software and pharmassist workflow and document imaging program
- Hospital telephone replacement
- Replacement of foundation for an existing building

Additional information on the Corporation's capital assets can be found in note 6 of this report.

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULE OF CAPITAL ASSETS – NET OF DEPRECIATION
DECEMBER 31, 2007

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	$ 1,782,995	930,406	1,189,877	1,189,877	2,972,872	2,120,283
Land improvements	—	—	2,055,667	1,756,141	2,055,667	1,756,141
Buildings and improvements	8,224,679	8,459,150	274,812,337	261,103,215	283,037,016	269,562,365
Equipment	2,618,743	2,949,256	32,103,094	36,079,680	34,721,837	39,028,936
Vehicles	846,444	969,241	718,183	1,117,231	1,564,627	2,086,472
Construction in progress	—	—	14,323,532	1,461,782	14,323,532	1,461,782
Total assets	$ 13,472,861	13,308,053	325,202,690	302,707,926	338,675,551	316,015,979

Long-term debt. At the end of 2007, the Corporation had total debt outstanding of $43,581,484, excluding capital leases. Of this amount, $43,363,362 comprises general obligation debt and the remainder represents notes secured solely by specified revenue sources.

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 $299,814,244. Outstanding debt at December 31, 2007 represents 15% of this limit.

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

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULE OF LONG-TERM DEBT OBLIGATIONS
DECEMBER 31, 2007

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
1988 renovation bonds	$ 18,235,000	19,155,000	—	—	18,235,000	19,155,000
2005 general obligation bonds	26,140,000	26,865,000	—	—	26,140,000	26,865,000
Deferred premiums	901,326	954,345	—	—	901,326	954,345
Deferred amount on refunding	(1,912,964)	(2,082,738)	—	—	(1,912,964)	(2,082,738)
1998 promissory note	218,122	426,751	—	—	218,122	426,751
Capital leases	—	—	191,712,922	166,112,532	191,712,922	166,112,532
Total long-term debt	$ 43,581,484	45,318,358	191,712,922	166,112,532	235,294,406	211,430,890

Economic Factors and Next Year's Budgets and Rates. The 2008 original budget for all annually budgeted funds was $268,475,280. No revisions have been made through October 2008. The 2007 General Fund budget is $264,156,345, a 6.7% increase from the 2007 final General Fund budget of $247,592,785.

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.

Nature, time, and patience are the three great Physicians. – H.G. Bohn

BASIC
FINANCIAL STATEMENTS

THE 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, 2007

Assets		**Governmental activities**	**Business-type activities**	**Total**
Cash and cash equivalents	$	175,379,490	94,486,574	269,866,064
Investments		—	4,219,508	4,219,508
Receivables, net:				
Patient services		—	56,202,864	56,202,864
Grants		3,776,329	3,825,443	7,601,772
Interest		27,186	26,894	54,080
Medicaid special revenue		40,236,825	—	40,236,825
Taxes		19,052,940	—	19,052,940
Other		3,454,019	10,935,295	14,389,314
Inventories		—	4,620,358	4,620,358
Prepaid costs and other assets		4,842,950	9,973,260	14,816,210
Restricted cash and cash equivalents		—	1,261,455	1,261,455
Bond issuance costs		362,491	—	362,491
Net pension asset		217,917	765,030	982,947
Lease acquisition costs (net of accumulated amortization)		—	9,641,043	9,641,043
Other long term assets		—	5,597,606	5,597,606
Capital assets (net of accumulated depreciation):				
Land		1,782,995	1,189,877	2,972,872
Land improvements		—	2,055,667	2,055,667
Buildings and improvements		8,224,679	274,812,337	283,037,016
Equipment		2,618,743	32,103,094	34,721,837
Vehicles		846,444	718,183	1,564,627
Construction in progress		—	14,323,532	14,323,532
Total assets		260,823,008	526,758,020	787,581,028
Liabilities				
Accounts payable		4,047,089	29,790,539	33,837,628
Salaries and related benefits		2,945,521	45,487,064	48,432,585
Unearned revenue		944,237	3,304,413	4,248,650
Estimated Medicare/Medicaid settlements		—	4,551,274	4,551,274
Medical claims incurred but not reported		—	2,980,000	2,980,000
Risk share payable		—	4,396,130	4,396,130
Asserted and unasserted self-insurance claims		2,740,309	—	2,740,309
Long-term liabilities:				
Due within one year		5,613,522	14,102,763	19,716,285
Due in more than one year		42,138,042	191,441,431	233,579,473
Total liabilities		58,428,720	296,053,614	354,482,334
Net Assets				
Invested in capital assets, net of related debt		7,784,239	106,358,255	114,142,494
Restricted for:				
Health services		—	1,261,455	1,261,455
Unrestricted		194,610,049	123,084,696	317,694,745
Total net assets	$	202,394,288	230,704,406	433,098,694

See accompanying notes to basic financial statements.

THE 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, 2007

Functions/program	Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expense) revenue and changes in net assets: Governmental activities	Net (expense) revenue and changes in net assets: Business-type activities	Net (expense) revenue and changes in net assets: Total
Governmental activities:							
Administration and finance	$ 20,163,477	29,516,097	92,303	—	9,444,923	—	9,444,923
Health improvement	24,159,226	2,382,740	9,052,726	—	(12,723,760)	—	(12,723,760)
Communicable disease prevention	11,352,654	363,533	3,877,384	1,217,110	(5,894,627)	—	(5,894,627)
Water quality and hazardous materials management	1,935,157	367,016	68,981	—	(1,499,160)	—	(1,499,160)
Vector disease control	3,940,890	1,261,037	17,500	—	(2,662,353)	—	(2,662,353)
Housing and neighborhood health	5,269,185	469,407	846,525	—	(3,953,253)	—	(3,953,253)
Consumer and employee risk reduction	1,579,658	2,355,841	—	—	776,183	—	776,183
Interest on long-term debt	2,690,760	—	—	—	(2,690,760)	—	(2,690,760)
Total governmental activities	71,091,007	36,715,671	13,955,419	1,217,110	(19,202,807)	—	(19,202,807)
Business-type activities:							
Wishard Health Services	424,232,288	239,779,417	9,308,853	314,400	—	(174,829,618)	(174,829,618)
LT Care	212,410,072	210,548,466	—	—	—	(1,861,606)	(1,861,606)
Total business-type activities	636,642,360	450,327,883	9,308,853	314,400	—	(176,691,224)	(176,691,224)
Total	$ 707,733,367	487,043,554	23,264,272	1,531,510	(19,202,807)	(176,691,224)	(195,894,031)
General revenues:							
Property taxes					89,583,638	—	89,583,638
Excise taxes					6,831,647	—	6,831,647
Financial institution taxes					1,268,115	—	1,268,115
Medicaid special revenue (unrestricted)					102,956,478	—	102,956,478
Unrestricted investment earnings					7,077,243	3,451,521	10,528,764
Transfers (capital contributions to Wishard and LT Care)					(734,870)	734,870	—
Transfers					(157,000,000)	157,000,000	—
Total general revenues and transfers					49,982,251	161,186,391	211,168,642
Change in net assets					30,779,444	(15,504,833)	15,274,611
Net assets – beginning of year					171,614,844	246,209,239	417,824,083
Net assets – end of year					$ 202,394,288	230,704,406	433,098,694

See accompanying notes to basic financial statements.

THE 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, 2007

Assets		General	Debt Service	Capital Projects	Total Governmental Funds
Cash and cash equivalents	$	132,373,586	2,363	43,003,541	175,379,490
Receivables (net of allowance for uncollectibles)					
Grants		3,776,329	—	—	3,776,329
Interest		—	—	27,186	27,186
Medicaid special revenue		40,236,825	—	—	40,236,825
Taxes		18,159,009	813,905	80,026	19,052,940
Other		3,454,019	—	—	3,454,019
Due from other funds		415,000	—	—	415,000
Prepaid costs and other assets		4,842,950	—	—	4,842,950
Total assets	$	203,257,718	816,268	43,110,753	247,184,739
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$	4,047,089	—	—	4,047,089
Salaries and related benefits		2,945,521	—	—	2,945,521
Deferred revenue		65,158,035	813,905	80,026	66,051,966
Due to other funds		—	415,000	—	415,000
Asserted and unasserted self-insurance claims		1,308,371	—	—	1,308,371
Total liabilities		73,459,016	1,228,905	80,026	74,767,947
Fund balances:					
Reserved for:					
Prepaid costs and other assets		4,842,950	—	—	4,842,950
Encumbrances		2,203,248	—	—	2,203,248
Unreserved:					
Designated for self insurance		1,308,371	—	—	1,308,371
Designated for bond retirement		—	(412,637)	—	(412,637)
Undesignated		121,444,133	—	43,030,727	164,474,860
Total fund balances		129,798,702	(412,637)	43,030,727	172,416,792
Total liabilities and fund balances	$	203,257,718	816,268	43,110,753	

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		13,472,861
Net pension assets are not financial resources and therefore are not recorded in the funds statement		217,917
Deferred revenues not meeting availability criteria in funds statement are not in the statement of net assets		65,107,729
Bond issuance costs reported in the governmental activities but not reported in the funds statement		362,491
Asserted and unasserted self-insurance claims not due in the current period and therefore not reported in the funds statement		(1,431,938)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statement		(47,751,564)
Net assets of governmental activities	$	202,394,288

See accompanying notes to basic financial statements.

THE 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, 2007

Revenues	**General**	**Debt Service**	**Capital Projects**	**Total Governmental Funds**
Taxes	$ 78,353,442	3,526,131	215,886	82,095,459
Licenses and permits	4,193,808	—	—	4,193,808
Intergovernmental	14,629,232	—	—	14,629,232
Charges for services	27,570,626	—	—	27,570,626
Medicaid special revenue	105,102,078	—	—	105,102,078
Interest	5,058,935	17,847	2,000,461	7,077,243
Miscellaneous	2,306,154	—	—	2,306,154
Total revenues	237,214,275	3,543,978	2,216,347	242,974,600
Expenditures				
Current:				
Administrative	19,845,203	—	43	19,845,246
Population health	19,613,915	—	—	19,613,915
Environmental health	11,365,478	—	—	11,365,478
Health center program	1,200,264	—	—	1,200,264
Data processing	2,824,376	—	—	2,824,376
Grant programs	14,705,936	—	—	14,705,936
Debt service:				
Principal	208,629	1,645,000	—	1,853,629
Interest and fiscal charges	17,085	2,673,675	—	2,690,760
Total expenditures	69,780,886	4,318,675	43	74,099,604
Excess (deficiency) of revenues over (under) expenditures	167,433,389	(774,697)	2,216,304	168,874,996
Other Financing Sources (Uses)				
Transfers out	(157,000,000)	—	—	(157,000,000)
Total other financing sources and (uses)	(157,000,000)	—	—	(157,000,000)
Net change in fund balances	10,433,389	(774,697)	2,216,304	11,874,996
Fund balances – beginning of year	119,365,313	362,060	40,814,423	160,541,796
Fund balances – end of year	$ 129,798,702	(412,637)	43,030,727	172,416,792

See accompanying notes to basic financial statements.

THE 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, 2007

Amounts reported for governmental activities in the statement of activities (page 23) are different because:

Net changes in fund balances – total governmental funds (page 25)	$	11,874,996
Depreciation expense reported in the statement of activities but not in the funds statement		(1,936,604)
Capital expenditures reported in the funds statement but reported as additions to capital assets in the statement of net assets		2,836,282
Transfer of capital assets to proprietary fund		(734,870)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds statement		16,630,721
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		1,853,629
Increase in compensated absences not in the funds statement		(263,290)
Amortization of bond issuance costs reported in the statement of activities but not in the funds statement as there is no cash outflow		(32,172)
Amortization of deferred bond premium and deferred loss on refunding reported in the statement of activities but not in the funds statement		(116,755)
Asserted and unasserted self-insurance claims not in the funds statement as they have not matured		725,540
Decrease in net pension asset not in the funds statement		(58,033)
Change in net assets of governmental activities (page 23)	$	30,779,444

See accompanying notes to basic financial statements.

