

Broadlawns Medical Center

Financial and Compliance Report

06.30.2005

McGladrey & Pullen

Certified Public Accountants

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McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

Board of Trustees
Broadlawns Medical Center
Des Moines, Iowa

We have audited the accompanying balance sheets of Broadlawns Medical Center (Medical Center) as of June 30, 2005 and 2004, and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. We have also audited the balance sheets of Broadlawns Medical Center Foundation (Foundation), a discretely presented component unit, as of June 30, 2005 and 2004, and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Medical Center and Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. The financial statements of Broadlawns Medical Center Foundation were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Broadlawns Medical Center and Broadlawns Medical Center Foundation, a discretely presented component unit, as of June 30, 2005 and 2004, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report, dated September 1, 2005, on our consideration of the Broadlawns Medical Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, 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 on pages 3 through 13 and required supplementary information on page 37 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the Medical Center and the Foundation taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and other supplementary information as of and for the years ended June 30, 2005 and 2004 of the Medical Center and the Foundation 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The accompanying Medical Center patient and statistical data, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Davenport, Iowa
September 1, 2005

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2005 and 2004

Introduction

This section of the Broadlawns Medical Center (Medical Center) annual financial report presents management's discussion and analysis of the Medical Center's financial performance during the years ended June 30, 2005 and 2004. The purpose is to provide an objective analysis of the financial activities of the Medical Center based on currently known facts, decisions, and conditions. Please read it in conjunction with the Medical Center's basic financial statements and the notes to the financial statements.

Overview of the Financial Statements

This annual report consists of two parts – management's discussion and analysis and the basic financial statements.

Required Financial Statements

The balance sheet offers short-term and long-term financial information about its activities. The balance sheet includes all of the Medical Center's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Medical Center creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Medical Center, and assessing the liquidity and financial flexibility of the Medical Center. All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses and changes in net assets. This statement measures the results from the Medical Center's operations over the past year and can be used to determine whether the Medical Center has been able to recover all of its costs through its patient service revenue and other revenue sources. The final required financial statement is the statement of cash flow. The primary purpose of this statement is to provide answers to such questions as, "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

Financial Analysis of the Medical Center

The balance sheet and the statement of revenue, expenses, and changes in net assets, report information about the Medical Center's activities. These two statements report the net assets of the Medical Center and changes in them. Increases or decreases in the Medical Center's net assets are one indication of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in the health care industry, changes in Medicare and Medicaid regulations and changes in managed care contracting should be considered.

Our discussion and analysis of Broadlawns Medical Center's financial performance provides an overview of the Medical Center's financial activities for the fiscal years ended June 30, 2005, 2004, and 2003. Fiscal year 2003 was the first year the new financial reporting model was implemented.

Organization

Broadlawns Medical Center is organized under Chapter 347 of the Iowa Code, not subject to taxes on income or property. The Medical Center is a county public hospital and receives tax support from the property tax levy. A seven member elected Board of Trustees has the responsibility for overseeing Medical Center operations.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2005 and 2004

Broadlawns Medical Center Foundation (Foundation) is a legally separate, tax exempt, discretely presented component unit of Broadlawns Medical Center. The Foundation was formed to among other things, raise funds for the general welfare, maintenance, and improvement of the Medical Center. The Board of the Foundation is self-perpetuating and consists of citizens of Polk County. Although the Medical Center does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds are contributed to the Medical Center. Because these resources held by the Foundation have historically been for the benefit of the Medical Center, the Foundation is considered a component unit of the Medical Center and is discretely presented in the Medical Center's financial statements. Complete financial statements for the Foundation can be obtained from Gary Uhl, the Vice President of Financial Services, Broadlawns Medical Center, 1801 Hickman Road, Des Moines, Iowa 50314.

Financial Highlights

- During the year the Medical Center increased its net assets by \$1,795,144, which is a \$130,695 decrease from last fiscal year, which ended with an increase in net assets of \$1,925,839.
- Total operating expenses for the current fiscal year ended were \$4,490,378 more than last fiscal year.
- Net operating revenue for the year was \$35,582,416, which is a decrease of \$437,596.
- Net nonoperating revenue, which includes the property tax levy, increased \$4,797,279. Increase in the property tax levy accounted for \$4,728,010 of the total increase in net nonoperating revenue.
- The tax levy for 2004-2005 included a special emergency tax levy of \$3,342,075 to replace the current computer system purchased in 1984.
- Effective July 1, 2004, Broadlawns Medical Center elected to opt out of cost based reimbursement from Medicare and Medicaid for physicians and other professional providers. These services are presently being charged and billed separately. The present gross A/R for physicians and other professional providers is \$5,105,500.
- During the fiscal year the Medical Center made capital investments totaling \$1,064,346. Capital investments did not exceed depreciation and amortization expense of \$2,809,764. The following is a list of significant purchases and improvements:

Capital Investments	Vendor	Department	2005 Cost
Anesthesia Units	Datex Ohmeda	OR/PACU	\$ 134,728
Radiographic Fluoroscopy	GE Medical	Imaging Services	348,054

The source of funding of these projects is derived from operations.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2005 and 2004

Net Assets

June 30, 2005: Total current assets are \$65,241,962, which is \$3,701,227 greater than last year. The difference is mainly due to an increase in succeeding this year's county property tax levy receivable of \$763,743, an increase in assets limited to use of \$2,887,033 due primarily to a decline in the reserve for health insurance claims and an increase of \$3,338,783 for funds limit to replacing the computer system, a decrease in patient receivables of \$1,070,256, and an increase in cash of \$1,042,121. Net capital assets at June 30, 2005 are \$19,587,796, which is \$1,683,377 less than last fiscal year.

Total current liabilities of \$52,880,719 are \$1,442,566 more than last fiscal year. The difference is due to an increase in deferred revenue for succeeding year's county property tax revenue of \$763,743, an increase in accrued employee compensation and payroll taxes of \$296,407, and an increase in accounts payable and other accrued expenses of \$194,089.

Long-term liabilities of \$8,262,243 are \$1,322,063 less than last fiscal year. The decrease is primarily due to principal payments of \$1,410,505, which reduced the long-term portion of debt and capital leases. Net assets total \$26,295,056, which is \$1,795,144 more than last fiscal year.

June 30, 2004: Total current assets are \$61,540,735, which is \$4,148,238 greater than last year. The difference is due to an increase in succeeding year's county property tax levy receivable of \$3,121,676, and in the amount due from third-party payors of \$945,010. Net capital assets at June 30, 2004 are \$21,271,173, which is \$798,859 less than last fiscal year.

Total current liabilities of \$51,438,153 are \$654,520 less than last fiscal year. The difference is due to an increase in deferred revenue for succeeding year's county property tax revenue of \$3,121,676, a decrease in accrued claims of our self-insured plans of \$2,027,402, and a decrease of \$1,168,545 in accrued payroll and payroll taxes.

Long-term liabilities of \$9,584,306 are \$588,186 less than last fiscal year. The decrease is due to principal payments, debt and capital leases which reduced the long-term portion of debt by \$1,242,346. Net assets total \$24,491,825, which is \$1,925,839 more than last fiscal year.

Broadlawns Medical Center

Management's Discussion and Analysis
Years Ended June 30, 2005 and 2004

A summary of the Medical Center's balance sheet is presented in Table 1 below:

Table 1

Condensed Balance Sheet	June 30,		
	2005	2004	2003
Total current assets	\$ 65,241,962	\$ 61,540,735	\$ 57,392,497
Capital assets, net	19,587,796	21,271,173	22,070,032
Other assets, including board-designated investments	2,608,260	2,710,463	5,376,709
Total assets	\$ 87,438,018	\$ 85,522,371	\$ 84,839,238
Current liabilities	\$ 52,880,719	\$ 51,438,153	\$ 52,092,673
Long-term debt outstanding and other long-term liabilities	8,262,243	9,584,306	10,172,492
Total liabilities	61,142,962	61,022,459	62,265,165
Invested in capital assets, net of related debt	12,268,155	12,624,632	13,130,441
Restricted net assets	4,043,090	1,254,362	2,921,788
Unrestricted net assets	9,983,811	10,620,918	6,521,844
Total net assets	26,295,056	24,499,912	22,574,073
Total liabilities and net assets	\$ 87,438,018	\$ 85,522,371	\$ 84,839,238

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2005 and 2004

Summary of Revenue, Expenses, and Changes in Net Assets

Year Ended June 30, 2005: The following table presents a summary of the Medical Center's revenue, expenses and changes in net assets for the fiscal years ended June 30, 2005 and 2004. Net patient revenue is \$30,219,695, which is \$698,314 less than last fiscal year. The decrease is due to a 2.1% reduction in patient days and a 0.3% reduction in outpatient visits. Grants and contract revenue is \$3,235,725, which is \$340,907 more than last fiscal year. The increase is mainly due to the increase in the contracts with Polk County Health Services, Inc. Salaries increased \$1,676,777 or 4.7% due mainly to annual C.O.L.A. rate increases. Employee benefits increased \$3,151,602 or 44.3% due mainly to a \$2,852,282 increase in health insurance expense. Property taxes totaled \$44,046,852, which is \$4,728,010 more than last fiscal year.

Year Ended June 30, 2004: The following table presents a summary of the Medical Center's revenue, expenses and changes in net assets for the fiscal years ended June 30, 2004 and 2003. Net patient revenue is \$30,918,009, which is \$1,538,816 more than last fiscal year. The increase is due to a 3.7% increase in outpatient visits and improved collection efforts up front. Grants and contract revenue is \$2,894,818, which is \$654,531 less than last fiscal year. The decrease is mainly due to the discontinued relationship with Primary Health Care, Inc. on October 1, 2002. Salaries increased \$615,044 or 1.8% and fringe benefits decreased \$2,962,491 mainly due to reduction in liabilities in our self-insured trust funds for health insurance. Supplies and other expenses are \$24,323,079, which is \$2,327,614 more than last fiscal year. The increase is mainly due to an increase in pharmacy costs of \$1,079,815 and \$548,556 in operation of plant costs. The Medical Center purchased an insurance policy to cover the maintenance and repairs of specific equipment with the expense being charged to operation of plant. Property taxes totaled \$39,318,842, which is \$2,774,630 more than last fiscal year. Property taxes for improvement and maintenance are fixed at a rate set by the legislature and at costs for specific levies.

Table 2

Revenue, Expenses, and Changes in Net Assets	Year Ended June 30,		
	2005	2004	2003
Revenue:			
Net patient service revenue	\$ 30,219,695	\$ 30,918,009	\$ 29,379,193
Grants and contracts	3,235,725	2,894,818	3,549,349
Other	2,126,996	2,207,185	2,230,104
Total operating revenue	35,582,416	36,020,012	35,158,646
Expenses:			
Salaries and employee benefits	47,615,294	42,786,915	45,134,362
Supplies and other expenses	24,266,820	24,323,079	21,995,465
Physician fees and outside services	3,177,599	3,379,448	3,444,984
Depreciation	2,809,764	2,889,657	2,923,536
Operating expenses	77,869,477	73,379,099	73,498,347
Operating loss	(42,287,061)	(37,359,087)	(38,339,701)
Nonoperating revenue, net	44,082,205	39,284,926	36,425,180
Increase (decrease) in net assets	\$ 1,795,144	\$ 1,925,839	\$ (1,914,521)

Broadlawns Medical Center

**Management's Discussion and Analysis
Years Ended June 30, 2005 and 2004**

Patient and Medical Center Statistical Data

Year Ended June 30, 2005: Admissions of 4,207 patients for the current fiscal year are 360 less than last fiscal year. Average length of stay for acute patients is 3.2 days, which is the same as last fiscal year. Average length of stay for mental health patients is 6.7 days, which is .7 days more than last fiscal year. The combined decrease in admissions and increase in length of stay results in a decrease in patient days of 378 days to 17,721 days for the fiscal year ended June 30, 2005.

The outpatient visits for fiscal year ended June 30, 2005 are 166,391, which is 483 less than last fiscal year.

Year Ended June 30, 2004: Admissions of 4,567 patients for the current fiscal year are 497 less than last fiscal year. Average length of stay for acute patients is 3.2 days, which is .1 day more than last fiscal year. Average length of stay for mental health patients is 6.0 days, which is .8 days more than last fiscal year. The combined decrease in admissions and increase in length of stay results in a decrease in patient days of 494 days to 18,099 days for the fiscal year ended June 30, 2004.

The outpatient visits for the fiscal year ended June 30, 2004 are 166,874, which is 5,834 more than last fiscal year. The increase is primarily in Mental Health Services, which accounts for 4,522 of the increased visits, and in the Walk-in Clinic and Doctors Health Clinic, which accounts for 1,598 of the increased visits.

Table 3

Patient and Medical Center Statistical Data	Year Ended June 30,		
	2005	2004	2003
Total patient days	17,721	18,099	18,593
Admissions	4,207	4,567	5,064
Discharges	4,223	4,546	5,067
Average length of stay (Days):			
Acute	3.2	3.2	3.1
Mental health	6.7	6.0	5.2
Outpatient visits:			
Mental health	41,009	41,119	36,597
Walk-in Clinic and Doctors Health Clinic	38,978	35,139	33,541
Emergency room and urgent care room	26,717	27,724	27,459
Specialty Clinic	20,528	23,010	22,186
Family Health Center	16,165	17,384	19,305
Dental Clinics	8,724	8,576	7,551
OB Clinic and Family Planning	6,328	6,774	6,530
Addiction medicine	7,942	3,891	4,701
Homeless Outreach	-	3,257	3,170
Total outpatient visits	166,391	166,874	161,040

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2005 and 2004

Sources of Revenue

Net Patient Revenue

Year Ended June 30, 2005: The Medical Center is the safety net for the indigent uninsured and underinsured of Polk County and is dependent on two major sources of revenue, net patient revenue and property taxes. During the fiscal year 2005 the Medical Center recorded \$30,219,695 in net patient revenue representing 37.7% of total revenue. The \$30,219,695 in net patient revenue represents 35.3% of gross patient charges compared to 36.7% last fiscal year. The majority of net patient revenue is paid by Medicare, Medicaid, and third-party payors based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Any patient falling under 200% of the federal poverty guidelines without a third-party payor is considered indigent and eligible for charity care.

Year Ended June 30, 2004: The Medical Center is the safety net for the indigent uninsured and underinsured of Polk County and is dependent on two major sources of revenue, net patient revenue and property taxes. During the fiscal year 2004 the Medical Center recorded \$30,918,009 in net patient revenue representing 39.7% of total revenue. The \$30,918,009 in net patient revenue represents 36.7% of gross patient charges compared to 38.6% last fiscal year. The majority of net patient revenue is paid by Medicare, Medicaid, and third-party payors based upon established contracts. The difference between the covered charges and the established contract is recognized as a contractual allowance. Any patient falling under 200% of the federal poverty guidelines without a third-party payor is considered indigent and eligible for charity care.

Table 4 presents the relative percentage of gross charges billed for patient services by payor for the last three fiscal years. There was no material change in the payor mix between the fiscal years ended June 30, 2005, 2004 and 2003.

Table 4

Payor Mix by Percentages	Year Ended June 30,		
	2005	2004	2003
Medicare	14%	14%	12%
Medicaid	24	22	24
Third-party payors	6	8	5
Polk County Health Services, Inc.	5	3	4
Wellmark	2	2	2
Self pay, including charity care and bad debts	49	51	53
Total	100%	100%	100%

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2005 and 2004

Deductions from revenue consist of charity care totaling \$30,337,679, contractual adjustments totaling \$17,169,851 and bad debts totaling \$7,924,884. Table 5 presents the amounts of charity care, contractual adjustments, bad debts, and net patient revenue as compared to gross patient charges for the years ended June 30, 2005, 2004 and 2003. As a percentage of gross patient charges, charity care increased 3.1%, contractual adjustments increased 3.4%, and bad debts decreased 5.1%, resulting in a decrease of 1.4% net patient revenue as compared to gross patient charges.

