HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY INDIANA

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

Comprehensive Annual Financial Report For the Year Ended

December 31, 2004

Matthew R. Gutwein
President and
Chief Executive Officer

Daniel E. Sellers
Treasurer and
Chief Financial Officer

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

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Prepared by: The Treasurer's Office

Comprehensive Annual Financial Report
of The Health and Hospital Corporation
of Marion County, Indiana
(a component unit of the Consolidated
City of Indianapolis - Marion County)
for the Year Ended December 31, 2004

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INTRODUCTORY SECTION

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

HEALTH AND HOSPITAL CORPORATION
OF MARION COUNTY

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

TEL 317 221 2000 FAX 317 221 2020

June 20, 2005

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

The Comprehensive Annual Financial Report of the Health and Hospital Corporation of Marion County, Indiana (Corporation) (a component unit of the Consolidated City of Indianapolis - Marion County), for the fiscal year ended December 31, 2004, is submitted herewith. This report is presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and is audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Corporation has a responsibility to inform both the taxpayers of Marion County and its investors of its financial condition. We believe that this report fulfills that responsibility.

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

The Corporation's financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Corporation for the fiscal year ended December 31, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering unqualified opinions that the Corporation's financial statements for the fiscal year ended December 31, 2004, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

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

The Comprehensive Annual Financial Report consists of three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting presented to the Corporation for its 2003 comprehensive annual financial report, a list of principal officials and the Corporation's organizational chart. The financial section includes the basic financial statements including MD&A, footnotes and the independent auditors' report on the basic financial statements. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

PROFILE OF THE CORPORATION

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

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

Wishard Health Services is comprised of Wishard Memorial Hospital, a general acute care facility with 296-staffed beds; eight community health centers, Midtown Community Mental Health Center, Regenstrief Health Center, Wishard's Emergency Trauma Service, Wishard's Ambulance Service and the Richard M. Fairbanks Burn Center. It also includes Lockefield Village, a long-term care facility, which provides a multi-level Alzheimer's unit, traditional long-term care, medically complex services and an acute rehabilitation unit. Wishard Health Services is accounted for as an Enterprise Fund.

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

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

The Corporation expanded its long-term care initiative (LT Care) in 2003 and 2004. LT Care supports the Corporation's mission and goal to provide quality care and services to elderly and disabled people. The Corporation operates 17 facilities throughout Indiana. LT Care is reported along with Wishard Health Serves as an Enterprise Fund.

The Corporation is governed by a seven member Board of Trustees. The Mayor of Indianapolis appoints three, the Commissioners of Marion County two, and the City-County Council two, to serve staggered terms of four years each. The Board is bipartisan by statute. The Board levies its own taxes, adopts its own ordinances having the effect of local law governing health matters, and issues its own general obligation bonds subject to approval of the State of Indiana Department of Local Government Finance (DLGF). The DLGF is also the final authority over the Corporation's budget. Since the governing body is appointed and not elected, under Governmental Accounting Standards Board (GASB) Statement No. 14 the Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County (Uni-Gov), and the financial statements of the Corporation are included in the comprehensive annual financial report of Uni-Gov. Management also considers all other units of government within Marion County to be separate from this Corporation, and they are not considered as component units within this report.

ECONOMIC CONDITION AND OUTLOOK

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

LOCAL ECONOMY

Marion County has a diversified economic base with unemployment rates consistently lower than, and per capita income levels consistently higher than state and national averages. Strategically located on the major east-west and north-south transportation routes across North America, Marion County has become a major transportation industrial center. Marion County is also the geographic, financial, and cultural center of Indiana.

Marion County has experiences an economic turnaround over the past few years. Despite this fact, the number of people without health insurance has grown significantly, which has impacted the Marion County Health Department and Wishard Health Services. More people than ever are relying on the Corporation for health services. As of December 31, 2004, there were 45,000 people in the Wishard Advantage Program, and 50% of these were in families with a working adult. The Wishard Advantage program provides managed care for its clients.

The Health and Hospital Corporation is mandated by state law to provide health services to all persons, regardless of their ability to pay for those services as defined by State Law (16-12-21-33), see footnote 1(r). A separate state law limits property tax increases each year. The growing number of uninsured combined with the slow growth in property tax revenues are in conflict with the Corporation's ability to fund its mission. The 1991 Session of the Indiana General Assembly enacted legislation (HB 1837), which enabled the Corporation to receive additional funding through Medicaid as a "disproportionate share provider." This classification results from the fact that the Corporation provides care to indigent patients in higher volumes than the average hospital system. Medicaid special revenues, including disproportionate share, were approximately $96 million in 2003 and $123 million in 2004.

MAJOR INITIATIVES FOR THE YEAR

Marion County Health Department

During 2004, and in the context of increasing fiscal constraint, the Department continued to focus its energies on 1) maintaining the quality of necessary, existing services while 2) meeting new challenges and 3) achieving significant long-term impact on those health problems that will have the greatest overall impact on Indianapolis. The latter include antibiotic resistance, childhood lead poisoning, immunizations, asthma, smoking, obesity and sedentary life style, cardio-vascular disease, and diabetes. Most of these diseases and risks are inter-related, most involve individual's behavior, and all require long-term efforts and long-term commitment.

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

Wishard Health Services

During 2004, construction on the Phillip and Vivian Pecar Health Center was completed and the site opened. The Pecar Health Center serves the growing Spanish and Russian speaking populations of northwest Indianapolis, providing comprehensive adult and pediatric services, health education, disease screening and control, nutrition and social services. As part of Wishard's mission and vision, these services are provided regardless of the patient's ability to pay.

In 2004, the Corporation engaged Cambio Health Solutions to provide business management and performance enhancement services. Significant efforts were made by the entire Wishard organization to improve operations—from patient registration to cash collections and from information technology systems to employee productivity. All efforts were made to improve efficiency, raise revenue and reduce costs for the organization while continuing to provide high quality care to the community it serves.

The Corporation continued to expand the Wishard Advantage program. The program provides a managed care approach to the County's underserved population. Many Advantage patients previously did not participate in primary or preventive care for themselves or their families, instead relying on the emergency room for primary care. Advantage helps the patients receive better care and at the same time reduce costs by providing care before a trip to the emergency room becomes necessary. The Advantage program had 45,000 members and had grown by 4,000 people in the past 12 months.

For The Future

The Corporation has been very successful at finding federal dollars from the past several years to assist the Corporation in current year operations. The available one-time prior year dollars have now all been claimed and they are no longer able to help fund 2005 or future year operations. The Corporation will have to be very creative in its efforts to raise revenue, reduce costs and operate under new constraints.

The Corporation receives much of its funding from Medicare, Medicaid and disproportionate share (DSH). Both Medicare and Medicaid are reducing or maintaining reimbursement rates as inflation increases. Disproportionate share was cut significantly at the federal level during 2003, which impacted the funds available to the Corporation. The Medicare Prescription Drug Improvement and Modernization Act of 2003 authorized increases in the DSH program for each state beginning in 2004. These increases will put the program back to 2002 levels with small increases each year. There continues to be a growing number of persons who need assistance from both the Marion County Health Department and Wishard Health Services.

The Corporation has responded very positively to the difficult financial constraints described above. All levels of the organization have worked together to find savings from current operations without impacting the care we provide to the County. The grants department was expanded and has applied for more new money this year. The Corporation is working to make sure that fees collected by the Marion County Health Department are calculated correctly to collect 100% of our expenses. Wishard has improved its revenue and reduced expenses over the past 12 months. Senior leadership is working with the federal and state officials to identify or create new revenues for the Corporation.

The challenges to Health and Hospital are great in 2005 and into the future. Our organization is motivated and excited to work through the current difficulties to find a financial future that helps us to continue to improve the health of the citizens of Marion County.

Deferred Compensation Plan

During 1997, the Deferred Compensation 457 Plan was amended to comply with the amendments to Section 457 of the Internal Revenue Code Plan so that plan assets are held in trust for the exclusive benefits of participants and their beneficiaries. In conjunction with these amendments, the Corporation elected to implement the provision of Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. As a result, the assets and liabilities of the deferred compensation plan are not included in the basic financial statements. Previously, plan assets were solely the property and rights of the Corporation, subject only to the claims of the Corporation's general creditors.

Pension Benefits

The Corporation contributes to the Indiana Public Employees' Retirement Fund (PERF), an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. PERF is governed by Indiana Code 5-10.2 and 5-10.3. As such, it is PERF's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt. Additional information on the Corporation's pension arrangements can be found in note 12 in the notes to the basic financial statements.

Cash Management

Cash temporarily idle during the year was invested in certificates of deposit. Certificates of deposit (CDs) with maturity of three months or less from date of purchase are treated as cash equivalents on the balance sheet. Interest rates on CDs purchased during 2004 ranged from 1.2% to 1.6%. Cash and cash equivalent interest income from all funds except capital projects totaled $1,830,389 in 2004. Capital Projects Fund investments have been invested in U.S. Government obligations, certificates of deposit, and tax-exempt money market funds at yields not to exceed the related bond issue.

Total interest income produced for the Capital Projects Fund was $369,400. Interest income of $2,199,789 was earned from investments of all fund types during 2004. The Corporation's investment policy is to minimize credit and market risks. State statutes authorize the Corporation to invest in certificates of deposit, obligations of the U.S. Treasury, and U.S. agencies and repurchase agreements with a maximum maturity of two years. The statutes further require that repurchase agreements be fully collateralized by U.S. Government or U.S. agency obligations. Compliance with these statutes provides protection for cash and investments by the Indiana Public Deposit Insurance Fund. This fund provides protection for amounts not covered by federal depository insurance.

Risk Management

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

During 2004, the Corporation maintained a number of commercial insurance policies to cover potential losses. Major types of coverage include Workers Compensation and Property insurance. A detailed schedule of insurance in force is included as Table XIII in the Statistical Section of this report.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Health and Hospital Corporation of Marion County, Indiana for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2003. Health and Hospital Corporation of Marion County, Indiana has received a Certificate of Achievement for the last twenty consecutive years (fiscal years ended 1984-2003). In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

Matthew R. Gutwein
President and
Chief Executive Officer

Daniel E. Sellers
Treasurer and
Chief Financial Officer

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Indianapolis, Indiana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Nancy L. Zielke

President

Jeffrey R. Esser

Executive Director

HEALTH AND HOSPITAL CORPORATION

Elected Officials

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

Appointed Officials-Board of Trustees

Name	Occupation / Company
James D. Miner, M.D., Chairman	Physician
Lula M. Journey, Vice Chairman	Retired
Jean S. Blackwell	Chief Financial Officer / Cummins
Henry C. Bock, M.D.	Physician
Betsy L. Brougher	President / MultiNational Underwriters Inc.
Marjorie H. O'Laughlin	Retired
Robert B. Pfeifer	Accountant / Robert Pfeifer CPA Associates

Members of the Board of Trustees of the Health and Hospital Corporation during 2004 were (left to right row 1): Betsy L. Brougher; Lula M. Journey; Marjorie H. O'Laughlin; Robert B. Pfeifer, (left to right row 2): Henry C. Bock, M.D.; Jean S. Blackwell; and James D. Miner, M.D., Chairman.

