

Broadlawns Medical Center

Financial and Compliance Report

06.30.2006

McGladrey & Pullen

Certified Public Accountants

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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, 2006 and 2005, 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, 2006 and 2005, 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, 2006 and 2005, 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 8, 2006, on our consideration of 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 38 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, 2006 and 2005 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The 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 8, 2006

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2006 and 2005

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, 2006 and 2005. 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 basic 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, 2006, 2005, and 2004. 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, 2006 and 2005

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 Albert White, Senior Vice President of Business Services, Broadlawns Medical Center, 1801 Hickman Road, Des Moines, Iowa 50314.

Financial Highlights

- During the year the Medical Center increased its net assets by \$1,797,710, which is a \$2,566 increase from last fiscal year, which ended with an increase in net assets of \$1,795,144.
- Total operating expenses for the current fiscal year ended were \$6,260,859 more than last fiscal year.
- Net operating revenue for the year was \$38,056,881, which is an increase of \$2,474,465.
- Net nonoperating revenue, which includes the property tax levy, increased \$3,788,960. Increase in the state appropriation accounted for \$2,800,000 of the total increase and property tax levy accounted for \$671,583 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. There was no emergency tax levy for 2005-2006.
- 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 \$4,520,669.
- During the fiscal year the Medical Center made capital investments totaling \$2,661,650. Capital investments did not exceed depreciation and amortization expense of \$2,823,041. The following is a list of significant purchases and improvements:

Capital Investments	Vendor	Department	2006 Cost
ED Computer System	ECDS & various others	Emergency	\$363,459
Center Building Roof	Various	Medical Center	52,493
Portable X-ray Machine	G E Healthcare	Imaging Services	36,660
Surgical Table	Skytron	Family Birthing Center	30,008
Blood Culture System	Trek Diagnostic	Laboratory	28,400
Blood Gas Analyzer	Radiometer America Inc.	Respiratory Care	27,535

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

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2006 and 2005

Net Assets

June 30, 2006: Total current assets are \$73,198,377, which is \$7,926,415 greater than last year. The difference is mainly due to an increase in succeeding this year's county property tax levy receivable of \$7,351,069, an increase in assets limited to use of \$1,081,388 due primarily to an increase in the reserve for health insurance claims of \$801,059, an increase of \$2,046,908 in the escrow account for the lease purchase agreement, and a decrease of \$1,222,890 for funds limited to replacing the computer system, a decrease in patient receivables of \$509,861, and a decrease in cash of \$203,711. Total noncurrent assets are \$4,866,493, which is \$2,520,791 greater than last year. The increase is mainly due to an increase in investments held by the medical malpractice trust fund. Net capital assets at June 30, 2006 are \$19,538,281, which is \$49,515 less than last fiscal year.

Total current liabilities of \$61,280,508 are \$8,399,789 more than last fiscal year. The difference is due to an increase in deferred revenue for succeeding year's county property tax revenue of \$7,351,069, an increase in accrued employee compensation and payroll taxes of \$561,278, an increase in current maturities of capital lease obligations of \$388,945, and an increase in accounts payable and other accrued expenses of \$235,292.

Long-term liabilities of \$8,820,526 are \$558,283 more than last fiscal year. The increase is primarily due to additional capital lease debt of \$2,000,000 to purchase capital equipment reduced by principal payments of \$1,642,722.

Net assets total \$28,092,766, which is \$1,797,710 more than last fiscal year.

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.

Broadlawns Medical Center

Management's Discussion and Analysis
Years Ended June 30, 2006 and 2005

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

Table 1

Condensed Balance Sheet	June 30,		
	2006	2005	2004
Total current assets	\$ 73,198,377	\$ 65,241,962	\$ 61,540,735
Capital assets, net	19,538,281	19,587,796	21,271,173
Other assets, including board-designated investments	5,457,142	2,608,260	2,710,463
Total assets	\$ 98,193,800	\$ 87,438,018	\$ 85,522,371
Current liabilities	\$ 61,280,508	\$ 52,880,719	\$ 51,438,153
Long-term debt outstanding and other long-term liabilities	8,820,526	8,262,243	9,584,306
Total liabilities	70,101,034	61,142,962	61,022,459
Invested in capital assets, net of related debt	11,747,929	12,268,155	12,624,632
Restricted net assets	4,668,819	4,043,090	1,254,362
Unrestricted net assets	11,676,018	9,983,811	10,620,918
Total net assets	28,092,766	26,295,056	24,499,912
Total liabilities and net assets	\$ 98,193,800	\$ 87,438,018	\$ 85,522,371

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2006 and 2005

Summary of Revenue, Expenses and Changes in Net Assets

Year Ended June 30, 2006: 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, 2006 and 2005. Net patient revenue is \$32,791,233, which is \$2,571,538 more than last fiscal year. The change is due to a 6.2% reduction in patient days and a 2.9% increase in outpatient visits. The balance of the increase is due to an increase in patient charges. Grants and contract revenue is \$3,174,794, which is \$60,931 less than last fiscal year. Salaries increased \$2,971,432 or 8.0% due mainly to annual C.O.L.A. rate increases and increases required by the nursing union contract. Employee benefits increased \$840,673 or 8.2% due mainly to a \$315,962 increase in health insurance expense. Property taxes totaled \$44,718,435, which is \$671,583 more than last fiscal year.

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, 2006 and 2005. 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.

Table 2

Revenue, Expenses and Changes in Net Assets	Year Ended June 30,		
	2006	2005	2004
Revenue:			
Net patient service revenue	\$ 32,791,233	\$ 30,219,695	\$ 30,918,009
Grants and contracts	3,174,794	3,235,725	2,894,818
Other	2,090,854	2,126,996	2,207,185
Total operating revenue	38,056,881	35,582,416	36,020,012
Expenses:			
Salaries and employee benefits	51,427,399	47,615,294	42,786,915
Supplies and other expenses	26,620,106	24,266,820	24,323,079
Physician fees and outside services	3,259,790	3,177,599	3,379,448
Depreciation	2,823,041	2,809,764	2,889,657
Operating expenses	84,130,336	77,869,477	73,379,099
Operating loss	(46,073,455)	(42,287,061)	(37,359,087)
Nonoperating revenue, net	47,871,165	44,082,205	39,284,926
Increase in net assets	\$ 1,797,710	\$ 1,795,144	\$ 1,925,839

Broadlawns Medical Center

**Management's Discussion and Analysis
Years Ended June 30, 2006 and 2005**

Patient and Medical Center Statistical Data

Year Ended June 30, 2006: Admissions of 4,209 patients for the current fiscal year are 2 more than last fiscal year. Average length of stay for acute patients is 3.0 days, which is 0.2 days less than last fiscal year. Average length of stay for mental health patients is 6.1 days, which is .6 days less than last fiscal year. The combined slight increase in admissions and decrease in length of stay results in a decrease in patient days of 1,094 days to 16,627 days for the fiscal year ended June 30, 2006.

The outpatient visits for fiscal year ended June 30, 2006 are 168,512, which is 4,678 more than last fiscal year.

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.

Table 3

Patient and Medical Center Statistical Data	Year Ended June 30,		
	2006	2005	2004
Total patient days	16,627	17,721	18,099
Admissions	4,209	4,207	4,567
Discharges	4,214	4,223	4,546
Average length of stay (Days):			
Acute	3.0	3.2	3.2
Mental health	6.1	6.7	6.0
Outpatient visits:			
Mental health	38,522	38,452	41,119
Walk-in, Doctors Health and Peds Clinics	38,187	38,978	35,139
Emergency room	28,027	26,717	27,724
Specialty, Internal Medicine and Podiatry Clinics	21,107	20,528	23,010
Family Health Center	16,889	16,165	17,384
Oral Medicine	8,869	8,724	8,576
OB Clinic and Family Planning	6,257	6,328	6,774
Addiction medicine	10,654	7,942	3,891
Homeless Outreach	-	-	3,257
Total outpatient visits	168,512	163,834	166,874

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2006 and 2005

Sources of Revenue

Net Patient Revenue

Year Ended June 30, 2006: 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 2006 the Medical Center recorded \$32,791,233 in net patient revenue representing 38.2% of total revenue. The \$32,791,233 in net patient revenue represents 33.4% of gross patient charges compared to 35.3% 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, 2005: 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.

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,		
	2006	2005	2004
Medicare	17%	14%	14%
Medicaid	48	24	22
Third-party payors	6	6	8
Polk County Health Services, Inc.	3	5	3
Wellmark	3	2	2
Self pay, including charity care and bad debts	23	49	51
Total	100%	100%	100%

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2006 and 2005

Deductions from revenue consist of charity care totaling \$9,600,286, contractual adjustments totaling \$44,625,883 and bad debts totaling \$11,186,602. 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, 2006, 2005, and 2004. As a percentage of gross patient charges, charity care decreased 72.3%, contractual adjustments increased 126.7%, and bad debts increased 23.1%, resulting in a decrease of 1.9% net patient revenue as compared to gross patient charges. The reduction in charity care and the increase in contractual adjustments are mainly due to the lowaCare program. The lowaCare program shifted what would have been patient write offs for charity care in previous years to contractual adjustments in the current year.

Table 5

Net Patient Revenue	Year Ended June 30,		
	2006	2005	2004
Gross patient revenue	\$ 98,204,004	\$ 85,652,109	\$ 84,340,059
Charity care	(9,600,286)	(30,337,679)	(27,285,255)
Contractual adjustments	(44,625,883)	(17,169,851)	(14,021,784)
Bad debt	(11,186,602)	(7,924,884)	(12,115,011)
Net patient revenue	<u>\$ 32,791,233</u>	<u>\$ 30,219,695</u>	<u>\$ 30,918,009</u>

Grant/Contract Revenue

Year Ended June 30, 2006: Grant and contract revenue for the year ended June 30, 2006 totaled \$1,586,992 and \$1,587,802, respectively, for a total of \$3,174,794, which represents 3.7% of total revenue compared to a total of \$3,235,725 in 2005.

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.

Other Revenue

Other revenue consists of cafeteria revenue, sale of supplies, and services provided to other entities. Other revenue totals \$2,090,854 and \$2,126,996, which represents 2.4% and 2.7% of total revenue for the years ended June 30, 2006 and 2005, respectively.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2006 and 2005

Tax Receipts

Year Ended June 30, 2006: Broadlawns Medical Center has the taxing authority under the Code of Iowa to support its operations. For the year ended June 30, 2006, the Medical Center's tax receipts totaled \$44,718,435, which was an increase of \$671,583 or 1.5% from the prior year. The tax receipts represented 52.0% of total revenue.

Year Ended June 30, 2005: 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 2007 is \$52,359,946.