Table 5

Net Patient Revenue	Year Ended June 30,		
	2005	2004	2003
Gross patient revenue	\$ 85,652,109	\$ 84,340,059	\$ 76,200,914
Charity care	(30,337,679)	(27,285,255)	(25,196,794)
Contractual adjustments	(17,169,851)	(14,021,784)	(10,548,305)
Bad debt	(7,924,884)	(12,115,011)	(11,076,622)
Net patient revenue	<u>\$ 30,219,695</u>	<u>\$ 30,918,009</u>	<u>\$ 29,379,193</u>

Grant/Contract Revenue

Year Ended June 30, 2005: Grant and contract revenue for the year ended June 30, 2005 totaled \$1,524,792 and \$1,710,933, respectively, for a total of \$3,235,725, which represents 4.0% of total revenue compared to a total of \$2,894,818 in 2004.

Year Ended June 30, 2004: Grant and contract revenue for the year ended June 30, 2004 totaled \$1,326,137 and \$1,568,681, respectively, for a total of \$2,894,818, which represents 3.7% of total revenue compared to a total of \$3,549,349 in 2003. On October 1, 2002, Primary Health Care, Inc. ceased operating on campus. Primary Health Care Inc. was grantee of several grants that are no longer reflected on the Medical Center's books from that date forward.

Other Revenue

Other revenue consists of cafeteria revenue, sale of supplies, and services provided to other entities. Other revenue totals \$2,126,996 and \$2,207,185, which represents 2.7% and 2.8% of total revenue for years ended June 30, 2005 and 2004, respectively.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2005 and 2004

Tax Receipts

Year Ended June 30, 2005: Broadlawns Medical Center has the taxing authority under the Code of Iowa to support its operations. For the year ended June 30, 2005, the Medical Center's tax receipts totaled \$44,046,852, which was an increase of \$4,728,010 or 12.0% from the prior year. The tax receipts represented 55.0% of total revenue. The tax receipts for the year ended June 30, 2005 included an emergency tax levy totaling \$3,342,075, which is restricted to replacement of the Medical Center's computer system.

Anticipated tax receipts for the next fiscal year 2006 is \$43,075,102.

Year Ended June 30, 2004: Broadlawns Medical Center has the taxing authority under the Code of Iowa to support its operations. For the year ended June 30, 2004, the Medical Center's tax receipts totaled \$39,318,842, which was an increase of \$2,774,630 or 7.6% from the prior year. The tax receipts represented 50.5% of total revenue. Distribution of the Iowa personal property taxes was discontinued after 2003.

Anticipated tax receipts for the next fiscal year 2005 is \$42,311,359. Included in the certified levy for 2005 is an emergency levy for \$3,213,179, which is restricted to replacement of the Medical Center's financial, patient accounting and clinical computer systems. Evaluation, selection, and implementation of the new computer system will cover the next two fiscal years.

Table 6

Tax Receipts	2005	2004	2003	Increase (Decrease)	Levied Taxes June 30, 2006
Improvement and maintenance	\$ 27,699,740	\$ 26,328,611	\$ 25,004,638	\$ 1,371,129	\$ 27,573,876
FICA Fund	2,473,789	2,621,816	2,416,668	(148,027)	2,818,857
IPERS Fund	2,019,514	1,861,111	1,811,312	158,403	2,178,874
Unemployment Fund	87,694	54,713	26,469	32,981	201,222
Tort (Insurance) Fund	8,424,040	8,452,591	7,285,125	(28,551)	10,302,273
Emergency Tax Levy	3,342,075	-	-	3,342,075	-
Total taxes	\$ 44,046,852	\$ 39,318,842	\$ 36,544,212	\$ 4,728,010	\$ 43,075,102

Capital Assets

June 30, 2005: As of June 30, 2005 the Medical Center had \$19,587,796 invested in capital assets. Capital expenditures in 2005 were less than the 2005 depreciation expense, resulting in a reduction of \$1,683,377 in net capital assets from 2004 to 2005.

June 30, 2004: As of June 30, 2004 the Medical Center had \$21,271,173 invested in capital assets. Capital expenditures in 2004 were approximately \$830,946 less than the 2004 depreciation expense, resulting in a reduction of capital assets from 2003 to 2004.

June 30, 2003: As of June 30, 2003 the Medical Center had \$22,070,032 invested in capital assets. This represented a decrease in comparison to June 30, 2002.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2005 and 2004

Table 7

	June 30,		
	2005	2004	2003
Capital assets not being depreciated:			
Land	\$ 58,276	\$ 58,276	\$ 58,276
Construction in progress	173,342	276,052	568,008
Capital assets net of depreciation:			
Land improvements	1,867,830	2,021,580	2,182,926
Buildings	6,812,384	7,267,711	7,761,389
Building equipment	6,470,742	7,222,189	6,639,162
Fixed equipment	61,536	50,241	58,317
Vans	132,533	162,905	47,395
Major movable equipment	3,772,446	3,969,335	4,664,872
Equipment under capital lease	238,707	242,884	89,687
Total capital assets, net	\$ 19,587,796	\$ 21,271,173	\$ 22,070,032

Long-Term Debt

Long-term debt consists of general obligation capital loan notes, general obligation bonds, and capital lease obligations described in more detail in the Notes to the Basic Financial Statements. The principal balance on the outstanding obligations was \$7,582,199 as of June 30, 2005, \$8,966,890 as of June 30, 2004 and \$10,210,811 as of June 30, 2003. The decreases are attributable to the bond principal payments offset by new debt in 2004 and new capital leases in 2004 and 2005.

Fiscal Year 2006 Outlook

The Board of Trustees has approved and set the budget for the 2006 fiscal year. The budget projects a net operating income of \$2,626,092.

The Medical Center has filed for additional disproportionate share reimbursement from Medicare under a special regulation known as the "Pickle Amendment." This legislation provides additional reimbursement to hospitals with a higher percentage of indigent patients. Final approval has been received for fiscal year 2002 – 2003.

The Medical Center has contracted with Meditech for replacement of its information system. The Medical Center was issued an emergency levy during 2004-2005 fiscal year for this purpose. Cost projections are approximately \$4.1 million with installation of the different modules over two years.

All legal challenges to the union election to organize the Registered Nurses at Broadlawns Medical Center has been settled. The parties currently are negotiating a new labor contract, which will be retroactive back to July 1, 2005.

Broadlawns Medical Center and Iowa Health Des Moines have entered into an affiliation agreement. Under the plan, Broadlawns Medical Center and Iowa Health Des Moines will remain independent, but will provide educational programs and mental health care together as well as search for ways to manage their facilities more effectively. This will improve medical care to the uninsured and underinsured patients in our community.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2005 and 2004

House File 841, which the Legislators passed, established the IowaCare Program beginning July 1, 2005. The IowaCare Program is a limited expansion of the Medicaid Program and includes reform initiatives targeted at IowaCare members and the Medicaid Program as a whole. The waiver has been approved by the Centers for Medicare and Medicaid Services (CMS). Under this waiver a funding mechanism has been established that allows the state to provide a limited medical benefit to those persons previously classified as "state papers" recipients, recipients of care at Broadlawns Medical Center in Polk County, and at the State's four Mental Health institutions. The benefit allows them to continue to receive medical services with financial participation by the federal government. The program is funded through appropriation of the state papers to the University of Iowa and a portion of the tax levy of Broadlawns Medical Center. The IowaCare Program does not increase the resources available to provide services to this patient population. House File 841 also included a \$3,000,000 non-restricted appropriation to Broadlawns Medical Center in the 2005-2006 fiscal year.

Fiscal year 2005-2006 will be the first year under the Iowa Cares program. The expected enrollment for adults is 14,000. The program serves adults age 19-64 who meet income guidelines whereby they may earn up to 200% of the federal poverty level (FPL) but would not otherwise qualify for regular Medicaid.

The financial impact of the Iowa Cares Program on Broadlawns Medical Center cannot be determined at this time.

Contacting the Medical Center's Financial Management

The financial report provides the citizens of Polk County, our patients, bondholders, and creditors with a general overview of the Medical Center's finances and operations. If you have any questions about this report, please contact Gary Uhl, Vice President of Financial Services, Broadlawns Medical Center, 1801 Hickman Road, Des Moines, Iowa 50314.

Broadlawns Medical Center

Balance Sheets

June 30, 2005 and 2004

Assets	Medical Center		Component Unit (Foundation)	
	2005	2004	2005	2004
Current Assets:				
Cash and cash equivalents	\$ 3,458,231	\$ 2,416,110	\$ 119,239	\$ 140,386
Investments	15,779	15,515	-	-
Assets limited as to use or restricted, required for current liabilities:				
Cash and cash equivalents	3,457,088	3,908,838	71,000	-
Investments	3,338,783	-	-	-
Receivables:				
Patient, less estimated allowances for uncollectibles and contractals 2005 \$6,167,083; 2004 \$7,253,380	8,816,920	9,887,176	-	-
Property taxes	460,358	395,801	-	-
Succeeding year property taxes	43,075,102	42,311,359	-	-
Federal grants	274,788	220,953	-	-
Nonfederal grants	184,034	177,861	-	-
Other	162,677	114,360	-	25,511
Due from third-party payors	1,264,337	1,091,378	-	-
Inventories	423,801	384,089	-	-
Prepaid expenses and other assets	310,064	617,295	-	-
Total current assets	65,241,962	61,540,735	190,239	165,897
Noncurrent Assets:				
Assets limited as to use or restricted:				
Cash and cash equivalents	88,446	61,150	-	-
Investments	2,257,256	2,235,840	-	-
Funds on deposit	-	93,124	-	-
	2,345,702	2,390,114	-	-
Capital assets, net	19,587,796	21,271,173	5,323	6,773
Other assets	262,558	320,349	-	-
Total noncurrent assets	22,196,056	23,981,636	5,323	6,773
	\$ 87,438,018	\$ 85,522,371	\$ 195,562	\$ 172,670

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Medical Center		Component Unit (Foundation)	
	2005	2004	2005	2004
Current Liabilities:				
Current maturities of long-term debt	\$ 955,000	\$ 930,000	\$ -	\$ -
Current maturities of capital lease obligations	539,511	511,295	-	-
Accounts payable and other accrued expenses	2,756,186	2,562,097	339,518	356,514
Accrued employee compensation and payroll taxes	3,985,993	3,689,586	-	1,065
Current portion of accrued claims on self-insurance	1,568,927	1,433,816	-	-
Deferred revenue for succeeding year property taxes	43,075,102	42,311,359	-	-
Total current liabilities	52,880,719	51,438,153	339,518	357,579

Noncurrent Liabilities:

Accrued claims on self-insurance, less current

portion

2,174,555 2,058,711 - -

Long-term debt, less current maturities

3,182,834 4,102,478 - -

Long-term capital lease obligations, less
current maturities

2,904,854 3,423,117 - -

Total noncurrent liabilities

8,262,243 9,584,306 - -

Total liabilities

61,142,962 61,022,459 339,518 357,579

Commitments and Contingencies (Notes 5 and 8)

Net Assets:

Invested in capital assets, net of related debt

12,268,155 12,624,632 5,323 6,773

Restricted:

For debt service

621,685 614,076 - -

For capital acquisitions

3,338,783 - - -

For specific activities

82,622 80,534 178,628 169,219

Unrestricted

9,983,811 11,180,670 (327,907) (360,901)

Total net assets

26,295,056 24,499,912 (143,956) (184,909)

\$ 87,438,018 \$ 85,522,371 \$ 195,562 \$ 172,670

Broadlawns Medical Center

**Statements of Revenue, Expenses, and Changes in Net Assets
Years Ended June 30, 2005 and 2004**

	Medical Center		Component Unit (Foundation)	
	2005	2004	2005	2004
Operating revenue:				
Net patient service revenue, net	\$ 30,219,695	\$ 30,918,009	\$ -	\$ -
Contracts	1,710,933	1,326,137	-	-
Operating grants	1,524,792	1,568,681	-	-
Other	2,126,996	2,207,185	315,493	205,887
Total operating revenue	35,582,416	36,020,012	315,493	205,887
Operating expenses:				
Salaries and wages	37,353,364	35,676,587	-	74,510
Employee benefits	10,261,930	7,110,328	-	4,152
Physician fees and outside services	3,177,599	3,379,448	-	-
Supplies and other expenses	24,266,820	24,323,079	35,383	31,651
Depreciation and amortization	2,809,764	2,889,657	1,450	700
Total operating expenses	77,869,477	73,379,099	36,833	111,013
Operating income (loss)	(42,287,061)	(37,359,087)	278,660	94,874
Nonoperating revenue (expense):				
Property taxes	44,046,852	39,318,842	-	-
State appropriations	200,000	312,000	-	-
Noncapital grants and contributions	108,644	9,020	(237,915)	(117,129)
Investment earnings	150,540	66,587	208	58
Interest expense	(487,590)	(563,517)	-	-
Capital grants and contributions	13,626	99,997	-	-
Other, net	50,133	41,997	-	-
Total nonoperating revenue (expense), net	44,082,205	39,284,926	(237,707)	(117,071)
Change in net assets	1,795,144	1,925,839	40,953	(22,197)
Net assets:				
Beginning	24,499,912	22,574,073	(184,909)	(162,712)
Ending	\$ 26,295,056	\$ 24,499,912	\$ (143,956)	\$ (184,909)

See Notes to Basic Financial Statements.

Broadlawns Medical Center

Statements of Cash Flows
Years Ended June 30, 2005 and 2004

	Medical Center		Component Unit (Foundation)	
	2005	2004	2005	2004
Cash Flows from Operating Activities:				
Receipts from and on behalf of patients	\$ 34,352,717	\$ 33,458,144	\$ -	\$ -
Payments to suppliers and contractors	(26,867,013)	(29,684,770)	(52,379)	68,633
Payments to employees	(47,318,887)	(43,955,460)	(1,065)	(82,395)
Other receipts and payments, net	2,149,578	2,234,890	341,004	180,376
Net cash provided by (used in) operating activities	(37,683,605)	(37,947,196)	287,560	166,614
Cash Flows from Noncapital Financing Activities:				
Property taxes	40,640,220	39,331,917	-	-
State appropriations	200,000	312,000	-	-
Noncapital grants and contributions	108,644	96,285	(237,915)	(117,129)
Interest paid on noncapital financing	(103,173)	(64,754)	-	-
Proceeds from issuing anticipatory warrants	11,940,000	11,161,500	-	-
Repayments of anticipatory warrants	(11,940,000)	(11,161,500)	-	-
Other	50,133	41,997	-	-
Net cash provided by (used in) noncapital financing activities	40,895,824	39,717,445	(237,915)	(117,129)
Cash Flows from Capital and Related Financing Activities:				
Capital grants and contributions	13,626	12,732	-	-
Property taxes restricted to capital acquisitions	3,342,075	-	-	-
Issuance of long-term debt	-	1,451,746	-	-
Principal paid on long-term debt	(1,410,505)	(2,923,199)	-	-
Interest paid on long-term debt	(394,543)	(498,763)	-	-
Purchase of capital assets	(1,038,532)	(1,831,179)	-	(7,473)
Net cash provided by (used in) capital and related financing activities	512,121	(3,788,663)	-	(7,473)
Cash Flows from Investing Activities:				
Investment income	160,666	66,587	208	58
Purchase of investments	(3,360,463)	(2,593,012)	-	-
Proceeds from investments	-	2,770,091	-	1,377
Net cash provided by (used in) investing activities	(3,199,797)	243,666	208	1,435
Net increase (decrease) in cash and cash equivalents	524,543	(1,774,748)	49,853	43,447
Cash and cash equivalents:				
Beginning	6,479,222	8,253,970	140,386	96,939
Ending	\$ 7,003,765	\$ 6,479,222	\$ 190,239	\$ 140,386

(Continued)

Broadlawns Medical Center

Statements of Cash Flows (Continued)
Years Ended June 30, 2005 and 2004

	Medical Center		Component Unit (Foundation)	
	2005	2004	2005	2004
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and cash equivalents in current assets	\$ 3,458,231	\$ 2,416,110	\$ 119,239	\$ 140,386
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	3,457,088	3,908,838	71,000	-
Assets limited as to use or restricted	88,446	61,150	-	-
Funds on deposit	-	93,124	-	-
Total cash and cash equivalents	\$ 7,003,765	\$ 6,479,222	\$ 190,239	\$ 140,386
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (42,287,061)	\$ (37,359,087)	\$ 278,660	\$ 94,874
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,809,764	2,889,657	1,450	700
Loss on disposal of capital asset	3,705	27,705	-	-
Changes in assets and liabilities:				
Patient receivables	1,070,256	590,327	-	-
Grants receivable	-	(8,559)	-	-
Inventories, prepaid expenses, and other receivables	159,194	86,691	25,511	(25,511)
Other assets	(7,955)	(108,459)	-	-
Due from third-party payors	(172,959)	(945,010)	-	-
Accounts payable and accrued expenses	741,451	(3,120,461)	(18,061)	96,551
Net cash provided by (used in) operating activities	\$ (37,683,605)	\$ (37,947,196)	\$ 287,560	\$ 166,614
Noncash Capital and Related Financing Activities, capital lease obligation incurred for acquisition of capital assets	\$ 25,814	\$ 227,532	\$ -	\$ -

See Notes to Basic Financial Statements.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business:

Broadlawns Medical Center (Medical Center) is a county public hospital created in 1917 and organized under the provisions of Chapter 347 of the Code of Iowa. As a county public hospital, the Medical Center is a political subdivision of the State of Iowa. The Medical Center is controlled by a seven-member Board of Trustees elected from qualified residents of Polk County, Iowa, for terms of six years. The Board of Trustees has all the power and duties granted to it by the General Assembly of Iowa.