HEALTH AND HOSPITAL CORPORATION

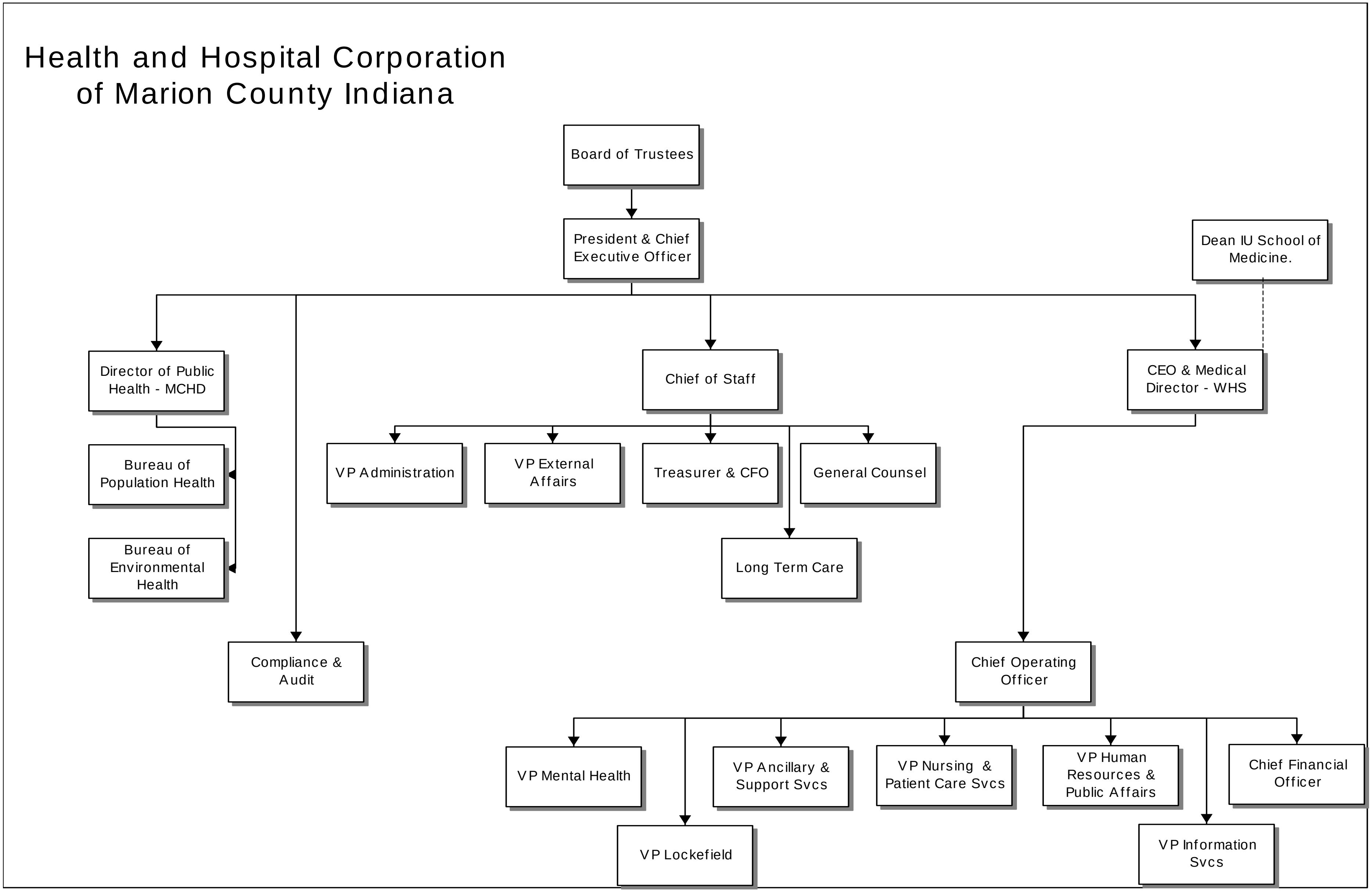
Officers

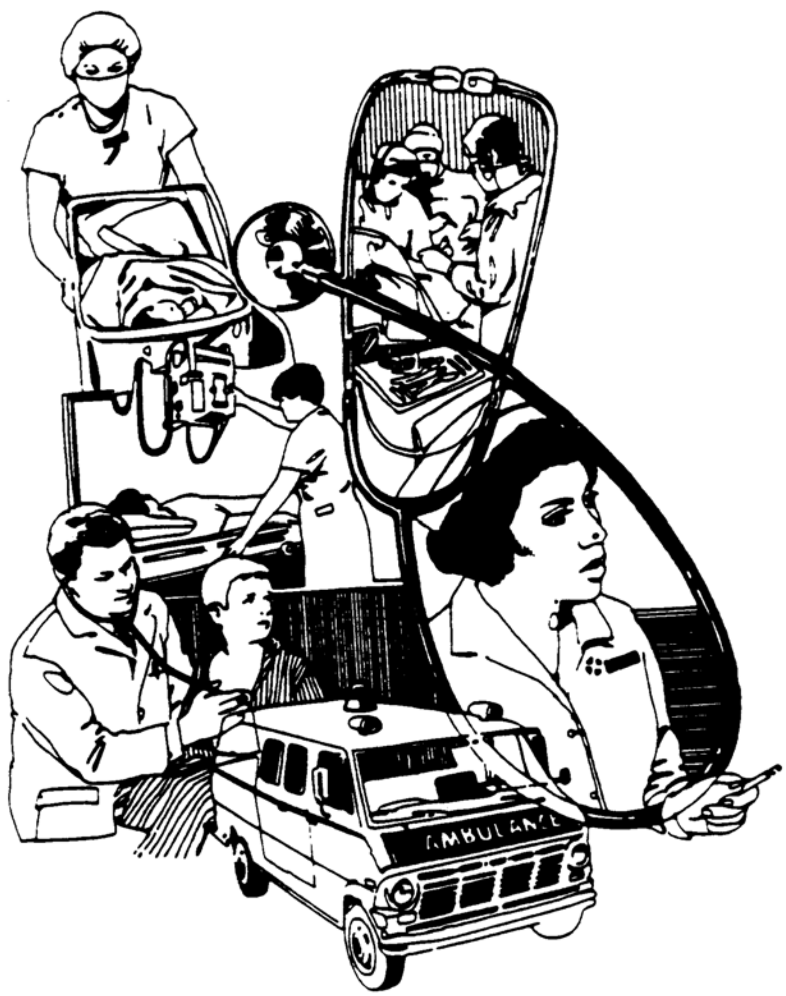
Name	Title
Matthew R. Gutwein	President and Chief Executive Officer
Daniel E. Sellers	Treasurer and Chief Financial Officer
Lisa E. Harris, M.D.	Director, Wishard Health Services
Virginia A. Caine, M.D.	Director, Marion County Health Department

Independent Auditors

KPMG LLP — Indianapolis, Indiana

Officers of the Health and Hospital Corporation during 2004 were (left to right): Daniel E. Sellers, Treasurer and Chief Financial Officer; Virginia A. Caine, M.D., Director, Marion County Health Department; Lisa E. Harris, M.D., Medical Director and CEO, Wishard Health Services; and Matthew R. Gutwein, President and Chief Executive Officer.


Health and Hospital Corporation
of Marion County Indiana
Board of Trustees
President & Chief Executive Officer
Dean IU School of Medicine.
Director of Public Health - MCHD
Chief of Staff
CEO & Medical Director - WHS
Bureau of Population Health
Bureau of Environmental Health
VP Administration
VP External Affairs
Treasurer & CFO
General Counsel
Long Term Care
Compliance & Audit
Chief Operating Officer
VP Mental Health
VP Lockefield
VP Ancillary & Support Svcs
VP Nursing & Patient Care Svcs
VP Human Resources & Public Affairs
VP Information Svcs
Chief Financial Officer



FINANCIAL SECTION

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

Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis – Marion County) (Corporation) as of and for the year ended December 31, 2004 which collectively comprise the Corporation's basic financial statements as listed in the accompanying table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Health and Hospital Corporation of Marion County, Indiana (a component unit of the Consolidated City of Indianapolis – Marion County) as of December 31, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2005 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of out 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 read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (MD&A) on pages 15 through 24, the General Fund budgetary comparison information on pages 68 and 69 and the schedule of funding progress on page 60 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 accordingly, we express no opinion on it.

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

KPMG LLP

Indianapolis, Indiana
June 14, 2005

Management’s Discussion and Analysis

As management of the Health and Hospital Corporation of Marion County, Indiana, (the Corporation), we offer readers of this Corporation’s Comprehensive Annual Financial Report this narrative overview and analysis of the financial activities of the Corporation for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our transmittal letter at the front of this report along with the financial statements, including the footnotes that follow the basic financial statements.

Financial Highlights

- The assets of the Corporation exceeded its liabilities at the close of the most recent fiscal year by $314,962,794 (net assets). Of this amount, $150,774,686 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Corporation’s total net assets increased by $39,001,146.
- As of the close of 2004, the Corporation’s governmental funds reported combined ending fund balances of $79,980,845, an increase of $30,516,697 in comparison with the prior year. Approximately 87.6% of this total amount, $70,058,230, is available for spending at the discretion of the Corporation’s Board of Trustees (unreserved and undesignated fund balance).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the General Fund was $32,776,974 or 61.8 % of total general fund expenditures.
- The Corporation’s total debt excluding capital leases decreased by $1,652,555 or 3.3% during the current fiscal year. This reflects scheduled principal payments on outstanding notes and bonds. Capital leases decreased by $7,662,265 or 6.1% in 2004.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include only the Health and Hospital Corporation of Marion County, Indiana (known as the primary government). Since the Corporation’s Board is appointed, not elected, under Governmental Accounting Standards Board (GASB) Statement No. 14, the Corporation is considered a component unit of the Consolidated City of Indianapolis – Marion County (Uni-Gov), and the financial statements of the Corporation are included in the comprehensive annual financial report of Uni-Gov. Management also considers all other units of government within Marion County to be separate from this Corporation, and they are not considered as component units within this report.

