

Broadlawns Medical Center

Financial and Compliance Report

06.30.2007

McGladrey & Pullen

Certified Public Accountants

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Contents

Independent Auditor's Report on the Financial Statements	1 – 2
Management's Discussion and Analysis	3 – 13
Financial Statements	
Balance sheets	14 – 15
Statements of revenue, expenses and changes in net assets	16
Statements of cash flows	17 – 18
Notes to basic financial statements	19 – 37
Supplementary Information	
Required supplementary information, budget and budgetary accounting	38
Balance sheets, by department	39 – 42
Combining statements of revenue, expenses and changes in net assets, by department	43 – 44
Analysis of net patient receivables	45
Inventories	46
Changes in capital assets and accumulated depreciation and amortization	47 – 50
Patient service revenue	51 – 52
Provisions for contractual and other adjustments	53
Other operating revenue	54
Certain operating expenses information	55 – 62
Combining statements of revenue, expenses and changes in net assets, by function	63 – 64
Patient and medical center statistical data (unaudited)	65
Organization data	66
Self-insured retention funds	67 – 72
Schedule of revenue, expenses and balances – completed contracts	73 – 74
Schedule of expenditures of federal awards	75
Note to schedule of expenditures of federal awards	76
Summary schedule of prior audit findings	77
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	78 – 79
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	80 – 81
Schedule of findings and questioned costs	82 – 84
Corrective action plan	85

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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, 2007 and 2006, 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, 2007 and 2006, 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, 2007 and 2006, 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 November 7, 2007, 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, 2007 and 2006 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, is presented for purposes of additional analysis and is 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
November 7, 2007

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2007 and 2006

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, 2007 and 2006. 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, 2007, 2006 and 2005.

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, 2007 and 2006

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 \$7,348,029, which is a \$5,550,319 increase from last fiscal year, which ended with an increase in net assets of \$1,797,710.
- Total operating expenses for the current fiscal year were \$4,028,316 more than last fiscal year.
- Net operating revenue for the year was \$39,444,042, which is an increase of \$1,387,161.
- Net nonoperating revenue, which includes the property tax levy, increased \$8,191,474. An increase in the property tax levy accounted for \$7,474,561 of the total increase in net nonoperating revenue.
- During the fiscal year the Medical Center made capital investments totaling \$3,275,003. Capital investments did exceed depreciation and amortization expense of \$3,208,068 by \$66,935. The following is a list of significant purchases and improvements:

Capital Investments	Vendor	Department	2007 Cost
35 Leased Copiers	Savin/Konica	Various	\$ 168,000
4 Fetal Monitors	Phillips Medical Systems	Family Birthing Center	60,814
PCA Pumps	Hospira	SPD	51,000
Renovation of Operating Room 1	Various	Surgical Services	66,842
Walk-in Cooler	Bolton & Hay Inc	Dietary	50,328
Voice Mail Upgrade	NEC	Medical Center	41,145

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

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2007 and 2006

Net Assets

June 30, 2007: Total current assets are \$74,091,989, which is \$893,612 greater than last year. The difference is mainly due to an increase in cash and cash equivalents of \$3,256,346, an increase in net patient accounts receivable of \$4,006,997, and an increase in prepaid assets, mainly prepaid insurance, of \$562,807. The increases were partially offset by a decrease in succeeding year's county property tax levy receivable of \$5,567,598. Total noncurrent assets are \$24,708,475, which is \$286,948 less than last year. The decrease resulted from moving noncurrent assets limited as to use to current assets limited to use which are to be used to satisfy current obligations.

Total current liabilities of \$56,020,934 are \$5,259,574 less than last fiscal year. The change is due to a decrease in deferred revenue for succeeding year's property taxes of \$5,567,598. Long-term liabilities of \$7,338,735 are \$1,481,791 less than last fiscal year. The reduction is primarily due to principal payments of \$1,607,259 offset by new leases totaling \$219,000.

Net assets total \$35,440,795, which is \$7,348,029 more than last fiscal year.

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 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 \$19,979,805, which is \$392,009 more 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.

Broadlawns Medical Center

Management's Discussion and Analysis
Years Ended June 30, 2007 and 2006

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

Table 1

Condensed Balance Sheet	June 30,		
	2007	2006	2005
Total current assets	\$ 74,091,989	\$ 73,198,377	\$ 65,241,962
Capital assets, net	20,083,196	19,979,805	19,587,796
Other assets, including board-designated investments	4,625,279	5,015,618	2,608,260
Total assets	\$ 98,800,464	\$ 98,193,800	\$ 87,438,018
Current liabilities	\$ 56,020,934	\$ 61,280,508	\$ 52,880,719
Long-term debt outstanding and other long-term liabilities	7,338,735	8,820,526	8,262,243
Total liabilities	63,359,669	70,101,034	61,142,962
Invested in capital assets, net of related debt	13,636,102	12,189,453	12,268,155
Restricted net assets	11,121,480	4,668,819	4,043,090
Unrestricted net assets	10,683,213	11,234,494	9,983,811
Total net assets	35,440,795	28,092,766	26,295,056
Total liabilities and net assets	\$ 98,800,464	\$ 98,193,800	\$ 87,438,018

Broadlawns Medical Center

Management's Discussion and Analysis
Years Ended June 30, 2007 and 2006

Summary of Revenue, Expenses and Changes in Net Assets

Year Ended June 30, 2007: 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, 2007 and 2006. Net patient revenue is \$33,849,941, which is \$1,058,708 more than last fiscal year. The change is due to a 9.1% increase in patient days and a 3.7% decrease in outpatient visits. The balance of the increase is due to an increase in patient charges. Grants and contract revenue is \$3,451,815, which is \$277,021 more than last fiscal year. Salaries increased \$1,756,519 or 4.4% due mainly to annual C.O.L.A. rate increases and increases required by the nursing union contract. Employee benefits decreased \$300,672 or 2.7% due mainly to a \$526,885 decrease in workers compensation expense. Supplies and other expenses increased \$2,083,595. This increase was in the patient care areas and relates to the increased inpatient admissions and days. Property tax revenue totaled \$52,192,996, which is \$7,474,561 more than last fiscal year.

Year Ended June 30, 2006: 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.

Table 2

Revenue, Expenses and Changes in Net Assets	Year Ended June 30,		
	2007	2006	2005
Revenue:			
Net patient service revenue	\$ 33,849,941	\$ 32,791,233	\$ 30,219,695
Grants and contracts	3,451,815	3,174,794	3,235,725
Other	2,142,286	2,090,854	2,126,996
Total operating revenue	39,444,042	38,056,881	35,582,416
Expenses:			
Salaries and employee benefits	52,883,246	51,427,399	47,615,294
Supplies and other expenses	28,703,701	26,620,106	24,266,820
Physician fees and outside services	3,363,637	3,259,790	3,177,599
Depreciation	3,208,068	2,823,041	2,809,764
Operating expenses	88,158,652	84,130,336	77,869,477
Operating loss	(48,714,610)	(46,073,455)	(42,287,061)
Nonoperating revenue, net	56,062,639	47,871,165	44,082,205
Increase in net assets	\$ 7,348,029	\$ 1,797,710	\$ 1,795,144

Broadlawns Medical Center

**Management's Discussion and Analysis
Years Ended June 30, 2007 and 2006**

Patient and Medical Center Statistical Data

Year Ended June 30, 2007: Admissions of 4,905 patients for the current fiscal year are 696 more than last fiscal year. Average length of stay for acute patients is 3.0 days, which is the same as last fiscal year. Average length of stay for mental health patients is 5.7 days, which is .4 days less than last fiscal year. The combined increase in admissions and slight decrease in length of stay results in an increase in patient days of 1,507 days to 18,134 days for the fiscal year ended June 30, 2007.

The outpatient visits for fiscal year ended June 30, 2007 are 162,331, which is 6,181 less than last fiscal year.

Year Ended June 30, 2006: Admissions of 4,209 patients for the current fiscal year are two 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.

Table 3

Patient and Medical Center Statistical Data	Year Ended June 30,		
	2007	2006	2005
Total patient days	18,134	16,627	17,721
Admissions	4,905	4,209	4,207
Discharges	4,901	4,214	4,223
Average length of stay (days):			
Acute	3.0	3.0	3.2
Mental health	5.7	6.1	6.7
Outpatient visits:			
Mental health	38,361	38,522	38,452
Walk-in, Doctors Health and Peds Clinics	34,834	38,187	38,978
Emergency room	28,013	28,027	26,717
Specialty, Internal Medicine and Podiatry Clinics	20,484	21,107	20,528
Family Health Center	17,114	16,889	16,165
Oral Medicine	8,630	8,869	8,724
OB Clinic and Family Planning	5,924	6,257	6,328
Addiction medicine	8,971	10,654	7,942
Total outpatient visits	162,331	168,512	163,834

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2007 and 2006

Sources of Revenue

Net Patient Revenue

Year Ended June 30, 2007: 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 2007 the Medical Center recorded \$33,849,941 in net patient revenue representing 35.4% of total revenue. The \$33,849,941 in net patient revenue represents 29.3% of gross patient charges compared to 33.4% 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, 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.

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, 2007 and 2006. The IowaCare program began in July 2005 and accounts for the shift between self pay, charity care and bad debts in 2005 to contractual adjustments in 2006.

Table 4

Payor Mix by Percentages	Year Ended June 30,		
	2007	2006	2005
Medicare	15%	17%	14%
Medicaid	49	48	24
Third-party payors	6	6	6
Polk County Health Services, Inc.	4	3	5
Wellmark	3	3	2
Self pay, including charity care and bad debts	23	23	49
Total	100%	100%	100%

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2007 and 2006

Deductions from revenue consist of charity care totaling \$8,632,981, contractual adjustments totaling \$52,589,927 and bad debts totaling \$20,320,007. 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, 2007, 2006 and 2005. As a percentage of gross patient charges, charity care decreased 2.3%, contractual adjustments increased 0.1% and bad debts increased 6.2%, resulting in a decrease of 4.0% net patient revenue as compared to gross patient charges. The reduction in charity care and the increase in contractual adjustments between 2005 and 2006 was mainly due to the IowaCare program. The IowaCare program shifted what would have been patient write offs for charity care in 2005 to contractual adjustments in 2006.

Table 5

Net Patient Revenue	Year Ended June 30,		
	2007	2006	2005
Gross patient revenue	\$ 115,392,856	\$ 98,204,004	\$ 85,652,109
Charity care	(8,632,981)	(9,600,286)	(30,337,679)
Contractual adjustments	(52,589,927)	(44,625,883)	(17,169,851)
Bad debt	(20,320,007)	(11,186,602)	(7,924,884)
Net patient revenue	<u>\$ 33,849,941</u>	<u>\$ 32,791,233</u>	<u>\$ 30,219,695</u>

Grant/Contract Revenue

Year Ended June 30, 2007: Grant and contract revenue for the year ended June 30, 2007 totaled \$1,562,892 and \$1,888,923, respectively, for a total of \$3,451,815, which represents 3.6% of total revenue compared to a total of \$3,174,794 in 2006.