THE 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, 2007

Assets	**Wishard Health Services**	**LT Care**	**Total**
Current assets:			
Cash and cash equivalents	$ 73,071,956	21,414,618	94,486,574
Investments	4,219,508	—	4,219,508
Receivables (net of allowance for uncollectibles):			
Patient services	40,113,638	16,089,226	56,202,864
Grants	3,825,443	—	3,825,443
Interest	26,894	—	26,894
Other	10,935,295	—	10,935,295
Inventories	4,620,358	—	4,620,358
Prepaid costs and other assets	9,428,200	545,060	9,973,260
Total current assets	146,241,292	38,048,904	184,290,196
Noncurrent assets:			
Restricted cash and cash equivalents	1,261,455	—	1,261,455
Net pension asset	765,030	—	765,030
Lease acquisition costs (net of accumulated amortization)	—	9,641,043	9,641,043
Other long term assets	—	5,597,606	5,597,606
Capital assets (net of accumulated depreciation):			
Land	1,189,877	—	1,189,877
Land improvements	1,314,677	740,990	2,055,667
Buildings and improvements	107,829,991	166,982,346	274,812,337
Equipment	25,653,187	6,449,907	32,103,094
Vehicles	680,508	37,675	718,183
Construction in progress	13,558,420	765,112	14,323,532
Total capital assets (net of accumulated depreciation)	150,226,660	174,976,030	325,202,690
Total noncurrent assets	152,253,145	190,214,679	342,467,824
Total assets	298,494,437	228,263,583	526,758,020
Liabilities			
Current liabilities:			
Accounts payable	24,988,062	4,802,477	29,790,539
Accrued liabilities	17,167,859	10,344,137	27,511,996
Accrued compensated absences	17,975,068	—	17,975,068
Capital lease obligation - current	—	6,562,440	6,562,440
Estimated Medicare/Medicaid settlements	4,551,274	—	4,551,274
Deferred revenue	3,304,413	—	3,304,413
Medical claims incurred but not reported	2,980,000	—	2,980,000
Risk share payable	4,396,130	—	4,396,130
Asserted and unasserted self-insurance claims – current	2,985,020	4,555,303	7,540,323
Total current liabilities	78,347,826	26,264,357	104,612,183
Noncurrent liabilities:			
Asserted and unasserted self insurance claims	6,290,949	—	6,290,949
Capital leases payable	—	185,150,482	185,150,482
Total noncurrent liabilities	6,290,949	185,150,482	191,441,431
Total liabilities	84,638,775	211,414,839	296,053,614
Net Assets			
Invested in capital assets, net of related debt	123,095,143	(16,736,888)	106,358,255
Restricted for health services	1,261,455	—	1,261,455
Unrestricted	89,499,064	33,585,632	123,084,696
Total net assets	$ 213,855,662	16,848,744	230,704,406

See accompanying notes to basic financial statements.

THE 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, 2007

	Wishard Health Services	LT Care	Total
Operating revenues:			
Net patient service revenue	$ 216,372,823	209,365,563	425,738,386
Other revenue	23,406,594	1,182,903	24,589,497
Total operating revenue	239,779,417	210,548,466	450,327,883
Operating expenses:			
Salaries	169,768,481	—	169,768,481
Employee benefits	42,911,297	—	42,911,297
Contract labor	5,297,578	117,123,172	122,420,750
Medical and professional fees	49,724,615	3,212,773	52,937,388
Purchased services	48,026,804	14,404,635	62,431,439
Supplies	41,174,840	22,223,028	63,397,868
Pharmaceuticals	36,004,958	—	36,004,958
Repairs and maintenance	4,196,925	1,344,378	5,541,303
Utilities	4,896,099	4,705,044	9,601,143
Equipment rental	1,432,900	1,242,625	2,675,525
Depreciation and amortization	17,560,767	18,489,845	36,050,612
Other	3,237,024	10,631,056	13,868,080
Total operating expenses	424,232,288	193,376,556	617,608,844
Operating income (loss)	(184,452,871)	17,171,910	(167,280,961)
Nonoperating revenues (expenses) :			
Intergovernmental revenue	9,308,853	—	9,308,853
Investment income	3,113,636	337,885	3,451,521
Interest expense	—	(19,033,516)	(19,033,516)
Total nonoperating revenues (expenses)	12,422,489	(18,695,631)	(6,273,142)
Loss before capital contributions and transfers	(172,030,382)	(1,523,721)	(173,554,103)
Capital contributions	1,049,270	—	1,049,270
Transfers – General Fund	157,000,000	—	157,000,000
Changes in net assets	(13,981,112)	(1,523,721)	(15,504,833)
Total net assets at beginning of year	227,836,774	18,372,465	246,209,239
Total net assets at end of year	$ 213,855,662	16,848,744	230,704,406

See accompanying notes to basic financial statements.

THE 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, 2007

	Wishard Health Services	LT Care	Total
Cash Flows from Operating Activities			
Receipts from patient services	$ 211,315,420	204,630,827	415,946,247
Receipts from other operations	20,763,779	1,182,903	21,946,682
Payments to suppliers	(194,194,287)	—	(194,194,287)
Payments to employees	(206,591,593)	(169,970,661)	(376,562,254)
Net cash provided by (used in) operating activities	(168,706,681)	35,843,069	(132,863,612)
Cash Flows from Noncapital Financing Activities			
Cash receipts from intergovernmental revenue	9,498,187	—	9,498,187
Transfers from the General Fund	157,000,000	—	157,000,000
Net cash provided by noncapital financing activities	166,498,187	—	166,498,187
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(19,180,459)	(7,070,151)	(26,250,610)
Cash received for capital contributions from Wishard Foundation	314,400	—	314,400
Deposit paid	—	(1,212,628)	(1,212,628)
Lease acquisition cost payments	—	(1,288,000)	(1,288,000)
Payment of capital lease obligation	—	(5,466,604)	(5,466,604)
Interest expense payments	—	(19,033,516)	(19,033,516)
Net cash used in capital and related financing activities	(18,866,059)	(34,070,899)	(52,936,958)
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments	3,835,969	—	3,835,969
Purchases of investments	(1,421,226)	—	(1,421,226)
Interest and dividends received	3,248,955	337,885	3,586,840
Net cash provided by investing activities	5,663,698	337,885	6,001,583
Net increase (decrease) in cash and cash equivalents	(15,410,855)	2,110,055	(13,300,800)
Cash and cash equivalents and restricted cash and cash equivalents, January 1	89,744,266	19,304,563	109,048,829
Cash and cash equivalents and restricted cash and cash equivalents, December 31	$ 74,333,411	21,414,618	95,748,029
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	$ (184,452,871)	17,171,910	(167,280,961)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	17,560,767	18,489,845	36,050,612
Changes in operating assets and liabilities:			
Patient services receivables	(4,181,653)	(4,734,736)	(8,916,389)
Other receivables	(2,642,815)	—	(2,642,815)
Inventories	350,550	—	350,550
Prepaid costs and other assets	(5,429,013)	47,543	(5,381,470)
Net pension asset	283,331	—	283,331
Accounts payable	4,863,454	1,576,082	6,439,536
Accrued liabilities and compensated absences	5,804,854	2,196,873	8,001,727
Estimated Medicare/Medicaid settlements	(875,750)	—	(875,750)
Asserted and unasserted self-insurance claims	(1,567,349)	1,095,552	(471,797)
Risk share payable	1,869,353	—	1,869,353
Medical claims incurred but not reported	(289,539)	—	(289,539)
Total adjustments	15,746,190	18,671,159	34,417,349
Net cash provided by (used in) operating activities	$ (168,706,681)	35,843,069	(132,863,612)
Noncash investing, capital, and financing activities:			
Contributions of capital assets from governmental activities	$ 734,870	—	—
Purchase of assets held under capital lease	—	30,808,990	30,808,990
Increase in capital lease obligation from purchase of assets under capital lease	—	30,808,990	30,808,990
Unrealized gain on investments, net	37,371	—	—

See accompanying notes to basic financial statements.

(1) Significant Accounting Policies

(a) Financial Reporting Entity

The Health and Hospital Corporation of Marion County, Indiana (Corporation) is a distinct municipal corporation created under Chapter 287 of the Acts of 1951 enacted by the General Assembly of the State of Indiana. 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's financial reporting entity has been determined in accordance with governmental accounting standards defining the reporting entity and identifying entities to be included in its basic financial statements. During 2006, the LT Care Fund (Enterprise Fund) established a nonprofit entity, Lions Insurance Company, Inc. (Lions), which is legally separate from the LT Care Fund 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 Fund because its primary purpose is to provide services solely to the LT Care 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 bipartisan 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.

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 is exempt from federal taxes. Income accruing to the Corporation is not gross income under Title 26 USC§115 of the Internal Revenue Service (IRS) Code. Further, gifts to the Corporation are considered charitable contributions under Title 26 USC§170(c) of the IRS Code.

The Corporation operates three service divisions: Wishard, MCHD, and the Long-Term Care operations. Wishard comprises Wishard Memorial Hospital, a general acute care facility with 340 staffed beds; Wishard's eight community health centers, Midtown Community Mental Health Center, Regenstrief Health Center, Wishard's Emergency Trauma Service, Wishard's Ambulance Service, and the Richard M. Fairbanks Burn Center. Lockefield Village, the 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 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 as governmental funds.

The Corporation operates 26 nursing homes through capital leases. The homes are operated as part of the Long-Term Care (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 (see note 20). 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.

(b) 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. For purposes of financial reporting, the Corporation has two enterprise funds (business-type activities), Wishard and LT Care, which are both 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 governmental funds use the current resources measurement focus.

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. The proprietary funds use the economic resources measurement focus.

For purposes of financial reporting, the Corporation has two enterprise funds: (1) The Wishard Health Services Fund, which accounts for the activities of Wishard and (2) the LT Care Fund, which accounts for the activities of the 26 leased nursing homes 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 related to Wishard is accounted for by the Debt Service Fund and is not allocated to the Wishard Enterprise Fund. Only debt intended to be repaid by operations of Wishard are included in the Wishard Enterprise Fund. At December 31, 2007, no such debt existed. At December 31, 2007, the LT Care 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 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 has elected, in addition to applying Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, to apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements within the business-type activities of the government-wide and proprietary fund financial statements.

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 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 nonexchange transactions into four classes, based upon their principal characteristics: derived tax revenues, imposed nonexchange revenues, government mandated nonexchange transactions, and voluntary nonexchange transactions.

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

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

(c) Cash, Cash Equivalents, and Investments

Cash equivalents held at December 31, 2007, consist of non-negotiable certificates of deposit, U.S. agencies, and repurchase agreements with a maturity of three months or less from date of purchase, excluding restricted assets whose use is limited by donors or grantors. Certificates of deposit, U.S. agencies, and repurchase agreements are stated at fair value. From time to time, certain fund types pool cash for investment in certificates of deposit. The income from pooled certificates of deposit is distributed to the participating funds based upon their proportionate shares.

State statutes authorize the Corporation to invest in certificates of deposit, obligations of the U.S. Treasury and U.S. agencies, and certain repurchase agreements. The statutes further require that repurchase agreements must be fully collateralized by U.S. government or U.S. government agency obligations.

Compliance with these statutes provides protection for cash and investments by the Indiana Public Deposit Insurance Fund. This fund provides protection for amounts not covered by federal depository insurance.

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

Included in the accompanying statement of cash flows are all cash and cash equivalents including restricted cash and cash equivalents of the proprietary funds.

(d) 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 receivable balances are shown net of an allowance for uncollectibles. See note 3 for further discussion on property taxes.

(e) 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.

(f) Prepaid Costs and Other Assets

Prepaid costs and other assets of the proprietary fund consist of an investment of 50% ownership in MDWise (a not-for-profit health maintenance organization), deposits with suppliers, and prepaid insurance. Prepaid costs and other assets for the governmental funds include prepaid insurance, a refundable advance to MDWise as a means to reduce administrative fees, and other assets.

(g) 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.

(h) 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 assets lives 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 straight-line over the shorter of the lease term or the estimated useful life of the asset. The following range of lives is generally used:

	Years
Buildings and improvements	10 – 50
Equipment	5 – 20
Vehicles	4

(i) 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 within the basic financial statements.

(j) 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 and 2016.

(k) 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, 2007 or when the related revenues have not been earned for enterprise fund activities. Note 1(b) provides further discussion on the Corporation's availability policy. Deferred revenue for governmental funds in the fund statements is recognized as revenue when it is earned and considered measurable and available. At December 31, 2007, deferred revenue represents cash received in advance on grants, amounts not earned on grants due to the availability period, unpaid property and other taxes, and amounts not earned on medical education fees and Medicaid special revenue due to availability period.

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.

(l) 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.