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

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

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

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

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

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

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

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

Financial Analysis of the Corporation as a Whole

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Corporation, assets exceeded liabilities by $314,962,794 at December 31, 2004.

The largest portion of the Corporation's net assets, 51.9%, reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Corporation uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Corporation's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Corporation's net assets, .2%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $150,774,686, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of 2004, the Corporation is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The government's net assets increased by $39,001,146 during the current fiscal year. The majority of the increase reported in connection with Health and Hospital's governmental activities resulted from disproportionate share and other Medicaid payments.

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULE OF NET ASSETS
DECEMBER 31, 2004

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets:						
Current and other assets	$ 108,360,831	141,960,434	183,531,238	169,566,974	291,892,069	311,527,408
Capital assets net of accumulated depreciation	12,912,589	20,563,269	275,648,389	292,353,292	288,560,978	312,916,561
Total Assets	121,273,420	162,523,703	459,179,627	461,920,266	580,453,047	624,443,969
Liabilities:						
Long-term liabilities outstanding	52,526,377	53,802,803	117,886,520	125,548,785	170,412,897	179,351,588
Other liablilities	9,378,190	87,155,583	85,699,166	81,975,150	95,077,356	169,130,733
Total Liabilities	61,904,567	140,958,386	203,585,686	207,523,935	265,490,253	348,482,321
Net Assets:						
Invested in capital assets net of related debt	5,855,427	13,101,552	157,761,870	166,804,507	163,617,297	179,906,059
Restricted	—	—	570,811	564,837	570,811	564,837
Unrestricted	53,513,426	8,463,765	97,261,260	87,026,987	150,774,686	95,490,752
Total Net Assets	$ 59,368,853	21,565,317	255,593,941	254,396,331	314,962,794	275,961,648

Changes in Net Assets

The Corporation's total revenue was $604,219,640 during the current fiscal year. Taxes represent 16.1% of the Corporation's revenue. Medicaid special revenue represents 22.8% of revenue, while 56.2% of revenue came from fees charged for services. The remaining 4.9% came from grants and contributions, interest earnings, and miscellaneous revenues.

The total cost of all programs and services was $565,218,494. This resulted in an increase in net assets for the year of $39,001,146.

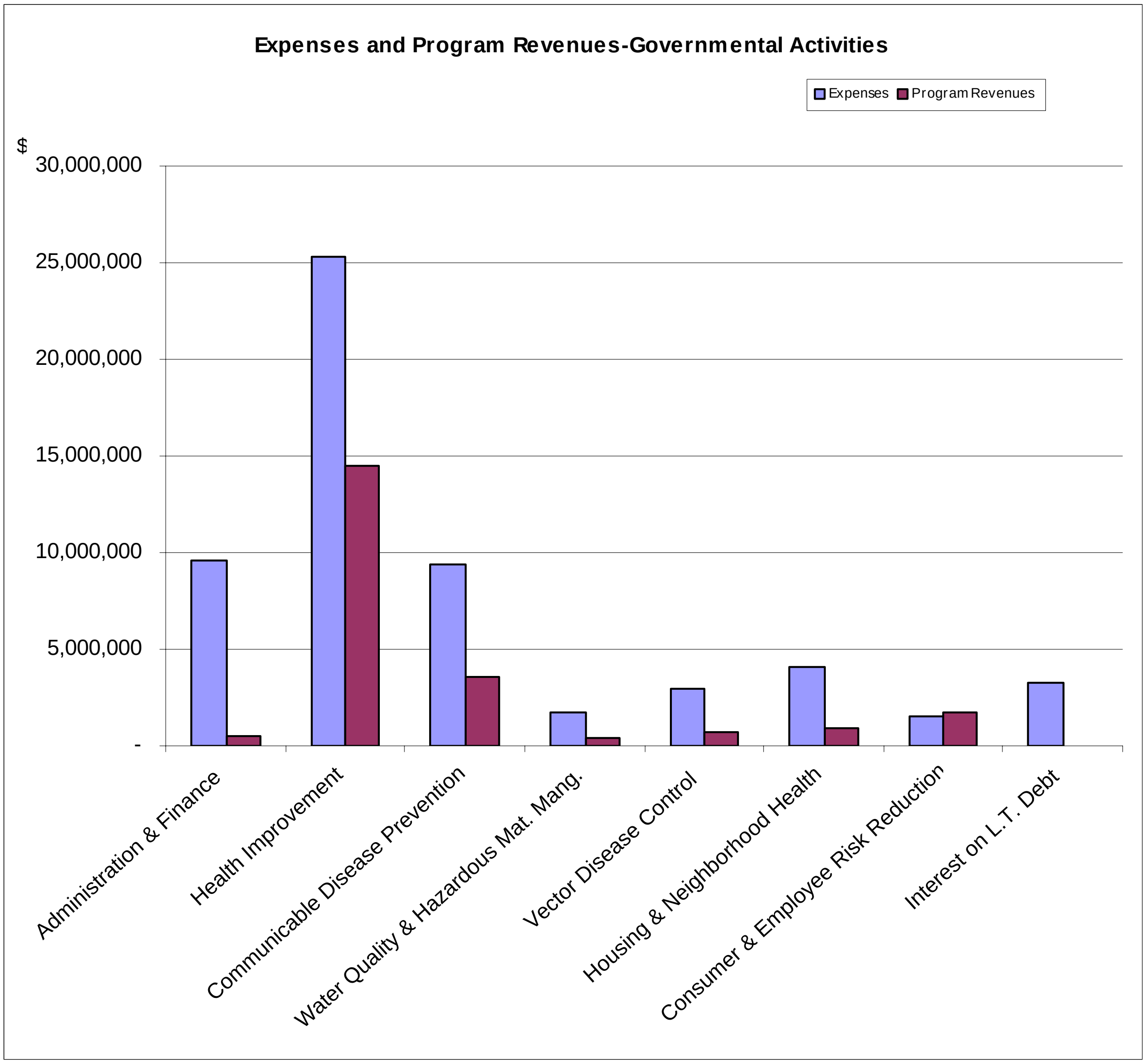
THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULE OF CHANGES IN NET ASSETS
DECEMBER 31, 2004

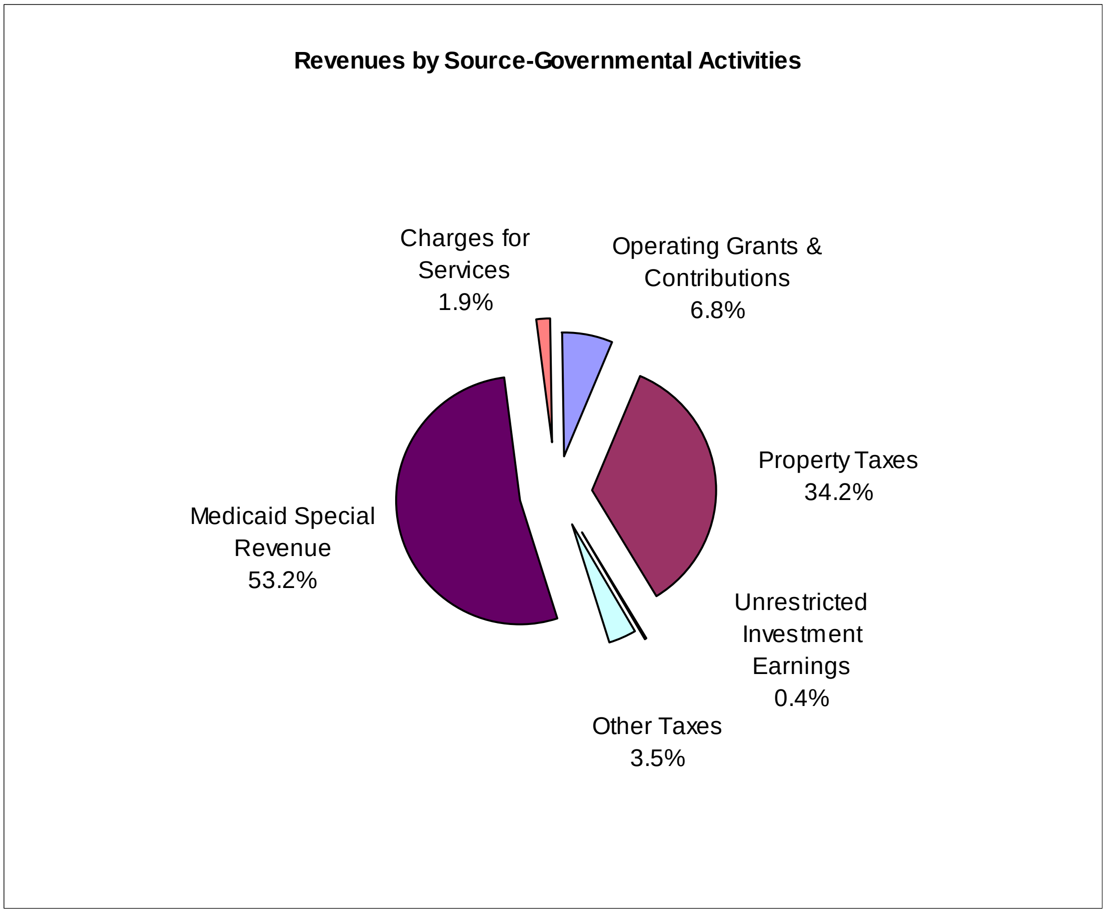
	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	$ 4,937,317	3,776,519	334,424,375	285,551,373	339,361,692	289,327,892
Operating grants and contributions	17,488,087	17,317,170	10,038,960	11,735,585	27,527,047	29,052,755
Capital grants and contributions	—	5,439,547	—	—	—	5,439,547
General revenues:						
Property taxes	88,498,342	92,454,172	—	—	88,498,342	92,454,172
Other taxes	9,158,085	9,148,755	—	—	9,158,085	9,148,755
Medicaid special	137,474,685	95,965,768	—	—	137,474,685	95,965,768
Unrestricted investment earnings	978,823	774,638	1,220,966	961,268	2,199,789	1,735,906
Total revenues	258,535,339	224,876,569	345,684,301	298,248,226	604,219,640	523,124,795
Expenses:						
Administration and finance	9,612,142	17,009,724	—	—	9,612,142	17,009,724
Health improvement	25,275,328	26,408,831	—	—	25,275,328	26,408,831
Communicable disease prevention	9,425,318	9,360,310	—	—	9,425,318	9,360,310
Water quality and hazardous mat mgmt	1,703,637	1,699,221	—	—	1,703,637	1,699,221
Vector disease control	2,965,406	2,930,571	—	—	2,965,406	2,930,571
Housing and neighborhood health	4,117,488	4,116,053	—	—	4,117,488	4,116,053
Consumer and employee risk reduction	1,581,187	1,507,781	—	—	1,581,187	1,507,781
Interest on long-term debt	3,260,807	3,354,422	—	—	3,260,807	3,354,422
Wishard health services	—	—	368,212,850	362,588,065	368,212,850	362,588,065
LT Care operations	—	—	139,064,331	97,053,021	139,064,331	97,053,021
Total expenses	57,941,313	66,386,913	507,277,181	459,641,086	565,218,494	526,027,999
Increase (decrease) in net assets before transfers	200,594,026	158,489,656	(161,592,880)	(161,392,860)	39,001,146	(2,903,204)
Transfers	(162,790,490)	(188,672,551)	162,790,490	188,672,551	—	—
Increase (decrease) in net assets	37,803,536	(30,182,895)	1,197,610	27,279,691	39,001,146	(2,903,204)
Net assets 1/1/2004	21,565,317	51,748,212	254,396,331	227,116,640	275,961,648	278,864,852
Net assets 12/31/2004	$ 59,368,853	21,565,317	255,593,941	254,396,331	314,962,794	275,961,648