The Medical Center provides primary and secondary health care services through the operation of an acute care hospital, various clinics, and other comprehensive health care programs. Patients are primarily from Polk County, Iowa. Care is provided to any resident of Polk County, Iowa, including those lacking adequate financial resources.

Broadlawns Medical Center Foundation (Foundation) is a legally separate, tax exempt, discretely presented component unit of Broadlawns Medical Center. The Foundation was formed to, among other things, raise funds for the general welfare, maintenance, and improvement of the Medical Center. The Board of the Foundation is self-perpetuating and consists of citizens of Polk County. Although the Medical Center does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, that the Foundation holds are contributed to the Medical Center. Because these resources held by the Foundation have historically been for the benefit of the Medical Center, the Foundation is considered a component unit of the Medical Center and is discretely presented in the Medical Center's financial statements.

Significant accounting policies:

Basis of presentation: The financial statements include all funds of the above mentioned entities. The Medical Center does not have any other component units, agencies, or organizations for which it is financially accountable under criteria set forth by the Governmental Accounting Standards Board (GASB), other than the Foundation which is discretely presented in these financial statements.

Accounting standards: The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to health care proprietary funds of governmental organizations, including all relevant pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 that do not conflict with GASB pronouncements. Accordingly, the accounting policies conform with the Audit and Accounting Guide, *Health Care Organizations*, as it relates to governmental organizations.

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

Accrual basis of accounting: The accrual basis of accounting is used by the Medical Center and Foundation. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when the liability has been incurred.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Cash and cash equivalents: Cash and cash equivalents include temporary cash investments whose use is not limited or restricted. The temporary cash investments have original maturities of three months or less at date of issuance. Certain temporary investments internally designated as long-term investments are excluded from cash and cash equivalents.

Patient receivables: Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate made for contractual adjustments or discounts provided to third-party payors.

Patient receivables due directly from the patients, net of any third-party payor responsibility, are carried at the original charge for the service provided less an estimated allowance for doubtful accounts. Management determines the allowance for doubtful accounts by identifying troubled accounts and by historical experience applied to an aging of accounts. The Medical Center does not charge interest on patient receivables. Patient receivables are written off as bad debt expense when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt expense when received. Provision for bad debts was \$7,924,884 and \$12,115,011 for the years ended June 30, 2005 and 2004, respectively.

Receivables or payables related to estimated settlements on various risk contracts that the Medical Center participates in are reported as estimated third-party payor receivables or payables.

Inventories: Inventories are stated at lower of cost or market, with cost determined using the first-in, first-out, or average cost method. Inventories are recorded as an expenditure at the time of consumption.

County tax levy receivable/succeeding year county tax levy receivable: The county tax levy is recognized as a receivable on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors and is thereby an enforceable legal claim. County tax levy receivable represents unpaid taxes for the 2005 fiscal year. The succeeding year county tax levy receivable represents taxes certified by the Board of Supervisors to be collected in the 2006 fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year county tax levy receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Investments: Assets limited as to use or restricted and investments are recorded at fair value. Interest-bearing investments are intended to be held until maturity. Donated investments are reported at fair value at date of receipt, which becomes the asset cost. Realized gains or losses are determined based on the specific-identification method.

The Medical Center invests in Iowa Public Agency Investment Trust which is a 2a-7-Like pool. The Iowa Public Agency Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Capital assets: Capital assets are carried at cost or, if donated, at fair value at date of donation. Depreciation is computed by the straight-line method over the assets' estimated useful lives ranging from three to forty years. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets and is depreciated over the estimated useful lives of the constructed assets. There was no interest capitalized on construction during the years ended June 30, 2005 and 2004.

Net patient service revenue: Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Net patient service revenue is reported net of provision for bad debts.

Operating income: The Medical Center distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from the primary purpose of the Medical Center, which is to provide medical services to the region. Other operating revenue consists of revenue from grants, contracts, cafeteria sales, and other miscellaneous services. Operating expenses consist of salaries and wages, employee benefits, physician fees and outside services, depreciation and amortization, interest and supplies, and other. All revenue and expenses not meeting these criteria are considered nonoperating.

For the Foundation, operating revenue and expenses generally result from operations of the Foundation. Other operating revenue consists of contributions received. Operating expenses consist of salaries and wages, employee benefits, depreciation, supplies, and other. All revenue and expenses not meeting these criteria are considered nonoperating.

Net assets: Net assets are classified in three components.

- *Invested in capital assets net of related debt* – this component of net assets consists of capital assets net of accumulated depreciation and amortization and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.
- *Restricted* – this component of net assets consists of constraints placed on net assets through external constraints that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Organization, including amounts deposited as required by debt agreements.
- *Unrestricted net assets* – this component of net assets consists of net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted", above.

Tax revenue: Tax revenue, generated from property taxes, is recognized in revenue during the year for which it is levied. The Medical Center may receive tax support for maintenance and operations, certain payroll and other expenses, and property and equipment improvements and replacements, subject to specified limits.

Charity care: The Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. Charity care rendered by the Medical Center, at established rates, totaled \$30,337,679 and \$27,285,255 for the years ended June 30, 2005 and 2004, respectively.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Income taxes: The Medical Center and Foundation are organizations described in Section 501(c)(3) of the Internal Revenue Code (the Code) and, therefore, are exempt from federal taxes on related income pursuant to Section 501(a) of the Code.

Reclassifications: Certain items on the basic financial statements as of and for the year ended June 30, 2004 have been reclassified to be consistent with current year presentation. The reclassifications did not affect changes in net assets.

Note 2. Net Patient Service Revenue

As a provider of health care services, the Medical Center generally grants credit to patients without requiring collateral or other securities; however, it routinely obtains assignments of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies that are considered third-party payors.

A significant portion of net patient service revenue relates to patients covered by Medicare, Medicaid, Wellmark, Polk County Health Services, Inc. (PCHS), and other reimbursement agreements. Patient revenue is recorded at the Medical Center's established rates when patient services are performed.

Reimbursement by third-party payor programs under the provisions of case payment and cost reimbursement programs in effect generally result in amounts received being less than the established billing rates of the Medical Center. Amounts due from and to third-party payors represent settlement amounts due from and to Medicare and other programs based upon the application of reimbursement formulas, applicable law, regulations, and program instructions.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 2. Net Patient Service Revenue (Continued)

A reconciliation of gross patient service revenue to net patient service revenue for the years ended June 30, 2005 and 2004 is as follows:

	2005	2004
Gross patient service revenue:		
Inpatient	\$ 32,414,591	\$ 35,181,952
Outpatient	53,237,518	49,158,107
	<u>85,652,109</u>	<u>84,340,059</u>
Less charity care	30,337,679	27,285,255
Gross patient service revenue	<u>55,314,430</u>	<u>57,054,804</u>
Less provisions for bad debts	<u>7,924,884</u>	<u>12,115,011</u>
Less contractual and other adjustments:		
Employee discounts	38,147	104,630
Contractual adjustments under third-party reimbursement programs:		
Medicare	2,694,397	1,131,287
Medicaid	5,135,463	5,700,813
Magellan	1,173,296	2,020,441
Heritage	27,389	241,676
Wellmark	362,925	444,745
PCHS	1,079,914	1,065,655
United Healthcare	362,026	436,051
Other	6,296,294	2,876,486
	<u>17,169,851</u>	<u>14,021,784</u>
Net patient service revenue	<u>\$ 30,219,695</u>	<u>\$ 30,918,009</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 3. Cash and Investments

As of June 30, 2005, the Organization has the following investments:

Investment	Maturities	Fair Value
U.S. Treasury Note	01/31/2006	\$ 148,676
U.S. Treasury Note	03/31/2006	98,551
U.S. Treasury Note	05/31/2006	198,148
U.S. Treasury Note	06/30/2006	198,460
U.S. Treasury Note	07/31/2005	99,863
U.S. Treasury Note	02/28/2006	148,224
U.S. Treasury Note	08/31/2005	99,801
U.S. Treasury Note	04/30/2006	98,973
FHLB	08/09/2005	304,114
Artwork	NA	3,500
Iowa Public Agency Investment Trust	Current	4,213,508
		<u>\$ 5,611,818</u>

Interest rate risk: In accordance with the Organization's investment policy, the Medical Center and Foundation strive to obtain a reasonable return. Neither formal policies limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk: The Iowa Code authorizes the Medical Center and Foundation to invest in obligations of the U.S. government, its agencies, and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions; prime banker's acceptances that mature within 270 days and that are eligible for purchase by a federal reserve bank; commercial paper or other short-term corporate debt that matures within 270 days and that is rated within the two highest classifications, as established by at least one of the standard rating services approved by the superintendent of banking; repurchase agreements whose underlying collateral consists of obligations of the U.S. government, its agencies, and instrumentalities; an open-end management investment company registered with federal securities and exchange commission under the Federal Investment Company Act of 1940; a joint investment trust organized pursuant to Chapter 28E prior to and existing in good standing on April 28, 1992, or is rated within the two highest classifications by at least one of the standard rating services approved by the superintendent of banking; and warrants or improvement certificates of a levee or drainage district. The Medical Center and Foundation's investment policy does not further limit its investment choices. The Iowa Public Agency Investment Trust is not rated as of June 30, 2005.

Concentration of credit risk: The Medical Center places no limit on the amount the Medical Center may invest in any one issuer. More than 5 percent of the Medical Center's investments are in FHLB. This investment is approximately 5.4% of the Medical Center's total investments. The Foundation places no limit on the amount the Foundation may invest in any one issuer. The Foundation has no investments as of June 30, 2005.

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. It is the Medical Center and Foundation's policy to avoid default risks with financial institutions with which the chief financial officer deposits monies by determining in advance of the deposit that each depository in which monies are to be placed is an approved depository for purposes of Chapter 453 of Iowa Code. As of June 30, 2005, the Medical Center and Foundation's deposits and investments were not exposed to custodial credit risk.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 4. Assets Limited as to Use or Restricted

Assets limited as to use or restricted include assets set aside by the Board of Trustees for plant replacement and expansion, recognition of memorial contributions, funding of the Medical Center's self-insured retention fund, and by agreement with others. Assets limited as to use by the Board of Trustees may, at the Board's discretion, be subsequently used for other purposes. Assets limited as to use are classified as current assets, to the extent available, to meet current liabilities.

Assets limited as to use or restricted as of June 30, 2005 and 2004 were designated as follows:

	2005	2004
Board designated for:		
Memorial funds	\$ 16,592	\$ 16,561
Plant replacement and expansion	549,541	210,972
Self-insured retention funds:		
Medical malpractice	2,916,287	2,524,350
Workers' compensation	564,294	616,470
Health insurance trust	900,734	2,136,401
Equipment maintenance trust	25,646	-
Dental	138,481	180,122
Under terms of a capital lease obligation, debt service reserve (Note 6)	621,685	614,076
Patient Trust Fund	4,517	-
Alumni Fund	65,013	-
Capital tax levy, restricted for capital assets	3,338,783	-
	<u>\$ 9,141,573</u>	<u>\$ 6,298,952</u>

These balances are presented in the accompanying balance sheets as summarized below:

	2005	2004
Assets limited as to use or restricted, required for current liabilities	\$ 6,795,871	\$ 3,908,838
Assets limited as to use or restricted	2,345,702	2,390,114
	<u>\$ 9,141,573</u>	<u>\$ 6,298,952</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 5. Capital Assets

Activity in capital assets and accumulated depreciation and amortization for the years ended June 30, 2005 and 2004 was as follows:

	Medical Center			
	June 30, 2004	Additions	Transfers and Disposals	June 30, 2005
Capital assets, not being depreciated:				
Land	\$ 58,276	\$ -	\$ -	\$ 58,276
Construction in progress	276,052	279,444	(382,154)	173,342
Total capital assets, not being depreciated	334,328	279,444	(382,154)	231,618
Capital assets, being depreciated:				
Land improvements	3,784,525	-	-	3,784,525
Buildings	18,051,026	-	9,054	18,060,080
Building equipment	19,304,145	55,424	15,769	19,375,338
Fixed equipment	455,859	21,165	-	477,024
Vans	196,043	14,683	-	210,726
Major moveable equipment	15,162,255	654,021	319,315	16,135,591
Equipment under capital lease	1,120,841	39,609	(1,473)	1,158,977
Total capital assets, being depreciated	58,074,694	784,902	342,665	59,202,261
Less accumulated depreciation for:				
Land improvements	1,762,945	153,750	-	1,916,695
Buildings	10,783,315	464,381	-	11,247,696
Building equipment	12,081,956	822,640	-	12,904,596
Fixed equipment	405,618	9,870	-	415,488
Vans	33,138	45,055	-	78,193
Major moveable equipment	11,192,920	1,204,536	(34,311)	12,363,145
Equipment under capital lease	877,957	43,786	(1,473)	920,270
Total accumulated depreciation	37,137,849	2,744,018	(35,784)	39,846,083
Total capital assets, being depreciated, net	20,936,845	(1,959,116)	378,449	19,356,178
Capital assets, net	\$ 21,271,173	\$ (1,679,672)	\$ (3,705)	\$ 19,587,796
	Foundation			
	June 30, 2004	Additions	Transfers and Disposals	June 30, 2005
Capital assets being depreciated, fixed equipment	\$ 7,473	\$ -	\$ -	\$ 7,473
Less accumulated depreciation for fixed equipment	700	1,450	-	2,150
Capital assets, net	\$ 6,773	\$ (1,450)	\$ -	\$ 5,323

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 5. Capital Assets (Continued)

	Medical Center			
	June 30, 2003	Additions	Transfers and Disposals	June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 58,276	\$ -	\$ -	\$ 58,276
Construction in progress	568,008	1,250,822	(1,542,778)	276,052
Total capital assets, not being depreciated	626,284	1,250,822	(1,542,778)	334,328
Capital assets, being depreciated:				
Land improvements	3,784,525	-	-	3,784,525
Buildings	18,051,026	-	-	18,051,026
Building equipment	17,941,407	42,786	1,319,952	19,304,145
Fixed equipment	456,930	549	(1,620)	455,859
Vans	58,415	137,628	-	196,043
Major moveable equipment	14,593,595	399,394	169,266	15,162,255
Equipment under capital lease	1,118,973	227,532	(225,664)	1,120,841
Total capital assets, being depreciated	56,004,871	807,889	1,261,934	58,074,694
Less accumulated depreciation for:				
Land improvements	1,601,599	161,346	-	1,762,945
Buildings	10,289,637	493,678	-	10,783,315
Building equipment	11,302,245	779,711	-	12,081,956
Fixed equipment	398,613	8,625	(1,620)	405,618
Vans	11,020	22,118	-	33,138
Major moveable equipment	9,928,723	1,316,652	(52,455)	11,192,920
Equipment under capital lease	1,029,286	47,735	(199,064)	877,957
Total accumulated depreciation	34,561,123	2,829,865	(253,139)	37,137,849
Total capital assets, being depreciated, net	21,443,748	(2,021,976)	1,515,073	20,936,845
Capital assets, net	\$ 22,070,032	\$ (771,154)	\$ (27,705)	\$ 21,271,173
	Foundation			
	June 30, 2003	Additions	Transfers and Disposals	June 30, 2004
Capital assets being depreciated, fixed equipment	\$ -	\$ 7,473	\$ -	\$ 7,473
Less accumulated depreciation for fixed equipment	-	700	-	700
Capital assets, net	\$ -	\$ 6,773	\$ -	\$ 6,773