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.

Other Revenue

Other revenue consists of cafeteria revenue, sale of supplies and services provided to other entities. Other revenue totals \$2,142,286 and \$2,090,854, which represents 2.2% and 2.4% of total revenue for the years ended June 30, 2007 and 2006, respectively.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2007 and 2006

Tax Revenue

Year Ended June 30, 2007: Broadlawns Medical Center has the taxing authority under the Code of Iowa to support its operations. For the year ended June 30, 2007, the Medical Center's tax revenue totaled \$52,192,996, which was an increase of \$7,474,561 or 16.7% from the prior year. The tax revenue represented 54.2% of total revenue. The increase in tax revenue is primarily due to the increase in tort funds. BMC increased the tort fund to cover shortfalls from previous years. In addition the tort expenses related to health insurance and malpractice insurance were expected to increase at the time that the tax needs were submitted to the State. These substantial increases did not materialize in 2007.

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 revenue totaled \$44,718,435, which was an increase of \$671,583 or 1.5% from the prior year. The tax revenue represented 52.0% of total revenue.

Anticipated tax revenue for the next fiscal year 2008 is \$44,585,573.

Table 6

Tax Receipts	2007	2006	2005	Increase (Decrease)	Levied Taxes June 30, 2008
Improvement and maintenance	\$ 30,643,240	\$ 28,626,231	\$ 27,699,740	\$ 2,017,009	\$ 30,778,803
FICA Fund	2,913,201	2,926,327	2,473,789	(13,126)	3,028,934
IPERS Fund	2,432,026	2,261,963	2,019,514	170,063	2,551,788
Unemployment Fund	-	208,879	87,694	(208,879)	-
Tort (Insurance) Fund	16,204,529	10,695,035	8,424,040	5,509,494	8,226,048
Emergency Tax Levy	-	-	3,342,075	-	-
Total taxes	\$ 52,192,996	\$ 44,718,435	\$ 44,046,852	\$ 7,474,561	\$ 44,585,573

Capital Assets

June 30, 2007: As of June 30, 2007 the Medical Center had \$20,083,196 invested in capital assets. Capital expenditures in 2007 were more than the 2007 depreciation expense, resulting in an increase of \$103,391 in net capital assets from 2006 to 2007.

June 30, 2006: As of June 30, 2006 the Medical Center had \$19,979,805 invested in capital assets. Capital expenditures in 2006 were more than the 2006 depreciation expense, resulting in an increase of \$392,009 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.

Broadlawns Medical Center

Management's Discussion and Analysis Years Ended June 30, 2007 and 2006

Table 7

	June 30,		
	2007	2006	2005
Capital assets not being depreciated:			
Land	\$ 58,276	\$ 58,276	\$ 58,276
Construction in progress	1,331,328	2,134,862	173,342
Capital assets net of depreciation:			
Land improvements	1,607,003	1,759,889	1,867,830
Buildings	5,972,400	6,366,512	6,812,384
Building equipment	5,227,755	5,906,650	6,470,742
Fixed equipment	140,926	51,909	61,536
Vans	72,311	86,184	132,533
Major movable equipment	5,335,348	3,414,062	3,772,446
Equipment under capital lease	337,849	201,461	238,707
Total capital assets, net	\$ 20,083,196	\$ 19,979,805	\$ 19,587,796

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 Basic Financial Statements. The principal balance on the outstanding obligations was \$6,551,218 as of June 30, 2007, \$7,939,477 as of June 30, 2006 and \$7,582,199 as of June 30, 2005. The decrease between 2006 and 2007 is attributable to the principal payments made during the current fiscal year less the increase of new capital leases for copiers and PCA pumps totaling \$219,000. 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.

Fiscal Year 2008 Outlook

The Board of Trustees has approved and set the budget for the 2008 fiscal year. The budget projects a net operating loss of \$2,005,604. The loss is projected due to the reduction in tort related property tax funds. The reduction is a correction of estimated health and malpractice claims that were less than projected in 2006 and 2007. This correction amounts to \$2,719,170.

The Medical Center has contracted with Meditech for replacement of its information system. The Medical Center was issued a \$3.4 million emergency levy during 2004-2005 fiscal year for this purpose. Cost projections are approximately \$4.1 million with installation of the different modules over three years beginning July 1, 2006. As of June 30, 2007, \$2,614,025 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, 2007 and 2006

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 2007-2008 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, 2007 and 2006

Assets	Medical Center		Component Unit (Foundation)	
	2007	2006	2007	2006
Current Assets:				
Cash and cash equivalents	\$ 6,510,866	\$ 3,254,520	\$ 585,847	\$ 201,901
Investments	132,715	126,459	-	-
Assets limited as to use or restricted, required for current liabilities:				
Cash and cash equivalents	6,554,945	5,412,696	-	72,000
Investments	950,807	2,464,563	-	-
Receivables:				
Patient, less estimated allowances for uncollectibles and contractals 2007 \$15,942,671; 2006 \$9,146,090	12,314,056	8,307,059	-	-
Property taxes	524,777	561,314	-	-
Succeeding year property taxes	44,858,573	50,426,171	-	-
Federal grants	223,269	188,284	-	-
Nonfederal grants	145,572	133,009	-	-
Other	234,276	106,228	-	-
Due from third-party payors	240,358	1,383,013	-	-
Inventories	458,130	454,223	-	-
Prepaid expenses and other assets	943,645	380,838	-	-
Total current assets	74,091,989	73,198,377	585,847	273,901
Noncurrent Assets:				
Assets limited as to use or restricted:				
Cash and cash equivalents	80,314	427,254	-	-
Investments	4,440,841	4,439,239	-	-
	4,521,155	4,866,493	-	-
Capital assets, net	20,083,196	19,979,805	2,573	3,973
Other assets	104,124	149,125	-	-
Total noncurrent assets	24,708,475	24,995,423	2,573	3,973
	\$ 98,800,464	\$ 98,193,800	\$ 588,420	\$ 277,874

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Medical Center		Component Unit (Foundation)	
	2007	2006	2007	2006
Current Liabilities:				
Current maturities of long-term debt	\$ 530,000	\$ 610,000	\$ -	\$ -
Current maturities of capital lease obligations	1,052,307	928,456	-	-
Accounts payable and other accrued expenses	2,524,610	2,991,478	411,594	337,022
Accrued employee compensation and payroll taxes	4,763,108	4,547,271	-	-
Current portion of accrued claims on self-insurance	2,292,336	1,777,132	-	-
Deferred revenue for succeeding year property taxes	44,858,573	50,426,171	-	-
Total current liabilities	56,020,934	61,280,508	411,594	337,022

Noncurrent Liabilities:

Accrued claims on self-insurance, less current portion	2,369,824	2,419,505	-	-
Long-term debt, less current maturities	2,078,469	2,605,493	-	-
Long-term capital lease obligations, less current maturities	2,890,442	3,795,528	-	-
Total noncurrent liabilities	7,338,735	8,820,526	-	-
Total liabilities	63,359,669	70,101,034	411,594	337,022

Commitments and Contingencies (Notes 5 and 8)

Net Assets:

Invested in capital assets, net of related debt	13,636,102	12,189,453	2,573	3,973
Restricted:				
For debt service	658,205	629,448	-	-
For capital acquisitions	950,807	2,115,893	-	-
For enabling legislation	9,450,970	1,854,339	-	-
For specific activities	61,498	69,139	446,380	231,255
Unrestricted	10,683,213	11,234,494	(272,127)	(294,376)
Total net assets	35,440,795	28,092,766	176,826	(59,148)
\$ 98,800,464	\$ 98,193,800	\$ 588,420	\$ 277,874	

Broadlawns Medical Center

**Statements of Revenue, Expenses and Changes in Net Assets
Years Ended June 30, 2007 and 2006**

	Medical Center		Component Unit (Foundation)	
	2007	2006	2007	2006
Operating revenue:				
Net patient service revenue, net	\$ 33,849,941	\$ 32,791,233	\$ -	\$ -
Contracts	1,888,923	1,587,802	-	-
Operating grants	1,562,892	1,586,992	-	-
Other	2,142,286	2,090,854	24,995	47,688
Total operating revenue	39,444,042	38,056,881	24,995	47,688
Operating expenses:				
Salaries and wages	42,081,315	40,324,796	-	-
Employee benefits	10,801,931	11,102,603	-	-
Physician fees and outside services	3,363,637	3,259,790	-	-
Supplies and other expenses	28,703,701	26,620,106	8,546	16,067
Depreciation and amortization	3,208,068	2,823,041	1,400	1,350
Total operating expenses	88,158,652	84,130,336	9,946	17,417
Operating income (loss)	(48,714,610)	(46,073,455)	15,049	30,271
Nonoperating revenue (expense):				
Property taxes	52,192,996	44,718,435	-	-
State appropriations	3,000,000	3,000,000	-	-
Noncapital grants and contributions	195,874	186,403	215,125	52,627
Investment earnings	984,109	479,935	5,800	1,910
Interest expense	(386,097)	(586,100)	-	-
Capital grants and contributions	9,633	12,514	-	-
Other, net	66,124	59,978	-	-
Total nonoperating revenue, net	56,062,639	47,871,165	220,925	54,537
Change in net assets	7,348,029	1,797,710	235,974	84,808
Net assets:				
Beginning	28,092,766	26,295,056	(59,148)	(143,956)
Ending	\$ 35,440,795	\$ 28,092,766	\$ 176,826	\$ (59,148)

See Notes to Basic Financial Statements.