Governmental activities. Governmental activities increased the Corporation's net assets by $37,803,536, compared to the total $39,001,146 increase in net assets of the Corporation. Property taxes decreased by $4.0 million as a result of appeals and settlements made in 2004 of the re-assessment values which were used for the prior year. Medicaid revenue increased $41.5 million from the expansion of LT Care operations and from the new Medicare Prescription Act. Capital contributions decreased by $5.4 million due to 2003 revenue generated specifically to help fund the construction of the Richard M. Fairbanks Burn Unit.

Capital contributions to Wishard Health Services were $6.8 million, an increase of $1.5 million from prior year. This was for the new Pecar Health Center completed in 2004. Transfers to Wishard Health Services were $152.0 million, and although this amount decreased $10.4 million from last year, it still required use of the Corporation's fund balance reserves. Transfers of $4 million were also made into the enterprise fund to purchase operations and provide working capital for expansion of LT Care operations in Indiana. Grant expenditures for government activities remained at the same level.

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



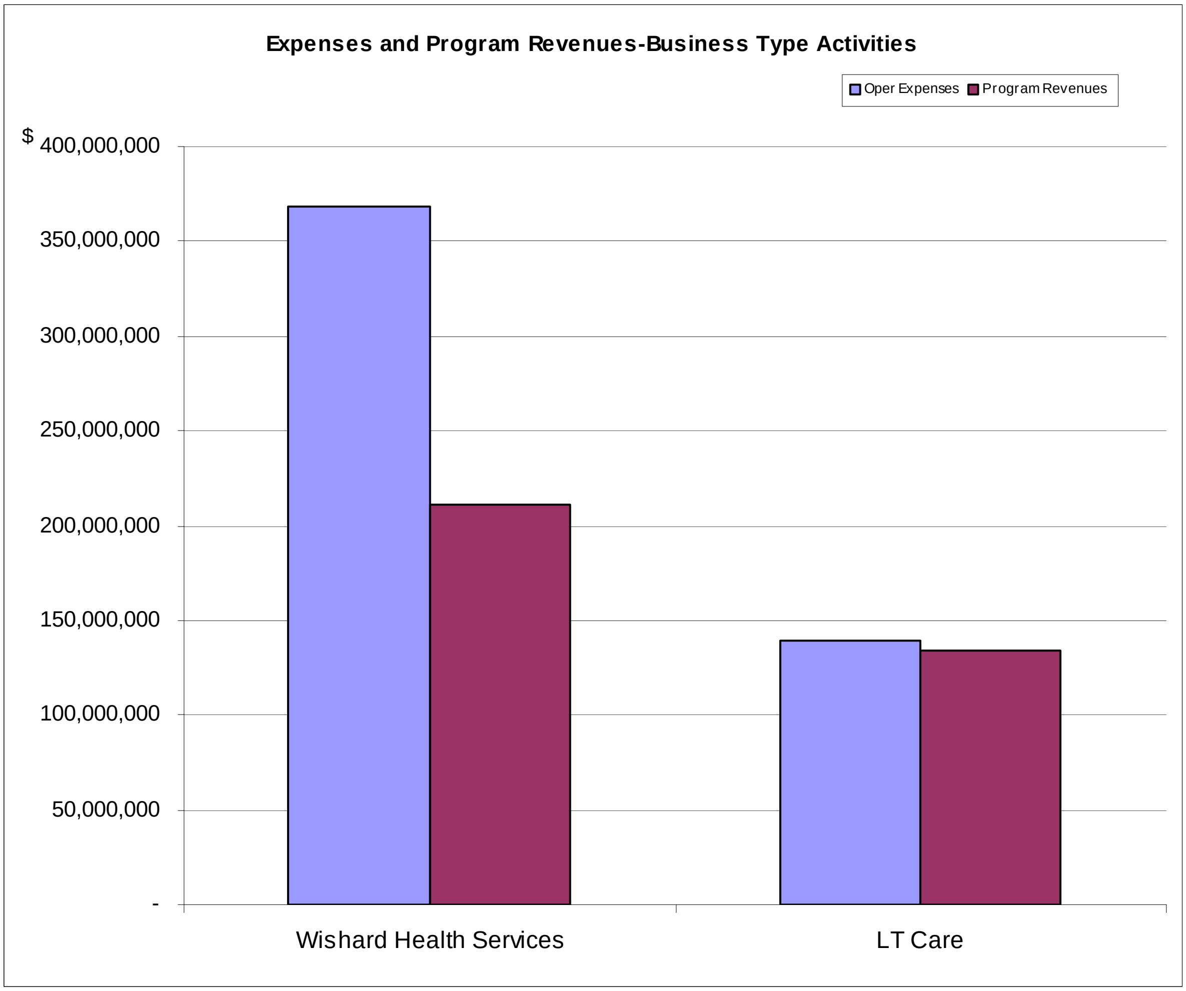


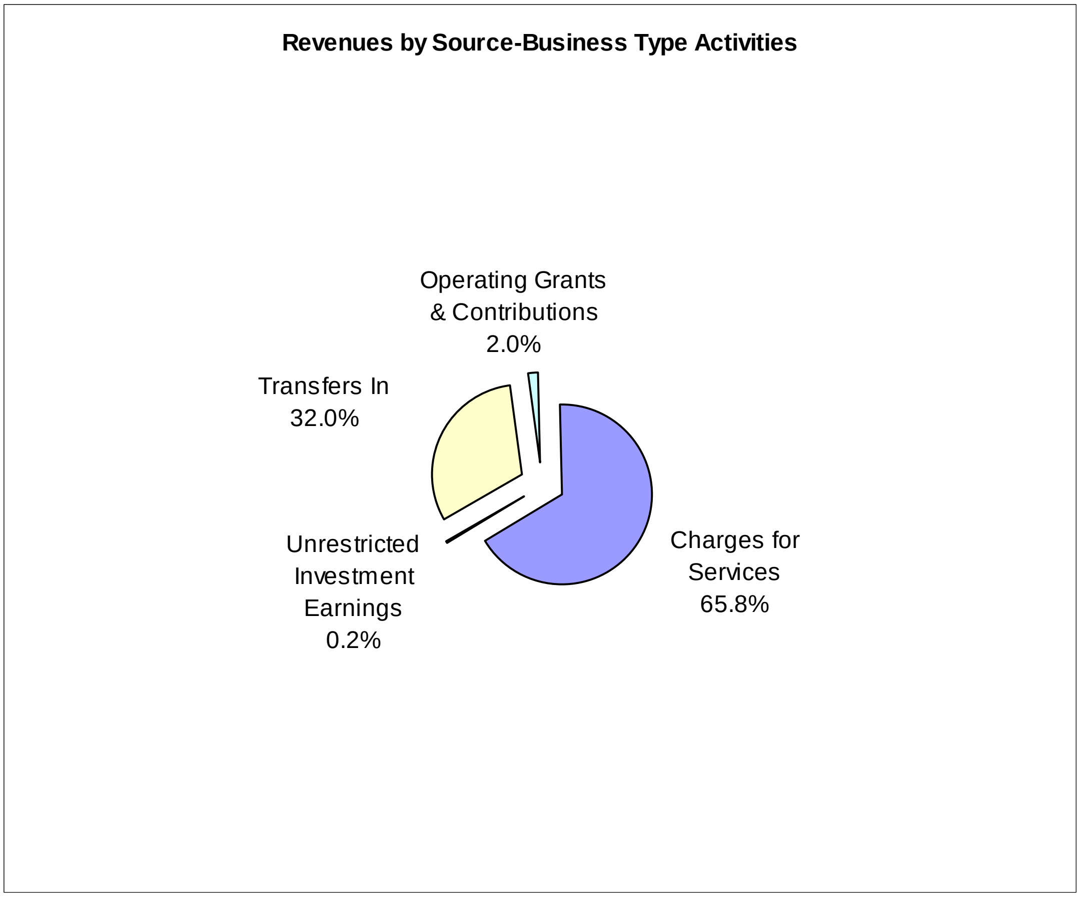
Business-type activities. Business-type activities increased the Corporation's net assets by $1,197,610, compared to an increase of $27,279,691 in 2003. This accounts for 3.1% of the total growth in the Corporation's net assets.

Wishard increased its net assets by $1.7 million, which was lower than the $7.4 million increase in the prior year. Assets invested in plant and equipment decreased by $6.9 million due to recognition of a full year's depreciation on the newly constructed Richard M. Fairbanks Burn Center that opened Spring 2003. Capital contributions from the Health and Hospital Corporation of $6.8 million were for the new Pecar Health Center that opened in 2004. Wishard also increased its unrestricted net assets by $8.6 million. Revenues increased $10.2 million, or 5.4%, due to a rate increase in effect during the entire year. Expenses increased $5.6 million, 1.6%, due to increased consulting fees and cost inflation. Although they incurred an operating loss of $168.3 million, their net assets position improved due to $158.8 million in operating and capital transfers from the Health and Hospital Corporation and $10.0 million in mental health grants from various agencies.