(m) Accrued Compensated Absences

Employees are paid for vacation and other absences by prescribed formulas based primarily on length of service and staff classification. In the government-wide statements, the cost of benefit and other absences is recognized when accrued by employees. Benefit leave is also accrued as a liability when earned in the statement of net assets of the proprietary funds. In addition, certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (i.e. matured) during the fiscal year ended December 31, 2007.

(n) 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.

(o) Interfund Transactions

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

<u>Transfers</u>

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

<u>Contribution of Capital Assets</u>

The General and Capital Project Funds make contributions of capital assets to the Wishard 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.

<u>Interfund Services Provided/Used</u>

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

(p) 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, 2007, designations 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, 2007, 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.

(q) 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.

(r) 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.

(s) Conditional Asset Retirement Obligations

Under FASB Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations,* entities must accrue for costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional.

The Corporation has identified asbestos abatement as a conditional asset retirement obligation. Asbestos abatement was estimated using a per square foot estimate, based on costs to remove asbestos from previous renovations. Management has estimated the fair value of this obligation to be immaterial in relation to the financial statements based on a potential asbestos removal date of 50 years. Currently, there are no plans or expectation of plans to undertake a major renovation that would require removal of the asbestos or demolition of the buildings. The buildings are expected to be maintained by repairs and maintenance activities that would not involve the removal of the asbestos. Also, the need for major renovations caused by technology changes, operational changes, or other factors has not been identified.

(t) Amortization of Bond Issuance Costs, Premiums, and Amounts Deferred on Refunding

In the government-wide financial statements, bond discounts and premiums are recorded as a reduction or addition to the debt obligation, and bond issuance costs are recorded as deferred charges. Bond discounts, premiums, and issuance costs are amortized using the effective interest method over the term of the related bonds. The deferred amount on refunding is amortized as a component of interest expense over the remaining life of the bonds using the effective interest method.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(u) Estimates and Uncertainties

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue, expenditures, expenses, and other changes in fund balances/net assets during the reporting period. Actual results could differ from those estimates.

(v) New Accounting Pronouncements

GASB has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* Statement No. 50, *Pension Disclosures–an amendment of GASB Statements No. 25 and No. 27*, Statement No. 51, *Accounting and Reporting for Intangible Assets,* Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Additionally, FASB has issued Statement No. 157, *Fair Value Measurements* and FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* which are applicable to the proprietary funds. The Corporation intends to implement these GASB and FASB Statements, if applicable, on their respective effective dates.

(2) Deposits and Investments

The Corporation's investment policies are governed by state statute and management policies. The Corporation's cash, cash equivalents, and non-negotiable certificates of deposit with a maturity date greater than 90 days from date of purchase are insured in full at December 31, 2007, by the combination of federal depository insurance and the Indiana Public Deposit Insurance Fund. The Corporation's cash equivalents held during 2007 consist entirely of non-negotiable certificates of deposit with a maturity date within 90 days of date of purchase.

The Corporation is authorized to invest in the following:

1. United States Treasury Securities
2. United States Agency Securities as approved under Indiana Code 5-13-9-2
3. Repurchase Agreements; and
4. Collateralized Public Deposits (certificates of deposit)

As of December 31, 2007, the Corporation had the following cash deposits and investments:

United States Treasuries	$ 836,469
Federal National Mortgage Association	2,150,665
Federal Home Loan Bank	865,786
Federal Home Loan Mortgage Corporation	111,029
Federal Farm Credit Bank	210,812
Government National Mortgage Association	16,768
Repurchase Agreements	21,437,468
State External Investment Pool	12,649,034
Money Market Funds	16,469,135
Certificates of Deposit	520,951
Other Cash Deposits	220,078,910
	$ 275,347,027

(a) Interest Rate Risk

Interest rate risk is the risk that the fair value of investments will be adversely affected by a change in interest rates. The Corporation's investment policy provides that, to the extent possible, the Corporation shall attempt to match its investments with anticipated cash flow requirements. Funds having no projected dates for specific purposes shall be invested in a prudent manner to achieve maximum return available from approved government obligations.

As of December 31, 2007, the Corporation had the following investments and maturities:

		Investment maturities (in years)			
	Fair value	**Less than 1**	**1-5**	**6-10**	**More than 10**
United States Treasuries	$ 836,469	—	—	—	836,469
Federal National Mortgage Association	2,150,665	—	712,467	872,687	565,511
Federal Home Loan Bank	865,786	—	865,786	—	—
Federal Home Loan Mortgage Corporation	111,029	35,969	—	8,804	66,256
Federal Farm Credit Bank	210,812	—	—	210,812	—
Government National Mortgage Association	16,768	—	—	—	16,768
Repurchase Agreements	21,437,468	21,437,468	—	—	—
State External Investment Pool	12,649,034	12,649,034	—	—	—
Money Market Funds	16,469,135	16,469,135	—	—	—
Certificates of Deposit	520,951	520,951	—	—	—
	$ 55,268,117	51,112,557	1,578,253	1,092,303	1,485,004

(b) Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Moody's Investor Services, Standard & Poor's Corporation, or Fitch's Ratings Service. State law and the Corporation's policy limits investments in money market mutual funds to the top rating issued by the nationally recognized statistical rating organizations.

The investments of the Corporation were rated as follows by Standard & Poor's Corporation as of December 31, 2007:

	Fair value	AAA	A-1+	A-1	Not Rated
United States Treasuries	$ 836,469	836,469	—	—	—
Federal National Mortgage Association	2,150,665	2,150,665	—	—	—
Federal Home Loan Bank	865,786	865,786	—	—	—
Federal Home Loan Mortgage Corporation	111,029	111,029	—	—	—
Federal Farm Credit Bank	210,812	210,812	—	—	—
Government National Mortgage Association	16,768	16,768	—	—	—
Repurchase Agreements	21,437,468	6,542,391	14,895,077	—	—
State External Investment Pool	12,649,034	—	—	—	12,649,034
Money Market Funds	16,469,135	9,775,845	—	6,693,290	—
Certificates of Deposit	520,951	—	—	—	520,951
	$ 55,268,117	20,509,765	14,895,077	6,693,290	13,169,985

(c) Custodial Credit Risk

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 investments, collateral securities, or deposits that are in the possession of the counterparty. State law requires that repurchase agreements must be fully collateralized by obligations in either United States Treasuries or other interest-bearing securities guaranteed as to principal and interest by the United States or an agency or instrumentality of the United States.

At December 31, 2007, all Corporation investments and all collateral securities pledged against Corporation deposits are held by the counterparty's trust department or agent in the Corporation's name.

(d) Concentration of Credit Risk

Neither state law or the Corporation's investment policy places any limits on the amount the Corporation may invest in any one issuer or investment type.

(e) Investment Income

Investment income comprises the following for the year ended December 31, 2007:

		Governmental fund types	Proprietary fund type
Interest income	$	7,077,243	3,414,150
Unrealized gain on investments, net		—	37,371
	$	7,077,243	3,451,521

(3) Property Taxes

Property taxes levied for all governmental entities located within Marion County are collected by the Treasurer of Marion County, Indiana (Treasurer). These taxes are then distributed by the Auditor of Marion County, Indiana (Auditor) to the Corporation and the other governmental entities at 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 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 Corporation's 2007 property taxes were levied based on assessed valuations determined by the Auditor as of March 1, 2006, which were adjusted for estimated appeals and tax credits and deductions. The lien date for the 2007 property taxes was March 1, 2006; however, the Corporation does not recognize a receivable on the lien date as the amount of property tax to be collected cannot be measured until the levy and tax rates are certified in the subsequent year. Taxable property is assessed at 100% of the market value. In 2007, taxes were due and payable to the Treasurer in two installments on May 10, 2007 and November 10, 2007. The 2006 assessment involved a new methodology that resulted in homeowner assessments increasing significantly while business assessments remained fairly constant. The spring tax bills were sent out and many homeowners were upset with the results. The Governor of Indiana required Marion County to reanalyze the assessments and the homeowners were instructed to pay taxes in the spring of 2007 in the amount of ½ of their 2006 annual bill. This reassessment was not completed until the spring of 2008, and homeowners paid ½ of their 2006 bill for the fall 2007 billing also. Final bills related to the reassessment were sent out in June of 2008 and the final distribution of taxes for 2007 occurred in August 2008. For the fund financial statements, all taxes collected by the Treasurer and not distributed at December 31, 2007 were held in the Marion County Treasurer's Tax Collections Agency Fund and are not considered available to the Corporation as these moneys were not settled and distributed to the Corporation until after year-end. Property taxes outstanding at December 31, 2007 were $17,557,701 in the General Fund, $787,842 in the Debt Service Fund, and $75,978 in the Capital Projects Fund and are recorded as a receivable in the funds that will ultimately receive property taxes with a corresponding amount in deferred revenue in the fund statements. In the government-wide statements, this amount is reflected as revenue.

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

(4) Receivables and Deferred Revenue

All net receivable amounts outstanding at December 31, 2007 are scheduled for collection during the subsequent fiscal year.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2007, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	$ 17,557,701	—
Other taxes receivable	601,308	—
Grant draw-downs prior to meeting all eligibility requirements	—	944,237
Grant reimbursements not received within 120 days	302,713	—
Other revenues not received within 120 days	5,515,161	—
Medicaid special revenue	40,236,915	—
Total General Fund	64,213,798	944,237
Delinquent property taxes receivable	787,842	—
Other taxes receivable	26,063	—
Total Debt Service Fund	813,905	—
Delinquent property taxes receivable	75,978	—
Other taxes receivable	4,048	—
Total Capital Projects Fund	80,026	—
Total	$ 65,107,729	944,237

In addition, the Wishard Health Services Fund had $3,304,413 of unearned revenue recorded at December 31, 2007 related to advances received on federal grants, which had not met eligibility requirements.

The other receivables in the proprietary funds comprise primarily rent receivables from various leases, amounts receivable from Medicaid for services provided under the risk-based Medicaid program, and other community services provided by Wishard that are funded through gifts by community-based organizations.

(5) Patient Services Receivables

Net patient services receivables consist of the following as of December 31, 2007:

	Wishard	LT Care	Total
Gross patient services receivables	$ 202,597,673	18,073,109	220,670,782
Allowance for estimated contractual adjustments	(66,531,721)	(277,365)	(66,809,086)
Allowance for uncollectible accounts	(95,952,314)	(1,706,518)	(97,658,832)
Net patient services receivables	$ 40,113,638	16,089,226	56,202,864

(6) Capital Assets

Following is a summary of the changes in capital assets – governmental activities for the year ended December 31, 2007:

	January 1, 2007	Additions	Transfers/ disposals	December 31, 2007
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 930,406	852,589	—	1,782,995
Construction in progress	—	—	—	—
Total capital assets not being depreciated	930,406	852,589	—	1,782,995
Capital assets being depreciated:				
Buildings and improvements	15,462,378	496,657	—	15,959,035
Equipment	14,134,995	1,274,088	(944,746)	14,464,337
Vehicles	4,113,503	212,948	—	4,326,451
Total capital assets being depreciated	33,710,876	1,983,693	(944,746)	34,749,823
Less accumulated depreciation for:				
Buildings and improvements	7,003,228	731,128	—	7,734,356
Equipment	11,185,739	869,731	(209,876)	11,845,594
Vehicles	3,144,262	335,745	—	3,480,007
Total accumulated depreciation	21,333,229	1,936,604	(209,876)	23,059,957
Total capital assets being depreciated, net	12,377,647	47,089	(734,870)	11,689,866
Governmental activities capital assets, net	$ 13,308,053	899,678	(734,870)	13,472,861

Included in transfers/disposals for 2007 is $734,870 of capital assets transferred to the Wishard enterprise fund.

The following is a summary of changes in capital assets – business-type activities for the year ended December 31, 2007:

	January 1, 2007	Additions	Transfers/ disposals	December 31, 2007
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,189,877	—	—	1,189,877
Construction in progress	1,461,782	17,671,267	(4,809,517)	14,323,532
Total capital assets not being depreciated	2,651,659	17,671,267	(4,809,517)	15,513,409
Capital assets being depreciated:				
Land improvements	5,633,892	525,009	48,682	6,207,583
Buildings and improvements	420,133,166	33,368,160	3,768,605	457,269,931
Equipment	133,339,247	6,303,850	828,921	140,472,018
Vehicles	5,283,737	86,503	—	5,370,240
Total capital assets being depreciated	564,390,042	40,283,522	4,646,208	609,319,772
Less accumulated depreciation for:				
Land improvements	3,877,751	274,165	—	4,151,916
Buildings and improvements	159,029,951	23,427,643	—	182,457,594
Equipment	97,259,567	11,112,347	(2,990)	108,368,924
Vehicles	4,166,506	485,551	—	4,652,057
Total accumulated depreciation	264,333,775	35,299,706	(2,990)	299,630,491
Total capital assets being depreciated, net	300,056,267	4,983,816	4,649,198	309,689,281
Business-type activities capital assets, net	$ 302,707,926	22,655,083	(160,319)	325,202,690

Construction in progress for business-type activities relates to costs for facility renovations at Wishard and various other projects.