Broadlawns Medical Center

Statements of Cash Flows

Years Ended June 30, 2007 and 2006

	Medical Center		Component Unit (Foundation)	
	2007	2006	2007	2006
Cash Flows from Operating Activities:				
Receipts from and on behalf of patients	\$ 34,437,414	\$ 36,357,212	\$ -	\$ -
Payments to suppliers and contractors	(32,810,993)	(29,098,667)	-	(18,563)
Payments to employees	(52,667,409)	(50,866,121)	-	-
Other receipts and payments, net	2,140,960	2,091,060	91,021	47,688
Net cash provided by (used in) operating activities	(48,900,028)	(41,516,516)	91,021	29,125
Cash Flows from Noncapital Financing Activities:				
Property taxes	52,229,533	44,617,479	-	-
State appropriations	3,000,000	3,000,000	-	-
Noncapital grants and contributions	195,874	186,403	215,125	52,627
Interest paid on noncapital financing	-	(193,066)	-	-
Proceeds from issuing anticipatory warrants	-	10,800,000	-	-
Repayments of anticipatory warrants	-	(10,800,000)	-	-
Other	70,152	59,978	-	-
Net cash provided by noncapital financing activities	55,495,559	47,670,794	215,125	52,627
Cash Flows from Capital and Related Financing Activities:				
Capital grants and contributions	9,633	12,514	-	-
Principal paid on long-term debt	(1,607,259)	(1,642,722)	-	-
Interest paid on long-term debt	(386,097)	(393,034)	-	-
Proceeds from sale of capital assets	5,843	1,350	-	-
Purchase of capital assets	(3,056,003)	(1,103,173)	-	-
Net cash (used in) capital and related financing activities	(5,033,883)	(3,125,065)	-	-
Cash Flows from Investing Activities:				
Investment income	984,109	479,935	5,800	1,910
Proceeds from sale of investments	1,513,756	-	-	-
Purchase of investments	(7,858)	(1,418,443)	-	-
Net cash provided by (used in) investing activities	2,490,007	(938,508)	5,800	1,910
Net increase in cash and cash equivalents	4,051,655	2,090,705	311,946	83,662
Cash and cash equivalents:				
Beginning	9,094,470	7,003,765	273,901	190,239
Ending	\$ 13,146,125	\$ 9,094,470	\$ 585,847	\$ 273,901

(Continued)

Broadlawns Medical Center

Statements of Cash Flows (Continued)
Years Ended June 30, 2007 and 2006

	Medical Center		Component Unit (Foundation)	
	2007	2006	2007	2006
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:				
Cash and cash equivalents in current assets	\$ 6,510,866	\$ 3,254,520	\$ 585,847	\$ 201,901
Assets limited as to use or restricted, required for current liabilities, cash and cash equivalents	6,554,945	5,412,696	-	72,000
Assets limited as to use or restricted, noncurrent	80,314	427,254	-	-
Total cash and cash equivalents	\$ 13,146,125	\$ 9,094,470	\$ 585,847	\$ 273,901
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Operating income (loss)	\$ (48,714,610)	\$ (46,073,455)	\$ 15,049	\$ 30,271
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	3,208,068	2,823,041	1,400	1,350
(Gain) loss on disposal of capital assets	(1,326)	206	-	-
Changes in assets and liabilities:				
Patient receivables	(4,006,997)	509,861	-	-
Inventories, prepaid expenses and other receivables	(742,310)	92,782	-	-
Due from third-party payors	1,142,655	(118,676)	-	-
Accounts payable and accrued expenses	214,492	1,249,725	74,572	(2,496)
Net cash provided by (used in) operating activities	\$ (48,900,028)	\$ (41,516,516)	\$ 91,021	\$ 29,125
Noncash Capital and Related Financing Activities, capital lease obligation incurred for acquisition of capital assets	\$ 219,000	\$ 2,000,000	\$ -	\$ -

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. The Foundation has a June 30 fiscal year-end. Individual financial statements can be obtained from the Foundation's office at 1801 Hickman Road, Des Moines, Iowa 50314.

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 \$20,320,007 and \$11,186,602 for the years ended June 30, 2007 and 2006, 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.

Property tax levy receivable/succeeding year property tax levy receivable: The property 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. Property taxes levy receivable represents unpaid taxes for the 2007 fiscal year. The succeeding year property tax levy receivable represents taxes certified by the Board of Supervisors to be collected in the 2008 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 property 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, 2007 and 2006.

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 \$501,690 and \$298,594 for IPERS contributions, \$8,148,481 and \$792,887 for tort immunity, and \$800,799 and \$762,858 for employer payroll taxes as of June 30, 2007 and 2006, respectively.
- *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 \$37,698,535 and \$36,544,281 for the years ended June 30, 2007 and 2006, respectively.

Income taxes: The Medical Center and Foundation are organizations described in Section 501(c)(3) and 509(a)(3), respectively, of the Internal Revenue Code (the Code) and, therefore, are exempt from federal taxes on related income pursuant to Sections 501(a) and 509(a) of the Code.

Reclassifications: Certain items on the accompanying balance sheets for June 30, 2006 have been reclassified to be consistent with the classifications for the year ended June 30, 2007. The reclassifications had no effect on the change 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, 2007 and 2006 is as follows:

	2007	2006
Gross patient service revenue:		
Inpatient	\$ 42,909,519	\$ 35,661,299
Outpatient	72,483,337	62,542,705
	<u>115,392,856</u>	<u>98,204,004</u>
Less charity care	8,632,981	9,600,286
Gross patient service revenue	<u>106,759,875</u>	<u>88,603,718</u>
Less provisions for bad debts	<u>20,320,007</u>	<u>11,186,602</u>
Less contractual and other adjustments:		
Employee discounts	46,977	54,521
Contractual adjustments under third-party reimbursement programs:		
IowaCare	29,065,554	26,943,995
Medicare	5,908,737	3,004,813
Medicaid	4,973,374	3,976,544
Magellan	692,637	859,655
Heritage	584,834	28,928
Wellmark	668,538	416,081
PCHS	1,203,665	526,104
United Healthcare	-	275,386
Other	9,445,611	8,539,856
	<u>52,589,927</u>	<u>44,625,883</u>
Net patient service revenue	<u>\$ 33,849,941</u>	<u>\$ 32,791,233</u>

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 3. Cash and Investments

As of June 30, 2007, the Medical Center has the following investments:

Investment	Maturities	Fair Value
Fed Farm Credit Bk Note	11/16/2007	\$ 99,813
FHLB Note	05/22/2008	150,938
FHLB Note	09/12/2008	98,844
FHLB Note	10/14/2008	148,595
FHLB Note	03/14/2008	99,594
FHLB Note	02/29/2008	149,625
FHLB Note	06/13/2008	199,688
FHLB Note	12/12/2008	149,484
FHLB Note	04/16/2009	149,532
FHLB Note	04/21/2009	97,969
FHLB Note	09/14/2007	199,188
FHLB Note	10/26/2007	149,345
FHLB Security	11/19/2008	99,656
FHLM Note	01/12/2009	98,000
FHLM Note	08/23/2007	199,438
FHLM Note	04/28/2008	147,812
Fed Natl Mtg Note	07/15/2008	197,188
Fed Natl Mtg Note	07/15/2007	149,954
Fed Natl Mtg Note	08/15/2008	146,720
Fed Natl Mtg Note	02/25/2009	97,562
Fed Natl Mtg Note	03/30/2009	96,843
Fed Natl Mtg Note	12/21/2007	149,203
Fed Natl Mtg Note	01/18/2008	137,337
FNMA	09/19/2007	301,663
Artwork	NA	3,500
Iowa Public Agency Investment Trust	Current	2,006,872
		\$ 5,524,363

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 policies do not further limit its investment choices.

As of June 30, 2007, 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
FHLM Note	Aaa	AAA
Fed Natl Mtg Note	Aaa	AAA
FNMA	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, FHLM Notes, Federal National Mortgage Notes and FNMA. 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, 2007.

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, 2007, 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, 2007 and 2006 were designated as follows:

	2007	2006
Board designated for:		
Memorial funds	\$ 3,500	\$ 3,510
Plant replacement and expansion	602,746	574,351
Self-insured retention funds:		
Medical malpractice	4,440,629	4,578,786
Workers' compensation	913,500	659,224
Health insurance trust	3,121,560	1,701,793
Equipment maintenance trust	91,999	280,345
Dental	86,952	84,354
Under terms of a capital lease obligation, escrow agreement (Note 6)	1,095,511	2,046,908
Under terms of a capital lease obligation, debt service reserve (Note 6)	658,205	629,448
Patient Trust Fund	9,088	7,828
Alumni Fund	52,410	61,312
Capital tax levy, restricted for capital assets	950,807	2,115,893
	<u>\$ 12,026,907</u>	<u>\$ 12,743,752</u>

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

	2007	2006
Assets limited as to use or restricted, required for current liabilities	\$ 7,505,752	\$ 7,877,259
Assets limited as to use or restricted	4,521,155	4,866,493
	<u>\$ 12,026,907</u>	<u>\$ 12,743,752</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, 2007 and 2006 was as follows:

	Medical Center			
	June 30, 2006	Additions	Transfers and Disposals	June 30, 2007
Capital assets not being depreciated:				
Land	\$ 58,276	\$ -	\$ -	\$ 58,276
Construction in progress	2,134,862	1,469,491	(2,273,025)	1,331,328
Total capital assets not being depreciated	2,193,138	1,469,491	(2,273,025)	1,389,604
Capital assets being depreciated:				
Land improvements	3,828,774	-	-	3,828,774
Buildings	18,063,554	-	50,373	18,113,927
Building equipment	19,644,934	79,184	56,641	19,780,759
Fixed equipment	477,024	-	84,324	561,348
Vans	212,456	35,405	(11,019)	236,842
Major moveable equipment	11,780,771	1,472,240	1,462,360	14,715,371
Equipment under capital lease	1,037,821	218,683	(165,328)	1,091,176
Total capital assets being depreciated	55,045,334	1,805,512	1,477,351	58,328,197
Less accumulated depreciation for:				
Land improvements	2,068,885	152,886	-	2,221,771
Buildings	11,697,042	444,485	-	12,141,527
Building equipment	13,738,285	831,836	(17,117)	14,553,004
Fixed equipment	425,115	11,022	(15,715)	420,422
Vans	126,272	49,279	(11,020)	164,531
Major moveable equipment	8,366,709	1,595,291	(581,977)	9,380,023
Equipment under capital lease	836,359	82,296	(165,328)	753,327
Total accumulated depreciation	37,258,667	3,167,095	(791,157)	39,634,605
Total capital assets, being depreciated, net	17,786,667	(1,361,583)	2,268,508	18,693,592
Capital assets, net	\$ 19,979,805	\$ 107,908	\$ (4,517)	\$ 20,083,196
	Foundation			
	June 30, 2006	Additions	Transfers and Disposals	June 30, 2007
Capital assets being depreciated, fixed equipment	\$ 7,473	\$ -	\$ -	\$ 7,473
Less accumulated depreciation for fixed equipment	3,500	1,400	-	4,900
Capital assets, net	\$ 3,973	\$ (1,400)	\$ -	\$ 2,573

Broadlawns Medical Center

Notes to Basic Financial Statements

Note 5. Capital Assets (Continued)

	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	2,668,411	(706,891)	2,134,862
Total capital assets not being depreciated	231,618	2,668,411	(706,891)	2,193,138
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	\$ 393,564	\$ (1,555)	\$ 19,979,805
	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)

Capital assets as of June 30, 2007 and 2006 included costs of \$15,470,544 and \$15,817,907, respectively, related to capital leases. Accumulated amortization related to the capital leases as of June 30, 2007 and 2006 was \$10,496,737 and \$10,597,039, respectively. There are no significant commitments to complete construction in progress projects as of June 30, 2007. The majority of the construction in progress account as of June 30, 2007 represent costs incurred for certain modules of a new computer system that have not yet been implemented.