LT Care decreased its net assets by $504,951, which was lower than the $19.9 million increase in its expansion year of 2003. Operating revenues increased $38.7 million, and operating expenses increased $38.2 million. This was partially due to the acquisition of several facilities during 2003, resulting in 2004 being their first full year of operations. LT Care has $2.4 invested in capital assets, net of related debt. All 17 facilities are recorded as capital leases under non-current assets. Although interest expense from these capital leases created a net operating loss of $4.5 million for LT Care in 2004, their net assets are $19.3 million due to $4 million in transfers from the Health and Hospital Corporation.

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





Financial Analysis of the Corporation's Funds

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

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

As of the end of the current fiscal year, the Corporation's governmental funds reported combined ending fund balances of $79,980,845, an increase of $30,516,697 in comparison with the prior year. Approximately 88% of this total amount, $70,058,230, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to 1) liquidate contracts and purchase orders of the prior period ($4.3 million), 2) cover prepaid costs ($.9 million), and 3) pay health insurance claims from prior year ($4.5 million).

The General Fund is the chief operating fund of the Corporation. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was $32,776,974, while total fund balance increased to $42,501,207. As a measure of the general fund's liquidity, it may be useful to compare both unreserved and undesignated fund balance and total fund balance to total fund expenditures. Unreserved and undesignated fund balance represents 62% of total General Fund expenditures, while total fund balance represents 80% of that same amount.

The fund balance of the Corporation's General Fund increased by $29,993,515 during the current fiscal year, in comparison with a $35,736,206 decrease in 2003. Medicaid disproportionate share hospital income increased by $18.4 million this year, Medicaid for LT Care operations increased $1.3 million, and Medicare from the new Prescription Act added $23.8 million. These increases were partially offset by the $16.4 million decrease in other income for contractual medical education payments from Indiana University. Capital outlays decreased by $6 million as the Corporation incurred the majority of construction costs on the new Pecar Health Center in 2003, and employer insurance expense decreased by $6 million as the Corporation revised its medical plan. The Corporation decreased transfers to Wishard by $10 million, but this level of support still required use of Corporate fund balance reserves. The Corporation also decreased transfers to its Enterprise funds by $17 million as the major LT Care expansion was in 2003.

Debt Service funds. The debt service fund has a total fund balance of $198,382 compared to $297,281 in prior year. The net decrease in fund balance during the current year was $98,899. This year 98% of the tax levy was received, which created a deficit under principal payments made on our bonds.

Capital Projects funds. The Capital Projects Fund has a total fund balance of $37,281,256. The net increase in fund balance during the current year was $622,081 due to taxes and interest income. There were no new construction or renovation projects this year requiring use of these funds.

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

Unrestricted net assets of Wishard Health Services at the end of the year amounted to $80,305,663. The total growth in net assets was $1,702,561. Other factors concerning the finances of Wishard have already been addressed in the discussion of the Corporation's business-type activities.

Unrestricted net assets of LT Care at the end of the year were $16,955,597. The net decrease in net assets was $504,951. Other information on LT Care operations can be found in the discussion of the Corporation's business-type activities.

General Fund Budgetary Highlights

The original budget of $202,716,000 was increased by $42,100,000 during 2004. This increase included operating transfers to enterprise funds of $33.5 million, and $8.6 million in additional contractual services, as well as a reclassification of appropriations between major expenditure categories.

The final general fund budget of $244,816,000 included $74,316,000 in expenditures and $170,500,000 in transfers. Actual expenditures and transfers out were $227,147,495. Of the total under spending, $6.4 million was budgeted for personal services, but was saved due to medical insurance plan changes. $7.7 million was budgeted for several new contractual agreements that were delayed until 2005, and $2.4 million budgeted for capital outlays was also delayed. General revenues and other resources were originally estimated at $199,478,319, final estimated at $211,873,012, and actual was $166,275,721. Taxes collected were $1.5 million under budget due to appeals of the 2003 reassessment, and Medicaid revenue was $44.6 million under budget due to timing of partial settlements. The Corporation recorded a prior period adjustment of $73,377,665 on this schedule to restate a 2004 advance on Medicaid revenue that was actually received in 2003, but recorded as deferred revenue.

Capital Asset and Debt Administration

Capital assets. The Corporation's capital assets for its governmental and business-type activities as of December 31, 2004, amount to $288,560,978 (net of accumulated depreciation), compared to $312,916,561 at the end of 2003. This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, and construction in progress.

Major capital asset events during 2004 included the following:

- Reclassification from construction in progress to buildings of the new Pecar Health Center, which opened in 2004.
- First full year depreciation of the new Fairbanks Burn Center that opened in 2003.
- First full year depreciation on seventeen nursing facility capital leases and other capital assets.
- One nursing facility closed in 2004 that will be renovated to convert it to a mental health facility.

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

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULE OF CAPITAL ASSETS – NET OF DEPRECIATION
DECEMBER 31, 2004

	Governmental Activities		Business-type Activities		Total	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
Land	$ 140,049	140,049	1,189,877	1,121,145	1,329,926	1,261,194
Land improvements	—	—	1,792,802	1,955,623	1,792,802	1,955,623
Buildings and improvements	8,914,192	5,977,176	233,019,368	244,729,162	241,933,560	250,706,338
Equipment	3,348,783	4,397,324	38,397,120	42,893,896	41,745,903	47,291,220
Vehicles	480,120	548,044	957,857	922,122	1,437,977	1,470,166
Construction in progress	29,445	9,500,676	291,365	731,344	320,810	10,232,020
Total assets	$ 12,912,589	20,563,269	275,648,389	292,353,292	288,560,978	312,916,561

Long-term debt. At the end of 2004, the Corporation had total debt outstanding of $48,897,162, excluding capital leases. Of this amount, $48,080,000 comprises general obligation debt, and the remainder represents notes secured solely by specified revenue sources. Debt, excluding capital leases, decreased $1,652,555 during 2004 from principal payments.

Moody’s Investors Service rates the Corporation’s general obligation debt “AA2”.

State statutes limit the amount of general obligation debt a governmental entity may issue to 0.67% of its total assessed valuation. The current debt limitation for the Corporation is $284.7 million. Outstanding debt at December 31, 2004 represents 17.2% of this limit.

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

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULE OF LONG-TERM DEBT OBLIGATIONS
DECEMBER 31, 2004

	Governmental Activities		Business-type Activities		Total	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
1988 Renovation Bonds	$ 20,800,000	21,540,000	—	—	20,800,000	21,540,000
2000 Construction Bonds	27,280,000	28,010,000	—	—	27,280,000	28,010,000
1998 Promissory Note	817,162	999,717	—	—	817,162	999,717
Capital Leases	—	—	117,886,520	125,548,785	117,886,520	125,548,785
Total assets	$ 48,897,162	50,549,717	117,886,520	125,548,785	166,783,682	176,098,502

Economic Factors and Next Year's Budgets and Rates. The 2005 original budget for all annually budgeted funds was $223,656,857. No revisions have been made through June 2005. The general fund original budget was $218,925,800, a 10.6% decrease from the 2004 general fund budget of $244,816,000.

Requests for Information

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

BASIC
FINANCIAL STATEMENTS

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA

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

Statement of Net Assets

December 31, 2004

Assets		**Governmental activities**	**Business-type activities**	**Total**
Cash and cash equivalents	$	84,663,028	103,541,326	188,204,354
Investments		—	11,214,407	11,214,407
Receivables, net:				
Patient services		—	43,004,672	43,004,672
Grants		2,342,688	2,927,042	5,269,730
Interest		(8,207)	62,866	54,659
Medicaid special revenue		14,500,000	—	14,500,000
Taxes		4,777,121	—	4,777,121
Other		735,833	3,365,684	4,101,517
Internal balances		(142,326)	142,326	—
Inventories		—	3,504,826	3,504,826
Prepaid costs and other assets		905,133	4,854,101	5,759,234
Restricted cash and cash equivalents		—	570,811	570,811
Net pension asset		587,561	2,467,930	3,055,491
Lease acquisition costs (net of accumulated amortization)		—	5,475,247	5,475,247
Other long term assets		—	2,400,000	2,400,000
Capital assets (net of accumulated depreciation):				
Land		140,049	1,189,877	1,329,926
Land improvements		—	1,792,802	1,792,802
Buildings and improvements		8,914,192	233,019,368	241,933,560
Equipment		3,348,783	38,397,120	41,745,903
Vehicles		480,120	957,857	1,437,977
Construction in progress		29,445	291,365	320,810
Total assets		121,273,420	459,179,627	580,453,047
Liabilities				
Accounts payable		1,924,626	31,755,715	33,680,341
Salaries and related benefits		2,411,491	24,360,104	26,771,595
Unearned revenue		532,073	2,283,268	2,815,341
Estimated Medicare/Medicaid settlements		—	7,106,934	7,106,934
Medical claims incurred but not reported		—	2,970,248	2,970,248
Risk share payable		—	6,731,316	6,731,316
Asserted and unasserted self-insurance claims		4,510,000	10,491,581	15,001,581
Long-term liabilities:				
Due within one year		5,011,269	3,111,919	8,123,188
Due in more than one year		47,515,108	114,774,601	162,289,709
Total liabilities		61,904,567	203,585,686	265,490,253
Net Assets				
Invested in capital assets, net of related debt		5,855,427	157,761,870	163,617,297
Restricted for:				
Health services		—	570,811	570,811
Unrestricted		53,513,426	97,261,260	150,774,686
Total net assets	$	59,368,853	255,593,941	314,962,794

See accompanying notes to basic financial statements.