Table 6

Tax Receipts	2006	2005	2004	Increase (Decrease)	Levied Taxes June 30, 2007
Improvement and maintenance	\$ 28,626,231	\$ 27,699,740	\$ 26,328,611	\$ 926,491	\$ 29,606,638
FICA Fund	2,926,327	2,473,789	2,621,816	452,538	2,814,653
IPERS Fund	2,261,963	2,019,514	1,861,111	242,449	2,349,756
Unemployment Fund	208,879	87,694	54,713	121,185	-
Tort (Insurance) Fund	10,695,035	8,424,040	8,452,591	2,270,995	15,655,124
Emergency Tax Levy	-	3,342,075	-	(3,342,075)	-
Total taxes	\$ 44,718,435	\$ 44,046,852	\$ 39,318,842	\$ 671,583	\$ 50,426,171

Capital Assets

June 30, 2006: As of June 30, 2006 the Medical Center had \$19,538,281 invested in capital assets. Capital expenditures in 2006 were less than the 2006 depreciation expense, resulting in a reduction of \$49,515 in net capital assets from 2005 to 2006.

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.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2006 and 2005

Table 7

	June 30,		
	2006	2005	2004
Capital assets not being depreciated:			
Land	\$ 58,276	\$ 58,276	\$ 58,276
Construction in progress	1,693,338	173,342	276,052
Capital assets net of depreciation:			
Land improvements	1,759,889	1,867,830	2,021,580
Buildings	6,366,512	6,812,384	7,267,711
Building equipment	5,906,650	6,470,742	7,222,189
Fixed equipment	51,909	61,536	50,241
Vans	86,184	132,533	162,905
Major movable equipment	3,414,062	3,772,446	3,969,335
Equipment under capital lease	201,461	238,707	242,884
Total capital assets, net	\$ 19,538,281	\$ 19,587,796	\$ 21,271,173

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 \$7,939,477, as of June 30, 2006, \$7,582,199 as of June 30, 2005 and \$8,966,890 as of June 30, 2004. The increase between 2005 and 2006 is attributable to a new capital lease for \$2,000,000 less the bond and capital lease principal payments. The decrease between 2004 and 2005 is attributable to the bond and capital lease principal payments with no new debt in 2005.

Fiscal Year 2007 Outlook

The Board of Trustees has approved and set the budget for the 2007 fiscal year. The budget projects a net operating income of \$3,450,634.

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. As of June 30, 2006, \$1,370,922 of the funds has been used to replace the information system.

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, 2006 and 2005

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 2006-2007 fiscal year. The IowaCare program allows the Medical Center to provide and receive reimbursement for health risk assessments and smoking cessation provided to IowaCare patients.

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 Albert White, Senior Vice President of Business Services, Broadlawns Medical Center, 1801 Hickman Road, Des Moines, Iowa 50314.

Broadlawns Medical Center

Balance Sheets

June 30, 2006 and 2005

Assets	Medical Center		Component Unit (Foundation)	
	2006	2005	2006	2005
Current Assets:				
Cash and cash equivalents	\$ 3,254,520	\$ 3,458,231	\$ 201,901	\$ 119,239
Investments	126,459	15,779	-	-
Assets limited as to use or restricted, required for current liabilities:				
Cash and cash equivalents	5,412,696	3,457,088	72,000	71,000
Investments	2,464,563	3,338,783	-	-
Receivables:				
Patient, less estimated allowances for uncollectibles and contractals 2006 \$9,146,090; 2005 \$6,167,083	8,307,059	8,816,920	-	-
Property taxes	561,314	460,358	-	-
Succeeding year property taxes	50,426,171	43,075,102	-	-
Federal grants	188,284	274,788	-	-
Nonfederal grants	133,009	184,034	-	-
Other	106,228	162,677	-	-
Due from third-party payors	1,383,013	1,264,337	-	-
Inventories	454,223	423,801	-	-
Prepaid expenses and other assets	380,838	310,064	-	-
Total current assets	73,198,377	65,241,962	273,901	190,239
Noncurrent Assets:				
Assets limited as to use or restricted:				
Cash and cash equivalents	427,254	88,446	-	-
Investments	4,439,239	2,257,256	-	-
	4,866,493	2,345,702	-	-
Capital assets, net	19,538,281	19,587,796	3,973	5,323
Other assets	590,649	262,558	-	-
Total noncurrent assets	24,995,423	22,196,056	3,973	5,323
	\$ 98,193,800	\$ 87,438,018	\$ 277,874	\$ 195,562

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Medical Center		Component Unit (Foundation)	
	2006	2005	2006	2005
Current Liabilities:				
Current maturities of long-term debt	\$ 610,000	\$ 955,000	\$ -	\$ -
Current maturities of capital lease obligations	928,456	539,511	-	-
Accounts payable and other accrued expenses	2,991,478	2,756,186	337,022	339,518
Accrued employee compensation and payroll taxes	4,547,271	3,985,993	-	-
Current portion of accrued claims on self-insurance	1,777,132	1,568,927	-	-
Deferred revenue for succeeding year property taxes	50,426,171	43,075,102	-	-
Total current liabilities	61,280,508	52,880,719	337,022	339,518

Noncurrent Liabilities:

Accrued claims on self-insurance, less current portion	2,419,505	2,174,555	-	-
Long-term debt, less current maturities	2,605,493	3,182,834	-	-
Long-term capital lease obligations, less current maturities	3,795,528	2,904,854	-	-
Total noncurrent liabilities	8,820,526	8,262,243	-	-
Total liabilities	70,101,034	61,142,962	337,022	339,518

Commitments and Contingencies (Notes 5 and 8)

Net Assets:

Invested in capital assets, net of related debt	11,747,929	12,268,155	3,973	5,323
Restricted:				
For debt service	629,448	621,685	-	-
For capital acquisitions	2,115,893	3,338,783	-	-
For enabling legislation (Note 10)	1,854,339	550,812	-	-
For specific activities	69,139	82,622	231,255	178,628
Unrestricted	11,676,018	9,432,999	(294,376)	(327,907)
Total net assets	28,092,766	26,295,056	(59,148)	(143,956)
	\$ 98,193,800	\$ 87,438,018	\$ 277,874	\$ 195,562

Broadlawns Medical Center

**Statements of Revenue, Expenses and Changes in Net Assets
Years Ended June 30, 2006 and 2005**

	Medical Center		Component Unit (Foundation)	
	2006	2005	2006	2005
Operating revenue:				
Net patient service revenue, net	\$ 32,791,233	\$ 30,219,695	\$ -	\$ -
Contracts	1,587,802	1,710,933	-	-
Operating grants	1,586,992	1,524,792	-	-
Other	2,090,854	2,126,996	47,688	315,493
Total operating revenue	38,056,881	35,582,416	47,688	315,493
Operating expenses:				
Salaries and wages	40,324,796	37,353,364	-	-
Employee benefits	11,102,603	10,261,930	-	-
Physician fees and outside services	3,259,790	3,177,599	-	-
Supplies and other expenses	26,620,106	24,266,820	16,067	35,383
Depreciation and amortization	2,823,041	2,809,764	1,350	1,450
Total operating expenses	84,130,336	77,869,477	17,417	36,833
Operating income (loss)	(46,073,455)	(42,287,061)	30,271	278,660
Nonoperating revenue (expense):				
Property taxes	44,718,435	44,046,852	-	-
State appropriations	3,000,000	200,000	-	-
Noncapital grants and contributions	186,403	108,644	52,627	(237,915)
Investment earnings	479,935	150,540	1,910	208
Interest expense	(586,100)	(487,590)	-	-
Capital grants and contributions	12,514	13,626	-	-
Other, net	59,978	50,133	-	-
Total nonoperating revenue (expense), net	47,871,165	44,082,205	54,537	(237,707)
Change in net assets	1,797,710	1,795,144	84,808	40,953
Net assets:				
Beginning	26,295,056	24,499,912	(143,956)	(184,909)
Ending	\$ 28,092,766	\$ 26,295,056	\$ (59,148)	\$ (143,956)

See Notes to Basic Financial Statements.

Broadlawns Medical Center

Statements of Cash Flows

Years Ended June 30, 2006 and 2005

	Medical Center		Component Unit (Foundation)	
	2006	2005	2006	2005
Cash Flows from Operating Activities:				
Receipts from and on behalf of patients	\$ 36,357,212	\$ 34,352,717	\$ -	\$ -
Payments to suppliers and contractors	(29,098,667)	(26,867,013)	(18,563)	(52,379)
Payments to employees	(50,866,121)	(47,318,887)	-	(1,065)
Other receipts and payments, net	2,091,060	2,149,578	47,688	341,004
Net cash provided by (used in) operating activities	(41,516,516)	(37,683,605)	29,125	287,560
Cash Flows from Noncapital Financing Activities:				
Property taxes	44,617,479	40,640,220	-	-
State appropriations	3,000,000	200,000	-	-
Noncapital grants and contributions	186,403	108,644	52,627	(237,915)
Interest paid on noncapital financing	(193,066)	(103,173)	-	-
Proceeds from issuing anticipatory warrants	10,800,000	11,940,000	-	-
Repayments of anticipatory warrants	(10,800,000)	(11,940,000)	-	-
Other	59,978	50,133	-	-
Net cash provided by (used in) noncapital financing activities	47,670,794	40,895,824	52,627	(237,915)
Cash Flows from Capital and Related Financing Activities:				
Capital grants and contributions	12,514	13,626	-	-
Property taxes restricted to capital acquisitions	-	3,342,075	-	-
Principal paid on long-term debt	(1,642,722)	(1,410,505)	-	-
Interest paid on long-term debt	(393,034)	(394,543)	-	-
Proceeds from sale of capital assets	1,350	-	-	-
Purchase of capital assets	(661,650)	(1,038,532)	-	-
Purchase of other assets	(441,523)	-	-	-
Net cash provided by (used in) capital and related financing activities	(3,125,065)	512,121	-	-
Cash Flows from Investing Activities:				
Investment income	479,935	160,666	1,910	208
Purchase of investments	(1,418,443)	(3,360,463)	-	-
Net cash provided by (used in) investing activities	(938,508)	(3,199,797)	1,910	208
Net increase in cash and cash equivalents	2,090,705	524,543	83,662	49,853
Cash and cash equivalents:				
Beginning	7,003,765	6,479,222	190,239	140,386
Ending	\$ 9,094,470	\$ 7,003,765	\$ 273,901	\$ 190,239

(Continued)

Broadlawns Medical Center

Statements of Cash Flows (Continued)
Years Ended June 30, 2006 and 2005

	Medical Center		Component Unit (Foundation)	
	2006	2005	2006	2005
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and cash equivalents in current assets	\$ 3,254,520	\$ 3,458,231	\$ 201,901	\$ 119,239
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	5,412,696	3,457,088	72,000	71,000
Assets limited as to use or restricted, noncurrent	427,254	88,446	-	-
Total cash and cash equivalents	\$ 9,094,470	\$ 7,003,765	\$ 273,901	\$ 190,239
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (46,073,455)	\$ (42,287,061)	\$ 30,271	\$ 278,660
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	2,823,041	2,809,764	1,350	1,450
Loss on disposal of capital asset	206	3,705	-	-
Changes in assets and liabilities:				
Patient receivables	509,861	1,070,256	-	-
Inventories, prepaid expenses, and other receivables	92,782	159,194	-	25,511
Other assets	-	(7,955)	-	-
Due from third-party payors	(118,676)	(172,959)	-	-
Accounts payable and accrued expenses	1,249,725	741,451	(2,496)	(18,061)
Net cash provided by (used in) operating activities	\$ (41,516,516)	\$ (37,683,605)	\$ 29,125	\$ 287,560
Noncash Capital and Related Financing Activities, capital lease obligation incurred for acquisition of capital assets	\$ 2,000,000	\$ 25,814	\$ -	\$ -

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 \$11,186,602 and \$7,924,884 for the years ended June 30, 2006 and 2005, 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 2006 fiscal year. The succeeding year county tax levy receivable represents taxes certified by the Board of Supervisors to be collected in the 2007 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, 2006 and 2005.