Note 6. Debt

Long-term debt as of June 30, 2007 and 2006 consists of the following:

	2007	2006
General obligation capital loan notes (1998), net of discount (A)	\$ 94,289	\$ 183,514
General obligation capital loan notes (2000), net of discount (B)	2,514,180	3,031,979
Capital lease obligation, buildings (C)	2,265,000	2,770,000
Capital lease obligations, equipment (C)	232,451	134,849
Capital lease obligation, equipment (D)	1,445,298	1,819,135
	<u>6,551,218</u>	<u>7,939,477</u>
Less current maturities	1,582,307	1,538,456
	<u>\$ 4,968,911</u>	<u>\$ 6,401,021</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) 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, 2007, the Medical Center had no outstanding borrowings from the improvement fund. The amounts on deposit in the improvement fund are \$658,205 and \$629,448 as of June 30, 2007 and 2006, 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.

- (D) Capital lease obligation incurred for acquisition of equipment. Lease obligation is due in bi-annual installments of approximately \$225,000, which includes interest at a rate of 4.4% through December 2010. A portion of the proceeds from the borrowing are unspent and are on deposit in an escrow account as of June 30, 2007. This escrow, with a balance of \$1,095,511, is included in assets limited as to use or restricted, cash and cash equivalents, on the accompanying balance sheets.

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, 2007 and 2006 is as follows:

	June 30, 2006	Borrowings	Payments and Amortization of Discount	June 30, 2007	Amounts Due Within 1 Year
Notes payable:					
General obligation capital loan notes (1998)	\$ 183,514	\$ -	\$ 89,225	\$ 94,289	\$ 95,000
General obligation capital loan notes (2000)	3,031,979	-	517,799	2,514,180	435,000
Total notes payable	3,215,493	-	607,024	2,608,469	530,000
Capital lease obligations:					
Equipment	1,953,984	219,000	495,235	1,677,749	522,307
Buildings	2,770,000	-	505,000	2,265,000	530,000
Total capital lease obligations	4,723,984	219,000	1,000,235	3,942,749	1,052,307
	\$ 7,939,477	\$ 219,000	\$ 1,607,259	\$ 6,551,218	\$ 1,582,307

	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

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, 2007 are as follows:

	<u>Principal</u>	<u>Interest</u>
Year ending June 30:		
2008	\$ 530,000	\$ 126,197
2009	505,000	101,383
2010	525,000	77,395
2011	550,000	52,195
2012	510,000	25,245
	<u>2,620,000</u>	<u>\$ 382,415</u>
Less unamortized discount	11,531	
	<u>\$ 2,608,469</u>	

The future minimum lease payments as of June 30, 2007 on the capital lease obligations are as follows:

	<u>The Sands Center</u>	<u>Equipment</u>	<u>Total</u>
Year ending June 30:			
2008	\$ 636,861	\$ 588,922	\$ 1,225,783
2009	632,481	552,348	1,184,829
2010	637,044	450,330	1,087,374
2011	634,494	225,165	859,659
Total minimum lease payments	<u>2,540,880</u>	<u>1,816,765</u>	<u>4,357,645</u>
Less amounts representing interest	275,880	139,016	414,896
Present value of minimum lease payments	<u>\$ 2,265,000</u>	<u>\$ 1,677,749</u>	<u>\$ 3,942,749</u>

In addition, the Medical Center issued and paid none and \$10,800,000 of short-term taxable public warrants during the years ended June 30, 2007 and 2006, 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, 2007, 2006, and 2005 were \$2,228,657, \$2,164,461 and \$2,021,768, 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 through April 14, 2007 of \$250,000 per claim and \$750,000 in aggregate and \$1,000,000 per claim and \$3,000,000 in aggregate after April 14, 2007. 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, \$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 2008, which can also be used for payment of losses. There were no borrowings on the letter of credit as of June 30, 2007. 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 8, 2007 which can be used for payments of losses. There were no borrowings on the letter of credit as of June 30, 2007.

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 2007 and 2006.

The Medical Center has accrued liabilities of \$4,662,160 and \$4,196,637 for self-insured losses as of June 30, 2007 and 2006, 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, 2006	Additions	Reductions	June 30, 2007	Amounts Due Within 1 Year
Malpractice insurance	\$ 2,201,998	\$ 1,166,095	\$ 574,245	\$ 2,793,848	\$ 725,120
Workers' compensation insurance	1,013,039	6,725	191,608	828,156	527,060
Equipment maintenance insurance	75,000	166,711	166,711	75,000	75,000
Dental insurance	57,100	415,955	414,499	58,556	58,556
Health insurance	849,500	6,015,896	5,958,796	906,600	906,600
Total	\$ 4,196,637	\$ 7,771,382	\$ 7,305,859	\$ 4,662,160	\$ 2,292,336

	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

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 \$391,798 and \$475,323 for the years ended June 30, 2007 and 2006, respectively. The schedule of minimum rental payments due under these agreements is as follows:

Year ending June 30:		
2008	\$	392,000
2009		392,000
2010		392,000
2011		392,000
	\$	<u>1,568,000</u>

The Medical Center has data processing service agreements which expire through 2007. Total service expense under these agreements was \$716,026 and \$845,269 for the years ended June 30, 2007 and 2006, 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, 2007 and 2006 was as follows:

	2007	2006
Medicare	20%	17%
PCHS	5	4
Medicaid	22	22
Private pay	31	40
Other	22	17
Total	100%	100%

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

The GASB has 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.

Broadlawns Medical Center

Notes to Basic Financial Statements

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

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the Organization beginning with its year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the government to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

Statement No. 50, *Pension Disclosures*, an amendment of GASB Statements No. 25 and No. 27, issued May 2007, will be effective for the Organization beginning with its year ending June 30, 2008. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the Organization beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period.

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, 2007**

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. During the current year, there were no budget amendments. 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, 2007:

GAAP Expenses	Adjustments to Budgetary Basis	Budgetary Basis	Adopted Budget
\$ 88,544,749	\$ 1,913,536	\$ 90,458,285	\$ 93,201,615

Broadlawns Medical Center

**Balance Sheet, by Department
June 30, 2007**

Assets	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Current Assets:					
Cash and cash equivalents	\$ 5,842,449	\$ 134,095	\$ 534,322	\$ -	\$ 6,510,866
Investments	132,715	-	-	-	132,715
Assets limited as to use or restricted, required for current liabilities:					
Cash and cash equivalents	6,545,857	9,088	-	-	6,554,945
Investments	950,807	-	-	-	950,807
Receivables:					
Patients, net	12,203,711	101,603	12,679	3,937 (1)	12,314,056
Property taxes	524,777	-	-	-	524,777
Succeeding year property taxes	44,858,573	-	-	-	44,858,573
Federal grants	223,269	-	-	-	223,269
Nonfederal grants	145,572	-	-	-	145,572
Other	381,823	-	-	147,547 (1)	234,276
Due from third-party payors	223,532	16,826	-	-	240,358
Inventories	458,130	-	-	-	458,130
Prepaid expenses and other assets	943,645	-	-	-	943,645
Total current assets	73,434,860	261,612	547,001	151,484	74,091,989
Noncurrent Assets:					
Assets limited as to use or restricted:					
Cash and cash equivalents	80,314	-	-	-	80,314
Investments	4,440,841	-	-	-	4,440,841
	4,521,155	-	-	-	4,521,155
 Capital assets, net	 19,960,724	 6,283	 116,189	 -	 20,083,196
 Other assets	 104,124	 -	 -	 -	 104,124
Total noncurrent assets	24,586,003	6,283	116,189	-	24,708,475
	\$ 98,020,863	\$ 267,895	\$ 663,190	\$ 151,484	\$ 98,800,464

(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	\$ 530,000	\$ -	\$ -	\$ -	\$ 530,000
Current maturities of capital lease obligations	1,052,307	-	-	-	1,052,307
Accounts payable and other accrued expenses	2,431,276	102,903	141,915	151,484 (1)	2,524,610
Accrued employee compensation and payroll taxes	4,677,837	37,830	47,441	-	4,763,108
Current portion of accrued claims on self-insurance	2,292,336	-	-	-	2,292,336
Deferred revenue for succeeding year property taxes	44,858,573	-	-	-	44,858,573
Total current liabilities	55,842,329	140,733	189,356	151,484	56,020,934
Noncurrent Liabilities:					
Accrued claims on self-insurance, less current portion	2,369,824	-	-	-	2,369,824
Long-term debt, less current maturities	2,078,469	-	-	-	2,078,469
Long-term capital lease obligations, less current maturities	2,890,442	-	-	-	2,890,442
Total noncurrent liabilities	7,338,735	-	-	-	7,338,735
Total liabilities	63,181,064	140,733	189,356	151,484	63,359,669
Commitments and Contingencies					
Net Assets:					
Invested in capital assets, net of related debt	13,513,630	6,283	116,189	-	13,636,102
Restricted:					
For debt service	658,205	-	-	-	658,205
For capital acquisitions	950,807	-	-	-	950,807
For enabling legislation	9,450,970	-	-	-	9,450,970
For specific activities	52,410	9,088	-	-	61,498
Unrestricted	10,213,777	111,791	357,645	-	10,683,213
Total net assets	34,839,799	127,162	473,834	-	35,440,795
	\$ 98,020,863	\$ 267,895	\$ 663,190	\$ 151,484	\$ 98,800,464

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	 19,822,603	 9,934	 147,268	 -	 19,979,805
 Other assets	 149,125	 -	 -	 -	 149,125
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	12,032,251	9,934	147,268	-	12,189,453
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	10,837,439	108,140	288,915	-	11,234,494
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

Combining Statements of Revenue, Expenses and Changes in Net Assets, by Department
Year Ended June 30, 2007

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 31,342,532	\$ 1,154,593	\$ 1,455,774	\$ 102,958	(1) \$ 33,849,941
Contracts	1,877,101	-	11,822	-	1,888,923
Operating grants	1,562,892	-	-	-	1,562,892
Other	2,161,163	-	-	18,877	(1) 2,142,286
Total operating revenue	36,943,688	1,154,593	1,467,596	121,835	39,444,042
Operating expenses:					
Salaries and wages	40,715,286	704,776	661,253	-	42,081,315
Employee benefits	10,399,506	207,336	195,089	-	10,801,931
Physician fees and outside services	3,363,637	-	-	-	3,363,637
Supplies and other expenses	28,075,500	238,920	511,116	121,835	(1) 28,703,701
Depreciation and amortization	3,137,931	3,651	66,486	-	3,208,068
Total operating expenses	85,691,860	1,154,683	1,433,944	121,835	88,158,652
Operating income (loss)	(48,748,172)	(90)	33,652	-	(48,714,610)
Nonoperating revenue (expense):					
Property taxes	52,192,996	-	-	-	52,192,996
State appropriations	3,000,000	-	-	-	3,000,000
Noncapital grants and contributions	195,874	-	-	-	195,874
Investment earnings	980,020	90	3,999	-	984,109
Interest expense	(386,097)	-	-	-	(386,097)
Capital grants and contributions	9,633	-	-	-	9,633
Other, net	64,863	1,261	-	-	66,124
Total nonoperating revenue, net	56,057,289	1,351	3,999	-	56,062,639
Change in net assets	7,309,117	1,261	37,651	-	7,348,029
Net assets:					
Beginning	27,530,682	125,901	436,183	-	28,092,766
Ending	\$ 34,839,799	\$ 127,162	\$ 473,834	\$ -	\$ 35,440,795

(1) To eliminate intercompany transactions.