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

Statement of Activities

For the year ended December 31, 2004

Functions/program	Expenses	Program revenues: Charges for services	Program revenues: Operating grants and contributions	Program revenues: Capital grants and contributions	Net (expense) revenue and changes in net assets: Governmental activities	Net (expense) revenue and changes in net assets: Business-type activities	Net (expense) revenue and changes in net assets: Total
Governmental activities:							
Administration and finance	$ 9,612,142	323,299	225,371	—	(9,063,472)	—	(9,063,472)
Health improvement	25,275,328	1,979,376	12,490,634	—	(10,805,318)	—	(10,805,318)
Communicable disease prevention	9,425,318	323,576	3,285,761	—	(5,815,981)	—	(5,815,981)
Water quality and hazardous materials management	1,703,637	358,022	41,025	—	(1,304,590)	—	(1,304,590)
Vector disease control	2,965,406	102,741	602,645	—	(2,260,020)	—	(2,260,020)
Housing and neighborhood health	4,117,488	92,722	842,506	—	(3,182,260)	—	(3,182,260)
Consumer and employee risk reduction	1,581,187	1,757,581	145	—	176,539	—	176,539
Interest on long-term debt	3,260,807	—	—	—	(3,260,807)	—	(3,260,807)
Total governmental activities	57,941,313	4,937,317	17,488,087	—	(35,515,909)	—	(35,515,909)
Business-type activities:							
Wishard Health Services	368,212,850	199,864,995	10,038,960	—	—	(158,308,895)	(158,308,895)
Long Term Care	139,064,331	134,559,380	—	—	—	(4,504,951)	(4,504,951)
Total business-type activities	507,277,181	334,424,375	10,038,960	—	—	(162,813,846)	(162,813,846)
Total	$ 565,218,494	339,361,692	27,527,047	—	(35,515,909)	(162,813,846)	(198,329,755)
General revenues:							
Property taxes					88,498,342	—	88,498,342
Financial institution taxes					8,482,380	—	8,482,380
Excise taxes					675,705	—	675,705
Medicaid special revenue					137,474,685	—	137,474,685
Unrestricted investment earnings					978,823	1,220,966	2,199,789
Transfers (capital contributions to Wishard)					(6,790,490)	6,790,490	—
Transfers					(156,000,000)	156,000,000	—
Total general revenues and transfers					73,319,445	164,011,456	237,330,901
Change in net assets					37,803,536	1,197,610	39,001,146
Net assets – beginning of year					21,565,317	254,396,331	275,961,648
Net assets – end of year					$ 59,368,853	255,593,941	314,962,794

See accompanying notes to basic financial statements.

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

Balance Sheet – Governmental Funds

December 31, 2004

Assets		General	Debt Service	Capital Projects	Total Governmental Funds
Cash and cash equivalents	$	47,171,166	198,287	37,293,575	84,663,028
Receivables (net of allowance for uncollectibles):					
Grants		2,342,688	—	—	2,342,688
Interest		4,017	95	(12,319)	(8,207)
Disproportionate share Medicaid		14,500,000	—	—	14,500,000
Taxes		4,584,914	181,524	10,683	4,777,121
Other		735,833	—	—	735,833
Prepaid costs and other assets		905,133	—	—	905,133
Total assets	$	70,243,751	379,906	37,291,939	107,915,596
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$	1,924,626	—	—	1,924,626
Salaries and related benefits		2,411,491	—	—	2,411,491
Deferred revenue		18,754,101	181,524	10,683	18,946,308
Due to other funds		142,326	—	—	142,326
Asserted and unasserted self-insurance claims		4,510,000	—	—	4,510,000
Total liabilities		27,742,544	181,524	10,683	27,934,751
Fund balances:					
Reserved for:					
Prepaid costs and other assets		905,133	—	—	905,133
Encumbrances		4,309,100	—	—	4,309,100
Unreserved:					
Designated for self insurance		4,510,000	—	—	4,510,000
Designated for bond retirement		—	198,382	—	198,382
Undesignated		32,776,974	—	37,281,256	70,058,230
Total fund balances		42,501,207	198,382	37,281,256	79,980,845
Total liabilities and fund balances	$	70,243,751	379,906	37,291,939	

Amounts reported for governmental activities in the statement of net assets are different because:		
Net capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds statement		12,912,589
Net pension assets are not financial resources and therefore are not recorded in the funds statement		587,561
Deferred revenues not meeting availability criteria in funds statement are not in the statement of net assets		18,414,235
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statement		(52,526,377)
Net assets of governmental activities	$	59,368,853

See accompanying notes to basic financial statements.

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

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

For the year ended December 31, 2004

Revenues	General	Debt Service	Capital Projects	Total Governmental Funds
Taxes	$ 93,333,438	4,624,500	256,917	98,214,855
Licenses and permits	3,565,750	—	—	3,565,750
Intergovernmental	17,030,332	—	—	17,030,332
Charges for services	809,638	—	—	809,638
Medicaid special revenue	122,974,685	—	—	122,974,685
Interest	609,423	4,236	365,164	978,823
Miscellaneous	1,330,121	—	—	1,330,121
Total revenues	239,653,387	4,628,736	622,081	244,904,204
Expenditures				
Current:				
Administrative	6,563,075	—	—	6,563,075
Population health	16,514,742	—	—	16,514,742
Environmental health	9,788,839	—	—	9,788,839
Health center program	1,230,519	—	—	1,230,519
Data processing	3,030,331	—	—	3,030,331
Grant programs	15,664,860	—	—	15,664,860
Debt service:				
Principal	182,555	1,470,000	—	1,652,555
Interest and fiscal charges	43,672	3,257,635	—	3,301,307
Total expenditures	53,018,593	4,727,635	—	57,746,228
Excess (deficiency) of revenues over expenditures	186,634,794	(98,899)	622,081	187,157,976
Other Financing Sources (Uses)				
Transfers out	(156,641,279)	—	—	(156,641,279)
Total other financing sources and uses	(156,641,279)	—	—	(156,641,279)
Net change in fund balances	29,993,515	(98,899)	622,081	30,516,697
Fund balances – beginning of year	12,507,692	297,281	36,659,175	49,464,148
Fund balances – end of year	$ 42,501,207	198,382	37,281,256	79,980,845

See accompanying notes to basic financial statements.

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

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental
Funds to the Statement of Activities – Governmental Activities

For the year ended December 31, 2004

Amounts reported for governmental activities in the statement of activities (page 27) are different because:		
Net changes in fund balances – total governmental funds (page 29)	$	30,516,697
Depreciation expense reported in the statement of activities but not in the funds statements		(2,332,861)
Capital expenditures reported in the funds statements but reported as additions to capital assets in the statement of activities		907,960
Capital contributions to business-type activities in excess of capital outlays recorded in the funds statements for the year		(6,149,210)
Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, write-offs, etc.)		(76,570)
Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds statements		18,171,926
Bond and note principal payments reported as expenditures in the funds statements but as reductions of long-term liabilities in the statement of activities		1,652,555
Revenues in the funds statements but not in statement of activities in current period due to the current financial resources focus of the governmental funds		(4,464,223)
Increase in compensated absences not in the funds statements		(376,128)
Decrease in net pension asset not in the funds statements		(46,610)
Change in net assets of governmental activities (page 27)	$	37,803,536

See accompanying notes to basic financial statements.

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

Statement of Net Assets – Proprietary Funds

December 31, 2004

Assets	**Wishard Health Services**	**LT Care**	**Total**
Current assets:			
Cash and cash equivalents	$ 95,284,841	8,256,485	103,541,326
Investments	11,214,407	—	11,214,407
Receivables (net of allowance for uncollectibles)			
Patient services	32,471,953	10,532,719	43,004,672
Grants	2,927,042	—	2,927,042
Interest	62,866	—	62,866
Other	3,365,684	—	3,365,684
Due from other funds	142,326	—	142,326
Inventories	3,504,826	—	3,504,826
Prepaid costs and other assets	4,506,166	347,935	4,854,101
Total current assets	153,480,111	19,137,139	172,617,250
Noncurrent assets:			
Restricted cash and cash equivalents	570,811	—	570,811
Net pension asset	2,467,930	—	2,467,930
Lease acquisition costs (net of accumulated amortization)	—	5,475,247	5,475,247
Other long term assets	—	2,400,000	2,400,000
Capital assets (net of accumulated depreciation)			
Land	1,189,877	—	1,189,877
Land improvements	1,758,297	34,505	1,792,802
Buildings and improvements	118,670,068	114,349,300	233,019,368
Equipment	32,586,791	5,810,329	38,397,120
Vehicles	908,121	49,736	957,857
Construction in progress	254,465	36,900	291,365
Total capital assets (net of accumulated depreciation)	155,367,619	120,280,770	275,648,389
Total noncurrent assets	158,406,360	128,156,017	286,562,377
Total assets	311,886,471	147,293,156	459,179,627
Liabilities			
Current liabilities:			
Accounts payable	23,608,930	8,146,785	31,755,715
Accrued liabilities	9,895,945	1,910,004	11,805,949
Accrued compensated absences	12,554,155	—	12,554,155
Capital lease obligation – current	—	3,111,919	3,111,919
Estimated Medicare/Medicaid settlements	7,106,934	—	7,106,934
Deferred revenue	2,283,268	—	2,283,268
Medical claims incurred but not reported	2,970,248	—	2,970,248
Risk share payable	6,731,316	—	6,731,316
Asserted and unasserted self-insurance claims	10,491,581	—	10,491,581
Total current liabilities	75,642,377	13,168,708	88,811,085
Noncurrent liabilities:			
Capital leases payable	—	114,774,601	114,774,601
Total noncurrent liabilities	—	114,774,601	114,774,601
Total liabilities	75,642,377	127,943,309	203,585,686
Net Assets			
Invested in capital assets, net of related debt	155,367,620	2,394,250	157,761,870
Restricted for health services	570,811	—	570,811
Unrestricted	80,305,663	16,955,597	97,261,260
Total net assets	$ 236,244,094	19,349,847	255,593,941

See accompanying notes to basic financial statements.

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

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

For the year ended December 31, 2004

	Wishard Health Services	LT Care	Total
Operating revenues:			
Net patient service revenue	$ 183,019,251	133,877,223	316,896,474
Other revenue	16,845,744	682,157	17,527,901
Total operating revenue	199,864,995	134,559,380	334,424,375
Operating expenses:			
Salaries	137,895,917	—	137,895,917
Employee benefits	33,569,774	—	33,569,774
Contract labor	1,807,535	74,416,514	76,224,049
Medical and professional fees	50,540,735	1,481,774	52,022,509
Purchased services	48,935,681	9,198,779	58,134,460
Supplies	31,677,185	5,879,909	37,557,094
Pharmaceuticals	32,299,084	16,176,020	48,475,104
Repairs and maintenance	3,588,911	1,211,756	4,800,667
Utilities	4,038,587	2,956,803	6,995,390
Equipment rental	1,511,372	655,838	2,167,210
Depreciation and amortization	19,607,211	9,779,362	29,386,573
Other	2,740,858	3,783,481	6,524,339
Total operating expenses	368,212,850	125,540,236	493,753,086
Operating income (loss)	(168,347,855)	9,019,144	(159,328,711)
Nonoperating revenues (expenses) :			
Intergovernmental revenue	10,038,960	—	10,038,960
Investment income	1,220,966	—	1,220,966
Interest expense	—	(13,524,095)	(13,524,095)
Total nonoperating revenues (expenses)	11,259,926	(13,524,095)	(2,264,169)
Loss before capital contributions and transfers	(157,087,929)	(4,504,951)	(161,592,880)
Capital contributions – assets from Capital Projects Fund	6,790,490	—	6,790,490
Transfers – General Fund	152,000,000	4,000,000	156,000,000
Changes in net assets	1,702,561	(504,951)	1,197,610
Total net assets at beginning of year	234,541,533	19,854,798	254,396,331
Total net assets at end of year	$ 236,244,094	19,349,847	255,593,941

See accompanying notes to basic financial statements.