Capital assets as of June 30, 2005 and 2004 included costs of \$15,866,807 and \$15,828,671, respectively, related to capital leases. Accumulated amortization related to the capital leases as of June 30, 2005 and 2004 was \$10,300,081 and \$9,877,834, respectively. There are no commitments to complete construction in progress projects as of June 30, 2005, other than the project described in Note 10.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Debt

Long-term debt as of June 30, 2005 and 2004 consists of the following:

	2005	2004
General obligation capital loan notes (1998), net of discount (A)	\$ 267,739	\$ 346,964
General obligation capital loan notes (2000), net of discount (B)	3,129,778	3,227,578
General obligation bonds (2003), net of discount (C)	740,317	1,457,936
Capital lease obligation, buildings (D)	3,255,000	3,720,000
Capital lease obligations, equipment (D)	189,365	214,412
	<u>7,582,199</u>	<u>8,966,890</u>
Less current maturities	1,494,511	1,441,295
	<u>\$ 6,087,688</u>	<u>\$ 7,525,595</u>

- (A) On June 2, 1998, the Medical Center issued general obligation capital loan notes through Polk County in the principal amount of \$775,000 to fund renovations and improvements to the Medical Center. The notes mature in annual installments through fiscal year 2008. Interest, at rates ranging from 4.00% to 4.60%, is payable semiannually. The net revenue and receivables of the Medical Center have been pledged to the payment of the notes.
- (B) On December 1, 2000, the Medical Center issued general obligation capital loan notes through Polk County in the principal amount of \$4,200,000 to fund demolition of a building, equipment acquisitions, infrastructure improvements, and renovation and remodeling at the Medical Center. The notes mature in annual installments through fiscal year 2012. Interest, at rates ranging from 4.50% to 4.95%, is payable semiannually. The net revenue and receivables of the Medical Center have been pledged to the payment of the notes.
- (C) On December 15, 2003, Polk County issued \$4,010,000 in General Obligation Bonds to advance refund \$1,530,000 of outstanding General Obligation Capital Notes dated July 1, 1996 and \$2,480,000 General Obligation County Purpose Bonds dated December 1, 1996. The Medical Center's portion of the refunded bonds was \$1,530,000 related to the general obligation capital loan notes dated July 1, 1996. The net proceeds of the 2003 General Obligation Bonds were used to purchase U.S. government securities, those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the General Obligation Capital Notes dated July 1, 1996 and the General Obligation County Purpose Bonds dated December 1, 1996. As a result, the 1996 Capital Loan Notes are considered to be defeased and the liability for those bonds has been removed from the financial statements of the Medical Center in fiscal year 2004. As of June 30, 2005, \$760,000 of the general obligation capital loan notes are still outstanding. The 2003 General Obligation Bonds mature in annual installments through fiscal year 2006 and bear interest at rates ranging from 1.25% to 1.7%.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$65,800. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through 2006. The Medical Center completed the advance refunding to reduce its total debt service payments over the next 3 years by approximately \$52,000 and to obtain an economic gain (difference between the present values of old and new debt service payments) of approximately \$48,700.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Debt (Continued)

- (D) The Medical Center has lease agreements related to the Sands Center and for certain equipment which are classified as capital leases. The Sands Center building lease expires in 2011 and the other leases expire at various dates through 2009.

The Medical Center was required to deposit \$610,000 in an improvement fund under the terms of the Sands Center lease agreement. This money must be used for rental payments under the lease to the extent that no other revenue is available. Any amount, however, on deposit in excess of \$305,000 not required for such payments may be borrowed from the improvement fund to pay current operating expenses of the Medical Center. The improvement fund must be replenished by the end of the fiscal year if the borrowing is made during the first quarter of a fiscal year or else by the end of the next succeeding fiscal year if the borrowing is made during the second, third, or fourth quarter of a fiscal year. As of June 30, 2004, the Medical Center had no outstanding borrowings from the improvement fund. The amounts on deposit in the improvement fund are \$621,685 and \$614,076 as of June 30, 2005 and 2004, respectively.

The term of the lease agreement requires the Medical Center to comply with certain covenants. The covenants restrict the amount of debt and capital expenditures the Medical Center can incur during the year. The covenants also require the Medical Center to maintain certain financial ratios.

Long-term debt activity as of and for the years ended June 30, 2005 and 2004 is as follows:

	June 30, 2004	Borrowings	Payments and Amortization of Discount	June 30, 2005	Amounts Due Within 1 Year
Notes payable:					
General obligation capital loan notes (1998)	\$ 346,964	\$ -	\$ 79,225	\$ 267,739	\$ 85,000
General obligation capital loan notes (2000)	3,227,578	-	97,800	3,129,778	100,000
General obligation bonds (2003)	1,457,936	-	717,619	740,317	770,000
Total notes payable	5,032,478	-	894,644	4,137,834	955,000
Capital lease obligations:					
Equipment	214,412	25,814	50,861	189,365	54,511
Buildings	3,720,000	-	465,000	3,255,000	485,000
Total lease obligations	3,934,412	25,814	515,861	3,444,365	539,511
	\$ 8,966,890	\$ 25,814	\$ 1,410,505	\$ 7,582,199	\$ 1,494,511

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Debt (Continued)

	June 30, 2003	Borrowings	Payments and Amortization of Discount	June 30, 2004	Amounts Due Within 1 Year
Notes payable:					
Note payable to Polk County	\$ 281,116	\$ -	\$ 281,116	\$ -	\$ -
General obligation capital loan notes (1996)	1,887,603	-	1,887,603	-	-
General obligation capital loan notes (1998)	426,189	-	79,225	346,964	80,000
General obligation capital loan notes (2000)	3,425,377	-	197,799	3,227,578	100,000
General obligation bonds (2003)	-	1,451,746	(6,190)	1,457,936	750,000
Total notes payable	6,020,285	1,451,746	2,439,553	5,032,478	930,000
Capital lease obligations:					
Equipment	30,526	227,532	43,646	214,412	46,295
Buildings	4,160,000	-	440,000	3,720,000	465,000
Total lease obligations	4,190,526	227,532	483,646	3,934,412	511,295
	\$ 10,210,811	\$ 1,679,278	\$ 2,923,199	\$ 8,966,890	\$ 1,441,295

Aggregate principal and interest maturities for the Medical Center's long-term debt, excluding the capital lease obligations, as of June 30, 2005 are as follows:

Year ending June 30:	Principal	Interest
2006	\$ 955,000	\$ 176,117
2007	610,000	154,518
2008	530,000	126,197
2009	505,000	101,383
2010	525,000	77,395
2011 - 2012	1,060,000	77,440
	4,185,000	\$ 713,050
Less unamortized discount	47,166	
	\$ 4,137,834	

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Debt (Continued)

The future minimum lease payments as of June 30, 2005 on the capital lease obligations are as follows:

	The Sands Center	Equipment	Total
Year ending June 30:			
2006	\$ 637,401	\$ 67,955	\$ 705,356
2007	635,091	62,775	697,866
2008	636,861	56,104	692,965
2009	632,481	30,380	662,861
2010	637,044	-	637,044
2011	634,494	-	634,494
Total minimum lease payments	3,813,372	217,214	4,030,586
Less amounts representing interest	558,372	27,849	586,221
Present value of minimum lease payments	\$ 3,255,000	\$ 189,365	\$ 3,444,365

In addition, the Medical Center issued and paid \$11,940,000 and \$11,161,500 of short-term taxable public warrants during the years ended June 30, 2005 and 2004, respectively, for financing short-term cash flow needs.

Note 7. Retirement System

The Medical Center contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Medical Center is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The Medical Center's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$2,021,768, \$1,921,535, and \$1,893,719, respectively, equal to the required contributions for each year.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 8. Risk Management, Self-Insurance and Commitments

Broadlawns Medical Center is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks, except those self-insured by the Medical Center, are covered by the purchase of commercial insurance. Settled claims for these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Self-Insurance:

The Medical Center self-insures its professional liability with annual limits of \$250,000 per claim and \$750,000 in aggregate. Thereafter, excess liability insurance coverage is maintained on a claims-made basis, with an annual aggregate liability limit of \$25,000,000 through April 14, 2005 and \$35,000,000 at year end. The Medical Center also self-insures workers' compensation, with limits of \$200,000 per claim and \$5,000,000 aggregate limit through April 14, 2005 and \$250,000 per claim and \$3,000,000 aggregate limit at year end. The Medical Center is self-insured for dental insurance with a limit of \$1,000 per covered person per year, and is self-insured for employee health expenses with limits of \$150,000 through December 31, 2004 and \$200,000 as of January 1, 2005, per covered person per year and \$1,000,000 during such person's lifetime. The Medical Center has insurance coverage for general liability and automobile liability, with aggregate limits of \$2,000,000 and \$1,000,000, respectively.

The Medical Center has a revocable trust for each self-insurance plan for the purpose of setting aside assets based on actuarial funding recommendations. Under the trust agreements, the trust assets can only be used for payment of professional liability losses, related expenses, and the cost of administering the trust. Income earned on trust fund assets (primarily U.S. treasury securities and money market funds invested in government securities) is included in nonoperating revenue. In addition, the Medical Center has a letter of credit agreement with a financial institution, which allows for draws of up to approximately \$738,000 through April 2006, which can also be used for payment of losses. There were no borrowings on the letter of credit as of June 30, 2005.

The annual provision for professional liability losses and expenses included in the accompanying statement of revenue, expenses, and changes in net assets is based on the actuarially determined estimate of the present value of liabilities and related expenses resulting from asserted and unasserted incidents, discounted at 4% in 2005 and 2004.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 8. Risk Management, Self-Insurance and Commitments (Continued)

The Medical Center has accrued liabilities of \$3,743,482 and \$3,492,527 for self-insured losses as of June 30, 2005 and 2004, respectively. These accrued liabilities are based on management's evaluation of the merits of various claims, historical experience, and consultation with external insurance consultants and include estimates for incurred but not reported claims. Losses estimated to be settled within one year have been classified as current liabilities.

	June 30, 2004	Additions	Reductions	June 30, 2005	Amounts Due Within 1 Year
Malpractice insurance	\$ 1,922,507	\$ 525,220	\$ 257,285	\$ 2,190,442	\$ 541,780
Workers' compensation insurance	700,000	417,797	371,193	746,604	220,711
Dental insurance	149,886	349,088	342,538	156,436	156,436
Health insurance	720,134	5,986,760	6,056,894	650,000	650,000
Total	\$ 3,492,527	\$ 7,278,865	\$ 7,027,910	\$ 3,743,482	\$ 1,568,927

	June 30, 2003	Additions	Reductions	June 30, 2004	Amounts Due Within 1 Year
Malpractice insurance	\$ 1,466,019	\$ 641,253	\$ 184,765	\$ 1,922,507	\$ 294,994
Workers' compensation insurance	717,724	183,282	201,006	700,000	268,802
Dental insurance	126,249	337,036	313,399	149,886	149,886
Flex benefits plan	1,537	-	1,537	-	-
Health insurance	2,554,240	2,766,737	4,600,843	720,134	720,134
Total	\$ 4,865,769	\$ 3,928,308	\$ 5,301,550	\$ 3,492,527	\$ 1,433,816

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 8. Risk Management, Self-Insurance and Commitments (Continued)

Lease commitments:

The Medical Center leases computer hardware and software equipment and real estate under operating agreements which expire through 2011. Rental expense under those agreements was approximately \$600,575 and \$590,544 for the years ended June 30, 2005 and 2004, respectively. The schedule of minimum rental payments due under these agreements is as follows:

	Equipment	Real Estate
Year ending June 30:		
2006	\$ 77,547	\$ 393,524
2007	6,922	329,181
2008	1,731	316,056
2009	-	316,056
2010	-	316,056
2011	-	316,056
	<u>\$ 86,200</u>	<u>\$ 1,986,929</u>

In connection with the computer leases, the Medical Center has data processing service agreements which expire through 2007. Total service expense under these agreements was \$1,024,319 and \$1,162,211 for the years ended June 30, 2005 and 2004, respectively. The agreements require monthly payments, which were subject to adjustment monthly based upon actual usage.

Laws and regulations:

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Medical Center is subject to similar regulatory reviews, management believes the outcome of any such regulatory review will not have a material adverse effect on the Medical Center's financial position.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 9. Concentrations of Credit Risk

The Medical Center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements or who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. The mix of receivables from patients and third-party payors as of June 30, 2005 and 2004 was as follows:

	2005	2004
Medicare	15%	7%
PCHS	6	8
Disability	6	18
Medicaid	16	9
Private pay	28	29
Title XIX pending	13	10
Other	16	19
Total	100%	100%

Note 10. Subsequent Events

In September 2005 the Medical Center's Board of Trustees authorized management to enter into a contract for the purchase of a new computer system. The majority of the funding for the project will be paid by a \$3,356,000 tax levy from Polk County. The Medical Center received approximately \$3,340,000 of the tax levy during the fiscal year ended June 30, 2005 and has included the funds in assets limited as to use or restricted in the accompanying balance sheet.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 11. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

The Medical Center adopted Statement No. 40, *Deposit and Investment Risk Disclosures*, during the year ended June 30, 2005. The adoption of this Statement required the Medical Center to modify their disclosure related to investment risks related to credit risk, concentration of credit risk, interest rate risk, deposit risk, and foreign currency risk.

The GASB has also issued several statements not yet implemented by the Medical Center. The Statements which might impact the Medical Center and Foundation (collectively the Organization) are as follows:

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, issued November 2003, will be effective for the Organization beginning with its year ending June 30, 2006. This Statement establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This Statement also clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, issued April 2004. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supersedes existing guidance. The provisions of this Statement will be effective starting with the Organization's year ending June 30, 2008.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued June 2004, will be effective for the Organization beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefits, expenses and related liabilities or assets, note disclosures and if applicable, required supplementary information in the financial reports.

Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34, will be effective for the Organization beginning with its year ending June 30, 2006. The purpose of Statement No. 46 is to help governments determine when net assets have been restricted to a particular use by the passage of enabling legislation and to specify how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation.

Statement No. 47, *Accounting for Termination Benefits*, issued June 2005, will be effective for the Organization beginning with its year ending June 30, 2006. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated. In financial statements prepared on the modified accrual basis of accounting, liabilities and expenditures for termination benefits should be recognized to the extent the liabilities are normally expected to be liquidated with expendable available financial resources.

The Organization's management has not yet determined the effect these Statements will have on the Organization's financial statements.

Broadlawns Medical Center

**Required Supplementary Information, Budget and Budgetary Accounting
Year Ended June 30, 2005**

In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following required public notice and hearings for all funds. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The budgetary basis is non-GAAP basis adjusted for depreciation and amortization, equipment improvements, lease payments, and restricted expenses.