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

Analysis of Net Patient Receivables
June 30, 2007 and 2006

	2007		2006	
	Amounts	Percent to Total	Amounts	Percent to Total
0 - 30 (in-house and unbilled)	\$ 10,296,769	36%	\$ 5,780,955	33%
31 - 60	5,966,976	21	3,313,424	19
61 - 90	3,234,425	11	2,304,658	13
91 - 120	1,656,257	6	1,598,235	9
121 - 150	1,829,603	6	1,029,197	6
151 - 180	5,746,697	20	3,426,680	20
	<u>28,730,727</u>	<u>100%</u>	<u>17,453,149</u>	<u>100%</u>
Allowance for doubtful accounts	2,096,227		1,669,465	
Allowance for charity care	1,739,096		2,181,938	
Allowance for contractual and other adjustments	12,581,348		5,294,687	
	<u>\$ 12,314,056</u>		<u>\$ 8,307,059</u>	
Medicare	\$ 2,505,778	20%	\$ 1,440,727	17%
PCHS	607,086	5	331,032	4
Medicaid	2,673,553	22	1,879,088	22
Private pay	3,802,459	31	3,279,293	40
Other	2,725,180	22	1,376,919	17
Total	<u>\$ 12,314,056</u>	<u>100%</u>	<u>\$ 8,307,059</u>	<u>100%</u>

Broadlawns Medical Center

Inventories
June 30, 2007 and 2006

	2007	2006
General stores	\$ 240,381	\$ 235,507
Pharmacy	217,749	218,716
	<u>\$ 458,130</u>	<u>\$ 454,223</u>

Broadlawns Medical Center

**Changes in Capital Assets and Accumulated Depreciation and Amortization
Year Ended June 30, 2007**

	Capital Assets			
	June 30, 2006	Additions	Transfers and Disposals	June 30, 2007
Medical Center:				
Land	\$ 38,210	\$ -	\$ -	\$ 38,210
Land improvements	3,557,298	-	-	3,557,298
Buildings	11,103,453	-	50,373	11,153,826
Building equipment	13,084,520	79,184	73,304	13,237,008
Fixed equipment	477,024	-	84,324	561,348
Major moveable equipment	10,612,871	1,472,240	1,926,414	14,011,525
Equipment under capital lease	969,467	218,683	(117,000)	1,071,150
Construction in progress	2,134,862	1,469,491	(2,273,025)	1,331,328
	<u>41,977,705</u>	<u>3,239,598</u>	<u>(255,610)</u>	<u>44,961,693</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	6,541,298	-	-	6,541,298
Major moveable equipment	987,145	-	(400,718)	586,427
	<u>14,780,086</u>	<u>-</u>	<u>(400,718)</u>	<u>14,379,368</u>
Total Medical Center	<u>56,757,791</u>	<u>3,239,598</u>	<u>(656,328)</u>	<u>59,341,061</u>
Residential facilities:				
Building equipment	18,181	-	(16,663)	1,518
Major moveable equipment	48,355	-	(40,529)	7,826
Equipment under capital lease	68,354	-	(48,328)	20,026
Total residential facilities	<u>134,890</u>	<u>-</u>	<u>(105,520)</u>	<u>29,370</u>
Positive Alternative to Hospitalization (PATH):				
Building equipment	935	-	-	935
Vans	212,456	35,405	(11,019)	236,842
Major moveable equipment	132,400	-	(22,807)	109,593
Total PATH	<u>345,791</u>	<u>35,405</u>	<u>(33,826)</u>	<u>347,370</u>
	<u>\$ 57,238,472</u>	<u>\$ 3,275,003</u>	<u>\$ (795,674)</u>	<u>\$ 59,717,801</u>

Accumulated Depreciation and Amortization

June 30, 2006	Current Provision	Deductions	June 30, 2007
\$ -	\$ -	\$ -	\$ -
1,800,783	151,922	-	1,952,705
7,911,753	269,094	-	8,180,847
9,000,136	624,352	(454)	9,624,034
425,115	11,022	(15,715)	420,422
7,259,521	1,578,271	(117,922)	8,719,870
777,201	78,847	(117,000)	739,048
-	-	-	-
27,174,509	2,713,508	(251,091)	29,636,926
-	-	-	-
268,102	964	-	269,066
3,785,289	175,391	-	3,960,680
4,720,143	207,095	-	4,927,238
987,145	-	(400,718)	586,427
9,760,679	383,450	(400,718)	9,743,411
36,935,188	3,096,958	(651,809)	39,380,337
17,444	202	(16,663)	983
48,355	-	(40,529)	7,826
59,157	3,449	(48,328)	14,278
124,956	3,651	(105,520)	23,087
562	187	-	749
126,272	49,279	(11,020)	164,531
71,689	17,020	(22,808)	65,901
198,523	66,486	(33,828)	231,181
\$ 37,258,667	\$ 3,167,095	\$ (791,157)	\$ 39,634,605

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	2,668,411	(706,891)	2,134,862
	<u>44,247,098</u>	<u>3,101,444</u>	<u>(5,370,837)</u>	<u>41,977,705</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>3,101,444</u>	<u>(5,298,581)</u>	<u>56,757,791</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>\$ 3,103,174</u>	<u>\$ (5,298,581)</u>	<u>\$ 57,238,472</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

Patient Service Revenue

Years Ended June 30, 2007 and 2006

	2007		
	Totals	Inpatients	Outpatients
Daily patient services:			
Medical, surgical and pediatric	\$ 8,436,526	\$ 7,305,575	\$ 1,130,951
Mental health	5,819,174	5,693,477	125,697
Intensive care	2,410,953	2,410,953	-
Family birthing center	2,694,296	2,662,505	31,791
Residential facilities	1,154,593	1,154,593	-
	<u>20,515,542</u>	<u>19,227,103</u>	<u>1,288,439</u>
Other nursing services:			
Operating rooms	5,914,047	1,662,199	4,251,848
Medical and surgical supplies	2,008,865	1,281,604	727,261
Ambulatory care services:			
Specialty Clinic	1,942,029	4,175	1,937,854
Emergency	11,656,009	2,381,721	9,274,288
Family health center	2,089,276	11,906	2,077,370
Primary care	773,409	2,184	771,225
Doctors Health Clinic	1,249	1,249	-
Peds Clinic	700,256	4,735	695,521
Walk-in Clinic	2,014,321	11,860	2,002,461
Dental clinics	1,023,962	-	1,023,962
Chemical dependency	542,899	-	542,899
Family Planning	335,141	151	334,990
Mental health	5,679,790	363,090	5,316,700
PATH	1,455,774	-	1,455,774
	<u>36,137,027</u>	<u>5,724,874</u>	<u>30,412,153</u>
Other physician services:			
Anesthesiology	1,159,690	538,426	621,264
ENT	80,652	8,904	71,748
Family Practice	2,015,546	93,123	1,922,423
Internal Medicine	1,503,875	888,544	615,331
Neurology	100,769	9,614	91,155
Obstetrics & Gynecology	1,824,843	1,344,672	480,171
Ophthalmologists	83,024	190	82,834
Orthopedics	446,792	124,346	322,446
Pediatrics	867,202	40,245	826,957
Podiatry	1,279,707	87,957	1,191,750
Psychiatry	3,193,940	935,690	2,258,250
Surgery	635,652	319,677	315,975
Cardiology	158,140	54,963	103,177
Emergency Medicine	4,726,257	600,790	4,125,467
Medical Education	1,788,565	251,605	1,536,960
Other physician services	271,084	68,811	202,273
	<u>20,135,738</u>	<u>5,367,557</u>	<u>14,768,181</u>
Other professional services:			
Laboratory	9,595,277	3,899,359	5,695,918
Pharmacy	11,776,051	3,044,886	8,731,165
Radiology	11,694,913	2,443,319	9,251,594
Anesthesiology	2,084,039	1,054,314	1,029,725
Respiratory therapy	2,379,230	1,927,737	451,493
Diagnostic services	545,051	115,259	429,792
Physical therapy	538,502	94,719	443,783
Speech and hearing therapy	94,444	10,392	84,052
	<u>38,707,507</u>	<u>12,589,985</u>	<u>26,117,522</u>
Gross charges at established rates	115,495,814	\$ 42,909,519	72,586,295
Less intercompany elimination	102,958		102,958
Charity care charges forgone, based on established rates	8,632,981		\$ 72,483,337
Total gross patient service revenue	106,759,875		
Provisions for contractual and other adjustments	52,589,927		
Provisions for bad debts	20,320,007		
Total net patient services revenue	<u>\$ 33,849,941</u>		

2006		
Totals	Inpatients	Outpatients
\$ 6,228,395	\$ 5,642,262	\$ 586,133
6,138,391	5,865,202	273,189
2,514,029	2,514,029	-
2,346,098	2,320,187	25,911
1,119,189	1,119,189	-
<u>18,346,102</u>	<u>17,460,869</u>	<u>885,233</u>
4,746,823	1,314,432	3,432,391
1,746,248	1,121,047	625,201
1,681,519	49,024	1,632,495
10,214,226	1,997,761	8,216,465
1,697,975	16,513	1,681,462
338,625	2,309	336,316
452,916	914	452,002
507,628	3,749	503,879
1,931,609	10,533	1,921,076
1,133,435	2,460	1,130,975
222,413	1,027	221,386
468,766	-	468,766
3,992,151	33,466	3,958,685
1,551,774	-	1,551,774
<u>30,686,108</u>	<u>4,553,235</u>	<u>26,132,873</u>
583,716	237,451	346,265
131,906	8,881	123,025
854,086	81,708	772,378
1,183,500	506,997	676,503
212,569	11,989	200,580
959,670	677,467	282,203
87,555	522	87,033
529,135	135,548	393,587
612,251	99,891	512,360
771,727	81,927	689,800
2,814,497	748,680	2,065,817
712,451	252,977	459,474
152,209	50,347	101,862
4,063,661	648	4,063,013
1,246,428	342,562	903,866
407,619	40,969	366,650
<u>15,322,980</u>	<u>3,278,564</u>	<u>12,044,416</u>
7,759,755	3,063,051	4,696,704
10,360,395	2,381,739	7,978,656
10,444,938	2,203,063	8,241,875
2,456,216	1,054,658	1,401,558
1,834,110	1,484,067	350,043
396,901	94,798	302,103
572,245	79,243	493,002
161,945	8,012	153,933
<u>33,986,505</u>	<u>10,368,631</u>	<u>23,617,874</u>
98,341,695	\$ 35,661,299	62,680,396
137,691		137,691
<u>9,600,286</u>		<u>\$ 62,542,705</u>
88,603,718		
44,625,883		
11,186,602		
<u>\$ 32,791,233</u>		