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

Statement of Cash Flows – Proprietary Funds

For the year ended December 31, 2004

	Wishard Health Services	LT Care	Total
Cash Flows from Operating Activities			
Receipts from patient services	$ 177,024,404	132,279,562	309,303,966
Receipts from other operations	18,065,626	680,190	18,745,816
Payments to suppliers	(173,598,155)	(112,031,062)	(285,629,217)
Payments to employees	(171,896,867)	—	(171,896,867)
Net cash provided by (used in) operating activities	(150,404,992)	20,928,690	(129,476,302)
Cash Flows from Noncapital Financing Activities			
Cash receipts from intergovernmental revenue	24,195,172	—	24,195,172
Transfers in from the General Fund	152,000,000	4,000,000	156,000,000
Net cash provided by noncapital financing activities	176,195,172	4,000,000	180,195,172
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(5,931,499)	(4,514,988)	(10,446,487)
Lease acquisition costs payments	—	(936,000)	(936,000)
Payment of capital lease obligation	—	(2,733,124)	(2,733,124)
Interest expense payments	—	(13,524,095)	(13,524,095)
Net cash used in capital and related financing activities	(5,931,499)	(21,708,207)	(27,639,706)
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments	2,561,193	—	2,561,193
Purchases of investments	(2,822,817)	—	(2,822,817)
Interest and dividends received	1,199,058	—	1,199,058
Net cash provided by investing activities	937,434	—	937,434
Net increase in cash and cash equivalents	20,796,115	3,220,483	24,016,598
Cash, cash equivalents and restricted cash and cash equivalents, January 1	75,060,015	5,036,002	80,096,017
Cash, cash equivalents and restricted cash and cash equivalents, December 31	$ 95,856,130	8,256,485	104,112,615
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	$ (168,347,855)	9,019,145	(159,328,710)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	19,607,211	9,779,362	29,386,573
Loss (gain) on disposal of assets	—	(129,332)	(129,332)
Changes in operating assets and liabilities:			
Patient services receivables	(1,808,386)	(1,597,661)	(3,406,047)
Other receivables	1,219,882	—	1,219,882
Inventories	(306,921)	—	(306,921)
Prepaid costs and other assets	(903,786)	124,626	(779,160)
Net pension asset	227,569	—	227,569
Accounts payable	2,990,653	2,800,641	5,791,294
Accrued liabilities and compensated absences	(659,223)	931,909	272,686
Estimated Medicare and Medicaid settlements	(4,186,461)	—	(4,186,461)
Asserted and unasserted self-insurance claims	(1,487,553)	—	(1,487,553)
Risk share payable	2,626,080	—	2,626,080
Medical claims incurred but not reported	623,320	—	623,320
Total adjustments	17,942,385	11,909,545	29,851,930
Net cash provided by (used in) operating activities	$ (150,405,470)	20,928,690	(129,476,780)
Noncash investing, capital, and financing activities:			
Contributions of capital assets from governmental activities	$ 6,790,490	—	6,790,490
Cancellation of capital lease	—	4,929,141	—
Reduction of building from cancellation of capital lease	—	4,799,809	—

See accompanying notes to basic financial statements.

(1) Significant Accounting Policies

(a) Financial Reporting Entity

The Health and Hospital Corporation of Marion County, Indiana (Corporation) is a distinct municipal corporation created under Chapter 287 of the Acts of 1951 enacted by the General Assembly of the State of Indiana. The Corporation's duties include the administration of the Divisions of Public Health and Public Hospitals. The Division of Public Health does business as the Marion County Health Department (MCHD) and the Division of Public Hospitals does business as Wishard Health Services (Wishard).

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* (GASB 14), the Corporation is considered a component unit of the Consolidated City of Indianapolis – Marion County (Uni-Gov). Accordingly, the financial statements of the Corporation are required to be included in the comprehensive annual financial report of Uni-Gov. The Corporation is governed by a seven member Board of Trustees, appointed by the Mayor of Indianapolis (3), Commissioners of Marion County (2), and City-County Council (2), to serve staggered terms of four years each. The Board is bipartisan by statute. The Corporation is responsible for all of its fiscal matters including budget (subject to the final authority of the State of Indiana Department of Local Government Finance (DLGF), operating deficits and debt. The Corporation's executive and legislative powers include the power to levy taxes and incur debt. The Corporation's ordinances have the effect of local law governing health matters. Based on the criteria established in GASB 14, the Corporation has no component units.

The Corporation is a municipal corporation and a political subdivision of the State of Indiana under Indiana Code §16-22-8-6, §6.1.1-1-12 and §36-1-2-23. The Corporation is exempt from Federal taxes. Income accruing to the Corporation is not gross income under Title 26 USC§115 of the Internal Revenue Service (IRS) Code. Further, gifts to the Corporation are considered charitable contributions under Title 26 USC§170(c) of the IRS Code.

The Corporation operates two service divisions: Wishard Health Services (Wishard) and the Marion County Health Department (MCHD). Wishard Health Services is comprised of Wishard Memorial Hospital, a general acute care facility with 296 staffed beds; Wishard's eight community health centers, Midtown Community Mental Health Center, Regenstrief Health Center, Wishard's Emergency Trauma Service, Wishard's Ambulance Service and the Richard M. Fairbanks Burn Center. Lockefield Village, the long-term care facility, offers an Alzheimer's unit, traditional long-term care, medically complex services and an acute rehabilitation unit. For purposes of financial reporting, Wishard Health Services is accounted for as a separate Enterprise Fund.

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

In 2003, the Corporation entered into capital lease agreements to operate 18 nursing homes in three separate transactions for a total cash payment of $11,669,000. In 2004, one nursing home was closed. The facility is scheduled to be converted into a unit for Midtown Mental Health and provide outpatient services (see note 22). The homes are operated as part of the Long-Term Care (LT Care) operations. LT Care supports the Corporation's mission and goal to provide quality care and services to elderly and disabled people. The Corporation contracted with a management company named American Senior Communities (ASC) to operate the facilities (see note 21). Lockefield Village continues to be operated independently by Wishard. For purposes of financial reporting, LT Care is accounted for as a separate Enterprise Fund.

(b) Government-wide and Fund Financial Statements

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

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

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

(c) Financial Statement Presentation, Measurement Focus and Basis of Accounting

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

<u>Governmental Fund Types</u>

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

The following are the Corporation's major governmental funds:

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

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

The Capital Projects Fund is used to account for resources designated to construct or acquire major capital facilities. Such resources are derived principally from general obligation bonds and ad valorem taxes. Transfers from the Capital Projects Fund to Wishard are recorded as transfers in the year of transfer.

Proprietary Fund Type

Proprietary funds are used to account for activities that are similar to those found in the private sector. The proprietary funds use the economic resources measurement focus.

The following is the Corporation's proprietary fund type:

The Corporation has two enterprise funds: (1) The Wishard Health Services fund which accounts for the activities of Wishard and (2) the LT Care fund which accounts for the activities of the seventeen leased nursing homes which receives no funding from ad valorem taxes. An Enterprise Fund is used to account for operations that are financed and operated in a similar manner to a private business – where the intent of the governing body is that the costs (including depreciation) of operations are financed primarily through user charges. Certain administrative expenses of Wishard and LT Care are accounted for by the General Fund. Because the capital outlay for Wishard is funded through ad valorem taxes, long-term debt interest expense related to Wishard is accounted for by the Debt Service Fund and is not allocated to the Wishard Enterprise Fund. Only debt intended to be repaid by operations of Wishard are included in the Wishard Enterprise Fund. At December 31, 2004, no such debt existed. At December 31, 2004, the LT Care fund had capital leases, which are to be repaid from revenues from operations and are therefore shown as long-term debt in the LT Care fund.

In accordance with the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Corporation has elected, in addition to applying Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, to apply all FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements within the business-type activities of the government-wide and proprietary fund financial statements.

Measurement Focus and Basis of Accounting

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

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

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

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

GASB Statement No. 33 (GASB 33) groups nonexchange transactions into four classes, based upon their principal characteristics: derived tax revenues, imposed exchange revenues, government mandated nonexchange transactions and voluntary nonexchange transactions.

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

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

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

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

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

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

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

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

(d) Cash, Cash Equivalents and Investments

Cash equivalents held at December 31, 2004, consist of non-negotiable certificates of deposit with a maturity of three months or less from date of purchase, excluding restricted assets whose use is limited by donors, or grantors. Certificates of deposit are stated at cost, which approximates market. From time to time, certain fund types pool cash for investment in certificates of deposit. The income from pooled certificates of deposit is distributed to the participating funds based upon their proportionate shares.

State statutes authorize the Corporation to invest in certificates of deposit, obligations of the U.S. Treasury and U.S. agencies and certain repurchase agreements. The statutes further require that repurchase agreements must be fully collateralized by U.S. Government or U.S. Government agency obligations. Compliance with these statutes provides protection for cash and investments by the Indiana Public Deposit Insurance Fund. This fund provides protection for amounts not covered by federal depository insurance.

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

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

(e) Receivables and Payables

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

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

(f) Inventories

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

(g) Prepaid Costs and Other Assets

Prepaid costs and other assets of the proprietary fund consist of a 50% investment in MDWise, deposits with suppliers and prepaid insurance. Prepaid costs and other assets for the governmental funds include prepaid insurance and other assets.

(h) Restricted Assets

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

(i) Capital Assets

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

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

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

	Years
Buildings and improvements	20-50
Equipment	5-20
Vehicles	4

(j) Capitalization of Interest

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

(k) Other Long-term Assets

Other long-term assets consist of a deposit made related to the leasing of five nursing homes, which the Corporation entered into in December 2003. The deposit will be returned in full if the leased buildings are returned in an acceptable condition by the holder of the deposit at the end of the leases in 2013.