The following is a comparison of actual expenses to budget for the year ended June 30, 2005:

GAAP Expenses	Adjustments to Budgetary Basis	Budgetary Basis	Adopted Budget
\$ 78,357,067	\$ (289,176)	\$ 78,067,891	\$ 78,658,200

Broadlawns Medical Center

**Balance Sheet, by Department
June 30, 2005**

Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Assets:					
Cash and cash equivalents	\$ 2,991,541	\$ 79,920	\$ 386,770	\$ -	\$ 3,458,231
Investments	15,779	-	-	-	15,779
Assets limited as to use or restricted, required for current liabilities:					
Cash and cash equivalents	3,452,571	4,517	-	-	3,457,088
Investments	3,338,783	-	-	-	3,338,783
Receivables:					
Patients, net	8,731,484	85,436	-	-	8,816,920
Property taxes	460,358	-	-	-	460,358
Succeeding year property taxes	43,075,102	-	-	-	43,075,102
Federal grants	274,788	-	-	-	274,788
Nonfederal grants	184,034	-	-	-	184,034
Other	427,850	-	-	265,173 (1)	162,677
Due from third-party payors	1,197,521	66,816	-	-	1,264,337
Inventories	423,801	-	-	-	423,801
Prepaid expenses and other assets	310,064	-	-	-	310,064
Total current assets	64,883,676	236,689	386,770	265,173	65,241,962
Noncurrent Assets:					
Assets Limited as to Use or Restricted:					
Cash and cash equivalents	88,446	-	-	-	88,446
Investments	2,257,256	-	-	-	2,257,256
	2,345,702	-	-	-	2,345,702
Capital Assets, net	19,362,656	13,643	211,497	-	19,587,796
Other Assets	262,558	-	-	-	262,558
Total noncurrent assets	21,970,916	13,643	211,497	-	22,196,056
	\$ 86,854,592	\$ 250,332	\$ 598,267	\$ 265,173	\$ 87,438,018

(1) To eliminate intercompany receivables and payables.

Liabilities and Net Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Liabilities:					
Current maturities of long-term debt	\$ 955,000	\$ -	\$ -	\$ -	\$ 955,000
Current maturities of capital lease obligations	539,511	-	-	-	539,511
Accounts payable and other accrued expenses	2,726,168	73,398	99,569	142,949 (1)	2,756,186
Accrued employee compensation and payroll taxes	3,985,993	54,343	67,881	122,224 (1)	3,985,993
Current portion of accrued claims on self-insurance	1,568,927	-	-	-	1,568,927
Deferred revenue for succeeding year property taxes	43,075,102	-	-	-	43,075,102
Total current liabilities	52,850,701	127,741	167,450	265,173	52,880,719
Noncurrent Liabilities:					
Accrued claims on self-insurance, less current portion	2,174,555	-	-	-	2,174,555
Long-term debt, less current maturities	3,182,834	-	-	-	3,182,834
Long-term capital lease obligations, less current maturities	2,904,854	-	-	-	2,904,854
Total noncurrent liabilities	8,262,243	-	-	-	8,262,243
Total liabilities	61,112,944	127,741	167,450	265,173	61,142,962
Commitments and Contingencies					
Net Assets:					
Invested in capital assets, net of related debt	12,043,015	13,643	211,497	-	12,268,155
Restricted:					
For debt service	621,685	-	-	-	621,685
For capital acquisitions	3,338,783	-	-	-	3,338,783
For specific activities	78,105	4,517	-	-	82,622
Unrestricted	9,660,060	104,431	219,320	-	9,983,811
Total net assets	25,741,648	122,591	430,817	-	26,295,056
	\$ 86,854,592	\$ 250,332	\$ 598,267	\$ 265,173	\$ 87,438,018

Broadlawns Medical Center

**Balance Sheet, by Department
June 30, 2004**

Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Assets:					
Cash and cash equivalents	\$ 1,996,017	\$ 101,092	\$ 319,001	\$ -	\$ 2,416,110
Investments	15,515	-	-	-	15,515
Assets limited as to use or restricted, required for current liabilities:					
Cash and cash equivalents	3,908,838	-	-	-	3,908,838
Receivables:					
Patients, net	9,806,851	78,651	1,674	-	9,887,176
Property taxes	395,801	-	-	-	395,801
Succeeding year property taxes	42,311,359	-	-	-	42,311,359
Federal grants	220,953	-	-	-	220,953
Nonfederal grants	177,861	-	-	-	177,861
Other	344,768	-	-	230,408 (1)	114,360
Due from third-party payors	1,038,869	52,509	-	-	1,091,378
Inventories	384,089	-	-	-	384,089
Prepaid expenses and other assets	617,295	-	-	-	617,295
Total current assets	61,218,216	232,252	320,675	230,408	61,540,735
Noncurrent Assets:					
Assets Limited as to Use or Restricted:					
Cash and cash equivalents	61,150	-	-	-	61,150
Investments	2,235,840	-	-	-	2,235,840
Funds on deposit	93,124	-	-	-	93,124
	2,390,114	-	-	-	2,390,114
 Capital Assets, net	 21,020,330	 3,976	 246,867	 -	 21,271,173
 Other Assets	 320,349	 -	 -	 -	 320,349
Total noncurrent assets	23,730,793	3,976	246,867	-	23,981,636
	\$ 84,949,009	\$ 236,228	\$ 567,542	\$ 230,408	\$ 85,522,371

(1) To eliminate intercompany receivables and payables.

Liabilities and Net Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Liabilities:					
Current maturities of long-term debt	\$ 930,000	\$ -	\$ -	\$ -	\$ 930,000
Current maturities of capital lease obligations	511,295	-	-	-	511,295
Accounts payable and other accrued expenses	2,477,380	65,433	144,524	125,240 (1)	2,562,097
Accrued employee compensation and payroll taxes	3,689,586	46,767	58,401	105,168 (1)	3,689,586
Current portion of accrued claims on self-insurance	1,433,816	-	-	-	1,433,816
Deferred revenue for succeeding year property taxes	42,311,359	-	-	-	42,311,359
Total current liabilities	51,353,436	112,200	202,925	230,408	51,438,153
Noncurrent Liabilities:					
Accrued claims on self-insurance, less current portion	2,058,711	-	-	-	2,058,711
Long-term debt, less current maturities	4,102,478	-	-	-	4,102,478
Long-term capital lease obligations, less current maturities	3,423,117	-	-	-	3,423,117
Total noncurrent liabilities	9,584,306	-	-	-	9,584,306
Total liabilities	60,937,742	112,200	202,925	230,408	61,022,459
Commitments and Contingencies					
Net Assets:					
Invested in capital assets, net of related debt	12,373,789	3,976	246,867	-	12,624,632
Restricted:					
For debt service	614,076	-	-	-	614,076
For specific activities	74,580	5,954	-	-	80,534
Unrestricted	10,948,822	114,098	117,750	-	11,180,670
Total net assets	24,011,267	124,028	364,617	-	24,499,912
	\$ 84,949,009	\$ 236,228	\$ 567,542	\$ 230,408	\$ 85,522,371

Broadlawns Medical Center

Combining Statements of Revenue, Expenses, and Changes in Net Assets, by Department
Year Ended June 30, 2005

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 27,803,728	\$ 1,072,338	\$ 1,343,629	\$ -	\$ 30,219,695
Contracts	1,710,933	-	-	-	1,710,933
Operating grants	1,524,792	-	-	-	1,524,792
Other	2,145,873	-	-	18,877 (1)	2,126,996
Total operating revenue	33,185,326	1,072,338	1,343,629	18,877	35,582,416
Operating expenses:					
Salaries and wages	36,114,657	666,232	572,475	-	37,353,364
Employee benefits	9,963,043	173,399	125,488	-	10,261,930
Physician fees and outside services	3,177,599	-	-	-	3,177,599
Supplies and other expenses	23,537,898	228,664	519,135	18,877 (1)	24,266,820
Depreciation and amortization	2,743,957	4,128	61,679	-	2,809,764
Total operating expenses	75,537,154	1,072,423	1,278,777	18,877	77,869,477
Operating income (loss)	(42,351,828)	(85)	64,852	-	(42,287,061)
Nonoperating revenue (expense):					
Property taxes	44,046,852	-	-	-	44,046,852
State appropriations	200,000	-	-	-	200,000
Noncapital grants and contributions	108,644	-	-	-	108,644
Investment earnings	159,233	85	1,348	10,126 (1)	150,540
Interest expense	(497,716)	-	-	(10,126) (1)	(487,590)
Capital grants and contributions	13,626	-	-	-	13,626
Other, net	51,570	(1,437)	-	-	50,133
Total nonoperating revenue (expense), net	44,082,209	(1,352)	1,348	-	44,082,205
Change in net assets	1,730,381	(1,437)	66,200	-	1,795,144
Net assets:					
Beginning	24,011,267	124,028	364,617	-	24,499,912
Ending	\$ 25,741,648	\$ 122,591	\$ 430,817	\$ -	\$ 26,295,056

(1) To eliminate intercompany transactions.

Broadlawns Medical Center

Combining Statements of Revenue, Expenses, and Changes in Net Assets, by Department
Year Ended June 30, 2004

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 28,795,445	\$ 1,019,691	\$ 1,102,873	\$ -	\$ 30,918,009
Contracts	1,326,137	-	-	-	1,326,137
Operating grants	1,568,681	-	-	-	1,568,681
Other	2,226,062	-	-	18,877 (1)	2,207,185
Total operating revenue	33,916,325	1,019,691	1,102,873	18,877	36,020,012
Operating expenses:					
Salaries and wages	34,514,628	642,255	519,704	-	35,676,587
Employee benefits	6,828,741	171,200	110,387	-	7,110,328
Physician fees and outside services	3,379,448	-	-	-	3,379,448
Supplies and other expenses	23,671,544	194,857	475,555	18,877 (1)	24,323,079
Depreciation and amortization	2,841,001	11,598	37,058	-	2,889,657
Total operating expenses	71,235,362	1,019,910	1,142,704	18,877	73,379,099
Operating (loss)	(37,319,037)	(219)	(39,831)	-	(37,359,087)
Nonoperating revenue (expense):					
Property taxes	39,318,842	-	-	-	39,318,842
State appropriations	312,000	-	-	-	312,000
Noncapital grants and contributions	8,995	-	25	-	9,020
Investment earnings	79,260	219	895	13,787 (1)	66,587
Interest expense	(577,304)	-	-	(13,787) (1)	(563,517)
Capital grants and contributions	99,997	-	-	-	99,997
Other, net	36,474	5,523	-	-	41,997
Total nonoperating revenue (expense), net	39,278,264	5,742	920	-	39,284,926
Change in net assets	1,959,227	5,523	(38,911)	-	1,925,839
Net assets:					
Beginning	22,052,040	118,505	403,528	-	22,574,073
Ending	\$ 24,011,267	\$ 124,028	\$ 364,617	\$ -	\$ 24,499,912

(1) To eliminate intercompany transactions.

Broadlawns Medical Center

Analysis of Net Patient Receivables

June 30, 2005 and 2004

	2005		2004	
	Amounts	Percent to Total	Amounts	Percent to Total
0 - 30 (in-house and unbilled)	\$ 3,124,017	20%	\$ 3,792,450	22%
31 - 60	2,601,612	17	2,733,677	16
61 - 90	2,058,703	14	2,320,349	13
91 - 120	1,664,405	11	1,319,413	8
121 - 150	1,151,583	8	831,860	5
151 - 180	858,957	6	3,503,083	20
181 - 270	1,432,340	9	-	-
271 - 360	775,871	5	-	-
361 - 999	1,595,988	10	2,682,598	16
	<u>15,263,476</u>	<u>100%</u>	<u>17,183,430</u>	<u>100%</u>
Unapplied periodic interim payments	279,473		42,874	
Allowance for doubtful accounts	1,293,872		3,207,185	
Allowance for charity care	2,652,073		3,080,000	
Allowance for contractual and other adjustments	2,221,138		966,195	
	<u>\$ 8,816,920</u>		<u>\$ 9,887,176</u>	
Medicare	\$ 936,066	10%	\$ 674,922	7%
PCHS	577,577	7	825,316	8
Disability	578,502	7	1,799,041	18
Medicaid	1,262,188	14	868,070	9
Private pay	2,667,962	30	2,837,651	29
Title XIX pending	1,245,721	14	967,829	10
Other	1,548,904	18	1,914,347	19
Total	<u>\$ 8,816,920</u>	<u>100%</u>	<u>\$ 9,887,176</u>	<u>100%</u>

Broadlawns Medical Center

Inventories
June 30, 2005 and 2004

	2005	2004
General stores	\$ 197,502	\$ 180,644
Pharmacy	<u>226,299</u>	<u>203,445</u>
	<u>\$ 423,801</u>	<u>\$ 384,089</u>

Broadlawns Medical Center

**Changes in Capital Assets and Accumulated Depreciation and Amortization
Year Ended June 30, 2005**

	Capital Assets			
	June 30, 2004	Additions	Transfers and Disposals	June 30, 2005
Medical Center:				
Land	\$ 38,210	-	\$ -	\$ 38,210
Land improvements	3,513,049	-	-	3,513,049
Buildings	11,090,925	-	9,054	11,099,979
Building equipment	12,815,987	55,424	15,769	12,887,180
Fixed equipment	455,859	21,165	-	477,024
Major moveable equipment	14,005,979	642,397	319,315	14,967,691
Equipment under capital lease	1,066,282	25,814	(1,473)	1,090,623
Construction in progress	276,052	279,444	(382,154)	173,342
	<u>43,262,343</u>	<u>1,024,244</u>	<u>(39,489)</u>	<u>44,247,098</u>
Mental health facility under capital lease:				
Land	20,066	-	-	20,066
Land improvements	271,476	-	-	271,476
Buildings	6,960,101	-	-	6,960,101
Building equipment	6,469,042	-	-	6,469,042
Major moveable equipment	987,145	-	-	987,145
	<u>14,707,830</u>	<u>-</u>	<u>-</u>	<u>14,707,830</u>
Total Medical Center	<u>57,970,173</u>	<u>1,024,244</u>	<u>(39,489)</u>	<u>58,954,928</u>
Residential facilities:				
Building equipment	18,181	-	-	18,181
Major moveable equipment	48,355	-	-	48,355
Equipment under capital lease	54,559	13,795	-	68,354
Total residential facilities	<u>121,095</u>	<u>13,795</u>	<u>-</u>	<u>134,890</u>
Positive Alternative to Hospitalization (PATH):				
Building equipment	935	-	-	935
Vans	196,043	14,683	-	210,726
Major moveable equipment	120,776	11,624	-	132,400
Total PATH	<u>317,754</u>	<u>26,307</u>	<u>-</u>	<u>344,061</u>
	<u>\$ 58,409,022</u>	<u>1,064,346</u>	<u>\$ (39,489)</u>	<u>\$ 59,433,879</u>

Accumulated Depreciation and Amortization

June 30, 2004	Current Provision	Deductions	June 30, 2005
\$ -	\$ -	\$ -	\$ -
1,496,770	152,786	-	1,649,556
7,348,777	289,005	-	7,637,782
7,752,827	618,598	-	8,371,425
405,618	9,870	-	415,488
10,122,576	1,185,384	(34,311)	11,273,649
823,399	42,635	(1,473)	864,561
-	-	-	-
27,949,967	2,298,278	(35,784)	30,212,461
-	-	-	-
266,175	964	-	267,139
3,434,538	175,376	-	3,609,914
4,312,018	203,595	-	4,515,613
987,145	-	-	987,145
8,999,876	379,935	-	9,379,811
36,949,843	2,678,213	(35,784)	39,592,272
16,924	260	-	17,184
45,637	2,718	-	48,355
54,558	1,150	-	55,708
117,119	4,128	-	121,247
187	187	-	374
33,138	45,055	-	78,193
37,562	16,435	-	53,997
70,887	61,677	-	132,564
\$ 37,137,849	\$ 2,744,018	\$ (35,784)	\$ 39,846,083