The following is a summary of changes in capital assets – Wishard enterprise fund for the year ended December 31, 2007:

	January 1, 2007	Additions	Transfers/ disposals	December 31, 2007
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,189,877	—	—	1,189,877
Construction in progress	1,443,329	16,178,140	(4,063,049)	13,558,420
Total capital assets not being depreciated	2,633,206	16,178,140	(4,063,049)	14,748,297
Capital assets being depreciated:				
Land improvements	5,204,054	101,593	48,682	5,354,329
Buildings and improvements	237,578,623	515,469	3,022,137	241,116,229
Equipment	120,558,246	3,208,162	828,921	124,595,329
Vehicles	5,159,752	72,284	—	5,232,036
Total capital assets being depreciated	368,500,675	3,897,508	3,899,740	376,297,923
Less accumulated depreciation for:				
Land improvements	3,826,457	213,195	—	4,039,652
Buildings and improvements	124,712,057	8,574,181	—	133,286,238
Equipment	90,628,710	8,316,422	(2,990)	98,942,142
Vehicles	4,094,559	456,969	—	4,551,528
Total accumulated depreciation	223,261,783	17,560,767	(2,990)	240,819,560
Total capital assets being depreciated, net	145,238,892	(13,663,259)	3,902,730	135,478,363
Business-type activities capital assets, net	$ 147,872,098	2,514,881	(160,319)	150,226,660

The following is a summary of changes in capital assets – LT Care enterprise fund for the year ended December 31, 2007:

	January 1, 2007	Additions	Transfers/ disposals	December 31, 2007
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	$ 18,453	1,493,127	(746,468)	765,112
Total capital assets not being depreciated	18,453	1,493,127	(746,468)	765,112
Capital assets being depreciated:				
Land improvements	429,838	423,416	—	853,254
Buildings and improvements	182,554,543	32,852,691	746,468	216,153,702
Equipment	12,781,001	3,095,688	—	15,876,689
Vehicles	123,985	14,219	—	138,204
Total capital assets being depreciated	195,889,367	36,386,014	746,468	233,021,849
Less accumulated depreciation for:				
Land improvements	51,294	60,970	—	112,264
Buildings and improvements	34,317,894	14,853,462	—	49,171,356
Equipment	6,630,857	2,795,925	—	9,426,782
Vehicles	71,947	28,582	—	100,529
Total accumulated depreciation	41,071,992	17,738,939	—	58,810,931
Total capital assets being depreciated, net	154,817,375	18,647,075	746,468	174,210,918
Business-type activities capital assets, net	$ 154,835,828	20,140,202	—	174,976,030

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

Governmental activities:		
Administration and finance	$	988,217
Health improvement		469,788
Communicable disease prevention		125,988
Water quality and hazardous materials management		35,390
Vector disease control		286,627
Housing and neighborhood health		27,963
Consumer and employee risk reduction		2,631
Total depreciation expense, governmental activities	$	1,936,604
Business-type activities:		
Wishard	$	17,560,767
LT Care		17,738,939
Total depreciation expense, business-type activities	$	35,299,706

In addition, the LT Care Fund recognized $750,906 of amortization expense related to lease acquisition costs, which is included in depreciation and amortization expense.

(7) 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 by 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, 2007, Wishard's Medicare and Medicaid cost reports have been audited by the fiscal intermediaries through December 31, 2005. In 2007, Wishard recognized approximately $652,409 of unfavorable 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 Wishard and LT Care's 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 is as follows:

(a) 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 2007, inpatient psychiatric services began its second 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.

(b) Medicaid

Wishard is paid for inpatient acute care services rendered to Medicaid beneficiaries under the lower of charges or prospectively determined rates-per-discharge classified based on clinical, diagnostic, and other factors 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.

(c) 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, 2007:

	Wishard Health Services	LT Care	Total	Percentage
Patient service revenue:				
Inpatient	$ 296,749,448	—	296,749,448	33%
Outpatient	361,517,774	—	361,517,774	41
Long-term care	21,552,688	211,590,313	233,143,001	26
Gross patient service revenue less:	679,819,910	211,590,313	891,410,223	100
Contractual adjustments	230,112,837	668,966	230,781,803	26
Charity and indigent care	133,299,954	—	133,299,954	15
Provision for uncollectible accounts	100,034,296	1,555,784	101,590,080	11
Net patient service revenue	$ 216,372,823	209,365,563	425,738,386	48%

Revenue from the Medicare and Medicaid programs accounted for approximately 23% and 27%, respectively, of net patient service revenue for the year ended 2007. 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.

Medicaid special revenue includes revenue from various sources including the State of Indiana Disproportionate Share Hospital Payment Program (established to assist hospitals that have a disproportionate amount of uncompensated care), the Upper Payment Limit Program, and other contractual revenues. The money received from the Medicaid special revenue programs can be utilized by the Corporation without restriction. The General Fund recognized $105,102,078 in Medicaid special revenue during 2007 and at December 31, 2007, $40,236,915 in related deferred revenue was recorded (see note 4). The Corporation recognizes the funding as revenue when it is earned and is both available and measurable in the fund statements and when it is earned in the government-wide statements. Similar moneys to be received in the future, if any, are not presently determinable and, accordingly, are not recognized in the accompanying financial statements. During 2007, the Corporation recognized $3,751,890 and negative $2,973,896 in Medicaid special revenue that related to settlements of prior years in the General Fund and governmental activities, respectively.

(8) Agreement with Indiana University Medical Group–Primary Care

Effective February 1, 1996, a participation agreement was executed between Indiana University (IU), the Corporation, and Indiana University Medical Group-Primary Care (IUMG). IUMG is responsible for physician recruiting, marketing, and administering a managed care program, Wishard Advantage Program, for the indigent population of Marion County not covered by any other program.

The Corporation reimburses IUMG for salaries of personnel at the Corporation's community health centers. Expenses for these salaries were $12,257,222 for 2007.

In March 1997, the Corporation began paying fees to IUMG to provide and manage the provision of healthcare at the Community Health Centers, inpatient, senior care, newborn, and pediatric wards. Many of these services are provided to members of the Wishard Advantage Program (Advantage). Beginning in 2005, physician services were purchased for a flat fee while other services for Advantage members were provided under capitation payment arrangements on a per member per month basis, based on actual enrollment in the program, which was approximately 56,300 as of December 31, 2007.

(9) Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2007:

		January 1, 2007	Additions	Reductions	December 31, 2007	Due within one year
Govermental activities:						
Bonds payable:						
Renovation Bonds of 1988 ($28,000,000 original amount), 6.00% to 7.40% due January 1, 2020	$	19,155,000	—	(920,000)	18,235,000	990,000
General Obligation Bonds of 2005 ($28,960,000 original amount), 3.50% to 5.25%, due January 1, 2025		26,865,000	—	(725,000)	26,140,000	750,000
Deferred Amounts:						
Less: Loss on refunding		(2,082,738)	—	169,774	(1,912,964)	(169,774)
Plus: Deferred premiums		954,345	—	(53,019)	901,326	53,019
Total bonds payable		44,891,607	—	(1,528,245)	43,363,362	1,623,245
Notes payable:						
1998 Promissory Notes ($1,800,000 original amount), 4.50%, due December 30, 2008		426,751	—	(208,629)	218,122	218,122
Accrued compensated absences		3,906,790	3,930,261	(3,666,971)	4,170,080	3,772,155
Govermental activities long-term liabilities	$	49,225,148	3,930,261	(5,403,845)	47,751,564	5,613,522
Business-type activities:						
Wishard Health Services:						
Asserted and unasserted self-insurance claims	$	10,843,318	3,846,424	(5,413,773)	9,275,969	2,985,020
LT Care:						
Capital leases		166,112,532	30,808,990	(5,208,600)	191,712,922	6,562,440
Asserted and unasserted self-insurance claims		3,459,751	1,270,552	(175,000)	4,555,303	4,555,303
Business-type activities long-term liabilities	$	180,415,601	35,925,966	(10,797,373)	205,544,194	14,102,763

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. Accrued compensated absences are generally liquidated by the General Fund.

The governmental activities outstanding bonds payable at December 31, 2007 includes $5,688,622 related to the purchase of capital assets.

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, 2007 is as follows:

		Principal	Interest
Bonds:			
2008	$	1,740,000	2,578,936
2009		1,840,000	2,474,981
2010		1,955,000	2,359,636
2011		2,455,000	2,231,886
2012		2,595,000	2,086,676
2013 – 2017		15,655,000	7,769,414
2018 – 2022		13,655,000	2,823,249
2023 – 2024		4,480,000	257,625
	$	44,375,000	22,582,403
Notes:			
2008	$	218,122	7,512
	$	218,122	7,512

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, 2007, is as follows:

Net assessed value – 2007	$	44,748,394,581
		0.67%
Debt limit		299,814,244
Debt applicable to debt limit:		
Bonded debt		44,375,000
Notes payable from tax levy		218,122
Legal debt margin	$	255,221,122

The Corporation is in compliance with all significant applicable covenants as of December 31, 2007.

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, 2007, $25,700,000 of these defeased bonds remains outstanding.

(10) Leases

(a) 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, 2007 for the governmental activities:

2008	$	527,949
2009		530,637
2010		438,262
2011		211,541
2012		154,700
2013 – 2016		471,427
Total future payments	$	2,334,516

Lease expenditures of $514,635 were reported in the governmental activities for the year ended December 31, 2007.

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, 2007 for the business-type activities:

2008	$	1,224,946
2009		1,024,032
2010		1,024,032
2011		1,024,032
2012		170,028
2013 – 2017		119,169
Total future payments	$	4,586,239

Lease expenditures of $1,432,900 were reported in the business-type activities for the year ended December 31, 2007.

(b) Capital

The governmental activities had no capital leases outstanding at December 31, 2007. For business-type activities including the LT Care Enterprise Fund, the Corporation is obligated under capital leases covering 28 nursing homes. At December 31, 2007, the gross amount of buildings and related accumulated amortization recorded under capital leases was as follows:

Buildings	$	206,308,121
Less accumulated amortization		(46,020,790)
	$	160,287,331

Amortization expense of assets held under capital leases of $13,839,184 is included with depreciation and amortization expense for the year ended December 31, 2007.

Future minimum capital lease payments as of December 31, 2007 are:

2008	$	25,740,669
2009		26,328,537
2010		26,959,768
2011		27,601,023
2012		28,252,527
2013 – 2017		131,441,566
2018 – 2022		98,482,271
Total minimum lease payments		364,806,361
Less amount representing interest (at rates ranging from 5.22% to 11.74%)		166,930,999
Present value of net minimum capital lease payments		191,712,922
Less current installments of obligations under capital leases		6,562,440
Obligations under capital leases, excluding current installments	$	185,150,482

(11) Risk Management

(a) 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 of governmental entities to $500,000 ($700,000 for causes of action occurring after January 1, 2008).

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.

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. Prior to January 1, 1985, the Corporation was self-insured for general liability and medical malpractice claims up to $100,000.

The Corporation incorporated Lions on February 28, 2006, and commenced operations on March 1, 2006. Lions is organized and operated exclusively to provide insurance covering the professional (malpractice) and general liability exposures of the nursing homes operated by the Corporation. Lions is protected by the Indiana tort claims act, under IC 34-13-3-4, which limits the tort liability of governmental entities to $500,000 per claim ($700,000 for causes of action occurring after January 1, 2008) for general liability claims. In addition, Lions has protection for general liability coverage in excess of $1,000,000 annually and in the aggregate. Lions participates in the Indiana Medical Malpractice Act, which limits the maximum recovery for medical malpractice claims to $1,250,000 per occurrence, with the remaining balance of any claim being paid by the State of Indiana Patient Compensation Fund. Lions has professional liability coverage from the Indiana Patient Compensation Fund excess of $250,000 per occurrence.