Broadlawns Medical Center

Provisions for Contractual and Other Adjustments
 Years Ended June 30, 2007 and 2006

	2007	2006
Employee discounts	\$ 46,977	\$ 54,521
Contractual adjustments under third-party reimbursement programs:		
IowaCare	29,065,554	26,943,995
Medicare	5,908,737	3,004,813
Medicaid	4,973,374	3,976,544
Magellan	692,637	859,655
Heritage	584,834	28,928
Wellmark	668,538	416,081
PCHS	1,203,665	526,104
United Healthcare	-	275,386
Other	9,445,611	8,539,856
	<u>\$ 52,589,927</u>	<u>\$ 44,625,883</u>

Broadlawns Medical Center

Other Operating Revenue

Years Ended June 30, 2007 and 2006

	2007	2006
Grants:		
Broadlawns Medical Center:		
Family Planning, Iowa State Department of Public Health	\$ (686)	\$ 74,770
Women, Infants, and Children Program, State of Iowa	1,164,270	1,192,348
WIC Breast Pump Program	44,593	32,957
Bioterrorism grant	17,865	3,150
Farmers Market Nutrition Program, State of Iowa (IDALS)	4,217	4,358
Homeless Psych ESG, City of Des Moines	-	23,000
Pharmacy CAP grant, Mercy Foundation	-	3,647
Merit/Magellan, Iowa Plan, Iowa State Department of Public Health	231,208	226,459
Magellan, Meth Funds (Iowa Plan)	21,639	21,693
Blood Pressure, University of Iowa	63,273	-
Earmark Grant	15,013	-
FEMA Emergency Food & Shelter, United Way	-	3,110
Bicycle Safety Grant	1,500	1,500
Total grants	1,562,892	1,586,992
Contracts:		
Polk County Health Services:		
Day Treatment	40,000	40,000
Y Shelter, Community Counselors	-	4,099
Community Access Program, Case Management	808,305	648,428
Community Access Program, Service Coordination	225,441	142,954
ISA Nurse Practitioner	11,822	-
Addiction Medicine	278,639	278,086
Other:		
Family Planning Iowa Empowerment, ISDPH	16,000	16,000
Medical and Dental Education, University of Iowa	316,945	326,642
IowaCare, State of Iowa	191,771	116,593
Health Polk 2010, Polk Co. Health Department	-	15,000
Total contracts	1,888,923	1,587,802
Other:		
Family Practice Program, Iowa Methodist Medical Center	96,800	92,400
Contribution of medical supplies	1,076,737	890,627
Cafeteria	599,537	599,537
Refunds and rebates	114,886	16,624
Sales and supplies, services, and salvage	127,162	256,695
Purchase discounts	9,148	81,247
Consulting, behavioral health	59,210	51,685
Des Moines Consortium contribution	40,834	45,833
Miscellaneous	17,972	56,206
Total other	2,142,286	2,090,854
Total other operating revenue	\$ 5,594,101	\$ 5,265,648

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2007 and 2006

	2007			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Nursing and medical services:				
Nursing administration and education	\$ 803,784	\$ -	\$ 103,665	\$ 907,449
Medical, surgical, and pediatric	2,125,272	-	741,859	2,867,131
Mental health administration	889,975	-	3,284	893,259
Mental health	1,729,651	-	109,463	1,839,114
Intensive care	742,101	-	100,785	842,886
Family birthing center	1,020,544	-	94,758	1,115,302
Operating rooms	737,295	60,697	541,042	1,339,034
Central services	289,746	-	940,508	1,230,254
Specialty clinics	745,909	-	535,627	1,281,536
Emergency services	1,768,340	-	304,299	2,072,639
Family health center	540,884	-	147,985	688,869
Internal Medicine Clinic	36,108	-	-	36,108
Doctors Health Clinic	153,256	-	23,104	176,360
Peds Clinic	144,201	-	15,261	159,462
Walk-in Clinic	410,515	-	47,373	457,888
Homeless outreach	-	-	-	-
Dental clinics	544,703	5,490	136,716	686,909
Addiction Medicine	190,889	-	3,599	194,488
Mental health, clinical services	2,175,438	-	213,164	2,388,602
Residential facilities	71,675	-	8,057	79,732
PATH	-	-	376,484	376,484
Less intercompany transactions	-	-	102,958	102,958
Total nursing and medical services	15,120,286	66,187	4,344,075	19,530,548
Physician Services:				
Anesthesiology	534,280	535,343	88,561	1,158,184
ENT	-	206,256	-	206,256
Family Practice	690,501	840	18,742	710,083
Internal Medicine	775,024	315,805	9,612	1,100,441
Neurology	115,545	-	3,121	118,666
Obstetrics & Gynecology	397,091	86,026	6,655	489,772
Oncology	15,372	-	598	15,970
Ophthalmologists	24,491	30,485	396	55,372
Orthopedics	613,302	-	2,390	615,692
Pediatrics	427,874	34,353	7,872	470,099
Podiatry	264,630	2,625	10,817	278,072
Psychiatry	1,791,128	77,364	27,838	1,896,330
Surgery	181,153	592,368	1,705	775,226
Cardiology	3,895	42,755	-	46,650
Emergency Medicine	2,139,007	-	28,750	2,167,757
Medical Education	740,944	208,950	23,395	973,289
Other physician services	-	19,857	59,177	79,034
Total physician services	\$ 8,714,237	\$ 2,153,027	\$ 289,629	\$ 11,156,893

2006

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

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2007 and 2006

	2007			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Other professional services:				
Laboratory	\$ 1,035,755	\$ 189,735	\$ 1,537,136	\$ 2,762,626
Pharmacy	1,451,839	-	7,549,305	9,001,144
Radiology	866,486	808,478	685,857	2,360,821
Anesthesiology	22,800	-	3,929	26,729
Respiratory therapy	519,838	-	127,668	647,506
Diagnostic services	115,368	-	39,035	154,403
Physical therapy	210,911	-	34,573	245,484
Medical information management	1,427,818	-	116,568	1,544,386
Social services	335,364	-	15,483	350,847
Registration	1,249,935	-	298,860	1,548,795
Women, Infants and Children Program	663,662	-	185,596	849,258
Special services	-	-	4,467	4,467
Medical education	1,367,734	146,210	458,488	1,972,432
Library	55,882	-	70,129	126,011
Medical services	541,546	-	167,508	709,054
Family planning	81,523	-	10,698	92,221
Managed care	167,001	-	4,009	171,010
Bureau of Refugee Services	146,695	-	17,218	163,913
Speech and hearing	7,299	-	40,481	47,780
Residential facilities	480,646	-	82,764	563,410
PATH	585,042	-	-	585,042
Total other professional services	11,333,144	1,144,423	11,449,772	23,927,339
General services:				
Dietary	-	-	1,867,946	1,867,946
Facility management	260,947	-	26,236	287,183
Plant operations	990,772	-	1,908,302	2,899,074
Environmental services	960,356	-	607,918	1,568,274
Laundry and linen	64,362	-	94	64,456
Risk management	188,696	-	46,007	234,703
Security	405,823	-	22,185	428,008
Residential facilities	-	-	61,124	61,124
PATH	-	-	26,723	26,723
Total general services	\$ 2,870,956	\$ -	\$ 4,566,535	\$ 7,437,491

2006

	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
\$	1,078,860	\$ 185,456	\$ 1,307,181	\$ 2,571,497
	1,365,116	-	6,667,268	8,032,384
	849,842	800,000	787,697	2,437,539
	-	-	-	-
	466,863	-	96,447	563,310
	121,775	-	15,656	137,431
	218,109	-	9,968	228,077
	1,434,067	-	212,170	1,646,237
	212,520	-	20,606	233,126
	1,247,917	-	197,483	1,445,400
	654,565	-	218,849	873,414
	-	-	8,984	8,984
	1,221,944	323,688	424,561	1,970,193
	61,376	-	60,218	121,594
	334,637	-	122,792	457,429
	111,877	-	15,002	126,879
	156,389	-	5,051	161,440
	130,931	-	14,687	145,618
	8,997	-	59,391	68,388
	452,845	-	69,356	522,201
	617,786	-	-	617,786
	10,746,416	1,309,144	10,313,367	22,368,927
	-	-	1,820,237	1,820,237
	221,164	-	34,922	256,086
	966,017	-	2,218,467	3,184,484
	909,493	-	496,291	1,405,784
	62,119	-	68	62,187
	172,738	-	19,913	192,651
	370,386	-	26,007	396,393
	-	-	57,968	57,968
	-	-	24,386	24,386
\$	2,701,917	\$ -	\$ 4,698,259	\$ 7,400,176

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2007 and 2006

	2007			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Fiscal and administrative services and unassigned expenses:				
Fiscal and administrative services:				
Administration	\$ 330,966	\$ -	\$ 568,893	\$ 899,859
Accounting	761,535	-	192,964	954,499
Payroll	69,965	-	1,480	71,445
Information services	735,424	-	1,493,457	2,228,881
Patient accounting	661,556	-	1,411,070	2,072,626
Patient advocate	206,112	-	44,229	250,341
Telecommunication	167,827	-	225,246	393,073
Planning	275,329	-	237,823	513,152
Print shop	36,177	-	153,842	190,019
Purchasing, receiving and stores	189,942	-	110,865	300,807
Human resources	253,236	-	150,895	404,131
Occupational health	125,957	-	66,231	192,188
Residential facilities	152,455	-	44,332	196,787
PATH	76,211	-	28,847	105,058
Total fiscal and administrative services	4,042,692	-	4,730,174	8,772,866
Unassigned expenses:				
Employee benefits:				
Iowa Public Employees Retirement System (IPERS)	-	-	2,156,226	2,156,226
FICA	-	-	2,747,249	2,747,249
Health insurance	-	-	4,949,129	4,949,129
Life insurance	-	-	348,212	348,212
Unemployment compensation	-	-	30,077	30,077
Workers' compensation	-	-	68,962	68,962
Other benefits	-	-	99,651	99,651
Insurance	-	-	2,686,662	2,686,662
Medical Center dues	-	-	161,505	161,505
Consulting fees	-	-	372,521	372,521
	-	-	13,620,194	13,620,194
Depreciation and amortization	\$ -	\$ -	\$ 3,137,931	\$ 3,137,931