Broadlawns Medical Center

**Changes in Capital Assets and Accumulated Depreciation and Amortization
Year Ended June 30, 2004**

	Capital Assets			
	June 30, 2003	Additions	Transfers and Disposals	June 30, 2004
Medical Center:				
Land	\$ 38,210	\$ -	\$ -	\$ 38,210
Land improvements	3,513,049	-	-	3,513,049
Buildings	11,090,925	-	-	11,090,925
Building equipment	12,526,951	42,786	246,250	12,815,987
Fixed equipment	456,930	549	(1,620)	455,859
Major moveable equipment	13,450,745	385,968	169,266	14,005,979
Equipment under capital lease	1,064,414	227,532	(225,664)	1,066,282
Construction in progress	568,008	1,250,822	(1,542,778)	276,052
	<u>42,709,232</u>	<u>1,907,657</u>	<u>(1,354,546)</u>	<u>43,262,343</u>
Mental health facility under capital lease:				
Land	20,066	-	-	20,066
Land improvements	271,476	-	-	271,476
Buildings	6,960,101	-	-	6,960,101
Building equipment	5,395,340	-	1,073,702	6,469,042
Major moveable equipment	987,145	-	-	987,145
	<u>13,634,128</u>	<u>-</u>	<u>1,073,702</u>	<u>14,707,830</u>
Total Medical Center	<u>56,343,360</u>	<u>1,907,657</u>	<u>(280,844)</u>	<u>57,970,173</u>
Residential facilities:				
Building equipment	18,181	-	-	18,181
Major moveable equipment	48,355	-	-	48,355
Equipment under capital lease	54,559	-	-	54,559
Total residential facilities	<u>121,095</u>	<u>-</u>	<u>-</u>	<u>121,095</u>
Positive Alternative to Hospitalization (PATH):				
Building equipment	935	-	-	935
Vans	58,415	137,628	-	196,043
Major moveable equipment	107,350	13,426	-	120,776
Total PATH	<u>166,700</u>	<u>151,054</u>	<u>-</u>	<u>317,754</u>
	<u>\$ 56,631,155</u>	<u>\$ 2,058,711</u>	<u>\$ (280,844)</u>	<u>\$ 58,409,022</u>

Accumulated Depreciation and Amortization

June 30, 2003	Current Provision	Deductions	June 30, 2004
\$ -	\$ -	\$ -	\$ -
1,336,388	160,382	-	1,496,770
7,030,474	318,303	-	7,348,777
7,147,079	605,748	-	7,752,827
398,613	8,625	(1,620)	405,618
8,878,240	1,296,791	(52,455)	10,122,576
980,958	41,505	(199,064)	823,399
-	-	-	-
25,771,752	2,431,354	(253,139)	27,949,967
-	-	-	-
265,211	964	-	266,175
3,259,163	175,375	-	3,434,538
4,138,503	173,515	-	4,312,018
987,145	-	-	987,145
8,650,022	349,854	-	8,999,876
34,421,774	2,781,208	(253,139)	36,949,843
16,663	261	-	16,924
40,529	5,108	-	45,637
48,328	6,230	-	54,558
105,520	11,599	-	117,119
-	187	-	187
11,020	22,118	-	33,138
22,809	14,753	-	37,562
33,829	37,058	-	70,887
\$ 34,561,123	\$ 2,829,865	\$ (253,139)	\$ 37,137,849

Broadlawns Medical Center

Patient Service Revenue

Years Ended June 30, 2005 and 2004

	2005		
	Totals	Inpatients	Outpatients
Daily patient services:			
Medical, surgical, and pediatric	\$ 6,062,908	\$ 5,629,732	\$ 433,176
Mental health	5,754,439	5,568,150	186,289
Intensive care	2,409,899	2,409,899	-
Family birthing center	1,676,018	1,647,302	28,716
Residential facilities	1,072,338	1,072,338	-
	<u>16,975,602</u>	<u>16,327,421</u>	<u>648,181</u>
Other nursing services:			
Operating rooms	3,957,787	1,224,258	2,733,529
Medical and surgical supplies	1,056,992	612,014	444,978
Ambulatory care services:			
Specialty Clinic	1,581,202	80,034	1,501,168
Emergency	6,647,721	1,185,357	5,462,364
Family health center	1,290,390	13,073	1,277,317
Primary care	-	-	-
Doctors Health Clinic	448,986	499	448,487
Peds Clinic	271,818	2,707	269,111
Walk-in Clinic	1,660,659	7,307	1,653,352
Dental clinics	1,092,785	3,326	1,089,459
Chemical dependency	351,065	25,059	326,006
Family Planning	497,032	231	496,801
Mental health	4,271,365	27,875	4,243,490
PATH	1,343,629	-	1,343,629
	<u>24,471,431</u>	<u>3,181,740</u>	<u>21,289,691</u>
Other physician services:			
Anesthesiology	577,521	236,054	341,467
ENT	91,937	9,276	82,661
Family Practice	1,151,140	4,695	1,146,445
Internal Medicine	989,520	562,855	426,665
Neurology	212,623	13,304	199,319
Obstetrics & Gynecology	779,682	513,746	265,936
Ophthalmologists	92,032	-	92,032
Orthopedics	333,897	61,449	272,448
Pediatrics	430,171	63,517	366,654
Podiatry	586,671	73,169	513,502
Psychiatry	2,246,444	717,862	1,528,582
Surgery	626,843	215,823	411,020
Cardiology	83,248	16,792	66,456
Emergency Medicine	3,123,264	5,045	3,118,219
Medical Education	1,067,896	230,995	836,901
Other physician services	281,933	43,209	238,724
	<u>12,674,822</u>	<u>2,767,791</u>	<u>9,907,031</u>
Other professional services:			
Laboratory	7,589,575	3,126,626	4,462,949
Pharmacy	9,305,958	2,280,168	7,025,790
Radiology	8,934,613	1,696,294	7,238,319
Anesthesiology	2,169,497	960,062	1,209,435
Respiratory therapy	2,217,603	1,890,746	326,857
Diagnostic services	476,408	114,082	362,326
Physical therapy	641,662	58,517	583,145
Speech and hearing therapy	194,938	11,144	183,794
	<u>31,530,254</u>	<u>10,137,639</u>	<u>21,392,615</u>
Gross charges at established rates	85,652,109	\$ 32,414,591	\$ 53,237,518
Charity care charges forgone, based on established rates	30,337,679		
Total gross patient service revenue	<u>55,314,430</u>		
Provisions for contractual and other adjustments	17,169,851		
Provisions for bad debts	7,924,884		
Total net patient services revenue	<u>\$ 30,219,695</u>		

Broadlawns Medical Center

Provisions for Contractual and Other Adjustments
 Years Ended June 30, 2005 and 2004

	2005	2004
Employee discounts	\$ 38,147	\$ 104,630
Contractual adjustments under third-party reimbursement programs:		
Medicare	2,694,397	1,131,287
Medicaid	5,135,463	5,700,813
Magellan	1,173,296	2,020,441
Heritage	27,389	241,676
Wellmark	362,925	444,745
PCHS	1,079,914	1,065,655
United Healthcare	362,026	436,051
Other	6,296,294	2,876,486
	<u>\$ 17,169,851</u>	<u>\$ 14,021,784</u>

Broadlawns Medical Center

Other Operating Revenue

Years Ended June 30, 2005 and 2004

	2005	2004
Grants:		
Broadlawns Medical Center:		
Family Planning, Iowa State Department of Public Health	\$ 68,942	\$ 65,014
Women, Infants, and Children Program, State of Iowa	1,023,652	1,023,295
WIC Breast Pump Program	27,294	24,409
Bioterrorism grant	30,366	14,726
Homeless mental health grant	101,338	126,422
Farmers Market Nutrition Program, State of Iowa (IDALS)	4,939	5,649
Homeless Psych ESG, City of Des Moines	24,307	1,797
Pharmacy CAP grant, Mercy Foundation	50,272	68,614
Merit/Magellan, Iowa Plan, Iowa State Department of Public Health	138,503	211,485
Magellan, Meth Funds (Iowa Plan)	49,062	21,693
FEMA Emergency Food & Shelter, United Way	6,117	5,577
Total grants	1,524,792	1,568,681
Contracts:		
Polk County Health Services:		
Day Treatment	80,000	-
Y Shelter, Community Counselors	249,049	189,212
Community Access Program, Case Management	650,192	545,230
Community Access Program, Service Coordination	123,995	-
Addiction Medicine	265,348	257,625
Other:		
Family Planning Iowa Empowerment, ISDPH	16,000	16,000
Medical and Dental Education, University of Iowa	317,792	315,070
Focus Summer Program, Polk County Community Betterment	8,000	3,000
Health Polk 2010, Polk Co. Health Department	557	-
Total contracts	1,710,933	1,326,137
Other:		
Family Practice Program, Iowa Methodist Medical Center	93,600	93,600
Contribution of medical supplies	684,974	761,731
Cafeteria	599,537	599,741
Refunds and rebates	215,903	112,212
Sales and supplies, services, and salvage	300,700	456,225
Purchase discounts	76,149	72,227
Consulting, behavioral health	55,969	47,390
Des Moines Consortium contribution	60,000	60,000
Miscellaneous	40,164	4,059
Total other	2,126,996	2,207,185
Total other operating revenue	\$ 5,362,721	\$ 5,102,003

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2005 and 2004

	2005			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Nursing and medical services:				
Nursing administration and education	\$ 728,167	\$ -	\$ 186,627	\$ 914,794
Medical, surgical, and pediatric	1,856,996	11	404,802	2,261,809
Mental health administration	335,049	-	3,679	338,728
Mental health	1,750,216	602	43,089	1,793,907
Intensive care	588,113	-	197,161	785,274
Family birthing center	829,503	-	70,944	900,447
Operating rooms	669,006	-	378,826	1,047,832
Central services	251,104	-	464,339	715,443
Specialty clinics	663,305	11,383	413,415	1,088,103
Emergency services	1,490,534	-	263,197	1,753,731
Family health center	475,741	-	126,188	601,929
Doctors Health Clinic	340,929	-	20,708	361,637
Peds Clinic	99,714	-	9,576	109,290
Walk-in Clinic	349,461	-	37,972	387,433
Homeless outreach	-	-	-	-
Dental clinics	435,778	22,676	110,025	568,479
Addiction Medicine	227,916	-	59,591	287,507
Mental health, clinical services	2,025,369	-	220,206	2,245,575
Residential facilities	104,614	-	9,061	113,675
PATH	-	-	387,241	387,241
Total nursing and medical services	13,221,515	34,672	3,406,647	16,662,834
Physician Services:				
Anesthesiology	470,683	282,654	46,301	799,638
ENT	-	180,000	-	180,000
Family Practice	735,459	1,338	10,177	746,974
Internal Medicine	563,403	220,658	4,904	788,965
Neurology	140,728	-	2,799	143,527
Obstetrics & Gynecology	368,457	12,800	1,650	382,907
Oncology	18,800	-	-	18,800
Ophthalmologists	-	19,130	-	19,130
Orthopedics	333,443	-	3,538	336,981
Pediatrics	314,865	14,493	6,368	335,726
Podiatry	404,539	-	3,831	408,370
Psychiatry	1,924,849	78,205	19,982	2,023,036
Surgery	171,477	531,217	-	702,694
Cardiology	3,088	40,445	-	43,533
Emergency Medicine	2,066,513	750	13,294	2,080,557
Medical Education	314,301	362,281	9,897	686,479
Other physician services	289	20,599	-	20,888
Total physician services	\$ 7,830,894	\$ 1,764,570	\$ 122,741	\$ 9,718,205

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2005 and 2004

	2005			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Other professional services:				
Laboratory	\$ 1,049,729	\$ 177,174	\$ 1,117,371	\$ 2,344,274
Pharmacy	1,308,293	-	5,818,870	7,127,163
Radiology	798,413	800,000	704,333	2,302,746
Anesthesiology	(38,082)	-	5,754	(32,328)
Respiratory therapy	413,037	-	99,031	512,068
Diagnostic services	123,117	-	19,025	142,142
Physical therapy	232,017	-	12,289	244,306
Medical information management	1,269,532	-	159,883	1,429,415
Social services	185,998	-	11,322	197,320
Registration	1,253,273	-	176,819	1,430,092
Women, Infants, and Children Program	587,357	-	161,455	748,812
Special services	-	-	1,021	1,021
Medical education	983,063	394,812	383,160	1,761,035
Library	50,315	-	60,172	110,487
Medical services	282,798	6,371	175,671	464,840
Family planning	97,875	-	11,612	109,487
Managed care	137,749	-	647	138,396
Bureau of Refugee Services	117,054	-	10,610	127,664
Speech and hearing	7,910	-	68,175	76,085
Residential facilities	461,976	-	64,563	526,539
PATH	508,775	-	-	508,775
Total other professional services	9,830,199	1,378,357	9,061,783	20,270,339
General services:				
Dietary	-	-	1,784,937	1,784,937
Facility management	192,252	-	37,246	229,498
Plant operations	900,312	-	1,984,027	2,884,339
Environmental services	890,552	-	478,421	1,368,973
Laundry and linen	60,040	-	360	60,400
Risk management	207,023	-	22,612	229,635
Security	326,503	-	16,348	342,851
Residential facilities	-	-	72,886	72,886
PATH	-	-	12,522	12,522
Total general services	\$ 2,576,682	\$ -	\$ 4,409,359	\$ 6,986,041

2004

	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$	1,034,165	\$ 172,874	\$ 1,094,432	\$ 2,301,471
	1,231,669	-	6,140,535	7,372,204
	699,396	779,394	838,419	2,317,209
	329,525	255,547	61,036	646,108
	372,083	9,075	89,747	470,905
	143,752	42,795	18,439	204,986
	201,947	-	9,480	211,427
	1,162,170	-	130,418	1,292,588
	183,590	-	11,043	194,633
	1,225,875	-	338,266	1,564,141
	564,749	-	147,013	711,762
	-	-	940	940
	1,770,787	1,626,573	437,974	3,835,334
	54,043	-	59,379	113,422
	1,004,657	39,349	206,332	1,250,338
	92,629	-	13,410	106,039
	152,119	-	2,081	154,200
	118,763	-	12,423	131,186
	3,206	-	81,813	85,019
	451,509	-	57,088	508,597
	441,206	-	-	441,206
	11,237,840	2,925,607	9,750,268	23,913,715
	-	-	1,704,704	1,704,704
	189,065	-	32,860	221,925
	869,894	-	2,072,151	2,942,045
	888,749	-	466,142	1,354,891
	57,684	-	176	57,860
	223,367	-	24,030	247,397
	312,134	-	11,456	323,590
	-	-	49,299	49,299
	-	-	9,716	9,716
\$	2,540,893	\$ -	\$ 4,370,534	\$ 6,911,427

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2005 and 2004

	2005			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Fiscal and administrative services and unassigned expenses:				
Fiscal and administrative services:				
Administration	\$ 438,207	\$ -	\$ 535,141	\$ 973,348
Nonpatient bad debt	-	-	-	-
Accounting	633,238	-	173,222	806,460
Payroll	86,165	-	3,167	89,332
Information services	577,135	-	1,370,186	1,947,321
Patient accounting	806,930	-	1,111,631	1,918,561
Patient advocate	117,380	-	3,966	121,346
Telecommunication	153,730	-	197,732	351,462
Planning	362,487	-	143,755	506,242
Organizational effectiveness	-	-	-	-
Print shop	33,153	-	237,265	270,418
Purchasing, receiving, and stores	167,174	-	59,887	227,061
Human resources	237,718	-	213,789	451,507
Occupational health	117,415	-	62,100	179,515
Residential facilities	99,642	-	43,632	143,274
PATH	63,700	-	42,475	106,175
Total fiscal and administrative services	3,894,074	-	4,197,948	8,092,022
Unassigned expenses:				
Employee benefits:				
Iowa Public Employees Retirement System (IPERS)	-	-	1,953,906	1,953,906
FICA	-	-	2,451,626	2,451,626
Health insurance	-	-	4,739,382	4,739,382
Life insurance	-	-	270,199	270,199
Unemployment compensation	-	-	40,726	40,726
Workers' compensation	-	-	447,237	447,237
Other benefits	-	-	59,967	59,967
Insurance	-	-	2,550,444	2,550,444
Medical Center dues	-	-	139,700	139,700
Consulting fees	-	-	281,656	281,656
	-	-	12,934,843	12,934,843
Depreciation and amortization	\$ -	\$ -	\$ 2,743,957	\$ 2,743,957