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 when there are limitations imposed on their use either through the enabling legislation adopted by the Organization or 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. Net assets restricted through enabling legislation consist of \$298,594 for IPERS contributions, \$792,887 for tort immunity and \$762,858 for employer payroll taxes. In the current year, the District adopted GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. The effect of the adoption of this Statement was to reclassify \$550,812 that was previously classified as unrestricted to restricted net assets.
- *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.

Broadlawns Medical Center

Notes to Basic Financial Statements

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

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. On July 1, 2005, some of the patients who previously qualified for charity care became qualified for the Iowa Care program. Charges for patients eligible for the IowaCare program are written off as contractual adjustments and are, therefore, not reported as net patient service revenue. Charity care and IowaCare services rendered by the Medical Center, at established rates, totaled \$36,544,281 and \$30,337,679 for the years ended June 30, 2006 and 2005, respectively.

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, 2005 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 the IowaCare program (new in 2006), 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, 2006 and 2005 is as follows:

	2006	2005
Gross patient service revenue:		
Inpatient	\$ 35,661,299	\$ 32,414,591
Outpatient	62,542,705	53,237,518
	<u>98,204,004</u>	<u>85,652,109</u>
Less charity care	9,600,286	30,337,679
Gross patient service revenue	<u>88,603,718</u>	<u>55,314,430</u>
Less provisions for bad debts	<u>11,186,602</u>	<u>7,924,884</u>
Less contractual and other adjustments:		
Employee discounts	54,521	38,147
Contractual adjustments under third-party reimbursement programs:		
IowaCare	26,943,995	-
Medicare	3,004,813	2,694,397
Medicaid	3,976,544	5,135,463
Magellan	859,655	1,173,296
Heritage	28,928	27,389
Wellmark	416,081	362,925
PCHS	526,104	1,079,914
United Healthcare	275,386	362,026
Other	8,539,856	6,296,294
	<u>44,625,883</u>	<u>17,169,851</u>
Net patient service revenue	<u>\$ 32,791,233</u>	<u>\$ 30,219,695</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 3. Cash and Investments

As of June 30, 2006, the Medical Center has the following investments:

Investment	Maturities	Fair Value
Fed Farm Credit Bk Note	06/15/2007	\$ 98,219
Fed Farm Credit Bk Note	11/16/2007	99,125
FHLB Note	05/22/2008	151,594
FHLB Note	03/14/2008	98,813
FHLB Note	02/29/2008	148,828
FHLB Note	06/13/2008	198,688
FHLB Note	09/14/2007	195,126
FHLB Note	10/26/2007	147,141
FHLB Note	08/23/2007	195,312
FHLB Note	05/21/2007	146,749
FHLB Note	04/28/2008	144,913
Fed Natl Mtg Note	07/15/2008	193,938
Fed Natl Mtg Note	07/15/2007	148,079
Fed Natl Mtg Note	04/20/2007	147,095
Fed Natl Mtg Note	12/21/2007	147,375
Fed Natl Mtg Note	01/18/2008	146,109
US Treasury Note	07/31/2006	149,760
US Treasury Note	08/31/2006	99,574
US Treasury Note	09/30/2006	124,194
US Treasury Note	10/31/2006	123,921
US Treasury Note	11/30/2006	148,547
US Treasury Note	12/31/2006	148,319
US Treasury Note	02/28/2007	98,762
US Treasury Note	03/31/2007	98,875
US Treasury Note	01/31/2007	185,966
FHLB	08/09/2006	310,443
Artwork	NA	3,500
Iowa Public Agency Investment Trust	Current	3,122,173
		\$ 7,021,138

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.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 3. Cash and Investments (Continued)

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.

As of June 30, 2006, the Medical Center's investments were rated as follows:

<u>Investment Type</u>	<u>Moody's Investor Services</u>	<u>Standard & Poor's</u>
Federal Farm Credit Bk Note	Aaa	AAA
FHLB Note	Aaa	AAA
Fed Natl Mtg Note	Aaa	AAA
Iowa Public Agency Investment Trust	Not Rated	Not Rated

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% of the Medical Center's investments are in FHLB Notes, Federal National Mortgage Notes and US Treasury Notes. 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, 2006.

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 Senior Vice President of Business Services 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, 2006, 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, 2006 and 2005 were designated as follows:

	2006	2005
Board designated for:		
Memorial funds	\$ 3,510	\$ 16,592
Plant replacement and expansion	574,351	549,541
Self-insured retention funds:		
Medical malpractice	4,578,786	2,916,287
Workers' compensation	659,224	564,294
Health insurance trust	1,701,793	900,734
Equipment maintenance trust	280,345	25,646
Dental	84,354	138,481
Under terms of a capital lease obligation, escrow agreement (Note 6)	2,046,908	-
Under terms of a capital lease obligation, debt service reserve (Note 6)	629,448	621,685
Patient Trust Fund	7,828	4,517
Alumni Fund	61,312	65,013
Capital tax levy, restricted for capital assets	2,115,893	3,338,783
	<u>\$ 12,743,752</u>	<u>\$ 9,141,573</u>

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

	2006	2005
Assets limited as to use or restricted, required for current liabilities	\$ 7,877,259	\$ 6,795,871
Assets limited as to use or restricted	4,866,493	2,345,702
	<u>\$ 12,743,752</u>	<u>\$ 9,141,573</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, 2006 and 2005 was as follows:

	Medical Center			
	June 30, 2005	Additions	Transfers and Disposals	June 30, 2006
Capital assets not being depreciated:				
Land	\$ 58,276	\$ -	\$ -	\$ 58,276
Construction in progress	173,342	2,226,887	(706,891)	1,693,338
Total capital assets not being depreciated	231,618	2,226,887	(706,891)	1,751,614
Capital assets being depreciated:				
Land improvements	3,784,525	-	44,249	3,828,774
Buildings	18,060,080	-	3,474	18,063,554
Building equipment	19,375,338	38,138	231,458	19,644,934
Fixed equipment	477,024	-	-	477,024
Vans	210,726	1,730	-	212,456
Major moveable equipment	16,135,591	394,895	(4,749,715)	11,780,771
Equipment under capital lease	1,158,977	-	(121,156)	1,037,821
Total capital assets being depreciated	59,202,261	434,763	(4,591,690)	55,045,334
Less accumulated depreciation for:				
Land improvements	1,916,695	152,190	-	2,068,885
Buildings	11,247,696	449,346	-	11,697,042
Building equipment	12,904,596	833,689	-	13,738,285
Fixed equipment	415,488	9,627	-	425,115
Vans	78,193	48,079	-	126,272
Major moveable equipment	12,363,145	1,179,434	(5,175,870)	8,366,709
Equipment under capital lease	920,270	37,245	(121,156)	836,359
Total accumulated depreciation	39,846,083	2,709,610	(5,297,026)	37,258,667
Total capital assets, being depreciated, net	19,356,178	(2,274,847)	705,336	17,786,667
Capital assets, net	\$ 19,587,796	\$ (47,960)	\$ (1,555)	\$ 19,538,281
	Foundation			
	June 30, 2005	Additions	Transfers and Disposals	June 30, 2006
Capital assets being depreciated, fixed equipment	\$ 7,473	\$ -	\$ -	\$ 7,473
Less accumulated depreciation for fixed equipment	2,150	1,350	-	3,500
Capital assets, net	\$ 5,323	\$ (1,350)	\$ -	\$ 3,973

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 5. Capital Assets (Continued)

	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)

Capital assets as of June 30, 2006 and 2005 included costs of \$15,817,907 and \$15,866,807, respectively, related to capital leases. Accumulated amortization related to the capital leases as of June 30, 2006 and 2005 was \$10,597,039 and \$10,300,081, respectively. There are no significant commitments to complete construction in progress projects as of June 30, 2006. The majority of the construction in progress account as of June 30, 2006 represents a new computer system which was placed in service in July 2006.

Note 6. Debt

Long-term debt as of June 30, 2006 and 2005 consists of the following:

	2006	2005
General obligation capital loan notes (1998), net of discount (A)	\$ 183,514	\$ 267,739
General obligation capital loan notes (2000), net of discount (B)	3,031,979	3,129,778
General obligation bonds (2003), net of discount (C)	-	740,317
Capital lease obligation, buildings (D)	2,770,000	3,255,000
Capital lease obligations, equipment (D)	134,849	189,365
Capital lease obligation, equipment (E)	1,819,135	-
	<u>7,939,477</u>	<u>7,582,199</u>
Less current maturities	1,538,456	1,494,511
	<u>\$ 6,401,021</u>	<u>\$ 6,087,688</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.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Debt (Continued)

- (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 were 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 2003 General Obligation Bonds were paid in full in 2006.

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.

- (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, 2006, the Medical Center had no outstanding borrowings from the improvement fund. The amounts on deposit in the improvement fund are \$629,448 and \$621,685 as of June 30, 2006 and 2005, 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.

- (E) Capital lease obligation incurred for acquisition of equipment. Lease obligation is due in monthly installments of approximately \$37,500, which includes interest at a rate of 4.4% through December 2010. The proceeds from the borrowing are unspent and are on deposit in an escrow account as of June 30, 2006. This escrow, with a balance of \$2,046,908 is included in assets limited as to use or restricted, cash and cash equivalents on the accompanying balance sheet.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 6. Debt (Continued)

Long-term debt activity as of and for the years ended June 30, 2006 and 2005 is as follows:

	June 30, 2005	Borrowings	Payments and Amortization of Discount	June 30, 2006	Amounts Due Within 1 Year
Notes payable:					
General obligation capital loan notes (1998)	\$ 267,739	\$ -	\$ 84,225	\$ 183,514	\$ 90,000
General obligation capital loan notes (2000)	3,129,778	-	97,799	3,031,979	520,000
General obligation bonds (2003)	740,317	-	740,317	-	-
Total notes payable	4,137,834	-	922,341	3,215,493	610,000
Capital lease obligations:					
Equipment	189,365	2,000,000	235,381	1,953,984	423,456
Buildings	3,255,000	-	485,000	2,770,000	505,000
Total capital lease obligations	3,444,365	2,000,000	720,381	4,723,984	928,456
	\$ 7,582,199	\$ 2,000,000	\$ 1,642,722	\$ 7,939,477	\$ 1,538,456
	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 capital 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)

Aggregate principal and interest maturities for the Medical Center's long-term debt, excluding the capital lease obligations, as of June 30, 2006 are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2007	\$ 610,000	\$ 154,518
2008	530,000	126,197
2009	505,000	101,383
2010	525,000	77,395
2011	550,000	52,195
2012 - 2013	510,000	25,245
	<u>3,230,000</u>	<u>\$ 536,933</u>
Less unamortized discount	14,507	
	<u>\$ 3,215,493</u>	

The future minimum lease payments as of June 30, 2006 on the capital lease obligations are as follows:

	<u>The Sands Center</u>	<u>Equipment</u>	<u>Total</u>
Year ending June 30:			
2007	\$ 635,091	\$ 513,106	\$ 1,148,197
2008	636,861	506,434	1,143,295
2009	632,481	480,710	1,113,191
2010	637,044	450,330	1,087,374
2011	634,494	225,165	859,659
Total minimum lease payments	<u>3,175,971</u>	<u>2,175,745</u>	<u>5,351,716</u>
Less amounts representing interest	405,971	221,761	627,732
Present value of minimum lease payments	<u>\$ 2,770,000</u>	<u>\$ 1,953,984</u>	<u>\$ 4,723,984</u>

In addition, the Medical Center issued and paid \$10,800,000 and \$11,940,000 of short-term taxable public warrants during the years ended June 30, 2006 and 2005, respectively, for financing short-term cash flow needs.