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 changes in asserted and unasserted workers' compensation, general liability, and medical malpractice claims recorded within the business-type activities and proprietary fund financial statements:

Balance at January 1, 2006	$	10,649,831
Change in incurred claims (including IBNRs), net		5,521,418
Claims payments		(1,868,180)
Balance at January 1, 2007		14,303,069
Change in incurred claims (including IBNRs), net		5,116,976
Claims payments		(5,588,773)
Balance at December 31, 2007	$	13,831,272

(b) Medical Claims Incurred But Not Reported

Wishard has entered into an agreement with a third party to provide risk-based health care services, including but not limited to inpatient, outpatient, and physician services, to qualified Medicaid participants. Wishard receives payment from the Medicaid program and disburses payments through an independent third-party administrator based on 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, 2007. 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. A summary of changes in the medical claims incurred but not reported for the year ended December 31, 2007, recorded within the business-type activities and proprietary fund financial statements is as follows:

Balance at January 1, 2006	$	2,700,000
Change in incurred claims (including IBNRs), net		19,848,569
Claims payments		(19,279,030)
Balance at January 1, 2007		3,269,539
Change in incurred claims (including IBNRs), net		16,647,696
Claims payments		(16,937,235)
Balance at December 31, 2007	$	2,980,000

(c) 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, 2007. 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.

A summary of changes in the reported liability for the past two years is as follows:

Balance at January 1, 2006	$	2,297,700
Change in incurred claims (including IBNRs), net		16,654,900
Claims payments		(15,748,700)
Balance at January 1, 2007		3,203,900
Change in incurred claims (including IBNRs), net		17,424,772
Claims payments		(17,888,363)
Balance at December 31, 2007	$	2,740,309

The amount recorded as a liability in the General Fund at December 31, 2007 is $1,308,371 and represents the claims which are matured and due as of year end. At December 31, 2007, $1,308,371 of General Fund fund balance is designated for payment of future health insurance and prescriptions claims in the fund statements.

(12) Retirement Plan

(a) Plan Description

The Corporation has adopted GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers.* The Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. PERF is governed by Indiana Code 5-10.2 and 5-10.3. As such, it is PERF's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt.

The plan is a benefit plan with components of both a defined benefit and defined contribution plan, which covers substantially all Corporation employees. 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.

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.

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.

(b) 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, which was 5.50% of annual covered payroll. Therefore, the total employer contribution rate for 2007 was 8.50%. 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.

(c) Annual Pension Cost

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 rate for the Corporation's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The required contributions were determined as part of the

June 30, 2007 actuarial valuation using the entry age normal cost method. The asset valuation method is 75% of expected actuarial value plus 25% of market value. The actuarial assumptions 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 experience from 1995 to 2000; (c) cost of living increase of 1.00% (compounded) that is applied to pension benefit each year following retirement with no increase assumed to be applied to the PERF annuity benefit; and (d) assumed annual post retirement benefit increases of 2.00%. 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 contribution (ARC)	$	9,180,836
Interest on net pension asset		96,013
Adjustment to ARC		(109,414)
Annual pension cost		9,167,435
Actual contribution made		8,826,071
Decrease in net pension asset		(341,364)
Net pension asset, beginning of year		1,324,311
Net pension asset, end of year	$	982,947

The net pension asset of $982,947 as of December 31, 2007 is reflected in the government-wide financial statements. Wishard's share of this asset is $765,030, and $217,917 is reflected as an asset of governmental activities.

(d) 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.

Valuation date		Annual pension cost (APC)	Percentage of APC contributed		Net pension asset
June 30, 2007	$	9,167	96%	$	983
June 30, 2006		8,805	86		1,324
June 30, 2005		7,519	93		2,519

(e) Required Supplemental Information - Schedule of Funding Progress (Unaudited)(Dollars in Thousands)

Valuation date	(1) Actuarial valuation assets	(2) Entry age actuarial accrued liability (AAL)	(2-1) Excess of assets over (under) AAL (AEAAL)	(1/2) Funded ratio	(3) Anticipated covered payroll	[(2-1)/3] AEAAL as a percentage of covered payroll
July 1, 2007	$ 173,941	179,184	(5,243)	98%	$ 163,142	3%
July 1, 2006	156,035	158,826	(2,791)	98%	148,167	2
July 1, 2005	137,480	155,007	(17,527)	89%	148,356	12

(13) Interfund Balances and Transfers

Individual due to / from other funds as of December 31, 2007 are as follows:

Due to Fund	Due from Fund	Amount
Debt Service Fund	General Fund	$ 415,000

These interfund balances are due to timing differences or the elimination of negative cash balances within the various funds. The interfund balances are expected to be repaid during the fiscal year ending December 31, 2008.

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

	Transfer from General Fund	Total
Transfer to:		
Enterprise Fund – Wishard Health Services	$ 157,000,000	157,000,000
	157,000,000	157,000,000
Enterprise Fund – Wishard Health Services – capital transfer	734,870	734,870
	$ 157,734,870	157,734,870

Interfund transfers were used to 1) move revenues from the fund that ordinance or budget requires to collect them to the fund, which will ultimately expend them, 2) use unrestricted revenues collected in the General Fund to cover other deficit budget amounts, or 3) to transfer capital assets from the fund that paid for them to the fund 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.

(14) Hospital Management Agreement

An agreement between the Corporation and the University was signed in February 2007. During 2007, 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 $40,813,378 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 $2,567,025 in 2007.

(15) 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 (Deferred Compensation Plans with Respect to Service for State and Local Governments). 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.

(16) 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, 2007 is as follows:

Commercial insurance	12%
Medicare	15
Medicaid	26
Self pay	36
Other	11
	100%

(17) Related Party

As described in note 1, the Corporation is a component unit of the Consolidated City of Indianapolis – Marion County. 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. Below is a summary of the significant transactions.

As described in note 3, the County collects and distributes taxes and other special assessment fees on behalf of the Corporation. For the year ended December 31, 2007, the Corporation had received $82,095,459 in tax cash receipts and $733,894 in special assessment fees cash receipts from the County and at December 31, 2007, the Corporation had a tax receivable of $19,052,940 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 $537,625 in 2007 in autopsy and death reports and $75,319 in continuing education fees that the Corporation had collected on behalf of the County based on the issuance of death certificates. Wishard received $3,665,082 from the County to provide healthcare services to certain prisoners in the Marion County jail system during 2007. The Corporation paid the City $1,183,000 for police and fire services. The City paid the Corporation $365,000 for unsafe building enforcement in 2007. In addition, the Corporation acts as either a subreceipent or a pass-through agent for various state and federal grant programs with the City and County during 2007.

(18) Wishard Foundation

The Wishard Foundation, Inc. (Foundation) receives and maintains funds for charitable purposes on behalf of the Corporation and other tax-exempt health-related organizations. The Corporation does not control the Foundation. Total assets held by the Foundation and total assets held by the Foundation restricted by donors specifically for the use of Wishard totaled $28,565,962 and $20,270,113, respectively, at December 31, 2007. The Foundation is not included as a component unit of the Corporation as management has determined that it does not meet the criteria of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

(19) Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments*, requires disclosure of the fair value of financial assets and liabilities in the enterprise funds for which it is practicable to estimate. Fair value is defined in the statement as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Corporation believes the carrying amounts of its financial instruments approximate their fair values at December 31, 2007.

(20) LT Care Management Agreement

The Corporation has entered into a management agreement with American Senior Communities, LLC (ASC) to operate the 26 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 2007, the Corporation incurred approximately $12,116,320 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 14 of the nursing homes from EagleCare. During 2007, the Corporation paid approximately $16,600,000 to EagleCare in associated lease costs from LT Care operating revenue (see note 21).

At December 31, 2007, the LT Care Fund had a receivable due from EagleCare for approximately $718,000 and a payable to ASC of approximately $2,902,000 for outstanding services rendered to be paid from operations.

(21) 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 $1,620,000, 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%. Additional rent not to exceed $25,000 per month is payable by the Corporation if certain cash flow targets are met. If the targets are met for six consecutive months, the monthly rate moves from $135,000 to $150,000. In June 2005, cash flow targets were achieved and the monthly rent was increased from $135,000 to $150,000. 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. Rent payments are based on the number of beds in service in the five nursing homes. Rent payments made in 2007 were approximately $2,500,000.

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 in 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. 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%. The Corporation is required to make capital improvements of at least $230,000 annually to this nursing home, 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 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. The leases end in September 2016 with the annual total lease payments of approximately $2,800,000, paid in equal monthly installments. 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 $1,100. In addition, the Corporation entered into real estate leases for the nursing homes. The lease terms range from 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.

(22) Contingent Liabilities

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.

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

(23) Loan Guarantee

In January 2004, the Corporation guaranteed a bond issuance ($4,000,000 Indiana Development Finance Authority Educational Facilities Revenue Bonds Series 2007) to support the renovation of a building for the Charter for Accelerated Learning, Inc. (Charter). The Corporation also guaranteed a line of credit for Charter in the amount of $200,000. Charter is the incorporated name of the Charles A. Tindley Accelerated High School, which is a charter school authorized by the City of Indianapolis. Charter is required to repay the bond issuance in monthly interest payments of LIBOR plus 1.75% beginning December 2006 through December 2018. At December 31, 2007, the outstanding amount on the bond issuance was $3,765,253, 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.

During 2007, Charter refinanced this loan with the Corporation remaining as the guarantor. In 2008, Charter refinanced the loan again and the loan was paid down by $171,000. The rate was changed to LIBOR plus 1.75% with a term of 30 years. Charter remains current on its loan payment. The enrollment of the school is now at 430 students, which creates enough income to cover operating and capital costs into the foreseeable future. The reduced debt payment and enrollment allow the Corporation to have confidence that Charter will be able to fully pay its debt obligation. Also, a representative from the Corporation continues to be a member on the Charter board of directors to provide additional protections of the Corporation's guarantee.

(24) Negative Fund Balance

The Debt Service Fund has a negative fund balance of $412,637 at December 31, 2007. This has been eliminated as of August 2008 by the collection of property tax revenues, which were not recognized due to the availability period (see discussion in Note 3).

(25) Postemployment Benefit Obligation

In 2007, the Corporation was required to implement GASB Statement No. 45, (GASB 45), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Employees who retire from the Corporation may elect to continue medical insurance coverage if they meet certain guidelines. Retirees must be at least 55 years old with twenty years of service and must elect this coverage within 90 days of retirement. These retirees may remain on the Corporation's insurance until they are Medicare eligible while they pay the full premium cost. Management believes the postemployment benefit obligation at December 31, 2007 is not material, and is therefore has not made a provision for the obligation in the financial statements.

(26) Subsequent Event

In July 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 lease ends in June 2018. 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 may be extended for two 5-year terms.

REQUIRED
SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)

THE HEALTH AND HOSPTIAL 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, 2007

	Budgeted amounts		Actual	Variance with final budget– positive
	Original	**Final**	**amounts**	**(negative)**
Revenues				
Taxes	$ 95,647,101	95,875,298	78,353,442	(17,521,856)
Licenses and permits	3,816,600	3,816,600	4,193,808	377,208
Intergovernmental	1,028,781	1,028,781	1,107,697	78,916
Charges for services	1,064,015	1,064,015	1,216,371	152,356
Medicaid special revenue	104,400,000	104,400,000	114,716,410	10,316,410
Interest	2,000,000	4,000,000	5,058,935	1,058,935
Grants	16,200,000	16,200,000	14,873,140	(1,326,860)
Miscellaneous	10,490,604	12,186,190	28,646,786	16,460,596
Total revenues	234,647,101	238,570,884	248,166,589	9,595,705
Expenditures				
Personal services	42,200,000	43,200,000	41,890,622	1,309,378
Supplies	3,909,343	4,909,343	3,959,470	949,873
Other charges and services	15,992,762	33,492,762	19,557,538	13,935,224
Capital outlays	5,990,680	3,990,680	1,970,105	2,020,575
Total expenditures	68,092,785	85,592,785	67,377,735	18,215,050
Other Financing Uses				
Transfers out	(162,000,000)	(162,000,000)	(157,940,818)	4,059,182
Total other financing uses	(162,000,000)	(162,000,000)	(157,940,818)	4,059,182
Net change in fund balances	4,554,316	(9,021,901)	22,848,036	31,869,937
Fund balances – beginning of year	103,228,076	103,228,076	103,228,076	—
Fund balances – end of year	$ 107,782,392	94,206,175	126,076,112	31,869,937

See accompanying notes to the required supplementary information.