2004

		2004			
Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total		
\$ 377,093	\$ -	\$ 461,355	\$ 838,448		
-	-	322,560	322,560		
626,630	-	119,954	746,584		
81,143	-	3,083	84,226		
564,185	-	1,512,597	2,076,782		
790,661	-	718,427	1,509,088		
102,944	-	3,128	106,072		
151,951	-	195,865	347,816		
319,805	-	128,025	447,830		
9,196	-	-	9,196		
32,695	-	238,193	270,888		
169,407	-	43,824	213,231		
268,409	-	169,049	437,458		
110,241	-	53,309	163,550		
88,552	-	40,292	128,844		
78,498	-	60,926	139,424		
<u>3,771,410</u>	<u>-</u>	<u>4,070,587</u>	<u>7,841,997</u>		
-	-	1,858,052	1,858,052		
-	-	2,388,132	2,388,132		
-	-	1,894,460	1,894,460		
-	-	280,452	280,452		
-	-	102,164	102,164		
-	-	249,771	249,771		
-	-	55,710	55,710		
-	-	2,413,115	2,413,115		
-	-	167,339	167,339		
-	-	156,130	156,130		
<u>-</u>	<u>-</u>	<u>9,565,325</u>	<u>9,565,325</u>		
\$ -	\$ -	\$ 2,841,001	\$ 2,841,001		

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2005 and 2004

	2005			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Residential facilities:				
Employee benefits:				
IPERS	\$ -	\$ -	\$ 37,454	\$ 37,454
FICA	-	-	48,082	48,082
Health and life insurance	-	-	87,863	87,863
Insurance	-	-	27,879	27,879
Depreciation and amortization	-	-	4,128	4,128
Rent of building and equipment	-	-	10,643	10,643
Total residential facilities	-	-	216,049	216,049
PATH:				
Employee benefits:				
IPERS	-	-	30,408	30,408
FICA	-	-	41,601	41,601
Health and life insurance	-	-	53,479	53,479
Insurance	-	-	23,658	23,658
Depreciation and amortization	-	-	61,679	61,679
Rent of building and equipment	-	-	53,239	53,239
Total PATH	-	-	264,064	264,064
Less intercompany transactions	-	-	18,877	18,877
	-	-	245,187	245,187
Total fiscal and administrative services and unassigned expenses	3,894,074	-	20,337,984	24,232,058
Total operating expenses	\$ 37,353,364	\$ 3,177,599	\$ 37,338,514	\$ 77,869,477

2004

		2004			
Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total		
\$ -	\$ -	\$ 36,599	\$ 36,599		
-	-	46,661	46,661		
-	-	87,940	87,940		
-	-	27,879	27,879		
-	-	11,598	11,598		
-	-	10,167	10,167		
-	-	220,844	220,844		
-	-	26,884	26,884		
-	-	37,461	37,461		
-	-	46,042	46,042		
-	-	24,926	24,926		
-	-	37,058	37,058		
-	-	51,619	51,619		
-	-	223,990	223,990		
-	-	18,877	18,877		
-	-	205,113	205,113		
3,771,410	-	16,902,870	20,674,280		
\$ 35,676,587	\$ 3,379,448	\$ 34,323,064	\$ 73,379,099		

Broadlawns Medical Center

Combining Statements of Revenue, Expenses, and Changes in Net Assets, by Function Year Ended June 30, 2005

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 27,803,728	\$ 1,072,338	\$ 1,343,629	\$ -	\$ 30,219,695
Contracts	1,710,933	-	-	-	1,710,933
Operating grants	1,524,792	-	-	-	1,524,792
Other	2,145,873	-	-	18,877 (1)	2,126,996
Total operating revenue	33,185,326	1,072,338	1,343,629	18,877	35,582,416
Operating expenses:					
Nursing and medical services	16,161,918	113,675	387,241	-	16,662,834
Physician services	9,718,205	-	-	-	9,718,205
Other professional service	19,235,025	526,539	508,775	-	20,270,339
General service	6,900,633	72,886	12,522	-	6,986,041
Fiscal and administrative service and unassigned expenses	20,777,416	355,195	308,560	18,877 (1)	21,422,294
Depreciation and amortization	2,743,957	4,128	61,679	-	2,809,764
Total operating expenses	75,537,154	1,072,423	1,278,777	18,877	77,869,477
Operating income (loss)	(42,351,828)	(85)	64,852	-	(42,287,061)
Nonoperating revenue (expense):					
Property taxes	44,046,852	-	-	-	44,046,852
State appropriations	200,000	-	-	-	200,000
Noncapital grants and contributions	108,644	-	-	-	108,644
Investment earnings	159,233	85	1,348	10,126 (1)	150,540
Interest expense	(497,716)	-	-	(10,126) (1)	(487,590)
Capital grants and contributions	13,626	-	-	-	13,626
Other, net	51,570	(1,437)	-	-	50,133
Total nonoperating revenue (expense), net	44,082,209	(1,352)	1,348	-	44,082,205
Increase (decrease) in net assets	1,730,381	(1,437)	66,200	-	1,795,144
Net assets:					
Beginning	24,011,267	124,028	364,617	-	24,499,912
Ending	\$ 25,741,648	\$ 122,591	\$ 430,817	\$ -	\$ 26,295,056

(1) To eliminate intercompany transactions.

Broadlawns Medical Center

Combining Statements of Revenue, Expenses, and Changes in Net Assets, by Function Year Ended June 30, 2004

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 28,795,445	\$ 1,019,691	\$ 1,102,873	\$ -	\$ 30,918,009
Contracts	1,326,137	-	-	-	1,326,137
Operating grants	1,568,681	-	-	-	1,568,681
Other	2,226,062	-	-	18,877 (1)	2,207,185
Total operating revenue	33,916,325	1,019,691	1,102,873	18,877	36,020,012
Operating expenses:					
Nursing and medical services	21,438,983	112,326	328,368	-	21,879,677
Other professional service	22,963,912	508,597	441,206	-	23,913,715
General service	6,852,412	49,299	9,716	-	6,911,427
Fiscal and administrative service and unassigned expenses	17,139,054	338,090	326,356	18,877 (1)	17,784,623
Depreciation and amortization	2,841,001	11,598	37,058	-	2,889,657
Total operating expenses	71,235,362	1,019,910	1,142,704	18,877	73,379,099
Operating (loss)	(37,319,037)	(219)	(39,831)	-	(37,359,087)
Nonoperating revenue (expense):					
Property taxes	39,318,842	-	-	-	39,318,842
State appropriations	312,000	-	-	-	312,000
Noncapital grants and contributions	8,995	-	25	-	9,020
Investment earnings	79,260	219	895	13,787 (1)	66,587
Interest expense	(577,304)	-	-	(13,787) (1)	(563,517)
Capital grants and contributions	99,997	-	-	-	99,997
Other, net	36,474	5,523	-	-	41,997
Total nonoperating revenue (expense), net	39,278,264	5,742	920	-	39,284,926
Increase (decrease) in net assets	1,959,227	5,523	(38,911)	-	1,925,839
Net assets:					
Beginning	22,052,040	118,505	403,528	-	22,574,073
Ending	\$ 24,011,267	\$ 124,028	\$ 364,617	\$ -	\$ 24,499,912

(1) To eliminate intercompany transactions.

Broadlawns Medical Center

**Patient and Medical Center Statistical Data - Unaudited
Years Ended June 30, 2005 and 2004
(Unaudited)**

	2005	2004
Patient days:		
Medical, surgical, and pediatric	6,974	7,951
Obstetrics	733	711
Intensive care unit	1,186	1,120
Mental health	8,090	7,647
Nursery	738	670
Total patient days	17,721	18,099
Admissions	4,207	4,567
Discharges	4,223	4,546
Average length of stay (days):		
Acute	3.2	3.2
Mental health	6.7	6.0
Outpatient visits:		
Emergency room and urgent care room	26,717	27,724
Walk-in Clinic	28,363	24,816
Doctors Health Clinic	10,615	10,323
Specialty clinics	20,528	23,010
OB Clinic	3,557	3,982
Family health center	16,165	17,384
Mental health	41,009	41,119
Dental clinics	8,724	8,576
Family Planning	2,771	2,792
Homeless outreach	-	3,257
Addiction medicine	7,942	3,891
	166,391	166,874

Broadlawns Medical Center

Organization Data
Year Ended June 30, 2005

	Expiration of Term
Board of Trustees:	
Mr. Paul Gillispie, Chair	December 31, 2008
Mr. Dave Harkness, Vice Chair	December 31, 2006
Ms. Mary Fuller, Secretary	December 31, 2006
Mr. Frank Harrison, Treasurer	December 31, 2010
Members:	
Ms. Cindy Gray	December 31, 2008
Ms. Janet Metcalf	December 31, 2010
Ms. Jean Logan, RN PhD	December 31, 2010
Chief Executive Officer, Ms. Susan Hunsaker	
Chief Financial Officer, Mr. Gary G. Uhl	

Broadlawns Medical Center

Self-Insured Retention Funds
Year Ended June 30, 2005

	Amount Funded from BMC	Claims Paid
Malpractice Fund:		
Wells Fargo Bank, IA, beginning balance		
July 31, 2004	\$ -	\$ -
August 31, 2004	-	-
September 30, 2004	-	-
October 31, 2004	-	240,000
November 30, 2004	363,254	-
December 31, 2004	-	(1,000)
January 31, 2005	-	-
February 28, 2005	-	-
March 31, 2005	-	-
April 30, 2005	-	-
May 31, 2005	257,309	-
June 30, 2005	-	-
	\$ 620,563	\$ 239,000
Malpractice Fund:		
The St. Paul, beginning balance		
August 31, 2004	\$ -	\$ -
October 31, 2004	-	-
December 31, 2004	-	-
February 28, 2005	-	-
June 30, 2004	-	-
	\$ -	\$ -
Malpractice Fund:		
LOC Wells Fargo Bank, NA, beginning balance		
July 31, 2004	\$ -	\$ -
August 31, 2004	-	-
September 30, 2004	-	-
October 31, 2004	-	-
November 30, 2004	-	-
December 31, 2004	-	-
January 31, 2005	-	-
February 28, 2005	-	-
March 31, 2005	-	-
April 30, 2005	-	-
May 31, 2005	-	-
June 30, 2005	-	-
	\$ -	\$ -
Workers' Compensation Fund:		
Wells Fargo Bank, IA, beginning balance		
July 31, 2003	\$ -	\$ 35,899
August 31, 2003	-	11,028
September 30, 2003	-	16,201
October 31, 2003	-	34,096
November 30, 2003	152,107	29,601
December 31, 2003	-	48,565
January 31, 2004	-	18,996
February 29, 2004	-	18,048
March 31, 2004	-	51,780
April 30, 2004	-	29,325
May 31, 2004	159,500	17,839
June 30, 2004	-	24,627
	\$ 311,607	\$ 336,005

Administrative Fees	Interest Income	Realized Gain (Loss) on Investment	Transfers	Fund Balance
				\$ 1,686,347
\$ 1,682	\$ 115	\$ -	\$ -	1,684,780
-	5,098	(2,943)	-	1,686,935
-	1,938	(880)	-	1,687,993
1,686	220	273	-	1,446,800
-	4,121	(2,594)	-	1,811,581
-	2,043	(1,656)	-	1,812,968
1,815	2,950	(1,359)	-	1,812,744
-	-	-	93,163	1,905,907
-	4,197	(233)	-	1,909,871
-	429	(4)	-	1,910,296
12,013	2,311	410	-	2,158,313
1,089	4,905	(2,353)	-	2,159,776
<u>\$ 18,285</u>	<u>\$ 28,327</u>	<u>\$ (11,339)</u>	<u>\$ 93,163</u>	<u>\$ 2,159,776</u>
				\$ 93,124
\$ -	\$ 39	\$ -	\$ -	93,163
-	39	-	-	93,202
-	40	-	-	93,242
-	(79)	-	(93,163)	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 39</u>	<u>\$ -</u>	<u>\$ (93,163)</u>	<u>\$ -</u>
				\$ 744,879
\$ -	\$ 308	\$ -	\$ -	745,187
-	516	-	-	745,703
-	601	-	-	746,304
-	688	-	-	746,992
-	825	-	-	747,817
-	884	-	-	748,701
-	1,057	-	-	749,758
-	1,162	-	-	750,920
-	1,156	-	-	752,076
-	1,382	-	-	753,458
-	1,453	-	-	754,911
-	1,600	-	-	756,511
<u>\$ -</u>	<u>\$ 11,632</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 756,511</u>
				\$ 616,470
\$ 112	\$ 233	\$ -	\$ -	580,692
-	309	-	-	569,973
-	333	-	-	554,105
96	372	-	-	520,285
-	420	-	-	643,211
-	423	-	-	595,069
157	886	-	-	576,802
-	840	-	-	559,594
-	798	-	-	508,612
-	903	-	-	480,190
10,213	874	-	-	612,512
24,608	1,017	-	-	564,294
<u>\$ 35,186</u>	<u>\$ 7,408</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 564,294</u>

(Continued)

Broadlawns Medical Center

Self-Insured Retention Funds (Continued)
Year Ended June 30, 2005

	Amount Funded from BMC	Claims Paid
Self Insured Dental Fund:		
Wells Fargo Bank, IA, beginning balance		
July 31, 2004	\$ 157	\$ 27,914
August 31, 2004	201	21,394
September 30, 2004	-	23,790
October 31, 2004	86,431	30,931
November 30, 2004	-	27,600
December 31, 2004	59,178	30,462
January 31, 2005	-	14,787
February 28, 2005	(350)	23,133
March 31, 2005	41,071	33,483
April 30, 2005	70,792	28,843
May 31, 2005	21,889	26,010
June 30, 2005	20,284	29,106
	<u>\$ 299,653</u>	<u>\$ 317,453</u>
Health Insurance Fund:		
Wells Fargo Bank, IA, beginning balance		
July 31, 2004	\$ 725,377	\$ 325,586
August 31, 2004	324,605	553,388
September 30, 2004	395,725	605,240
October 31, 2004	325,043	306,770
November 30, 2004	375,578	491,832
December 31, 2004	461,540	589,198
January 31, 2005	526,429	578,208
February 28, 2005	404,459	602,604
March 31, 2005	403,244	(458,036)
April 30, 2005	398,091	637,255
May 31, 2005	427,303	519,318
June 30, 2005	39,817	709,859
	<u>\$ 4,807,211</u>	<u>\$ 5,461,222</u>
Health Insurance Fund:		
Bank of America, beginning balance		
July 31, 2004	\$ -	\$ 5,710
August 31, 2004	-	4,849
September 30, 2004	-	1,486
October 31, 2004	-	1,871
November 30, 2004	-	6,032
December 31, 2004	-	9,609
January 31, 2005	-	230
February 28, 2005	-	(470)
March 31, 2005	-	-
April 30, 2005	-	-
May 31, 2005	-	321
June 30, 2005	-	-
	<u>\$ -</u>	<u>\$ 29,638</u>

	Administrative Fees	Interest Income	Realized Gain (Loss) on Investment	Transfers	Fund Balance
					\$ 180,122
\$	4,347	\$ 54	\$ -	\$ -	148,072
	23	69	-	-	126,925
	2,020	61	-	-	101,176
	2,224	54	-	-	154,506
	22	67	-	-	126,951
	4,143	127	-	-	151,651
	2,169	196	-	-	134,891
	2,011	142	-	-	109,539
	22	93	-	-	117,198
	4,044	62	-	-	155,165
	31	114	-	-	151,127
	4,028	204	-	-	138,481
<u>\$</u>	<u>25,084</u>	<u>\$ 1,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,481</u>
					\$ 2,054,118
\$	42,468	\$ 1,070	\$ -	\$ -	2,412,511
	41,377	1,015	-	-	2,143,366
	41,876	849	-	-	1,892,824
	41,885	616	-	-	1,869,828
	40,952	941	-	-	1,713,563
	42,369	1,624	-	-	1,545,160
	154	1,740	-	-	1,494,967
	79,065	1,031	-	-	1,218,788
	59,191	470	-	-	2,021,347
	58,779	1,342	-	-	1,724,746
	59,252	640	-	-	1,574,119
	58,666	2,678	-	50,645	898,734
<u>\$</u>	<u>566,034</u>	<u>\$ 14,016</u>	<u>\$ -</u>	<u>\$ 50,645</u>	<u>\$ 898,734</u>
					\$ 82,283
\$	-	\$ -	\$ -	\$ -	76,573
	-	-	-	-	71,724
	-	-	-	-	70,238
	-	-	-	-	68,367
	-	-	-	-	62,335
	-	-	-	-	52,726
	-	-	-	-	52,496
	-	-	-	-	52,966
	-	-	-	-	52,966
	-	-	-	-	52,966
	-	-	-	-	52,645
	-	-	-	(50,645)	2,000
<u>\$</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (50,645)</u>	<u>\$ 2,000</u>