Broadlawns Medical Center

Notes to Basic Financial Statements

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, 2006, 2005, and 2004 were \$2,164,461, \$2,021,768 and \$1,921,535, respectively, equal to the required contributions for each year.

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 through April 14, 2006 and \$450,000 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 2007, which can also be used for payment of losses. There were no borrowings on the letter of credit as of June 30, 2006. The Medical Center has a second letter of credit agreement with a financial institution, which allows for draws of up to approximately \$176,000 through December 12, 2006 which can be used for payments of losses. There were no borrowings on the letter of credit as of June 30, 2006.

Broadlawns Medical Center

Notes to Basic Financial Statements

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

The annual provision for professional liability losses and expenses included in the accompanying statements 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 2006 and 2005.

The Medical Center has accrued liabilities of \$4,196,637 and \$3,743,482 for self-insured losses as of June 30, 2006 and 2005, 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, 2005	Additions	Reductions	June 30, 2006	Amounts Due Within 1 Year
Malpractice insurance	\$ 2,190,442	\$ 11,556	\$ -	\$ 2,201,998	\$ 550,020
Workers' compensation insurance	746,604	521,096	254,661	1,013,039	245,512
Equipment maintenance insurance	-	326,221	251,221	75,000	75,000
Dental insurance	156,436	268,526	367,862	57,100	57,100
Health insurance	650,000	5,918,003	5,718,503	849,500	849,500
Total	\$ 3,743,482	\$ 7,045,402	\$ 6,592,247	\$ 4,196,637	\$ 1,777,132

	June 30, 2004	Additions	Reductions	June 30, 2005	Amounts 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

Broadlawns Medical Center

Notes to Basic Financial Statements

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

Lease commitments:

The Medical Center leases real estate under operating agreements which expire through 2011. Rental expense under those agreements was approximately \$475,323 and \$600,575 for the years ended June 30, 2006 and 2005, respectively. The schedule of minimum rental payments due under these agreements is as follows:

Year ending June 30:		
2007	\$	398,000
2008		398,000
2009		398,000
2010		398,000
2011		398,000
	\$	<u>1,990,000</u>

The Medical Center has data processing service agreements which expire through 2007. Total service expense under these agreements was \$845,269 and \$1,024,319 for the years ended June 30, 2006 and 2005, 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, 2006 and 2005 was as follows:

	2006	2005
Medicare	17%	10%
PCHS	4	7
Disability	2	7
Medicaid	16	14
Private pay	40	30
Title XIX pending	6	14
Other	15	18
Total	<u>100%</u>	<u>100%</u>

Note 10. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements

The Organization adopted the following Statements during the year ended June 30, 2006:

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner. The adoption of this Statement had no effect on the Organization in the current year.

Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB Statement No. 34. This Statement establishes and modifies requirements related to restrictions of net assets resulting from enabling legislation. The effect of adopting this Statement was to reclassify \$550,812 previously reported as unrestricted to restricted net assets.

Statement No. 47, *Accounting for Termination Benefits*. 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. The adoption of this Statement had no effect in the current year.

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 10. New Governmental Accounting Standards Board (GASB) Statements and Pending Pronouncements (Continued)

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. 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. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for the Organization beginning with its year ending June 30, 2008. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

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, 2006**

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, 2006:

GAAP Expenses	Adjustments to Budgetary Basis	Budgetary Basis	Adopted Budget
\$ 84,716,436	\$ 1,349,051	\$ 86,065,487	\$ 89,069,528

Broadlawns Medical Center

**Balance Sheet, by Department
June 30, 2006**

Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Assets:					
Cash and cash equivalents	\$ 2,730,592	\$ 58,734	\$ 465,194	\$ -	\$ 3,254,520
Investments	126,459	-	-	-	126,459
Assets limited as to use or restricted, required for current liabilities:					
Cash and cash equivalents	5,404,869	7,827	-	-	5,412,696
Investments	2,464,563	-	-	-	2,464,563
Receivables:					
Patients, net	8,194,679	121,908	-	9,528 (1)	8,307,059
Property taxes	561,314	-	-	-	561,314
Succeeding year property taxes	50,426,171	-	-	-	50,426,171
Federal grants	188,284	-	-	-	188,284
Nonfederal grants	133,009	-	-	-	133,009
Other	396,149	-	-	289,921 (1)	106,228
Due from third-party payors	1,320,976	62,037	-	-	1,383,013
Inventories	454,223	-	-	-	454,223
Prepaid expenses and other assets	380,838	-	-	-	380,838
Total current assets	72,782,126	250,506	465,194	299,449	73,198,377
Noncurrent Assets:					
Assets Limited as to Use or Restricted:					
Cash and cash equivalents	427,254	-	-	-	427,254
Investments	4,439,239	-	-	-	4,439,239
	4,866,493	-	-	-	4,866,493
 Capital Assets, net	 19,381,079	 9,934	 147,268	 -	 19,538,281
 Other Assets	 590,649	 -	 -	 -	 590,649
Total noncurrent assets	24,838,221	9,934	147,268	-	24,995,423
	\$ 97,620,347	\$ 260,440	\$ 612,462	\$ 299,449	\$ 98,193,800

(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	\$ 610,000	\$ -	\$ -	\$ -	\$ 610,000
Current maturities of capital lease obligations	928,456	-	-	-	928,456
Accounts payable and other accrued expenses	2,980,109	80,195	103,381	172,207 (1)	2,991,478
Accrued employee compensation and payroll taxes	4,547,271	54,344	72,898	127,242 (1)	4,547,271
Current portion of accrued claims on self-insurance	1,777,132	-	-	-	1,777,132
Deferred revenue for succeeding year property taxes	50,426,171	-	-	-	50,426,171
Total current liabilities	61,269,139	134,539	176,279	299,449	61,280,508
Noncurrent Liabilities:					
Accrued claims on self-insurance, less current portion	2,419,505	-	-	-	2,419,505
Long-term debt, less current maturities	2,605,493	-	-	-	2,605,493
Long-term capital lease obligations, less current maturities	3,795,528	-	-	-	3,795,528
Total noncurrent liabilities	8,820,526	-	-	-	8,820,526
Total liabilities	70,089,665	134,539	176,279	299,449	70,101,034
Commitments and Contingencies					
Net Assets:					
Invested in capital assets, net of related debt	11,590,727	9,934	147,268	-	11,747,929
Restricted:					
For debt service	629,448	-	-	-	629,448
For capital acquisitions	2,115,893	-	-	-	2,115,893
For enabling legislation	1,854,339	-	-	-	1,854,339
For specific activities	61,312	7,827	-	-	69,139
Unrestricted	11,278,963	108,140	288,915	-	11,676,018
Total net assets	27,530,682	125,901	436,183	-	28,092,766
	\$ 97,620,347	\$ 260,440	\$ 612,462	\$ 299,449	\$ 98,193,800

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 enabling legislation	550,812	-	-	-	550,812
For specific activities	78,105	4,517	-	-	82,622
Unrestricted	9,109,248	104,431	219,320	-	9,432,999
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

**Combining Statements of Revenue, Expenses and Changes in Net Assets, by Department
Year Ended June 30, 2006**

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 30,257,961	\$ 1,119,189	\$ 1,551,774	\$ 137,691 (1)	\$ 32,791,233
Contracts	1,587,802	-	-	-	1,587,802
Operating grants	1,586,992	-	-	-	1,586,992
Other	2,109,731	-	-	18,877 (1)	2,090,854
Total operating revenue	35,542,486	1,119,189	1,551,774	156,568	38,056,881
Operating expenses:					
Salaries and wages	38,953,392	691,288	680,116	-	40,324,796
Employee benefits	10,732,429	202,220	167,954	-	11,102,603
Physician fees and outside services	3,259,790	-	-	-	3,259,790
Supplies and other expenses	25,919,313	222,097	635,264	156,568 (1)	26,620,106
Depreciation and amortization	2,753,374	3,709	65,958	-	2,823,041
Total operating expenses	81,618,298	1,119,314	1,549,292	156,568	84,130,336
Operating income (loss)	(46,075,812)	(125)	2,482	-	(46,073,455)
Nonoperating revenue (expense):					
Property taxes	44,718,435	-	-	-	44,718,435
State appropriations	3,000,000	-	-	-	3,000,000
Noncapital grants and contributions	186,403	-	-	-	186,403
Investment earnings	495,471	125	2,884	18,545 (1)	479,935
Interest expense	(604,645)	-	-	(18,545) (1)	(586,100)
Capital grants and contributions	12,514	-	-	-	12,514
Other, net	56,668	3,310	-	-	59,978
Total nonoperating revenue, net	47,864,846	3,435	2,884	-	47,871,165
Change in net assets	1,789,034	3,310	5,366	-	1,797,710
Net assets:					
Beginning	25,741,648	122,591	430,817	-	26,295,056
Ending	\$ 27,530,682	\$ 125,901	\$ 436,183	\$ -	\$ 28,092,766

(1) To eliminate intercompany transactions.