2006

		2006			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other		Total
\$	507,120	\$ -	\$ 806,918	\$	1,314,038
	744,939	-	242,587		987,526
	72,669	-	254		72,923
	647,959	-	1,421,520		2,069,479
	688,187	-	1,730,490		2,418,677
	214,724	-	8,851		223,575
	157,244	-	225,323		382,567
	329,698	-	122,996		452,694
	34,662	-	226,549		261,211
	184,801	-	52,175		236,976
	233,113	-	202,612		435,725
	134,404	-	87,233		221,637
	134,683	-	46,611		181,294
	62,330	-	45,400		107,730
	4,146,533	-	5,219,519		9,366,052
	-	-	2,088,732		2,088,732
	-	-	2,634,225		2,634,225
	-	-	5,055,344		5,055,344
	-	-	303,282		303,282
	-	-	16,408		16,408
	-	-	595,847		595,847
	-	-	38,591		38,591
	-	-	1,771,135		1,771,135
	-	-	150,245		150,245
	-	-	313,728		313,728
	-	-	12,967,537		12,967,537
\$	-	\$ -	\$ 2,753,374	\$	2,753,374

Broadlawns Medical Center

Certain Operating Expenses Information
Years Ended June 30, 2007 and 2006

	2007			
	Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total
Residential facilities:				
Employee benefits:				
IPERS	\$ -	\$ -	\$ 38,734	\$ 38,734
FICA	-	-	50,139	50,139
Health and life insurance	-	-	118,463	118,463
Insurance	-	-	27,879	27,879
Depreciation and amortization	-	-	3,651	3,651
Rent of building and equipment	-	-	14,764	14,764
Total residential facilities	-	-	253,630	253,630
PATH:				
Employee benefits:				
IPERS	-	-	33,696	33,696
FICA	-	-	47,796	47,796
Health and life insurance	-	-	113,597	113,597
Insurance	-	-	22,928	22,928
Depreciation and amortization	-	-	66,486	66,486
Rent of building and equipment	-	-	56,134	56,134
Total PATH	-	-	340,637	340,637
Less intercompany transactions	-	-	18,877	18,877
	-	-	321,760	321,760
Total fiscal and administrative services and unassigned expenses	4,042,692	-	22,063,689	26,106,381
Total operating expenses	\$ 42,081,315	\$ 3,363,637	\$ 42,713,700	\$ 88,158,652

2006

		2006			
Salaries and Wages	Physician Fees and Outside Services	Supplies and Other	Total		
\$ -	\$ -	\$ 38,946	\$ 38,946		
-	-	50,405	50,405		
-	-	112,869	112,869		
-	-	27,879	27,879		
-	-	3,709	3,709		
-	-	13,448	13,448		
-	-	247,256	247,256		
-	-	36,783	36,783		
-	-	49,676	49,676		
-	-	81,495	81,495		
-	-	22,928	22,928		
-	-	65,958	65,958		
-	-	55,564	55,564		
-	-	312,404	312,404		
-	-	137,691	137,691		
-	-	174,713	174,713		
4,146,533	-	21,362,399	25,508,932		
\$ 40,324,796	\$ 3,259,790	\$ 40,545,750	\$ 84,130,336		

Broadlawns Medical Center

Combining Statements of Revenue, Expenses and Changes in Net Assets, by Function Year Ended June 30, 2007

	Medical Center	Residential Facilities	Positive Alternatives to Hospitalization (PATH)	Eliminations	Total Medical Center
Operating revenue:					
Net patient service revenue	\$ 31,342,532	\$ 1,154,593	\$ 1,455,774	\$ 102,958 (1)	\$ 33,849,941
Contracts	1,877,101	-	11,822	-	1,888,923
Operating grants	1,562,892	-	-	-	1,562,892
Other	2,161,163	-	-	18,877 (1)	2,142,286
Total operating revenue	36,943,688	1,154,593	1,467,596	121,835	39,444,042
Operating expenses:					
Nursing and medical services	19,177,290	79,732	376,484	102,958 (1)	19,530,548
Physician services	11,156,893	-	-	-	11,156,893
Other professional service	22,778,887	563,410	585,042	-	23,927,339
General services	7,349,644	61,124	26,723	-	7,437,491
Fiscal and administrative service and unassigned expenses	22,091,215	446,766	379,209	18,877 (1)	22,898,313
Depreciation and amortization	3,137,931	3,651	66,486	-	3,208,068
Total operating expenses	85,691,860	1,154,683	1,433,944	121,835	88,158,652
Operating income (loss)	(48,748,172)	(90)	33,652	-	(48,714,610)
Nonoperating revenue (expense):					
Property taxes	52,192,996	-	-	-	52,192,996
State appropriations	3,000,000	-	-	-	3,000,000
Noncapital grants and contributions	195,874	-	-	-	195,874
Investment earnings	980,020	90	3,999	-	984,109
Interest expense	(386,097)	-	-	-	(386,097)
Capital grants and contributions	9,633	-	-	-	9,633
Other, net	64,863	1,261	-	-	66,124
Total nonoperating revenue (expense), net	56,057,289	1,351	3,999	-	56,062,639
Change in net assets	7,309,117	1,261	37,651	-	7,348,029
Net assets:					
Beginning	27,530,682	125,901	436,183	-	28,092,766
Ending	\$ 34,839,799	\$ 127,162	\$ 473,834	\$ -	\$ 35,440,795

(1) To eliminate intercompany transactions.

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

**Patient and Medical Center Statistical Data
Years Ended June 30, 2007 and 2006
(Unaudited)**

	2007	2006
Patient days:		
Medical, surgical, and pediatric	7,400	6,231
Obstetrics	965	786
Intensive care unit	1,269	1,135
Mental health	7,572	7,698
Nursery	928	777
Total patient days	18,134	16,627
Admissions	4,905	4,209
Discharges	4,901	4,214
Average length of stay (days):		
Acute	3.0	3.0
Mental health	5.7	6.1
Outpatient visits:		
Emergency room	28,013	28,027
Walk-in clinic	23,129	26,232
Doctors health clinic	4,507	5,204
Specialty clinics	11,492	11,535
Pediatric clinic	7,198	6,751
Internal medicine clinic	3,674	4,172
Podiatry clinic	5,318	5,400
OB clinic	3,846	3,412
Family health center	17,114	16,889
Mental health	38,361	38,522
Oral medicine	8,630	8,869
Family Planning	2,078	2,845
Addiction medicine	8,971	10,654
	162,331	168,512

Broadlawns Medical Center

Organization Data
Year Ended June 30, 2007

	Expiration of Term
Board of Trustees:	
Mr. Frank Harrison, Chair	December 31, 2010
Ms. Janet Metcalf, Vice Chair	December 31, 2010
Ms. Mary Fuller, Secretary	December 31, 2012
Mr. Paul Gillispie, Treasurer	December 31, 2008
Members:	
Ms. Cindy Gray	December 31, 2008
Ms. Jean Logan, RN PhD	December 31, 2010
Ms. Karen Ellis	December 31, 2012
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, 2007

	Amount Funded from BMC	Claims Paid
Malpractice Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2006	\$ -	\$ -
August 31, 2006	-	40,506
September 30, 2006	-	(40,628)
October 31, 2006	-	-
November 30, 2006	-	-
December 31, 2006	-	-
January 31, 2007	-	-
February 28, 2007	-	-
March 31, 2007	-	-
April 30, 2007	(669,978)	-
May 31, 2007	669,978	-
June 30, 2007	(334,989)	-
	<u>\$ (334,989)</u>	<u>\$ (122)</u>
Malpractice Fund:		
LOC Wells Fargo Trust, NA, beginning balance		
July 31, 2006	\$ -	\$ -
August 31, 2006	-	-
September 30, 2006	-	-
October 31, 2006	-	-
November 30, 2006	-	-
December 31, 2006	-	-
January 31, 2007	-	-
February 28, 2007	-	-
March 31, 2007	-	-
April 30, 2007	-	-
May 31, 2007	-	-
June 30, 2007	-	-
	<u>\$ -</u>	<u>\$ -</u>
Malpractice Fund:		
LOC Wells Fargo Trust, NA, beginning balance		
July 31, 2006	\$ -	\$ -
August 31, 2006	-	-
September 30, 2006	-	-
October 31, 2006	-	-
November 30, 2006	-	-
December 31, 2006	-	-
January 31, 2007	-	-
February 28, 2007	-	-
March 31, 2007	-	-
April 30, 2007	-	-
May 31, 2007	-	-
June 30, 2007	-	-
	<u>\$ -</u>	<u>\$ -</u>

Administrative Fees	Interest Income	Realized Gain (Loss) on Investment	Transfers	Fund Balance
				\$ 3,609,529
\$ 3,852	\$ 10,778	\$ 1,196	\$ -	3,617,651
-	7,513	-	-	3,584,658
-	13,005	(1,469)	-	3,636,822
3,904	11,807	-	-	3,644,725
-	15,199	(1,828)	-	3,658,096
-	11,838	-	-	3,669,934
3,727	16,027	(3,121)	-	3,679,113
-	9,877	(1,063)	-	3,687,927
-	11,885	13,629	-	3,713,441
3,773	18,712	3,603	-	3,062,005
-	10,293	-	-	3,742,276
-	14,930	1,277	-	3,423,494
<u>\$ 15,256</u>	<u>\$ 151,864</u>	<u>\$ 12,224</u>	<u>\$ -</u>	<u>\$ 3,423,494</u>
				\$ 783,293
\$ 250	\$ 2,921	\$ -	\$ -	785,964
-	3,159	-	-	789,123
-	3,201	-	-	792,324
250	3,140	-	-	795,214
-	3,268	-	-	798,482
-	3,171	-	-	801,653
250	3,300	-	-	804,703
-	3,299	-	-	808,002
-	2,992	-	-	810,994
250	3,332	-	-	814,076
-	3,229	-	-	817,305
-	3,338	-	-	820,643
<u>\$ 1,000</u>	<u>\$ 38,350</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 820,643</u>
				\$ 185,966
\$ -	\$ 2,902	\$ -	\$ -	188,868
-	12	-	-	188,880
-	24	-	-	188,904
-	23	-	-	188,927
-	24	-	-	188,951
-	23	-	-	188,974
250	2,915	-	-	191,639
-	49	-	-	191,688
-	2,683	-	-	194,371
250	799	-	-	194,920
-	773	-	-	195,693
-	799	-	-	196,492
<u>\$ 500</u>	<u>\$ 11,026</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,492</u>

(Continued)