Broadlawns Medical Center

Self-Insured Retention Funds (Continued)
Year Ended June 30, 2005

	Amount Funded from BMC	Claims Paid
Equipment Maintenance Fund:		
Wells Fargo Bank, IA, beginning balance		
July 31, 2004	\$ 50,000	\$ -
August 31, 2004	-	-
September 30, 2004	-	-
October 31, 2004	150,000	-
November 30, 2004	-	-
December 31, 2004	100,000	-
January 31, 2005	100,000	-
February 28, 2005	-	-
March 31, 2005	-	-
April 30, 2005	-	-
May 31, 2005	-	-
June 30, 2005	-	-
	<u>\$ 400,000</u>	<u>\$ -</u>
Equipment Maintenance Fund:		
First Fidelity, beginning balance		
July 31, 2004	\$ -	\$ -
August 31, 2004	-	-
September 30, 2004	-	-
October 31, 2004	-	104,716
November 30, 2004	-	37,930
December 31, 2004	-	53,024
January 31, 2005	-	20,437
February 28, 2005	-	30,471
March 31, 2005	-	16,734
April 30, 2005	-	19,848
May 31, 2005	-	11,707
June 30, 2005	-	85,376
	<u>\$ -</u>	<u>\$ 380,243</u>

Administrative Fees	Interest Income	Realized Gain (Loss) on Investment	Transfers	Fund Balance
				\$ -
\$ -	\$ -	\$ -	\$ -	50,000
-	6	-	(25,000)	25,006
-	36	-	-	25,042
6	23	-	(115,000)	60,059
-	49	-	-	60,108
-	71	-	(50,000)	110,179
-	99	-	(50,000)	160,278
-	136	-	(100,000)	60,414
28	164	-	-	60,550
-	108	-	-	60,658
15	117	-	-	60,760
-	129	-	(42,000)	18,889
<u>\$ 49</u>	<u>\$ 938</u>	<u>\$ -</u>	<u>\$ (382,000)</u>	<u>\$ 18,889</u>
				\$ 5,000
\$ -	\$ -	\$ -	\$ -	5,000
-	-	-	25,000	30,000
-	-	-	-	30,000
-	-	-	115,000	40,284
-	-	-	-	2,354
-	-	-	50,000	(670)
-	-	-	50,000	28,893
-	-	-	100,000	98,422
-	-	-	-	81,688
-	-	-	-	61,840
-	-	-	-	50,133
-	-	-	42,000	6,757
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 382,000</u>	<u>\$ 6,757</u>

Broadlawns Medical Center

Schedule of Revenue, Expenses, and Balances - Completed Contracts
Year Ended June 30, 2005

	Special Supplemental Nutrition Program for Women, Infants, and Children #5884A031 and #5885A031	Family Planning #5884A031 and #5885A031
Revenue:		
Managed care	\$ -	\$ -
Other state	-	16,000
Other federal	1,056,085	68,942
County government	-	-
Other revenue	-	-
Total revenue	1,056,085	84,942
Expenses:		
Salaries	538,547	97,876
Personnel benefits	161,860	25,610
Travel	7	-
Staff training	8,165	761
Contracted services		
Space costs:		
Cash	85,433	-
In-kind	-	-
Supplies	27,867	12,290
Telephone	1,207	-
Equipment maintenance and rent	8,012	-
Other expenses	-	-
Total allowable expenses	831,098	136,537
Distribution of management and general	377,853	44,330
Total expenses	1,208,951	180,867
	\$ (152,866)	\$ (95,925)

	Magellan MBC Iowa Plan OP Chem Dep SVCS DPH Funded Clients Non-Medicaid	Management and General	Total
Non-IDPH PCHS Chem Dep			
\$ -	\$ 165,872	\$ -	\$ 165,872
-	-	-	16,000
-	21,693	-	1,146,720
265,348	-	-	265,348
-	-	-	-
265,348	187,565	-	1,593,940
112,672	86,462	78,076	913,633
29,050	22,292	23,871	262,683
284	218	126	635
236	181	224	9,567
-	-	-	-
29,767	22,843	-	138,043
105,978	81,325	-	187,303
2,639	2,025	3,221	48,042
-	-	164	1,371
-	-	-	8,012
-	-	509,136	509,136
280,626	215,346	614,818	2,078,425
108,995	83,640	(614,818)	-
389,621	298,986	-	2,078,425
\$ (124,273)	\$ (111,421)	\$ -	\$ (484,485)

Broadlawns Medical Center

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005**

Program Description	Federal CFDA Number	Grant Number	Program Expenditures
U.S. Department of Health and Human Services:			
Passed through PCHS, Projects for Assistance in the Transition from Homelessness	93.150	05-444-401-6890-2597-04	\$ 101,338
Passed through Iowa Department of Public Health:			
Magellan Behavioral Health, Inc.:			
Iowa Plan for Behavioral Health	93.959		138,503
Non-Medicaid and Meth Funds	93.959		49,062
Passed through Iowa Department of Public Health/ Division of Family and Community Health, Family Planning			
	93.217	5884AO31	4,820
	93.217	5885AO31	63,873
Passed through Family Planning Council of Iowa, Family Planning			
	93.977	5885ST03	249
Passed through U.S. Human Resources & Service Administration and through Mercy Foundation:			
Bioterrorism Hospital Preparedness	93.003	U3RHS00019-02	9,613
Bioterrorism Hospital Preparedness	93.003	U3RHS03880-01	20,753
Community Access Program, Pharmacy	93.252	1G92OA00170-02-00	12,724
Community Access Program, Pharmacy	93.252	5G92OA00170-03-00	37,548
Total U.S. Department of Health and Human Services			438,483
U.S. Department of Agriculture:			
Passed through Iowa Department of Public Health/ Division of Family and Community Health, Special Supplemental Nutrition Program for Women, Infants, and Children			
	10.557	5884AO31	361,802
	10.557	5885AO31	661,850
Breast Pump Reimbursement	10.557	5884AO31	6,599
Breast Pump Reimbursement	10.557	5885AO31	20,695
Passed through Iowa Department of Agriculture and Land Stewardship:			
Iowa Farmers Market Nutrition Program	10.572	1191-02-31	2,402
Iowa Farmers Market Nutrition Program	10.572	1191-05-31	2,537
Total U.S. Department of Agriculture			1,055,885
Federal Emergency Management Agency, Passed through United Way of America:			
Emergency Food and Shelter	97.024	22-3006-00 016E9	3,007
Emergency Food and Shelter	97.024	23-3006-00 016E1	3,110
Total Federal Emergency Management Agency			6,117
U.S. Housing and Urban Development, Passed through City of Des Moines:			
Emergency Shelter Grant (ESG) Contract Work Program	14.231	03-ES-006	12,307
Emergency Shelter Grant (ESG) Contract Work Program	14.231	04-ES-006	12,000
Total U.S. Housing and Urban Development			24,307
			\$ 1,524,792

See Note to Schedule of Expenditures of Federal Awards.

Broadlawns Medical Center

Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2005

Note 1. General

The purpose of the schedule of expenditures of federal awards (Schedule) is to present a summary of those activities of Broadlawns Medical Center (Medical Center) for the year ended June 30, 2005, which have been financed by the United States government. For the purposes of the Schedule, federal awards include all federal assistance entered into directly between the Medical Center and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. The Schedule does not include payments received under Medicare and Medicaid reimbursement programs. Because the Schedule presents only a selected portion of the activities of the Medical Center, it is not intended to, and does not, present the financial position, revenue and expenses, changes in net assets, and cash flows of the Medical Center.

Deductions or expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursements.

Broadlawns Medical Center

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2005**

Current Number	Comment	Status
Reportable conditions in internal control:		
04-II-A	The Medical Center does not have adequate segregation of duties needed for an effective system of internal accounting control over the payroll cycle.	Corrective action taken.
04-II-B	The Medical Center does not have adequate segregation of duties needed for an effective system of internal accounting control over the cash disbursement cycle.	Corrective action taken.
04-II-C	The Medical Center does not have adequate segregation of duties needed for an effective system of internal accounting control over the investment cycle.	Uncorrected, see 05-II-A for current year finding.
04-II-D	The Foundation does not have adequate segregation of duties needed for an effective system of internal accounting control over the cash receipt cycle.	Corrective action taken.
Other findings related to required statutory reporting:		
04-IV-A	Maximum deposit amounts were not stated in the resolution naming official depositories.	Corrective action taken.

McGladrey & Pullen

Certified Public Accountants

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

Board of Trustees
Broadlawns Medical Center
Des Moines, Iowa

We have audited the financial statements of Broadlawns Medical Center as of and for the year ended June 30, 2005, and have issued our report thereon dated September 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. However, the financial statements of Broadlawns Medical Center Foundation were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not extend to these financial statements.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Broadlawns Medical Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Broadlawns Medical Center's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and responses as Items 05-II-A, 05-II-B, and 05-II-C.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

We also noted other matters involving the internal control over financial reporting that we have reported to management of Broadlawns Medical Center in a separate letter dated September 1, 2005.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the Medical Center's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the Medical Center. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretation of those statutes.

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

McGladrey & Pullen, LLP

Davenport, Iowa
September 1, 2005

McGladrey & Pullen

Certified Public Accountants

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

Board of Trustees
Broadlawns Medical Center
Des Moines, Iowa

Scope of Report

The Broadlawns Medical Center Foundation, a discretely presented component unit, was not audited in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States or the OMB Circular A-133, Compliance Supplement. Accordingly, our audit, described here, does not extend to the Foundation.

Compliance

We have audited the compliance of Broadlawns Medical Center with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. Broadlawns Medical Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Broadlawns Medical Center's management. Our responsibility is to express an opinion on Broadlawns Medical Center's compliance based on our audit.

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

In our opinion, Broadlawns Medical Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Item 05-III-A.

Internal Control over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

McGladrey & Pullen, LLP

Davenport, Iowa
September 1, 2005

Broadlawns Medical Center

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? Yes No

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

(A) Reportable Conditions in Internal Control

05-II-A

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The Medical Center has an improper segregation of duties over the investment cycle.

Condition: The accounting manager has the ability to initiate and approve the purchase or sale of investments and has general ledger access. There is no supervisory review of the investment statements by an independent individual.

Criteria: Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation: We recommend the Chief Financial Officer review the investment statements and investment reconciliations prepared by staff.

Response and Corrective Action Plan: The process will be put in place as recommended to have the Vice President of Financial Services review the investment statements and investment reconciliations prepared by staff. After the retirement of the Vice President of Financial Services, the Director of Accounting will continue to make investments and the Financial Accountant and the Senior Analyst will track the investments between accounts as part of the cash reconciliation process. The Senior Vice President of Business Services will review the investment statements and investment reconciliations prepared by staff.

05-II-B

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion. The Medical Center has an improper segregation of duties over the Foundation's cash disbursement cycle.

Condition: The accountant has access to the blank check stock, has the ability to post entries to the general ledger system, is responsible for check disbursement including signing the checks, performs the bank reconciliation, and prepares the financial statements.

Criteria: Misappropriation of assets could occur and not be detected in a timely manner.

Broadlawns Medical Center

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Recommendation: We recommend this position not perform the bank reconciliation or an individual independent of the process review the bank statements and cancelled checks for unusual items. Also, we recommend an individual independent of the check disbursement process sign the checks while reviewing the checks and supporting documentation for propriety and for unusual items.

Response and Corrective Action Plan: The Director of Accounting will begin reviewing the bank statement, cancelled checks, and the bank reconciliation prepared by the accountant. Additionally, the Senior Vice President of Business Services will be responsible for signing the Foundation checks.

05-II-C

Finding: The Medical Center was unable to reconcile their operating cash account to the general ledger throughout the fiscal year.

Condition: The ending balance on the Medical Center's workpaper agreed to the bank balance, but when reconciled did not agree to the balance on the general ledger due to accumulating differences throughout the fiscal year.

Criteria: Misappropriation of assets could occur and not be detected in a timely manner.

Recommendation: We recommend the Medical Center review the activity during the year to resolve the variance in the cash reconciliation at year-end. We also recommend reviewing the process of cash reconciliations to ensure all information is obtained on a monthly basis to be able to reconcile the cash account monthly throughout the year.

Response and Corrective Action Plan: The differences on the operating cash account reconciliation are caused by unapplied cash balances related to the professional billing system. Changes were made to the billing system for professional fees during fiscal year 2005 which led to these issues. We agree with the auditor's recommendations and will resolve the variance in the cash reconciliation at year-end. Additionally, we will continue to reconcile cash on a monthly basis and resolve variances as necessary.

(B) Compliance Findings

None reported.

III. Findings and Questioned Costs for Federal Awards

(A) Reportable Conditions in Internal Control

None reported.

Broadlawns Medical Center

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

(B) Instances of Noncompliance

U.S. Department of Agriculture
Passed through Iowa Department of Public Health/Division of Family and Community Health,
Special Supplemental Nutrition Program for Women, Infants, and Children
CFDA Number: 10.557
Pass through grant number: 5885A031
Federal Award Year: 2005

05-III-A

Finding: Participants to the WIC program are screened for eligibility and required documentation is obtained to verify this eligibility.

Condition: During the state on-site office visit, it was noted some participant files did not have adequate documentation for proof of address, income, or identity.

Questioned Costs: None.

Criteria: Ineligible participants could be certified.

Recommendation: Participant files should be reviewed for proper documentation before certification occurs to ensure the participant is eligible for program benefits. We recommend internal periodic review of participant charts to ensure all the appropriate information is included in the charts and the participant is eligible to receive benefits.

Response and Corrective Action Plan: The WIC program has been scheduled to being on-line eligibility screening. The required information must be entered in order for the participant to be certified for the program. The software maintains most of the documentation required by the State of Iowa.

IV. Other Findings Related to Required Statutory Reporting

04-IV-A – Official Depositories:

A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

04-IV-B – Certified Budget:

Disbursements during the year ended June 30, 2005 did not exceed the amount budgeted.

04-IV-C – Questionable Expenditures:

No expenditures that may not meet the requirements of public purpose as defined in Attorney General's opinion dated April 25, 1979 were noted.

Broadlawns Medical Center

Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

04-IV-D – Travel Expense:

No expenditures of the Medical Center money for travel expenses of spouses of Medical Center's officials and/or employees were noted.

04-IV-E – Business Transactions:

No business transactions between the Medical Center and Medical Center officials were noted.

04-IV-F – Board Minutes:

No transactions were found that we believe should have been approved in the Board minutes but were not.

04-IV-G – Deposits and Investments:

No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Medical Center's investment policy were noted.

04-IV-H – Publication of Bills Allowed and Salaries:

Chapter 347.13(14) of the Code of Iowa states "There shall be published quarterly in each of the official newspapers of the county as selected by the Board of Supervisors pursuant to Section 349.1 the schedule of bills allowed and there shall be published annually in such newspapers the schedule of salaries paid by job classification and category..." The Medical Center published a schedule of bills allowed or a schedule of salaries paid as required by the Code.

Broadlawns Medical Center

**Corrective Action Plan
Year Ended June 30, 2005**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
Reportable conditions in internal control:				
05-II-A	The Medical Center does not have adequate segregation of duties needed for an effective system of internal accounting control over the investment cycle.	See response and corrective action plan at 05-II-A.	June 2006	Gary Uhl
05-II-B	The Foundation does not have adequate segregation of duties needed for an effective system of internal accounting control over the cash disbursement cycle.	See response and corrective action plan at 05-II-B.	June 2006	Gary Uhl
05-II-C	The Medical Center cash reconciliation had a significant difference at year end.	See response and corrective action plan at 05-II-C.	June 2006	Gary Uhl
Compliance findings for federal awards:				
05-III-A	The Medical Center had inadequate documentation for eligibility requirements for participants in the Supplemental Nutrition Program for Women, Infants, and Children.	See response and corrective action plan at 05-III-A	June 2006	Cheryl VonBehren