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

Analysis of Net Patient Receivables
June 30, 2006 and 2005

	2006		2005	
	Amounts	Percent to Total	Amounts	Percent to Total
0 - 30 (in-house and unbilled)	\$ 5,780,955	33%	\$ 3,124,017	20%
31 - 60	3,313,424	19	2,601,612	17
61 - 90	2,304,658	13	2,058,703	14
91 - 120	1,598,235	9	1,664,405	11
121 - 150	1,029,197	6	1,151,583	8
151 - 180	670,627	4	858,957	6
181 - 270	1,431,395	8	1,432,340	9
271 - 360	448,499	3	775,871	5
361 - 999	876,159	5	1,595,988	10
	<u>17,453,149</u>	<u>100%</u>	<u>15,263,476</u>	<u>100%</u>
Unapplied periodic interim payments	-		279,473	
Allowance for doubtful accounts	1,669,465		1,293,872	
Allowance for charity care	2,181,938		2,652,073	
Allowance for contractual and other adjustments	5,294,687		2,221,138	
	<u>\$ 8,307,059</u>		<u>\$ 8,816,920</u>	
Medicare	\$ 1,440,727	17%	\$ 936,066	10%
PCHS	331,032	4	577,577	7
Disability	162,194	2	578,502	7
Medicaid	1,357,668	16	1,262,188	14
Private pay	3,279,293	40	2,667,962	30
Title XIX pending	521,420	6	1,245,721	14
Other	1,214,725	15	1,548,904	18
Total	<u>\$ 8,307,059</u>	<u>100%</u>	<u>\$ 8,816,920</u>	<u>100%</u>

Broadlawns Medical Center

Inventories
June 30, 2006 and 2005

	2006	2005
General stores	\$ 235,507	\$ 197,502
Pharmacy	218,716	226,299
	<u>\$ 454,223</u>	<u>\$ 423,801</u>

Broadlawns Medical Center

**Changes in Capital Assets and Accumulated Depreciation and Amortization
Year Ended June 30, 2006**

	Capital Assets			
	June 30, 2005	Additions	Transfers and Disposals	June 30, 2006
Medical Center:				
Land	\$ 38,210	\$ -	\$ -	\$ 38,210
Land improvements	3,513,049	-	44,249	3,557,298
Buildings	11,099,979	-	3,474	11,103,453
Building equipment	12,887,180	38,138	159,202	13,084,520
Fixed equipment	477,024	-	-	477,024
Major moveable equipment	14,967,691	394,895	(4,749,715)	10,612,871
Equipment under capital lease	1,090,623	-	(121,156)	969,467
Construction in progress	173,342	2,226,887	(706,891)	1,693,338
	<u>44,247,098</u>	<u>2,659,920</u>	<u>(5,370,837)</u>	<u>41,536,181</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	-	72,256	6,541,298
Major moveable equipment	987,145	-	-	987,145
	<u>14,707,830</u>	<u>-</u>	<u>72,256</u>	<u>14,780,086</u>
Total Medical Center	<u>58,954,928</u>	<u>2,659,920</u>	<u>(5,298,581)</u>	<u>56,316,267</u>
Residential facilities:				
Building equipment	18,181	-	-	18,181
Major moveable equipment	48,355	-	-	48,355
Equipment under capital lease	68,354	-	-	68,354
Total residential facilities	<u>134,890</u>	<u>-</u>	<u>-</u>	<u>134,890</u>
Positive Alternative to Hospitalization (PATH):				
Building equipment	935	-	-	935
Vans	210,726	1,730	-	212,456
Major moveable equipment	132,400	-	-	132,400
Total PATH	<u>344,061</u>	<u>1,730</u>	<u>-</u>	<u>345,791</u>
	<u>\$ 59,433,879</u>	<u>\$ 2,661,650</u>	<u>\$ (5,298,581)</u>	<u>\$ 56,796,948</u>

Accumulated Depreciation and Amortization

June 30, 2005	Current Provision	Deductions	June 30, 2006
\$ -	\$ -	\$ -	\$ -
1,649,556	151,227	-	1,800,783
7,637,782	273,971	-	7,911,753
8,371,425	628,711	-	9,000,136
415,488	9,627	-	425,115
11,273,649	1,161,742	(5,175,870)	7,259,521
864,561	33,796	(121,156)	777,201
-	-	-	-
30,212,461	2,259,074	(5,297,026)	27,174,509
-	-	-	-
267,139	963	-	268,102
3,609,914	175,375	-	3,785,289
4,515,613	204,530	-	4,720,143
987,145	-	-	987,145
9,379,811	380,868	-	9,760,679
39,592,272	2,639,942	(5,297,026)	36,935,188
17,184	260	-	17,444
48,355	-	-	48,355
55,708	3,449	-	59,157
121,247	3,709	-	124,956
374	188	-	562
78,193	48,079	-	126,272
53,997	17,692	-	71,689
132,564	65,959	-	198,523
\$ 39,846,083	\$ 2,709,610	\$ (5,297,026)	\$ 37,258,667

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

Patient Service Revenue

Years Ended June 30, 2006 and 2005

	2006		
	Totals	Inpatients	Outpatients
Daily patient services:			
Medical, surgical, and pediatric	\$ 6,228,395	\$ 5,642,262	\$ 586,133
Mental health	6,138,391	5,865,202	273,189
Intensive care	2,514,029	2,514,029	-
Family birthing center	2,346,098	2,320,187	25,911
Residential facilities	1,119,189	1,119,189	-
	<u>18,346,102</u>	<u>17,460,869</u>	<u>885,233</u>
Other nursing services:			
Operating rooms	4,746,823	1,314,432	3,432,391
Medical and surgical supplies	1,746,248	1,121,047	625,201
Ambulatory care services:			
Specialty Clinic	1,681,519	49,024	1,632,495
Emergency	10,214,226	1,997,761	8,216,465
Family health center	1,697,975	16,513	1,681,462
Primary care	338,625	2,309	336,316
Doctors Health Clinic	452,916	914	452,002
Peds Clinic	507,628	3,749	503,879
Walk-in Clinic	1,931,609	10,533	1,921,076
Dental clinics	1,133,435	2,460	1,130,975
Chemical dependency	222,413	1,027	221,386
Family Planning	468,766	-	468,766
Mental health	3,992,151	33,466	3,958,685
PATH	1,551,774	-	1,551,774
	<u>30,686,108</u>	<u>4,553,235</u>	<u>26,132,873</u>
Other physician services:			
Anesthesiology	583,716	237,451	346,265
ENT	131,906	8,881	123,025
Family Practice	854,086	81,708	772,378
Internal Medicine	1,183,500	506,997	676,503
Neurology	212,569	11,989	200,580
Obstetrics & Gynecology	959,670	677,467	282,203
Ophthalmologists	87,555	522	87,033
Orthopedics	529,135	135,548	393,587
Pediatrics	612,251	99,891	512,360
Podiatry	771,727	81,927	689,800
Psychiatry	2,814,497	748,680	2,065,817
Surgery	712,451	252,977	459,474
Cardiology	152,209	50,347	101,862
Emergency Medicine	4,063,661	648	4,063,013
Medical Education	1,246,428	342,562	903,866
Other physician services	407,619	40,969	366,650
	<u>15,322,980</u>	<u>3,278,564</u>	<u>12,044,416</u>
Other professional services:			
Laboratory	7,759,755	3,063,051	4,696,704
Pharmacy	10,360,395	2,381,739	7,978,656
Radiology	10,444,938	2,203,063	8,241,875
Anesthesiology	2,456,216	1,054,658	1,401,558
Respiratory therapy	1,834,110	1,484,067	350,043
Diagnostic services	396,901	94,798	302,103
Physical therapy	572,245	79,243	493,002
Speech and hearing therapy	161,945	8,012	153,933
	<u>33,986,505</u>	<u>10,368,631</u>	<u>23,617,874</u>
Gross charges at established rates	98,341,695	\$ 35,661,299	62,680,396
Less intercompany elimination	137,691		137,691
Charity care charges forgone, based on established rates	9,600,286		\$ 62,542,705
Total gross patient service revenue	88,603,718		
Provisions for contractual and other adjustments	44,625,883		
Provisions for bad debts	11,186,602		
Total net patient services revenue	<u>\$ 32,791,233</u>		

2005		
Totals	Inpatients	Outpatients
\$ 6,062,908	\$ 5,629,732	\$ 433,176
5,754,439	5,568,150	186,289
2,409,899	2,409,899	-
1,676,018	1,647,302	28,716
1,072,338	1,072,338	-
<u>16,975,602</u>	<u>16,327,421</u>	<u>648,181</u>
3,957,787	1,224,258	2,733,529
1,056,992	612,014	444,978
1,581,202	80,034	1,501,168
6,647,721	1,185,357	5,462,364
1,290,390	13,073	1,277,317
-	-	-
448,986	499	448,487
271,818	2,707	269,111
1,660,659	7,307	1,653,352
1,092,785	3,326	1,089,459
351,065	25,059	326,006
497,032	231	496,801
4,271,365	27,875	4,243,490
1,343,629	-	1,343,629
<u>24,471,431</u>	<u>3,181,740</u>	<u>21,289,691</u>
577,521	236,054	341,467
91,937	9,276	82,661
1,151,140	4,695	1,146,445
989,520	562,855	426,665
212,623	13,304	199,319
779,682	513,746	265,936
92,032	-	92,032
333,897	61,449	272,448
430,171	63,517	366,654
586,671	73,169	513,502
2,246,444	717,862	1,528,582
626,843	215,823	411,020
83,248	16,792	66,456
3,123,264	5,045	3,118,219
1,067,896	230,995	836,901
281,933	43,209	238,724
<u>12,674,822</u>	<u>2,767,791</u>	<u>9,907,031</u>
7,589,575	3,126,626	4,462,949
9,305,958	2,280,168	7,025,790
8,934,613	1,696,294	7,238,319
2,169,497	960,062	1,209,435
2,217,603	1,890,746	326,857
476,408	114,082	362,326
641,662	58,517	583,145
194,938	11,144	183,794
<u>31,530,254</u>	<u>10,137,639</u>	<u>21,392,615</u>
85,652,109	\$ <u>32,414,591</u>	53,237,518
-	-	-
<u>30,337,679</u>		<u>\$ 53,237,518</u>
55,314,430		
17,169,851		
7,924,884		
<u>\$ 30,219,695</u>		

Broadlawns Medical Center

Provisions for Contractual and Other Adjustments
 Years Ended June 30, 2006 and 2005

	2006	2005
Employee discounts	\$ 54,521	\$ 38,147
Contractual adjustments under third-party reimbursement programs:		
IowaCare	26,943,995	-
Medicare	3,004,813	2,694,397
Medicaid	3,976,544	5,135,463
Magellan	859,655	1,173,296
Heritage	28,928	27,389
Wellmark	416,081	362,925
PCHS	526,104	1,079,914
United Healthcare	275,386	362,026
Other	8,539,856	6,296,294
	<u>\$ 44,625,883</u>	<u>\$ 17,169,851</u>

Broadlawns Medical Center

Other Operating Revenue

Years Ended June 30, 2006 and 2005

	2006	2005
Grants:		
Broadlawns Medical Center:		
Family Planning, Iowa State Department of Public Health	\$ 74,770	\$ 68,942
Women, Infants, and Children Program, State of Iowa	1,192,348	1,023,652
WIC Breast Pump Program	32,957	27,294
Bioterrorism grant	3,150	30,366
Homeless mental health grant	-	101,338
Farmers Market Nutrition Program, State of Iowa (IDALS)	4,358	4,939
Homeless Psych ESG, City of Des Moines	23,000	24,307
Pharmacy CAP grant, Mercy Foundation	3,647	50,272
Merit/Magellan, Iowa Plan, Iowa State Department of Public Health	226,459	138,503
Magellan, Meth Funds (Iowa Plan)	21,693	49,062
FEMA Emergency Food & Shelter, United Way	3,110	6,117
Bicycle Safety Grant	1,500	-
Total grants	1,586,992	1,524,792
Contracts:		
Polk County Health Services:		
Day Treatment	40,000	80,000
Y Shelter, Community Counselors	4,099	249,049
Community Access Program, Case Management	648,428	650,192
Community Access Program, Service Coordination	142,954	123,995
Addiction Medicine	278,086	265,348
Other:		
Family Planning Iowa Empowerment, ISDPH	16,000	16,000
Medical and Dental Education, University of Iowa	326,642	317,792
Focus Summer Program, Polk County Community Betterment	-	8,000
IowaCare, State of Iowa	116,593	-
Health Polk 2010, Polk Co. Health Department	15,000	557
Total contracts	1,587,802	1,710,933
Other:		
Family Practice Program, Iowa Methodist Medical Center	92,400	93,600
Contribution of medical supplies	890,627	684,974
Cafeteria	599,537	599,537
Refunds and rebates	16,624	215,903
Sales and supplies, services, and salvage	256,695	300,700
Purchase discounts	81,247	76,149
Consulting, behavioral health	51,685	55,969
Des Moines Consortium contribution	45,833	60,000
Miscellaneous	56,206	40,164
Total other	2,090,854	2,126,996
Total other operating revenue	\$ 5,265,648	\$ 5,362,721