(24) 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 Corporation's Board of Trustees and City-County Council, and approved by the 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. Management may amend department and cost center budgets without seeking Board approval, as long as the total appropriation by Division, 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.

(25) 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.

(26) 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	$	10,433,389
Add (deduct):		
Change in encumbrances		(40,796)
Change in prepaid expenditures		141,036
Change in accounts receivable		337,841
Change in accounts payable		872,077
Change in self-insurance claims		1,490,157
Medicaid special revenue partial payment		9,614,332
Net change in fund balance – Budgetary basis	$	22,848,036

The pen is mightier than the sword? The case
for prescriptions rather than surgery. – Marvin Kitman

OTHER SUPPLEMENTARY INFORMATION

THE 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
Debt Service

For the year ended December 31, 2007

	Budgeted amounts		Actual	Variance with final budget– positive
	Original	Final	amounts	(negative)
Revenues				
Taxes	$ 4,312,542	4,312,542	3,526,131	(786,411)
Interest	1,000	1,000	17,847	16,847
Total revenues	4,313,542	4,313,542	3,543,978	(769,564)
Expenditures				
Principal retirement	1,645,000	1,645,000	1,645,000	—
Interest and fiscal charges	2,715,675	2,715,675	2,673,675	42,000
Total expenditures	4,360,675	4,360,675	4,318,675	42,000
Excess of revenues over expenditures	(47,133)	(47,133)	(774,697)	(727,564)
Other Financing Sources				
Transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Net change in fund balances	(47,133)	(47,133)	(774,697)	(727,564)
Fund balances – beginning of year	362,060	362,060	362,060	—
Fund balances – end of year	$ 314,927	314,927	(412,637)	(727,564)

See accompanying independent auditors' report.

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(A Component Unit of the Consolidated City of Indianapolis – Marion County)

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Capital Projects

For the year ended December 31, 2007

	Budgeted amounts Original	Budgeted amounts Final	Actual amounts	Variance with final budget– positive (negative)
Revenues				
Taxes	$ 291,430	291,430	215,886	(75,544)
Interest	900,000	900,000	2,010,769	1,110,769
Total revenues	1,191,430	1,191,430	2,226,655	1,035,225
Expenditures				
Capital outlays	—	—	—	—
Total expenditures	—	—	—	—
Excess of revenues over expenditures	1,191,430	1,191,430	2,226,655	1,035,225
Net change in fund balances	1,191,430	1,191,430	2,226,655	1,035,225
Fund balances – beginning of year	37,910,214	37,910,214	37,910,214	—
Fund balances – end of year	$ 39,101,644	39,101,644	40,136,869	1,035,225

See accompanying independent auditors' report.

The art of medicine consists of amusing the patient
while nature cures the disease.

– Voltaire

STATISTICAL SECTION

The art of medicine consists of amusing the patient
while nature cures the disease.
– Voltaire

Statistical Section
Table of Contents

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

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

Tables V–VIII contain information to help the reader assess the property tax which is the Corporation's most significant source of revenue.

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

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

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

TABLE I

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)

	2007	2006	2005	2004	2003	2002
Primary Government:						
Governmental activities						
Invested in capital assets, net of related debt	$ 7,784,239	7,134,802	7,971,335	5,855,427	13,101,552	11,766,693
Restricted	—	—	—	—	—	130,395
Unrestricted	194,610,049	164,480,042	128,068,721	53,513,426	8,463,765	39,851,124
Total governmental activities net assets	202,394,288	171,614,844	136,040,056	59,368,853	21,565,317	51,748,212
Business-type activities						
Invested in capital assets, net of related debt	106,358,255	136,595,394	147,262,474	157,761,870	166,804,507	158,392,048
Restricted	1,261,455	639,351	596,789	570,811	564,837	548,433
Unrestricted	123,084,696	108,974,494	108,828,175	97,261,260	87,026,987	68,176,159
Total business-type activities net assets	230,704,406	246,209,239	256,687,438	255,593,941	254,396,331	227,116,640
Primary government						
Invested in capital assets, net of related debt	114,142,494	143,730,196	155,233,809	163,617,297	179,906,059	170,158,741
Restricted	1,261,455	639,351	596,789	570,811	564,837	678,828
Unrestricted	317,694,745	273,454,536	236,896,896	150,774,686	95,490,752	108,027,283
Total primary government net assets	$ 433,098,694	417,824,083	392,727,494	314,962,794	275,961,648	278,864,852

Note: The Corporation implemented GASB 34 as of fiscal year 2002.

Source: Basic financial statements

Table II

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Schedule of Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

		2007	2006	2005	2004	2003	2002
Expenses:							
Governmental activities:							
Administration and finance	$	20,163,477	17,551,946	14,166,259	9,612,142	17,009,724	17,173,960
Health improvement		24,159,226	24,145,228	24,399,358	25,275,328	26,408,831	23,876,063
Communicable disease prevention		11,352,654	9,215,253	10,379,233	9,425,318	9,360,310	8,914,142
Water quality and hazardous materials management		1,935,157	1,825,826	1,734,696	1,703,637	1,699,221	1,610,101
Vector disease control		3,940,890	3,509,809	2,977,009	2,965,406	2,930,571	2,796,196
Housing and neighborhood health		5,269,185	5,035,571	4,184,358	4,117,488	4,116,053	3,759,377
Consumer and employee risk reduction		1,579,658	1,557,309	1,546,218	1,581,187	1,507,781	1,395,880
Interest on long-term debt		2,690,760	2,898,454	2,532,873	3,260,807	3,354,422	3,442,160
Total governmental activities expenses	$	71,091,007	65,739,396	61,920,004	57,941,313	66,386,913	62,967,879
Business-type activities:							
Wishard Health Services	$	424,232,288	400,293,483	384,487,424	368,212,850	362,588,065	336,219,601
LT Care		212,410,072	171,792,272	157,656,712	139,064,331	97,053,021	-
Total business-type activities expenses		636,642,360	572,085,755	542,144,136	507,277,181	459,641,086	336,219,601
Total (primary) government expenses	$	707,733,367	637,825,151	604,064,140	565,218,494	526,027,999	399,187,480
Program Revenues							
Governmental Activities:							
Charges for services:							
Administration and finance	$	29,516,097	32,198,505	12,042,413	323,299	304,285	154,995
Health improvement		2,382,740	2,036,999	2,094,473	1,979,376	1,108,469	1,225,594
Communicable disease prevention		363,533	358,954	395,412	323,576	318,275	338,184
Water quality and hazardous materials management		367,016	360,957	354,111	358,022	332,338	335,490
Vector disease control		1,261,037	898,812	125,523	102,741	66,994	26,138
Housing and neighborhood health		469,407	633,456	85,501	92,722	94,141	54,227
Consumer and employee risk reduction		2,355,841	2,087,249	1,898,597	1,757,581	1,552,017	1,471,489
Operating grants and contributions		13,955,419	12,108,583	16,573,583	17,488,087	17,317,170	15,270,533
Capital grants and contributions		1,217,110	3,575,826	1,702,901	—	5,439,547	1,174,819
Total governmental activities program revenues	$	51,888,200	54,259,341	35,272,514	22,425,404	26,533,236	20,051,469

Table II (continued)

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Schedule of Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

	2007	2006	2005	2004	2003	2002
Business-type Activities:						
Charges for services:						
Wishard Health Services	$ 239,779,417	222,001,734	224,633,684	199,864,995	189,692,554	166,401,275
LT Care	210,548,466	167,574,919	167,009,420	134,559,380	95,858,819	—
Operating grants and contribtions	9,308,853	7,680,805	8,414,943	10,038,960	11,735,585	12,126,208
Capital grants and contributions	314,400	—	—	—	—	—
Total business-type activities program revenues	459,951,136	397,257,458	400,058,047	344,463,335	297,286,958	178,527,483
Total primary government program revenues	$ 511,839,336	451,516,799	435,330,561	366,888,739	323,820,194	198,578,952
Net Program (Expense)/Revenue						
Governmental activities	(19,202,807)	(11,480,055)	(26,647,490)	(35,515,909)	(39,853,677)	(42,916,410)
Business-type activities	(176,691,224)	(173,111,652)	(142,086,089)	(162,813,846)	(162,354,128)	(157,692,118)
Total primary government net expense	$ (195,894,031)	(184,591,707)	(168,733,579)	(198,329,755)	(202,207,805)	(200,608,528)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property taxes	$ 89,583,638	89,435,326	87,980,567	88,498,342	92,454,172	76,292,234
Financial institutions taxes	1,268,115	1,260,083	1,268,250	1,269,040	1,242,962	1,198,208
Excise taxes	6,831,647	7,270,595	7,507,089	7,889,045	7,905,793	7,472,835
Disproportionate share Medicaid	102,956,478	101,186,941	143,381,951	137,474,685	95,965,768	76,364,494
Unrestricted investment earnings	7,077,243	6,521,273	3,614,043	978,823	774,638	2,386,068
Transfers (capital contributions to Wishard and LT Care)	(734,870)	(4,905,484)	(455,288)	(6,790,490)	(5,250,867)	(14,140,401)
Transfers	(157,000,000)	(153,713,891)	(139,977,919)	(156,000,000)	(183,421,684)	(167,492,945)
Total governmental activities	$ 49,982,251	47,054,843	103,318,693	73,319,445	9,670,782	(17,919,507)

Table II (continued)

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Schedule of Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

	2007	2006	2005	2004	2003	2002
Business-type activities:						
Unrestricted investment earnings	$ 3,451,521	4,014,078	2,746,379	1,220,966	961,268	1,625,149
Transfers (capital contributions to Wishard)	734,870	3,905,484	455,288	6,790,490	5,250,867	14,140,401
Transfers	157,000,000	154,713,891	139,977,919	156,000,000	183,421,684	167,492,945
Total business-type activities	161,186,391	162,633,453	143,179,586	164,011,456	189,633,819	183,258,495
Total primary government	211,168,642	209,688,296	246,498,279	237,330,901	199,304,601	165,338,988
Change in Net Assets:						
Governmental activities	30,779,444	35,574,788	76,671,203	37,803,536	(30,182,895)	(60,835,917)
Business-type activities	(15,504,833)	(10,478,199)	1,093,497	1,197,610	27,279,691	25,566,377
Total primary government	$ 15,274,611	25,096,589	77,764,700	39,001,146	(2,903,204)	(35,269,540)

Note: The Corporation implemented GASB 34 as of fiscal year 2002.

Source: Basic financial statements

TABLE III

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

		2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund											
Reserved	$	7,046,198	8,407,286	3,640,918	5,214,233	4,864,915	26,655,124	2,193,529	2,742,214	1,389,532	1,739,107
Unreserved		122,752,504	110,958,027	111,837,016	37,286,974	7,642,777	21,588,774	98,498,704	50,188,938	9,447,900	8,479,610
Total general fund	$	129,798,702	119,365,313	115,477,934	42,501,207	12,507,692	48,243,898	100,692,233	52,931,152	10,837,432	10,218,717
All Other Governmental Funds											
Reserved		—	—	—	—	—	4,330,048	—	1,845,889	2,185,378	7,783,003
Unreserved, reported in:											
Debt service fund	$	(412,637)	362,060	(16,186)	198,382	297,281	—	278,870	254,849	99,483	1,585
Capital projects fund		43,030,727	40,814,423	38,643,862	37,281,256	36,659,175	28,708,879	45,139,213	50,738,515	25,688,071	21,282,673
Total all other governmental funds	$	42,618,090	41,176,483	38,627,676	37,479,638	36,956,456	33,038,927	45,418,083	52,839,253	27,972,932	29,067,261

Source: Basic financial statements

TABLE IV

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Changes in Fund Balances Governmental Funds
Last Ten Fiscal Years