Broadlawns Medical Center

Self-Insured Retention Funds (Continued)
Year Ended June 30, 2007

	Amount Funded from BMC	Claims Paid
Workers' Compensation Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2006	\$ -	\$ 79,179
August 31, 2006	-	(70,748)
September 30, 2006	-	23,749
October 31, 2006	149,000	20,893
November 30, 2006	37,250	18,950
December 31, 2006	37,250	18,489
January 31, 2007	37,250	140
February 28, 2007	37,250	17,996
March 31, 2007	37,250	26,522
April 30, 2007	37,250	26,297
May 31, 2007	37,250	13,523
June 30, 2007	37,250	16,618
	<u>\$ 447,000</u>	<u>\$ 191,608</u>
Self Insured Dental Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2006	\$ 20,680	\$ 20,215
August 31, 2006	20,117	25,490
September 30, 2006	735	33,916
October 31, 2006	40,841	20,208
November 30, 2006	20,462	23,935
December 31, 2006	20,764	33,925
January 31, 2007	21,225	25,073
February 28, 2007	100,000	30,667
March 31, 2007	41,919	32,663
April 30, 2007	20,629	24,097
May 31, 2007	20,511	23,567
June 30, 2007	22,377	31,537
	<u>\$ 350,260</u>	<u>\$ 325,293</u>
Health Insurance Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2006	\$ 605,261	\$ 403,055
August 31, 2006	606,393	642,363
September 30, 2006	606,243	411,138
October 31, 2006	602,973	838,982
November 30, 2006	598,676	28,264
December 31, 2006	613,235	418,992
January 31, 2007	617,499	347,064
February 28, 2007	592,870	402,052
March 31, 2007	620,777	512,742
April 30, 2007	628,917	378,934
May 31, 2007	602,761	447,208
June 30, 2007	610,966	477,607
	<u>\$ 7,306,571</u>	<u>\$ 5,308,401</u>

Administrative Fees	Interest Income	Realized Gain (Loss) on Investment	Transfers	Fund Balance
				\$ 659,224
\$ 160	\$ 2,303	\$ -	\$ -	582,188
-	2,449	-	-	655,385
40,628	2,295	-	-	593,303
144	2,285	-	-	723,551
-	3,454	-	-	745,305
-	5,188	-	-	769,254
341	5,555	-	-	811,578
-	4,079	-	-	834,911
-	2,911	-	-	848,550
198	3,257	-	-	862,562
-	3,196	-	-	889,485
-	3,383	-	-	913,500
<u>\$ 41,471</u>	<u>\$ 40,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 913,500</u>

				\$ 84,354
\$ 2,085	\$ 107	\$ -	\$ -	82,841
23	229	-	-	77,674
3,851	228	-	-	40,870
163	184	-	-	61,524
1,994	169	-	-	56,226
3,954	93	-	-	39,204
96	101	-	-	35,361
2,087	99	-	-	102,706
4,153	32	-	-	107,841
2,137	249	-	-	102,485
22	328	-	-	99,735
3,941	318	-	-	86,952
<u>\$ 24,506</u>	<u>\$ 2,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,952</u>

				\$ 1,701,793
\$ 58,385	\$ 5,252	\$ -	\$ -	1,850,866
53,910	5,479	-	-	1,766,465
52,974	5,709	-	-	1,914,305
52,124	5,456	-	-	1,631,628
51,875	4,576	-	-	2,154,741
54,038	3,346	-	-	2,298,292
56,872	4,913	-	-	2,516,768
56,212	6,801	-	-	2,658,175
55,727	5,312	-	-	2,715,795
53,004	7,762	-	-	2,920,536
54,419	8,916	-	-	3,030,586
53,498	11,113	-	-	3,121,560
<u>\$ 653,038</u>	<u>\$ 74,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,121,560</u>

(Continued)

Broadlawns Medical Center

Self-Insured Retention Funds (Continued)
Year Ended June 30, 2007

	Amount Funded from BMC	Claims Paid
Equipment Maintenance Fund:		
Wells Fargo Trust, IA, beginning balance		
July 31, 2006	\$ -	\$ -
August 31, 2006	-	-
September 30, 2006	-	-
October 31, 2006	-	-
November 30, 2006	-	-
December 31, 2006	-	-
January 31, 2007	-	-
February 28, 2007	-	-
March 31, 2007	-	-
April 30, 2007	-	-
May 31, 2007	-	-
June 30, 2007	-	-
	<u>\$ -</u>	<u>\$ -</u>
Equipment Maintenance Fund:		
Bank of America, beginning balance		
July 31, 2006	\$ -	\$ 45,375
August 31, 2006	-	17,961
September 30, 2006	-	13,296
October 31, 2006	-	17,407
November 30, 2006	-	14,780
December 31, 2006	-	16,584
January 31, 2007	-	11,640
February 28, 2007	-	7,468
March 31, 2007	-	1,612
April 30, 2007	-	19,848
May 31, 2007	-	133
June 30, 2007	-	-
	<u>\$ -</u>	<u>\$ 166,104</u>

Administrative Fees	Interest Income	Realized Gain (Loss) on Investment	Transfers	Fund Balance
				\$ 237,711
\$ -	\$ 887	\$ -	\$ -	238,598
-	959	-	(50,000)	189,557
60	873	-	-	190,370
-	755	-	-	191,125
48	785	-	(100,000)	91,862
-	643	-	-	92,505
-	381	-	-	92,886
250	381	-	-	93,017
-	345	-	-	93,362
-	384	-	-	93,746
250	372	-	-	93,868
-	383	-	(50,000)	44,251
<u>\$ 608</u>	<u>\$ 7,148</u>	<u>\$ -</u>	<u>\$ (200,000)</u>	<u>\$ 44,251</u>
				\$ 42,634
\$ -	\$ -	\$ -	\$ -	(2,741)
-	-	-	50,000	29,298
-	-	-	-	16,002
-	-	-	-	(1,405)
-	-	-	100,000	83,815
-	-	-	-	67,231
-	-	-	-	55,591
-	-	-	-	48,123
-	-	-	-	46,511
-	-	-	-	26,663
-	-	-	-	26,530
-	-	-	50,000	76,530
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ 76,530</u>

Broadlawns Medical Center

Schedule of Revenue, Expenses and Balances - Completed Contracts
 Year Ended June 30, 2007

	Special Supplemental Nutrition Program for Women, Infants, and Children #5886A031 and #5887A031
<hr/>	
Revenue:	
Managed care	\$ -
Other state	-
Other federal	1,213,080
County government	-
Total revenue	<u>1,213,080</u>
Expenses:	
Salaries	589,436
Personnel benefits	233,088
Travel	-
Staff training	6,443
Space costs:	
Cash	84,419
In-kind	-
Supplies	35,652
Telephone	1,296
Equipment maintenance and rent	-
Other expenses	-
Total allowable expenses	<u>950,334</u>
Distribution of management and general	427,968
Total expenses	<u>1,378,302</u>
	<u>\$ (165,222)</u>

	Non-IDPH PCHS Chem Dep	Magellan MBC Iowa Plan OP Chem Dep SVCS DPH Funded Clients Non-Medicaid	Management and General	Total
\$	-	\$ 231,208	\$ -	\$ 231,208
	-	-	-	-
	-	21,639	-	1,234,719
	283,334	-	-	283,334
	283,334	252,847	-	1,749,261
	82,237	63,107	103,625	838,405
	32,153	24,674	42,443	332,358
	-	-	34	34
	118	90	276	6,927
	-	-	8,241	92,660
	106,767	81,931	-	188,698
	1,512	1,160	1,559	39,883
	-	-	-	1,296
	-	-	-	-
	-	-	456,199	456,199
	222,787	170,962	612,377	1,956,460
	80,068	104,340	(612,376)	-
	302,855	275,302	1	1,956,460
\$	(19,521)	\$ (22,455)	\$ (1)	\$ (207,199)

Broadlawns Medical Center

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007**

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		\$ 231,208
Non-Medicaid and Meth Funds	93.959		21,639
Health Care and Other Facilities (Direct Award)	93.887	1C76HF03589-01-00	15,013
Passed through University of Iowa, Improving Adherence to Blood Pressure Guidelines	93.837	1R01HL070740	63,273
Passed through U.S. Human Resources & Service Administration:			
Bioterrorism Hospital Preparedness	93.889	5887BHP01 06-07BMC	730
Bioterrorism Hospital Preparedness	93.003	5886BHP01 04BMC	17,135
Total U.S. Department of Health and Human Services			<u>348,998</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	5886A031	352,328
	10.557	5887A031	811,942
Breast Pump Reimbursement	10.557	5886A031	44,593
Passed through Iowa Department of Agriculture and Land Stewardship:			
Iowa Farmers Market Nutrition Program	10.572	1191-05-31	4,217
Total U.S. Department of Agriculture			<u>1,213,080</u>
U.S. Department of Transportation, National Highway & Traffic Safety Administration, State and Community Highway Safety			
	20.600	06-08, task1	1,500
			<u>\$ 1,563,578</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, 2007

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, 2007, 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, 2007

Current Number	Comment	Status
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Other findings related to required statutory reporting:

06-III-A	The Medical Center had inadequate documentation for eligibility requirements for participants in the Supplemental Nutrition Program for Women, Infants and Children.	Corrective action taken.
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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, 2007, and have issued our report thereon dated November 7, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Broadlawns Medical Center's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Broadlawns Medical Center's internal control over financial reporting.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Broadlawns Medical Center's basic 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, 2007 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.

However, we noted certain immaterial instances of noncompliance that we have reported to management of Broadlawns Medical Center in a separate letter dated November 7, 2007.

We also noted certain matters that we reported to management of Broadlawns Medical Center in a separate letter dated November 7, 2007.

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and 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
November 7, 2007

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, 2007. 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, 2007.

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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Broadlawns Medical Center's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, federal awarding agencies and 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
November 7, 2007

Broadlawns Medical Center

Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

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
- Significant deficiency(ies) 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
- Significant deficiency(ies) 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? Yes X 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, 2007

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

(A) Significant Deficiencies in Internal Control

None reported.

(B) Compliance Findings

None reported.

III. Findings and Questioned Costs for Federal Awards

(A) Significant Deficiencies in Internal Control

None reported.

(B) Instances of Noncompliance

None Reported

IV. Other Findings Related to Required Statutory Reporting

07-IV-A – Certified Budget:

Disbursements during the year ended June 30, 2007 did not exceed the amount budgeted.

07-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.

07-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.

07-IV-D – Business Transactions:

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

07-IV-E – Board Minutes:

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

Broadlawns Medical Center

Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

07-IV-F – Deposits and Investments:

Finding: The Medical Center is authorized to hold a maximum specified amount on deposit in a listing of depositories approved by the Board.

Condition: During our audit testing, it was noted one bank had exceeded its deposit limit.

Questioned Costs: None.

Criteria: The Board of Trustees determines deposit level based on acceptable risk with the institution. Deposits over these limits, places funds of the Medical Center at a higher concentration of credit risk.

Recommendation: The Medical Center should regularly monitor deposit levels at its depositories to ensure all balances fall within limits set by the Board of Trustees.

Response and Corrective Action Plan: The Medical Center plans on more closely monitoring how much it keeps on deposit at each of its approved banks.

07-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 and a schedule of salaries paid as required by the Code.

Broadlawns Medical Center

**Corrective Action Plan
Year Ended June 30, 2007**

Current Number	Comment	Corrective Action Plan	Anticipated Date of Completion	Contact Person
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Other findings related to required statutory reporting:

07-IV-F	The Medical Center had deposits in depositories that were in excess of limits set by the Board of Trustees.	See response and corrective action plan at 07-IV-F.	June 30, 2008	Deb Shelabarger
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