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2006 and 2005

	2006			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Nursing and medical services:				
Nursing administration and education	\$ 661,420	\$ -	\$ 139,662	\$ 801,082
Medical, surgical, and pediatric	2,050,953	-	230,731	2,281,684
Mental health administration	603,352	-	9,751	613,103
Mental health	1,801,236	-	85,768	1,887,004
Intensive care	673,404	-	253,365	926,769
Family birthing center	887,567	-	77,815	965,382
Operating rooms	694,597	-	418,212	1,112,809
Central services	263,138	-	822,730	1,085,868
Specialty clinics	658,430	2,730	563,844	1,225,004
Emergency services	1,732,214	-	295,766	2,027,980
Family health center	508,771	-	151,577	660,348
Internal Medicine Clinic	66,754	-	375	67,129
Doctors Health Clinic	392,962	-	21,955	414,917
Peds Clinic	139,324	-	25,830	165,154
Walk-in Clinic	433,788	-	45,924	479,712
Homeless outreach	-	-	-	-
Dental clinics	560,602	4,404	125,609	690,615
Addiction Medicine	210,762	-	5,893	216,655
Mental health, clinical services	2,208,199	-	225,001	2,433,200
Residential facilities	103,760	-	6,835	110,595
PATH	-	-	486,986	486,986
Total nursing and medical services	14,651,233	7,134	3,993,629	18,651,996
Physician Services:				
Anesthesiology	520,774	259,343	60,884	841,001
ENT	-	194,632	-	194,632
Family Practice	708,332	-	20,207	728,539
Internal Medicine	746,446	304,147	12,877	1,063,470
Neurology	139,171	-	2,657	141,828
Obstetrics & Gynecology	336,940	23,433	3,735	364,108
Oncology	13,182	-	-	13,182
Ophthalmologists	15,341	9,175	71	24,587
Orthopedics	454,560	800	2,100	457,460
Pediatrics	381,823	27,941	6,523	416,287
Podiatry	395,248	-	9,217	404,465
Psychiatry	1,735,868	74,406	28,867	1,839,141
Surgery	176,782	612,583	772	790,137
Cardiology	-	43,478	-	43,478
Emergency Medicine	2,164,518	-	22,959	2,187,477
Medical Education	289,712	371,537	7,227	668,476
Other physician services	-	22,037	-	22,037
Total physician services	\$ 8,078,697	\$ 1,943,512	\$ 178,096	\$ 10,200,305

2005

		2005			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total	
\$	728,167	\$ -	\$ 186,627	\$ 914,794	
	1,856,996	11	404,802	2,261,809	
	335,049	-	3,679	338,728	
	1,750,216	602	43,089	1,793,907	
	588,113	-	197,161	785,274	
	829,503	-	70,944	900,447	
	669,006	-	378,826	1,047,832	
	251,104	-	464,339	715,443	
	663,305	11,383	413,415	1,088,103	
	1,490,534	-	263,197	1,753,731	
	475,741	-	126,188	601,929	
	-	-	-	-	
	340,929	-	20,708	361,637	
	99,714	-	9,576	109,290	
	349,461	-	37,972	387,433	
	-	-	-	-	
	435,778	22,676	110,025	568,479	
	227,916	-	59,591	287,507	
	2,025,369	-	220,206	2,245,575	
	104,614	-	9,061	113,675	
	-	-	387,241	387,241	
	13,221,515	34,672	3,406,647	16,662,834	
	470,683	282,654	46,301	799,638	
	-	180,000	-	180,000	
	735,459	1,338	10,177	746,974	
	563,403	220,658	4,904	788,965	
	140,728	-	2,799	143,527	
	368,457	12,800	1,650	382,907	
	18,800	-	-	18,800	
	-	19,130	-	19,130	
	333,443	-	3,538	336,981	
	314,865	14,493	6,368	335,726	
	404,539	-	3,831	408,370	
	1,924,849	78,205	19,982	2,023,036	
	171,477	531,217	-	702,694	
	3,088	40,445	-	43,533	
	2,066,513	750	13,294	2,080,557	
	314,301	362,281	9,897	686,479	
	289	20,599	-	20,888	
\$	7,830,894	\$ 1,764,570	\$ 122,741	\$ 9,718,205	

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2006 and 2005

	2006			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Other professional services:				
Laboratory	\$ 1,078,860	\$ 185,456	\$ 1,307,181	\$ 2,571,497
Pharmacy	1,365,116	-	6,667,268	8,032,384
Radiology	849,842	800,000	787,697	2,437,539
Anesthesiology	-	-	-	-
Respiratory therapy	466,863	-	96,447	563,310
Diagnostic services	121,775	-	15,656	137,431
Physical therapy	218,109	-	9,968	228,077
Medical information management	1,434,067	-	212,170	1,646,237
Social services	212,520	-	20,606	233,126
Registration	1,247,917	-	197,483	1,445,400
Women, Infants, and Children Program	654,565	-	218,849	873,414
Special services	-	-	8,984	8,984
Medical education	1,221,944	323,688	424,561	1,970,193
Library	61,376	-	60,218	121,594
Medical services	334,637	-	122,792	457,429
Family planning	111,877	-	15,002	126,879
Managed care	156,389	-	5,051	161,440
Bureau of Refugee Services	130,931	-	14,687	145,618
Speech and hearing	8,997	-	59,391	68,388
Residential facilities	452,845	-	69,356	522,201
PATH	617,786	-	-	617,786
Total other professional services	10,746,416	1,309,144	10,313,367	22,368,927
General services:				
Dietary	-	-	1,820,237	1,820,237
Facility management	221,164	-	34,922	256,086
Plant operations	966,017	-	2,218,467	3,184,484
Environmental services	909,493	-	496,291	1,405,784
Laundry and linen	62,119	-	68	62,187
Risk management	172,738	-	19,913	192,651
Security	370,386	-	26,007	396,393
Residential facilities	-	-	57,968	57,968
PATH	-	-	24,386	24,386
Total general services	\$ 2,701,917	\$ -	\$ 4,698,259	\$ 7,400,176

2005

	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$	1,049,729	\$ 177,174	\$ 1,117,371	\$ 2,344,274
	1,308,293	-	5,818,870	7,127,163
	798,413	800,000	704,333	2,302,746
	(38,082)	-	5,754	(32,328)
	413,037	-	99,031	512,068
	123,117	-	19,025	142,142
	232,017	-	12,289	244,306
	1,269,532	-	159,883	1,429,415
	185,998	-	11,322	197,320
	1,253,273	-	176,819	1,430,092
	587,357	-	161,455	748,812
	-	-	1,021	1,021
	983,063	394,812	383,160	1,761,035
	50,315	-	60,172	110,487
	282,798	6,371	175,671	464,840
	97,875	-	11,612	109,487
	137,749	-	647	138,396
	117,054	-	10,610	127,664
	7,910	-	68,175	76,085
	461,976	-	64,563	526,539
	508,775	-	-	508,775
	9,830,199	1,378,357	9,061,783	20,270,339
	-	-	1,784,937	1,784,937
	192,252	-	37,246	229,498
	900,312	-	1,984,027	2,884,339
	890,552	-	478,421	1,368,973
	60,040	-	360	60,400
	207,023	-	22,612	229,635
	326,503	-	16,348	342,851
	-	-	72,886	72,886
	-	-	12,522	12,522
\$	2,576,682	\$ -	\$ 4,409,359	\$ 6,986,041

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2006 and 2005

	2006			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Fiscal and administrative services and unassigned expenses:				
Fiscal and administrative services:				
Administration	\$ 507,120	\$ -	\$ 806,918	\$ 1,314,038
Accounting	744,939	-	242,587	987,526
Payroll	72,669	-	254	72,923
Information services	647,959	-	1,421,520	2,069,479
Patient accounting	688,187	-	1,730,490	2,418,677
Patient advocate	214,724	-	8,851	223,575
Telecommunication	157,244	-	225,323	382,567
Planning	329,698	-	122,996	452,694
Print shop	34,662	-	226,549	261,211
Purchasing, receiving, and stores	184,801	-	52,175	236,976
Human resources	233,113	-	202,612	435,725
Occupational health	134,404	-	87,233	221,637
Residential facilities	134,683	-	46,611	181,294
PATH	62,330	-	45,400	107,730
Total fiscal and administrative services	4,146,533	-	5,219,519	9,366,052
Unassigned expenses:				
Employee benefits:				
Iowa Public Employees Retirement System (IPERS)	-	-	2,088,732	2,088,732
FICA	-	-	2,634,225	2,634,225
Health insurance	-	-	5,055,344	5,055,344
Life insurance	-	-	303,282	303,282
Unemployment compensation	-	-	16,408	16,408
Workers' compensation	-	-	595,847	595,847
Other benefits	-	-	38,591	38,591
Insurance	-	-	1,771,135	1,771,135
Medical Center dues	-	-	150,245	150,245
Consulting fees	-	-	313,728	313,728
	-	-	12,967,537	12,967,537
Depreciation and amortization	\$ -	\$ -	\$ 2,753,374	\$ 2,753,374

2005

				2005	
Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total		
\$ 438,207	\$ -	\$ 535,141	\$	973,348	
633,238	-	173,222		806,460	
86,165	-	3,167		89,332	
577,135	-	1,370,186		1,947,321	
806,930	-	1,111,631		1,918,561	
117,380	-	3,966		121,346	
153,730	-	197,732		351,462	
362,487	-	143,755		506,242	
33,153	-	237,265		270,418	
167,174	-	59,887		227,061	
237,718	-	213,789		451,507	
117,415	-	62,100		179,515	
99,642	-	43,632		143,274	
63,700	-	42,475		106,175	
<hr/>					
3,894,074	-	4,197,948		8,092,022	
<hr/>					
-	-	1,953,906		1,953,906	
-	-	2,451,626		2,451,626	
-	-	4,739,382		4,739,382	
-	-	270,199		270,199	
-	-	40,726		40,726	
-	-	447,237		447,237	
-	-	59,967		59,967	
-	-	2,550,444		2,550,444	
-	-	139,700		139,700	
-	-	281,656		281,656	
<hr/>					
-	-	12,934,843		12,934,843	
<hr/>					
\$ -	\$ -	\$ 2,743,957	\$	2,743,957	