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues										
Taxes	$ 82,095,459	97,965,873	97,196,828	98,214,855	101,652,352	84,645,829	82,298,728	79,115,490	26,830,305	26,396,833
Licenses and permits	4,193,808	3,864,882	3,662,722	3,565,750	2,853,728	2,709,269	2,614,855	2,620,461	2,602,928	2,570,835
Intergovernmental	14,629,232	16,007,012	16,598,192	17,030,332	16,444,232	15,495,683	11,962,565	8,983,120	7,219,193	6,678,330
Charges for services	27,570,626	1,079,203	1,162,710	809,638	862,954	750,014	813,934	773,232	670,990	655,125
Disproportionate share Medicaid	105,102,078	72,864,271	142,926,951	122,974,685	95,965,768	76,364,494	138,139,400	96,007,363	3,134,450	—
Interest	7,077,243	6,521,271	3,614,043	978,823	774,638	2,386,068	5,373,505	4,788,579	1,101,971	3,066,949
Miscellaneous	2,306,154	31,765,188	13,449,938	1,330,121	6,441,723	1,258,766	663,113	197,487	168,782	176,557
Total revenues	242,974,600	230,067,700	278,611,384	244,904,204	224,995,395	183,610,123	241,866,100	192,485,732	41,728,619	39,544,629
Expenditures										
Administrative	19,845,246	14,692,846	12,393,374	6,563,075	19,100,875	17,965,973	14,019,851	7,507,297	6,835,226	5,373,565
Population health	19,613,915	18,776,012	17,376,100	16,514,742	17,089,105	17,702,836	14,752,899	14,315,419	12,533,400	11,940,748
Environmental health	11,365,478	11,015,086	9,847,532	9,788,839	9,610,608	8,883,675	7,850,434	7,462,325	6,614,581	6,178,377
Health center program	1,200,264	1,092,266	1,132,398	1,230,519	1,458,533	1,146,006	283,075	—	775,949	729,309
Data processing	2,824,376	2,917,196	3,384,596	3,030,331	2,977,700	2,536,786	1,858,940	1,364,927	1,495,525	1,301,201
Grants programs	14,705,936	15,885,533	14,963,677	15,664,860	15,890,222	14,727,717	10,724,923	8,310,867	6,489,561	5,801,976
Restricted fund	—	—	—	—	—	—	—	—	3,635	750
Capital outlays	—	—	—	—	2,351,314	12,597,638	30,260,664	7,286,086	10,934,721	14,136,238
Debt service:										
Principal	1,853,629	1,749,548	2,380,863	1,652,555	1,559,609	1,477,010	1,230,000	560,000	525,000	485,000
Interest and fiscal charges	2,690,760	2,789,136	2,574,872	3,301,307	3,354,422	3,442,160	3,457,376	3,306,610	1,796,635	1,830,670
Bond issuance costs	—	—	429,167	—	—	—	—	—	—	—
Total expenditures	74,099,604	68,917,623	64,482,579	57,746,228	73,392,388	80,479,801	84,438,162	50,113,531	48,004,233	47,777,834
Excess (deficiency) of revenues over (under) expenditures	168,874,996	161,150,077	214,128,805	187,157,976	151,603,007	103,130,322	157,427,938	142,372,201	(6,275,614)	(8,233,205)
Other Financing Sources (Uses)										
Proceeds from note payable	—	—	—	—	—	—	—	—	—	1,800,000
Proceeds of bonds	—	—	—	—	—	—	—	30,000,000	—	—
Refunding on bonds issued	—	—	28,960,000	—	—	—	—	—	—	—
Premium on bonds issued	—	—	1,013,992	—	—	—	—	—	—	—
Payment to refunded bond escrow agent	—	—	(29,544,825)	—	—	—	—	—	—	—
Transfers in	—	—	8,294	—	17,242	225,888	18,000,000	160,539	7,000,000	65,000
Transfers out	(157,000,000)	(154,713,891)	(140,441,501)	(156,641,279)	(183,438,926)	(167,718,833)	(135,191,904)	(105,572,699)	(1,200,000)	(65,000)
Total other financing sources (uses), net	(157,000,000)	(154,713,891)	(140,004,040)	(156,641,279)	(183,421,684)	(167,492,945)	(117,191,904)	(75,412,160)	5,800,000	1,800,000
Net change in fund balances	$ 11,874,996	6,436,186	74,124,765	30,516,697	(31,818,677)	(64,362,623)	40,236,034	66,960,041	(475,614)	(6,433,205)
Debt service as a percentage of non-capital expenditures	6.4%	6.8%	8.8%	8.7%	6.9%	7.2%	8.7%	9.0%	6.3%	6.9%
Debt service expenditures	$ 4,544,389	4,538,684	5,384,902	4,953,862	4,914,031	4,919,170	4,687,376	3,866,610	2,321,635	2,315,670
Non-capital expenditures	71,263,322	66,401,350	60,886,589	56,838,268	71,041,074	67,882,163	54,177,498	42,827,445	37,069,512	33,641,596

Note: The Corporation implemented GASB 34 as of fiscal year 2002.

Source: Basic financial statements - Fund Statements

TABLE V

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Assessed Value and Estimated Actual Value of Taxable Property -
Last Ten Fiscal Years

	REAL PROPERTY		PERSONAL PROPERTY		TOTAL	
YEAR	**Assessed Value (1) (2)**	**True Tax Value**	**Assessed Value (1) (2)**	**True Tax Value**	**Assessed Value (1) (2)**	**True Tax Value**
2007	$ 39,182,916,707	39,182,916,707	5,565,477,874	5,565,477,874	44,748,394,581	44,748,394,581
2006	33,030,628,020	33,030,628,020	7,195,875,948	7,195,875,948	40,226,503,968	40,226,503,968
2005	32,400,972,000	32,400,972,000	7,229,661,000	7,229,661,000	39,630,633,000	39,630,633,000
2004	34,606,376,000	34,606,376,000	5,323,754,000	5,323,754,000	39,930,130,000	39,930,130,000
2003	32,982,779,000	32,982,779,000	8,845,067,000	8,845,067,000	41,827,846,000	41,827,846,000
2002	20,820,046,000	20,820,046,000	8,162,071,000	8,162,071,000	28,982,117,000	28,982,117,000
2001	6,839,830,510	20,519,488,530	2,653,315,080	7,959,945,240	9,493,145,590	28,479,433,770
2000	6,636,935,980	19,910,807,940	2,574,548,390	7,723,645,170	9,211,484,370	27,634,453,110
1999	6,553,357,000	19,660,071,001	2,550,800,310	7,652,400,930	9,104,157,310	27,312,471,931
1998	6,362,743,493	19,088,230,479	2,368,836,585	7,106,509,755	8,731,580,078	26,194,740,234

(1) Taxable property is assessed at 33-1/3% of the true tax value for the years 1997 through 2001. It is assessed at 100% beginning in 2002.
(2) Represents the assessment (Marion County Auditor's "certified abstract") on March 1 of the prior year for taxes due and payable in the year indicated.

Source: Marion County Auditor

Table VI

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Property Tax Rates - Direct and Overlapping Governments (1) (2)
Direct and Overlapping

Last Ten Fiscal Years

Year	Operations	Debt	Cumulative Building	Total	City	County	Other Municipal Corporations	School	State	Other	Total (1)
2007	0.1928	0.0088	0.0006	0.2022	1.4987	0.5708	0.1298	1.8713	0.0024	0.0656	4.3408
2006	0.2138	0.0098	0.0006	0.2242	0.8881	0.4131	0.1409	1.7172	0.0024	0.0644	3.4503
2005	0.2137	0.0106	0.0006	0.2249	0.9532	0.4163	0.1401	1.6744	0.0024	0.0637	3.4750
2004	0.2139	0.0108	0.0006	0.2253	0.9485	0.4129	0.1189	1.7827	0.0024	0.0607	3.5514
2003	0.2134	0.0113	0.0006	0.2253	0.9603	0.4443	0.1302	1.5503	0.0033	0.1403	3.4540
2002	0.2492	0.0133	0.0008	0.2633	1.2254	0.5354	0.1676	1.9594	0.0033	0.0799	4.2343
2001	0.7441	0.0458	0.0020	0.7919	3.7670	1.4043	0.4578	5.9811	0.0100	0.2599	12.6720
2000	0.7669	0.0230	0.0020	0.7919	3.7825	1.4038	0.4572	5.9552	0.0100	0.2756	12.6762
1999	0.7653	0.0246	0.0020	0.7919	3.7948	1.4042	0.4567	5.8477	0.0100	0.3281	12.6334
1998	0.7667	0.0232	0.0020	0.7919	3.7968	1.4021	0.4070	5.3888	0.0100	0.3952	12.1918

(1) Rate of District 101 (Indianapolis - Center Township) which is the only rate that includes all major services
(2) Data presented is per the Marion County Auditor's Office.

Source: Marion County Auditor

Table VII

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Principal Property Tax Payers
Current Year and Nine Years Ago

	2007			1998 (3)		
Taxpayer	**Net Taxable Assessed Valuation (1) (2)**	**Rank**	**Percentage of Total City Taxable Assessed Valuation**	**Net Taxable Assessed Valuation**	**Rank**	**Percentage of Total City Taxable Assessed Valuation**
Eli Lilly & Company	$ 1,256,497,000	1	3.12%	$ 239,717,100	1	2.75%
St. Vincent Hospital & Health Care Center, Inc.	332,955,000	2	0.83%			
Southwestern Bell	305,847,000	3	0.76%			
Methodist Hospital System	304,320,000	4	0.76%			
Community Hospitals Foundation Inc.	269,592,000	5	0.67%			
Simon Property Group	246,269,000	6	0.61%			
Sexton Properties	185,967,000	7	0.46%			
Citizens Gas & Coke Utility	185,818,000	8	0.46%	61,339,400	5	0.70%
Sisters of St. Francis Health System	184,577,000	9	0.46%			
General Motors Corporation	157,229,000	10	0.39%	39,093,680	7	0.45%
Indianapolis Power & Light				130,153,600	2	1.49%
Allison Engine Co.				70,631,770	3	0.81%
Ford Motor Company				68,509,130	4	0.78%
Indianapolis Water Company				47,300,530	6	0.54%
Bank One Corporation				36,082,380	8	0.41%
Navistar International				34,401,724	9	0.39%
Boehringer Mannheim Corporation				30,926,590	10	0.35%
	$ 5,001,855,000		12.43%	$ 902,406,928		10.33%

(1) Represents the March 1, 2006 valuations for taxes due and payable in 2007 as represented by the taxpayer.

(2) Net Assessed Valuation was determined using public records from the Marion County Treasurer's Office. Taxable property is assessed at 33-1/3% of the true tax value for 1998.

(3) Data from the 1998 Health and Hospital Corporation's Comprehensive Annual Report.

Table VIII

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Property Tax Levies and Collections (1)
Last Ten Fiscal Years

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year (1)	Collected Within the Fiscal Year of the Levy: Amount (1)	Collected Within the Fiscal Year of the Levy: Percentage of Levy	Collections in Subsequent Years (1) (2)	Total Collections to Date: Amount (1)	Total Collections to Date: Percentage of Levy
2007	$ 90,456,328	$ 73,710,696	81.49 %	$ 18,421,520	$ 92,132,216	101.85 %
2006	90,469,407	88,238,324	97.53	634,310	88,872,634	98.24
2005	88,832,049	86,484,708	97.36	643,154	87,127,862	98.08
2004	88,991,203	87,283,952	98.08	862,109	88,146,061	99.05
2003	87,982,909	90,537,679	102.90	967,798	91,505,477	104.00
2002	74,494,711	74,115,192	99.49	719,842	74,835,034	100.46
2001	72,738,903	72,494,311	99.66	649,745	73,144,056	100.56
2000	71,922,295	70,961,378	98.66	–	70,961,378	98.66
1999	70,340,389	69,394,898	98.66	–	69,394,898	98.66
1998	69,154,383	68,051,929	98.41	–	68,051,929	98.41

(1) For the Health and Hospital Corporation only.
(2) Amounts for 2000 and prior are not available.