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2006 and 2005

	2006			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Residential facilities:				
Employee benefits:				
IPERS	\$ -	\$ -	\$ 38,946	\$ 38,946
FICA	-	-	50,405	50,405
Health and life insurance	-	-	112,869	112,869
Insurance	-	-	27,879	27,879
Depreciation and amortization	-	-	3,709	3,709
Rent of building and equipment	-	-	13,448	13,448
Total residential facilities	-	-	247,256	247,256
PATH:				
Employee benefits:				
IPERS	-	-	36,783	36,783
FICA	-	-	49,676	49,676
Health and life insurance	-	-	81,495	81,495
Insurance	-	-	22,928	22,928
Depreciation and amortization	-	-	65,958	65,958
Rent of building and equipment	-	-	55,564	55,564
Total PATH	-	-	312,404	312,404
Less intercompany transactions	-	-	137,691	137,691
	-	-	174,713	174,713
Total fiscal and administrative services and unassigned expenses	4,146,533	-	21,362,399	25,508,932
Total operating expenses	\$ 40,324,796	\$ 3,259,790	\$ 40,545,750	\$ 84,130,336

2005

2005				
Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total	
\$ -	\$ -	\$ 37,454	\$	37,454
-	-	48,082		48,082
-	-	87,863		87,863
-	-	27,879		27,879
-	-	4,128		4,128
-	-	10,643		10,643
-	-	216,049		216,049
-	-	30,408		30,408
-	-	41,601		41,601
-	-	53,479		53,479
-	-	23,658		23,658
-	-	61,679		61,679
-	-	53,239		53,239
-	-	264,064		264,064
-	-	18,877		18,877
-	-	245,187		245,187
3,894,074	-	20,337,984		24,232,058
\$ 37,353,364	\$ 3,177,599	\$ 37,338,514	\$	77,869,477

Broadlawns Medical Center

Combining Statements of Revenue, Expenses and Changes in Net Assets, by Function Year Ended June 30, 2006

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 30,257,961	\$ 1,119,189	\$ 1,551,774	\$ 137,691	(1) \$ 32,791,233
Contracts	1,587,802	-	-	-	1,587,802
Operating grants	1,586,992	-	-	-	1,586,992
Other	2,109,731	-	-	18,877	(1) 2,090,854
Total operating revenue	35,542,486	1,119,189	1,551,774	156,568	38,056,881
Operating expenses:					
Nursing and medical services	18,054,415	110,595	486,986	-	18,651,996
Physician services	10,200,305	-	-	-	10,200,305
Other professional service	21,228,940	522,201	617,786	-	22,368,927
General services	7,317,822	57,968	24,386	-	7,400,176
Fiscal and administrative service and unassigned expenses	22,063,442	424,841	354,176	156,568	(1) 22,685,891
Depreciation and amortization	2,753,374	3,709	65,958	-	2,823,041
Total operating expenses	81,618,298	1,119,314	1,549,292	156,568	84,130,336
Operating income (loss)	(46,075,812)	(125)	2,482	-	(46,073,455)
Nonoperating revenue (expense):					
Property taxes	44,718,435	-	-	-	44,718,435
State appropriations	3,000,000	-	-	-	3,000,000
Noncapital grants and contributions	186,403	-	-	-	186,403
Investment earnings	495,471	125	2,884	18,545	(1) 479,935
Interest expense	(604,645)	-	-	(18,545)	(1) (586,100)
Capital grants and contributions	12,514	-	-	-	12,514
Other, net	56,668	3,310	-	-	59,978
Total nonoperating revenue (expense), net	47,864,846	3,435	2,884	-	47,871,165
Change in net assets	1,789,034	3,310	5,366	-	1,797,710
Net assets:					
Beginning	25,741,648	122,591	430,817	-	26,295,056
Ending	\$ 27,530,682	\$ 125,901	\$ 436,183	\$ -	\$ 28,092,766

(1) To eliminate intercompany transactions.

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 services	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
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

**Patient and Medical Center Statistical Data
Years Ended June 30, 2006 and 2005
(Unaudited)**

	2006	2005
Patient days:		
Medical, surgical, and pediatric	6,231	6,974
Obstetrics	786	733
Intensive care unit	1,135	1,186
Mental health	7,698	8,090
Nursery	777	738
Total patient days	16,627	17,721
Admissions	4,209	4,207
Discharges	4,214	4,223
Average length of stay (days):		
Acute	3.0	3.2
Mental health	6.1	6.7
Outpatient visits:		
Emergency room	28,027	26,717
Walk-in clinic	26,232	28,363
Doctors health clinic	5,204	4,592
Specialty clinics	11,535	11,788
Pediatric clinic	6,751	6,023
Internal medicine clinic	4,172	3,521
Podiatry clinic	5,400	5,219
OB clinic	3,412	3,557
Family health center	16,889	16,165
Mental health	38,522	38,452
Oral medicine	8,869	8,724
Family Planning	2,845	2,771
Addiction medicine	10,654	7,942
	168,512	163,834

Broadlawns Medical Center

Organization Data
Year Ended June 30, 2006

	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

President and Chief Executive Officer, Mr. Jody Jenner

Senior Vice President of Business Services, Mr. Albert White

Broadlawns Medical Center

Self-Insured Retention Funds
Year Ended June 30, 2006

	Amount Funded from BMC	Claims Paid
Malpractice Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2005	\$ -	\$ -
August 31, 2005	262,088	-
September 30, 2005	131,044	-
October 31, 2005	131,044	-
November 30, 2005	131,044	-
December 31, 2005	131,044	-
January 31, 2006	131,044	-
February 28, 2006	131,044	-
March 31, 2006	131,044	-
April 30, 2006	131,044	-
May 31, 2006	131,044	-
June 30, 2006	131,044	-
	<u>\$ 1,572,528</u>	<u>\$ -</u>
Malpractice Fund:		
LOC Wells Fargo Trust, NA, beginning balance		
July 31, 2005	\$ -	\$ -
August 31, 2005	-	-
September 30, 2005	-	-
October 31, 2005	-	-
November 30, 2005	-	-
December 31, 2005	-	-
January 31, 2006	-	-
February 28, 2006	-	-
March 31, 2006	-	-
April 30, 2006	-	-
May 31, 2006	-	-
June 30, 2006	-	-
	<u>\$ -</u>	<u>\$ -</u>
Malpractice Fund:		
LOC Wells Fargo Trust, NA, beginning balance		
July 31, 2005	\$ -	\$ -
August 31, 2005	-	-
September 30, 2005	-	-
October 31, 2005	-	-
November 30, 2005	-	-
December 31, 2005	-	-
January 31, 2006	-	-
February 28, 2006	-	-
March 31, 2006	-	-
April 30, 2006	-	-
May 31, 2006	-	-
June 30, 2006	-	-
	<u>\$ -</u>	<u>\$ -</u>

Administrative Fees	Interest Income	Realized Gain (Loss) on Investment	Transfers	Fund Balance
				\$ 2,159,776
\$ 2,928	\$ 556	\$ (1,778)	\$ -	2,155,626
-	601	6,875	-	2,425,190
-	637	3,585	-	2,560,456
2,576	7,955	(4,528)	-	2,692,351
-	10,376	-	-	2,833,771
-	3,574	(646)	(183,034)	2,784,709
2,921	12,728	(1,822)	-	2,923,738
-	8,720	(3,441)	-	3,060,061
-	8,469	(3,495)	-	3,196,079
3,463	6,445	-	-	3,330,105
-	11,707	(220)	-	3,472,636
-	10,973	(5,125)	-	3,609,528
<u>\$ 11,888</u>	<u>\$ 82,741</u>	<u>\$ (10,595)</u>	<u>\$ (183,034)</u>	<u>\$ 3,609,528</u>
				\$ 756,511
\$ -	\$ 1,597	\$ -	\$ -	758,108
-	1,773	-	-	759,881
-	1,895	-	-	761,776
-	1,950	-	-	763,726
-	2,148	-	-	765,874
-	2,219	-	-	768,093
250	2,427	-	-	770,270
-	2,498	-	-	772,768
-	2,368	-	-	775,136
250	2,716	-	-	777,602
-	2,752	-	-	780,354
-	2,939	-	-	783,293
<u>\$ 500</u>	<u>\$ 27,282</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 783,293</u>
				\$ -
\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	183,034	183,034
-	2,891	-	-	185,925
-	-	-	-	185,925
-	9	-	-	185,934
-	10	-	-	185,944
-	10	-	-	185,954
-	11	-	-	185,965
<u>\$ -</u>	<u>\$ 2,931</u>	<u>\$ -</u>	<u>\$ 183,034</u>	<u>\$ 185,965</u>

(Continued)

Broadlawns Medical Center

Self-Insured Retention Funds (Continued)
Year Ended June 30, 2006

	Amount Funded from BMC	Claims Paid
Workers' Compensation Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2005	\$ -	\$ 25,995
August 31, 2005	55,000	16,978
September 30, 2005	27,500	(15,877)
October 31, 2005	27,500	57,628
November 30, 2005	27,500	8,218
December 31, 2005	27,500	14,259
January 31, 2006	27,500	23,993
February 28, 2006	27,500	12,811
March 31, 2006	27,500	19,537
April 30, 2006	27,500	28,374
May 31, 2006	27,500	16,597
June 30, 2006	27,500	46,147
	<u>\$ 330,000</u>	<u>\$ 254,660</u>
Self Insured Dental Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2005	\$ 21,067	\$ 21,169
August 31, 2005	20,608	31,106
September 30, 2005	21,038	29,037
October 31, 2005	21,242	16,972
November 30, 2005	147	26,142
December 31, 2005	41,989	28,406
January 31, 2006	21,503	33,295
February 28, 2006	21,125	33,587
March 31, 2006	20,981	27,081
April 30, 2006	20,997	34,216
May 31, 2006	36,533	33,043
June 30, 2006	73,642	38,172
	<u>\$ 320,872</u>	<u>\$ 352,226</u>
Health Insurance Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2005	\$ 439,193	\$ 297,931
August 31, 2005	399,316	474,494
September 30, 2005	796,567	458,752
October 31, 2005	396,155	403,216
November 30, 2005	556,750	433,211
December 31, 2005	405,637	386,926
January 31, 2006	627,606	573,739
February 28, 2006	621,146	258,812
March 31, 2006	615,621	624,247
April 30, 2006	616,209	344,168
May 31, 2006	610,837	416,349
June 30, 2006	605,369	527,503
	<u>\$ 6,690,406</u>	<u>\$ 5,199,348</u>

Administrative Fees	Interest Income	Realized Gain (Loss) on Investment	Transfers	Fund Balance
				\$ 564,294
\$ 124	\$ 1,164	\$ -	\$ -	539,339
-	1,165	-	-	578,526
-	1,207	-	-	623,110
139	1,421	-	-	594,264
-	1,572	-	-	615,118
-	1,607	-	-	629,966
137	1,720	-	-	635,056
-	1,835	-	-	651,580
-	1,838	-	-	661,381
153	2,110	-	-	662,464
-	2,153	-	-	675,520
-	2,351	-	-	659,224
<u>\$ 553</u>	<u>\$ 20,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 659,224</u>