Source: Marion County Auditor

Table IX

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities				Business-type Activities			
Fiscal Year	**General Obligation Bonds of 2005 (1)**	**General Obligation Bonds of 2000 (1)**	**Renovation Bonds**	**Notes Payable**	**Long-Term Care Capital Leases (2)**	**Total Primary Government**	**Percentage of Personal Income (3)**	**Per Capita**
2007	$ 26,140,000	$ -	$ 18,235,000	$ 218,122	$ 191,712,922	$ 236,306,044	357.64 %	$ 273.03
2006	26,865,000	—	19,155,000	426,751	166,112,532	212,559,283	650.98	245.59
2005	27,565,000	—	20,005,000	626,299	151,253,286	199,449,585	637.83	231.44
2004	—	27,280,000	20,800,000	817,162	117,886,520	166,783,682	557.94	193.78
2003	—	28,010,000	21,540,000	999,717	125,548,785	176,098,502	616.30	203.99
2002	—	28,705,000	22,230,000	1,174,326	—	52,109,326	186.14	60.35
2001	—	29,370,000	22,875,000	1,341,336	—	53,586,336	197.16	62.53
2000	—	30,000,000	23,475,000	1,501,076	—	54,976,076	208.22	63.89
1999	—	—	24,035,000	1,653,863	—	25,688,863	105.20	31.68
1998	—	—	24,560,000	1,800,000	—	26,360,000	111.30	32.41

Source: Notes to Basic Financial Statements

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

Table X

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Ratio of Net General Obligation Debt Outstanding
Last Ten Fiscal Years

	General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds	Notes Payable	Total Net Bonded Debt	Percentage of Actual Taxable Value of Property	Per Capita
2007	$ 44,375,000	$ 218,122	$ 44,593,122	0.11 %	$ 50.86
2006	46,020,000	426,751	46,446,751	0.14	53.66
2005	47,570,000	626,299	48,196,299	0.15	55.93
2004	48,080,000	817,162	48,897,162	0.14	56.81
2003	49,550,000	999,717	50,549,717	0.15	58.56
2002	50,935,000	1,174,326	52,109,326	0.25	60.35
2001	52,245,000	1,341,336	53,586,336	0.26	62.53
2000	53,475,000	1,501,076	54,976,076	0.28	63.89
1999	24,035,000	1,653,863	25,688,863	0.13	31.68
1998	24,560,000	1,800,000	26,360,000	0.14	32.41

Table XI

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Schedule of Direct and Overlapping Debt and Bonded Debt Limit (1)
December 31, 2007

	Assessed Value (7)	Bonding Limit %	Bonding Limit Dollar Amount	Bonds Outstanding
Direct Debt:				
Health and Hospital Corporation of Marion County	$ 46,574,174,000	0.67%	$ 312,046,966	$ 44,375,000
Overlapping:				
Marion County	46,574,174,000	0.67%	$ 312,046,966	$ 40,510,000
City of Indianapolis:				
Civil City	42,780,714,000	0.67%	$ 286,630,784	$ 98,000,000
Consolidated County	46,574,174,000	(3)	—	—
Park District	46,574,174,000	(7)	—	28,786,000
Redevelopment District	43,422,051,000	(7)	—	31,562,000
Flood Control District	46,574,174,000	0.67%	312,046,966	15,873,000
Metropolitan Thoroughfare District	46,574,174,000	1.33%	619,436,514	55,326,000
Sanitary District	42,780,714,000	4%	1,711,228,560	69,209,000
Police Special Service District	13,572,947,000	(2)	—	—
Fire Special Service District	12,702,941,000	(2)	—	—
Solid Waste Collect Spec. Service District	43,483,757,000	(2)	—	—
Solid Waste Disposal District	43,483,757,000	2%	869,675,140	—
Pub Safety Comm and Comp Facilities District	46,574,174,000	0.67%	312,046,966	6,295,000
Total City Debt			$ 4,111,064,930	$ 305,051,000
Other Municipal Corporations				
Airport Authority	46,574,174,000	0.67%	$ 312,046,966	$ —
Capital Improvement Board	46,574,174,000	0.67%	312,046,966	—
Indpls-Marion Co. Building Authority	46,574,174,000	(4)	—	27,925,000
Indianapolis-Marion County Library	45,313,931,000	0.67%	303,603,338	126,141,000
Indianapolis Public Transportation Corp.	43,996,225,000	0.67%	294,774,708	13,120,000
Total Municipal Corporations			$ 1,222,471,977	$ 167,186,000
School Districts:				
Beech Grove	534,905,000	(8)	$ 43,098,000	$ 41,022,000
Decatur	1,140,690,000	(8)	158,460,000	106,758,000
Franklin	2,267,149,000	(8)	207,433,000	287,335,000
Indianapolis Public Schools	12,161,364,000	(8)	512,807,000	30,330,000
Lawrence	6,107,097,000	(8)	245,233,000	25,260,000
Perry	4,113,197,000	(8)	215,653,000	125,375,000
Pike	5,840,216,000	(8)	196,954,000	70,230,000
Speedway	725,337,000	(8)	14,506,740	—

(continued)

Table XI (continued)

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Schedule of Direct and Overlapping Debt and Bonded Debt Limit (1)
December 31, 2007
(In Thousands)

	Assessed Value (6)	Bonding Limit %	Bonding Limit Dollar Amount	Bonds Outstanding
School Districts (continued):				
Warren	$ 3,252,961	(8)	$ 211,434	$ —
Washington	7,031,060	(8)	148,352	35,905
Wayne	5,840,216	(8)	314,510	304,337
Total School Districts	$ 44,181,031		$ 2,171,778	$ 901,039
Other Cities and Towns:				
Beech Grove	$ 574,174	0.67%	$ 3,847	$ 1,608
Lawrence	1,790,906	0.67%	11,999	6,775
Southport	61,706	0.67%	413	—
Speedway	725,337	0.67%	4,860	—
Total Towns and Other Cities	$ 3,152,123		$ 21,119	$ 8,383
Townships				
Center	$ 6,180,209	0.67%	$ 41,407	$ —
Decatur	1,142,605	0.67%	7,655	1,252
Franklin	2,438,133	0.67%	16,335	5,609
Lawrence	6,657,673	0.67%	44,606	—
Perry	4,511,708	0.67%	30,228	2,957
Pike	5,573,077	0.67%	37,340	1,649
Warren	4,356,779	0.67%	29,190	50
Washington	9,799,676	0.67%	65,658	—
Wayne	6,994,777	0.67%	46,865	—
Total Townships	$ 47,654,637		$ 319,286	$ 11,517
Excluded Library Districts				
Beech Grove	$ 534,905	0.67%	$ 3,584	2,983
Speedway	725,337	0.67%	4,860	—
Total Excluded Cities Library Districts	$ 1,260,242		$ 8,444	$ 2,983
Ben Davis Conservancy District	$ 366,501	(5)		$ —
Total Overlapping Debt				$ 1,170,801
Total Direct and Overlapping Debt				$ 1,624,966

Table XI (continued)

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Schedule of Direct and Overlapping Debt and Bonded Debt Limit (1)
December 31, 2007
(In Thousands)

(1) Excludes Revenue Bonds not payable from ad valorem taxes.
(2) No bonding authority.
(3) No bonding authority from ad valorem taxes.
(4) There is no debt limit for the Building Authority. Its debt service requirements are funded by rentals paid by the City of Indianapolis and Marion County from ad valorem taxes mandated by the Authority's enabling legislation.
(5) Ben Davis Conservancy District has no bonding limit. Bonds are payable from either collection of special benefit taxes or revenues produced from the project per Indiana Code 13-3-3-81.
(6) Represents the March 1, 2006 (Marion County Auditor's "certified abstract") assessment for taxes due and payable in 2007.
(7) There is no statutory constitutional debt limitation to the Park and Redevelopment Districts.
(8) A statutory 2% limit on school district debt does not apply to any debt that is incurred by a school district building corporation for the purpose of constructing facilities to be leased to the school district at rentals sufficient to fund the corporation's annual debt service requirements. The bonding limit shown is the sum of the statutory limit plus the outstanding building corporation debt.

Source: City of Indianapolis, Office of Finance and Management

Table XII

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Legal Debt Margin Calculation
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year Ended December 30, 2007

Net assessed value - 2007	$	44,748,394,581
Debt limit (.67% of assessed values)		299,814,244
Debt applicable to limit:		
Bonded Debt		44,375,000
Notes payable from tax levy		218,122
Total net debt applicable to limit		44,593,122
Legal Debt Margin	$	255,221,122

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Debt limit	$ 299,814,244	269,517,577	265,525,241	267,531,873	278,852,313	193,214,113	189,862,912	184,229,687	182,083,146	174,631,602
Total net debt applicable to limit	44,593,122	46,446,751	48,196,299	48,897,162	50,549,717	52,109,326	53,586,336	54,976,076	25,688,863	26,360,000
Legal debt margin	$ 255,221,122	223,070,826	217,328,942	218,634,711	228,302,596	141,104,787	136,276,576	129,253,611	156,394,283	148,271,602
Total net debt applicable to the limit as a percentage of debt limit	14.87%	17.23%	18.15%	18.28%	18.13%	26.97%	28.22%	29.84%	14.11%	15.09%

Table XIII

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Demographic and Economic Statistics
Last Ten Calendar Years

Year	(1) Population	(2) (5) Personal Income	(2) Per Capita Personal Income	(3) (5) Public School Enrollment	(4) Unemployment Rate
2007	876,804	$ —	$ 38,980	—	4.5%
2006	865,504	32,652,000	37,403	133,697	4.4%
2005	861,760	31,270,050	36,286	133,694	4.8%
2004	860,674	29,892,584	34,732	132,505	4.7%
2003	863,251	28,573,705	33,142	131,543	4.8%
2002	863,429	27,994,389	32,479	129,682	4.6%
2001	856,938	27,178,761	31,491	127,569	3.3%
2000	860,454	26,403,440	30,684	126,199	2.4%
1999	810,946	24,420,134	28,480	125,189	2.2%
1998	813,405	23,684,798	27,731	125,504	2.3%

(1) Source: Census Bureau-Population Estimates base reflects changes to the Census 2000 population.
(2) Source: U.S. Bureau of Economics Census Bureau midyear population estimates. Per capita personal income was computed using Census Bureau midyear population estimates.
(3) Source: Indiana Department of Education Statistics.
(4) Source: Data provided by the U.S. Bureau of Labor Statistics.
(5) Data not available for 2007.

Table XIV

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Principal Employers
Current Year and Nine Years Ago

	2007			1998 (2)		
Taxpayer	**(1) Employees**	**(1) Rank**	**(1) Percentage of Total Health & Hospital Employment**	**Employees**	**Rank**	**(3) Percentage of Total Health & Hospital Employment**
Eli Lilly & Company	12,500	1	33.15%	8,956	2	NA
Clarian Health Partners Inc.	7,503	2	55.23%			NA
Community Health Network	7,500	3	55.25%			NA
IUPUI	7,066	4	58.65%			NA
Federal Express Corp. (FedEx)	6,311	5	65.66%			NA
St. Vincent Hospitals & Health Service	6,000	6	69.07%			NA
WellPoint Inc.	4,200	7	98.67%			NA
Allison Transmission/Div of GMC	4,000	8	103.60%	3,622	5	NA
Rolls-Royce	4,000	9	103.60%			NA
AT&T	3,500	10	118.40%			NA
Methodist Hospitals of Indiana				11,025	1	NA
Anthem, Inc				6,642	3	NA
Marsh				3,638	4	NA
BankOne Corporation (Chase)				3,158	6	NA
Ford Motor Company				2,967	7	NA
General Motors Corporation				2,827	8	NA
Navistar International				2,228	9	NA
Meijers, Inc.				2,376	10	NA
	62,580			47,439		

(1) Source: The Indianapolis Economic Development in conjunction with The Indy Partnership. Data was taken from the information warehouse containg a listing of the largest employers in the City of Indianapolis/Marion County located at www.indypartnership.com.
(2) Data from the 1998 Health and Hospital Corporation's Comprehensive Annual Report.
(3) Total Health & Hospital employment is not available for 1998.

Table XV

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(a component unit of the Consolidated City of Indianapolis—Marion County)

Full-time Equivalent City Government Employees by Function/Program
Last Ten Calendar Years

	Full-time Equivalent Employees as December 31									
Function/Program	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001 (1)**	**2000 (1)**	**1999 (1)**	**1998 (1)**
Primary Government Employees:										
Administration	115	112	112	113	109	97	—	—	—	—
Health improvement	311	313	309	304	314	315	—	—	—	—
Communicable disease prevention	119	119	124	123	123	122	—	—	—	—
Water quality and hazardous materials	28	29	29	29	30	79	—	—	—	—
Housing and neighborhood health	84	84	82	82	83	79	—	—	—	—
Consumer and employee risk reduction	26	27	27	27	27	27	—	—	—	—
Vector disease control	57	52	52	53	52	54	—	—	—	—
Business-type Employees:										
Wishard Health Services	3,404	3,243	3,232	3,269	3,388	3,126	—	—	—	—
Long-Term Care (2)	—	—	—	—	—	—	—	—	—	—
Total Employees	4,144	3,979	3,966	4,001	4,127	3,899	—	—	—	—

Source: SAP Payroll System used by Health & Hospital Corporation

(1) The Corporation converted to the SAP accounting system January 1, 2002. FTE information prior to 2002 is not available.
(2) The Long-Term Care personnel are not employees of the Corporation.

HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA

Additional copies of this report may be obtained from:
Treasurer's Office
Daniel E. Sellers
3838 North Rural Street
Indianapolis, Indiana 46205-2930