				\$ 138,481
\$ 2,085	\$ 178	\$ -	\$ -	136,472
2,053	171	-	-	124,092
2,003	180	-	-	114,270
2,027	218	-	-	116,731
22	145	-	-	90,859
4,079	169	-	-	100,532
2,105	371	-	-	87,006
2,054	123	-	-	72,613
2,056	162	-	-	64,619
2,277	239	-	-	49,362
2,111	92	-	-	50,833
2,030	81	-	-	84,354
<u>\$ 24,902</u>	<u>\$ 2,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,354</u>

				\$ 898,734
\$ 60,807	\$ 1,974	\$ -	\$ -	981,163
60,163	1,827	-	-	847,649
61,127	1,247	-	-	1,125,584
59,095	1,502	-	-	1,060,930
60,392	916	-	-	1,124,993
60,853	992	-	(5,000)	1,078,843
60,380	2,292	-	-	1,074,622
58,655	1,393	-	-	1,379,694
57,966	2,933	-	-	1,316,035
57,731	3,464	-	-	1,533,809
57,828	3,844	-	-	1,674,313
56,723	5,688	-	649	1,701,793
<u>\$ 711,720</u>	<u>\$ 28,072</u>	<u>\$ -</u>	<u>\$ (4,351)</u>	<u>\$ 1,701,793</u>

(Continued)

Broadlawns Medical Center

Self-Insured Retention Funds (Continued)

Year Ended June 30, 2006

	Amount Funded from BMC	Claims Paid
Health Insurance Fund:		
Bank of America, beginning balance		
July 31, 2005	\$ -	\$ -
August 31, 2005	-	-
September 30, 2005	-	-
October 31, 2005	-	-
November 30, 2005	-	-
December 31, 2005	-	6,546
January 31, 2006	-	4
February 28, 2006	-	-
March 31, 2006	-	(199)
April 30, 2006	-	-
May 31, 2006	-	-
June 30, 2006	-	-
	<u>\$ -</u>	<u>\$ 6,351</u>
Equipment Maintenance Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2005	\$ -	\$ -
August 31, 2005	50,000	-
September 30, 2005	50,000	-
October 31, 2005	50,000	-
November 30, 2005	50,000	-
December 31, 2005	50,000	-
January 31, 2006	50,000	-
February 28, 2006	50,000	-
March 31, 2006	100,000	-
April 30, 2006	50,000	-
May 31, 2006	50,000	-
June 30, 2006	-	-
	<u>\$ 550,000</u>	<u>\$ -</u>
Equipment Maintenance Fund:		
Bank of America, beginning balance		
July 31, 2005	\$ -	\$ 7,811
August 31, 2005	-	5,436
September 30, 2005	-	15,784
October 31, 2005	-	39,259
November 30, 2005	-	22,359
December 31, 2005	-	43,427
January 31, 2006	-	24,457
February 28, 2006	-	2,904
March 31, 2006	-	87,680
April 30, 2006	-	28,051
May 31, 2006	-	14,059
June 30, 2006	7,933	15,829
	<u>\$ 7,933</u>	<u>\$ 307,056</u>

Administrative Fees	Interest Income	Realized Gain (Loss) on Investment	Transfers	Fund Balance
				\$ 2,000
\$ -	\$ -	\$ -	\$ -	2,000
-	-	-	-	2,000
-	-	-	-	2,000
-	-	-	-	2,000
-	-	-	-	2,000
-	-	-	5,000	454
-	-	-	-	450
-	-	-	-	450
-	-	-	-	649
-	-	-	-	649
-	-	-	-	649
-	-	-	(649)	-
\$ -	\$ -	\$ -	\$ 4,351	\$ -

				\$ 18,889
\$ -	\$ 92	\$ -	\$ -	18,981
5	44	-	(10,000)	59,020
-	43	-	(25,000)	84,063
-	134	-	(50,000)	84,197
9	177	-	(50,000)	84,365
-	216	-	(50,000)	84,581
-	298	-	(50,000)	84,879
34	370	-	-	135,215
-	448	-	-	235,663
-	709	-	(100,000)	186,372
-	624	-	-	236,996
47	762	-	-	237,711
\$ 95	\$ 3,917	\$ -	\$ (335,000)	\$ 237,711

				\$ 6,757
\$ -	\$ -	\$ -	\$ -	(1,054)
-	-	-	10,000	3,510
-	-	-	25,000	12,726
-	-	-	50,000	23,467
-	-	-	50,000	51,108
-	-	-	50,000	57,681
-	-	-	50,000	83,224
-	-	-	-	80,320
-	-	-	-	(7,360)
-	-	-	100,000	64,589
-	-	-	-	50,530
-	-	-	-	42,634
\$ -	\$ -	\$ -	\$ 335,000	\$ 42,634

Broadlawns Medical Center

Schedule of Revenue, Expenses, and Balances - Completed Contracts
Year Ended June 30, 2006

	Special Supplemental Nutrition Program for Women, Infants, and Children #5885A031 and #5886A031	Family Planning #5885A031 and #5886A031
Revenue:		
Managed care	\$ -	\$ -
Other state	-	16,000
Other federal	1,229,663	74,770
County government	-	-
Total revenue	1,229,663	90,770
Expenses:		
Salaries	601,551	113,857
Personnel benefits	203,461	33,070
Travel	116	-
Staff training	4,328	1,674
Space costs:		
Cash	91,095	-
In-kind	-	-
Supplies	36,290	14,828
Telephone	1,263	-
Equipment maintenance and rent	22,266	-
Other expenses	-	-
Total allowable expenses	960,370	163,429
Distribution of management and general	478,776	62,771
Total expenses	1,439,146	226,200
	\$ (209,483)	\$ (135,430)

Non-IDPH PCHS Chem Dep	Magellan MBC Iowa Plan OP Chem Dep SVCS DPH Funded Clients Non-Medicaid	Management and General	Total
\$ -	\$ 226,459	\$ -	\$ 226,459
-	-	-	16,000
-	21,693	-	1,326,126
278,086	-	-	278,086
278,086	248,152	-	1,846,671
106,702	81,881	77,571	981,562
37,020	28,408	28,571	330,530
73	56	39	284
605	464	267	7,338
-	-	2,667	93,762
102,012	78,282	-	180,294
1,989	1,526	3,305	57,938
-	-	-	1,263
-	-	470	22,736
-	-	617,192	617,192
248,401	190,617	730,082	2,292,899
106,675	81,860	(730,082)	-
355,076	272,477	-	2,292,899
\$ (76,990)	\$ (24,325)	\$ -	\$ (446,228)

Broadlawns Medical Center

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006**

Program Description	Federal CFDA Number	Grant Number	Program Expenditures
U.S. Department of Health and Human Services:			
Passed through Iowa Department of Public Health:			
Magellan Behavioral Health, Inc.:			
Iowa Plan for Behavioral Health	93.959		\$ 199,404
Non-Medicaid and Meth Funds	93.959		21,693
Passed through Iowa Department of Public Health/ Division of Family and Community Health, Family Planning			
	93.217	5885A031	4,076
	93.217	5886MH04	70,316
Passed through Family Planning Council of Iowa, Family Planning			
	93.977	5885ST03	377
Passed through U.S. Human Resources & Service Administration:			
Bioterrorism Hospital Preparedness	93.889	5886BPH01 04BMC	2,390
Bioterrorism Hospital Preparedness	93.003	U3RHS03880-01	760
Community Access Program, Pharmacy	93.252	5G920A00170-03-00	3,647
Total U.S. Department of Health and Human Services			<u>302,663</u>
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	5885A031	430,028
Breast Pump Reimbursement	10.557	5886A031	762,320
	10.557	5886A031	32,957
Passed through Iowa Department of Agriculture and Land Stewardship:			
Iowa Farmers Market Nutrition Program	10.572	1191-05-31	4,358
Total U.S. Department of Agriculture			<u>1,229,663</u>
Federal Emergency Management Agency, Passed through United Way of America, Emergency Food and Shelter			
	97.024	23-3006-00 016E1	3,110
U.S. Housing and Urban Development, Passed through City of Des Moines, Emergency Shelter Grant (ESG) Contract Work Program			
	14.231	04-ES-006	23,000
U.S. Department of Transportation, National Highway & Traffic Safety Administration, State & Community Highway Safety			
	20.600	05-08, task1	1,500
			<u>\$ 1,559,936</u>

See Note to Schedule of Expenditures of Federal Awards.

Broadlawns Medical Center

Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

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, 2006, 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, 2006**

Current Number	Comment	Status
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.	Corrective action taken.
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.	Corrective action taken.
05-II-C	The Medical Center cash reconciliation had a significant difference at year end.	Corrective action taken.
Other findings related to required statutory reporting:		
05-III-A	The Medical Center had inadequate documentation for eligibility requirements for participants in the Supplemental Nutrition Program for Women, Infants and Children.	Uncorrected, see 06-III-A for current year finding.

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, 2006, and have issued our report thereon dated September 8, 2006. 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 those 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

We 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 8, 2006.

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, 2006 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 8, 2006

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, 2006. 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, 2006. 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 06-III-A.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2006.

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 8, 2006

Broadlawns Medical Center

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

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

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes X 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? X 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? X Yes No

Broadlawns Medical Center

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

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

None reported.

(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, 2006

(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 and 5886A031

Federal Award Years: 2005 and 2006

06-III-A

Finding: Participants to the WIC program are screened for eligibility and required documentation is obtained to verify this eligibility. During our audit testing, it was noted some on-line participant files did not have adequate documentation for proof of address, income or identity.

Condition: Ineligible participants could be certified.

Questioned Costs: None.

Criteria: The WIC program requires documentation of eligibility before a potential participant can be certified.

Prevalence: Of the twelve files tested three did not contain appropriate documentation.

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: Federal regulations do require that proof of identity, address and income be documented in the electronic record. However, certification can be completed and benefits (WIC vouchers) can still be issued without immediate documentation of income and address.

When proof of income is not presented at the certification visit, the current version of the WIC software necessitates a somewhat cumbersome manual process to assure that documentation is requested at the next WIC visit and that only one month of vouchers is issued (rather than the standard three months of vouchers). The State WIC office has requested design changes in the software to automatically alert staff and to limit benefits when no proof of income is documented at certification.

In the case of proof of address, State policy is that while proof of address must be requested, benefits cannot be denied if proof is not provided. Again, there is no automatic alert for staff to ask for proof at the next WIC visit.

When it is not possible for a participant to provide the necessary proof of an item, the participant is allowed to sign a document stating that, and the signed document is kept on file in the WIC office.

Broadlawns Medical Center

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2006**

Until software design changes are implemented, the WIC Program Director will audit a sample of electronic records monthly for required documentation. An audit tool has been developed and will become a routine indicator in the department's performance improvement plan.

IV. Other Findings Related to Required Statutory Reporting

06-IV-A – Certified Budget:

Disbursements during the year ended June 30, 2006 did not exceed the amount budgeted.

06-IV-B – 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.

06-IV-C – Travel Expense:

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

06-IV-D – Business Transactions:

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

06-IV-E – Board Minutes:

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

06-IV-F – 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.

06-IV-G – 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, 2006**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
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Compliance findings for federal awards:

06-III-A	The Medical Center had inadequate documentation for eligibility requirements for participants in the Special Supplemental Nutrition Program for Women, Infants and Children.	See response and corrective action plan at 06-III-A	June 2007	Cheryl VonBehren
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