(l) Deferred and Unearned Revenue

Deferred revenue is recorded in the fund financial statements for receivables that are not considered either measurable or available at December 31, 2004 for governmental activities or when the related revenues have not been earned for business-type activities. Note 1(c) provides further discussion on the Corporation's availability policy. Deferred revenue for governmental funds in the fund statements is recognized as revenue when it is earned and considered measurable and available. At December 31, 2004, deferred revenue represents cash received in advance on grants unpaid delinquent property taxes and uncollected Medicaid special revenue. Deferred revenue has historically also included cash received for disproportionate share revenue from the State of Indiana as partial payments for services rendered in the State's fiscal year; however, at December 31, 2004, the amounts for the fiscal year 2005 partials had not yet been received.

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

(m) Risk Share Payable

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

(n) Accrued Compensated Absences

Employees are paid for vacation and other absences by prescribed formulas based primarily on length of service and staff classification. In the government-wide statements, the cost of benefit and other absences is recognized when accrued by employees. Benefit leave is also accrued as a liability when earned in the statement of net assets of the proprietary funds. In addition, certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (i.e., matured) during the fiscal year ended December 31, 2004.

(o) Lease Acquisition Costs

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

(p) Interfund Transactions

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

<u>Transfers</u>

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

<u>Contribution of Capital Assets</u>

The Capital Project Fund makes contributions of capital assets, which were purchased out of the debt proceeds to the Wishard Enterprise Fund. The Enterprise Fund reports this transaction as a capital contribution; however, the Capital Project Fund does not report the event because there has been no flow of current financial resources for the governmental fund statements other than the expenditures incurred during the year on capital outlay. In the government-wide statement of activities, both sides of the capital asset transfer are reported as transfers.

Interfund Services Provided/Used

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

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

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

(q) Net Assets/Fund Balances

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

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

In the governmental fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management, and can be increased, reduced, or eliminated by similar actions. As of December 31, 2004, reservations of fund balance are described below:

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

As of December 31, 2004, designations of fund balance are described below:

- *Self Insurance* – to reflect the Board's tentative plans to set aside this portion of fund balance for health and vehicle self-insurance plans. This designation is subject to change.

- *Bond Retirement* – to reflect the Board's tentative plans to set aside this portion of fund balance for bond retirement. This designation is subject to change.

(r) Indigent Care Services

Under Indiana Code (16-12-21-33), the services provided by Wishard are for the benefit of the residents of Marion County, Indiana and for every person falling sick or being injured or maimed within its limits, regardless of their ability to pay for such services. Certain services to patients are classified as indigent care based on established policies of Wishard. Because Wishard does not expect amounts determined to qualify as indigent care to result in cash collections, they are not reported as net patient service revenue.

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

(s) Net Patient Service Revenue

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

(t) Estimates and Uncertainties

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 revenue, expenditures and other changes in fund balances / net assets during the reporting period. Actual results could differ from those estimates.

(u) New Accounting Pronouncements

GASB has issued Statement No. 40, *Deposit and Investment Risk Disclosure*, Statement No. 42, *Accounting and Financial Reporting For Impairments of Capital Assets and Insurance Recoveries*, Statement No. 44, *Economic Condition Reporting: The Statistical Section*, Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and Statement No. 46, *Net Assets Restricted by Enabling Legislation*. Additionally, the FASB has issued FASB Interpretation Number 47, *Accounting for Conditional Asset Retirement Obligations*, which applies to the proprietary funds. The Corporation intends to implement these GASB and FASB Statements on their respective effective dates.

(2) Deposits and Investments

The Corporation's cash, cash equivalents, and non-negotiable certificates of deposit with a maturity date greater than 90 days from date of purchase are insured in full at December 31, 2004, by the combination of federal depository insurance and the Indiana Public Deposit Insurance Fund. The Corporation's cash equivalents held during 2004 consist entirely of non-negotiable certificates of deposit with a maturity date within 90 days of date of purchase. Negotiable certificates of deposit with a maturity date greater than 90 days from date of purchase are classified as investments.

The Corporation's investments are categorized to give an indication of the level of custodial credit risk assumed at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Corporation or its agent in the Corporation's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the Corporation's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the Corporation's name. Investments in pools managed by other governments or in mutual funds that are not evidenced by a physical security are not required to be categorized.

The following is a summary of the investments including negotiable certificates of deposit, as well as a reconciliation of cash and investments:

		Category 2		Reported amount at fair value
Other U.S. Government and agency obligations	$	10,838,435		10,838,435
Treasury bills		375,972		375,972
	$	11,214,407		11,214,407
Non-negotiable certificates of deposit (maturity greater than 90 days)				454,878
Cash equivalents (non-negotiable certificates of deposit with maturity less than 90 days)				1,000,000
Cash				187,320,287
Total			$	199,989,572

The following is a reconciliation of the Corporation's deposits and investment balances at December 31, 2004:

		Government-wide statement of net assets
Cash and cash equivalents	$	188,204,354
Investments		11,214,407
Restricted assets (non-current)		570,811
	$	199,989,572

Investment income is comprised of the following for the year ended December 31, 2004:

		Governmental fund types	Proprietary fund type
Interest income	$	978,823	1,450,134
Unrealized loss on investments, net		—	(229,168)
	$	978,823	1,220,966

(3) Property Taxes

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

The Corporation's 2004 property taxes were levied based on assessed valuations determined by the Auditor as of March 1, 2003, which were adjusted for estimated appeals and tax credits and deductions. The lien date for the 2004 property taxes was March 1, 2003; however, the Corporation does not recognize a receivable on the lien date as the amount of property tax to be collected cannot be measured until the levy and tax rates are certified in the subsequent year. Taxable property is assessed at 100% of the market value. In 2004, taxes were due and payable to the Treasurer in two installments on September 10, 2004 and November 11, 2004. The Auditor distributed all property taxes collected by November 11, 2004 to each applicable governmental entity based upon its levy amount prior to December 31, 2004. For the fund financial statements, all taxes collected by the Treasurer and not distributed at December 31, 2004 (i.e., collections from November 12, 2004 to December 31, 2004) were held in the Marion County Treasurer's Tax Collections Agency Fund and are not considered available to the Corporation as these monies will not be settled and distributed to the Corporation until at least 60 days after year-end. Delinquent property taxes outstanding at December 31, 2004, net of allowance for uncollectible accounts (which includes an estimate of refunds) of $3,131,113 ($2,977,124 in the General Fund, $145,434 in the Debt Service Fund and $8,555 in the Capital Projects Fund), are recorded as a receivable in the funds that will ultimately receive property taxes with a corresponding amount in deferred revenue in the fund statements. In the government-wide statements, this amount is reflected as revenue.

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

(4) Receivables

All net receivable amounts outstanding at December 31, 2004 are scheduled for collection during the subsequent fiscal year.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At December 31, 2004, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	$ 2,977,124	—
Other taxes receivable	736,462	—
Grant draw downs prior to meeting all eligibility requirements	—	532,073
Grant reimbursements not received within 120 days	540,515	—
Medicaid special revenue	14,500,000	—
Total General Fund	18,754,101	532,073
Delinquent property taxes receivable	145,434	—
Other taxes receivable	36,090	—
Total Debt Service Fund	181,524	—
Delinquent property taxes receivable	8,555	—
Other taxes receivable	2,128	—
Total Capital Projects Fund	10,683	—
Total	$ 18,946,308	532,073

In addition, the Wishard Health Services Fund had $2,283,268 of unearned revenue recorded at December 31, 2004 related to advances received on federal grants, which had not met eligibility requirements.

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

(5) Patient Services Receivables

Net patient services receivables consist of the following as of December 31, 2004:

	Wishard Health Services	LT Care	Total
Gross patient services receivables	$ 176,887,161	11,919,002	188,806,163
Allowance for estimated contractual adjustments	(41,848,172)	—	(41,848,172)
Allowance for uncollectible accounts	(102,567,037)	(1,386,283)	(103,953,320)
Net patient services receivables	$ 32,471,953	10,532,719	43,004,672

(6) Capital Assets

Following is a summary of the changes in capital assets – governmental activities for the year ended December 31, 2004:

	January 1, 2004	Additions	Transfers/ disposals	December 31, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 140,049	—	—	140,049
Construction in progress	9,500,676	91,498	(9,562,729)	29,445
Total capital assets not being depreciated	9,640,725	91,498	(9,562,729)	169,494
Capital assets being depreciated:				
Buildings and improvements	11,059,415	3,506,364	0	14,565,779
Equipment	13,701,243	544,265	(501,681)	13,743,827
Vehicles	2,894,912	181,183	(2,638)	3,073,457
Total capital assets being depreciated	27,655,570	4,231,812	(504,319)	31,383,063
Less accumulated depreciation for:				
Buildings and improvements	5,082,239	567,746	1,602	5,651,587
Equipment	9,303,919	1,516,236	(425,111)	10,395,044
Vehicles	2,346,868	248,878	(2,409)	2,593,337
Total accumulated depreciation	16,733,026	2,332,860	(425,918)	18,639,968
Total capital assets being depreciated, net	10,922,544	1,898,952	(78,401)	12,743,095
Governmental activities capital assets, net	$ 20,563,269	1,990,450	(9,641,130)	12,912,589

At December 31, 2004, the Corporation had commitments outstanding on governmental activities of approximately $23,000. During 2004, the Corporation disposed of governmental activities capital assets, which had a net loss of $76,570, which is recorded in the administration and financial function on the statement of activities.

The following is a summary of changes in capital assets – business-type activities for the year ended December 31, 2004:

	January 1, 2004	Additions	Transfers/ disposals	December 31, 2004
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,121,145	68,732	—	1,189,877
Construction in progress	731,344	376,911	(816,890)	291,365
Total capital assets not being depreciated	1,852,489	445,643	(816,890)	1,481,242
Capital assets being depreciated:				
Land improvements	5,191,705	47,212	(36,276)	5,202,641
Buildings and improvements	350,141,946	9,676,860	(6,106,456)	353,712,350
Equipment	117,046,954	6,961,860	(11,184,388)	112,824,426
Vehicles	4,167,413	514,143	(19,947)	4,661,609
Total capital assets being depreciated	476,548,018	17,200,075	(17,347,067)	476,401,026
Less accumulated depreciation for:				
Land improvements	3,236,082	210,033	(36,276)	3,409,839
Buildings and improvements	105,412,784	16,687,014	(1,406,816)	120,692,982
Equipment	74,153,058	11,761,118	(11,486,870)	74,427,306
Vehicles	3,245,291	478,408	(19,947)	3,703,752
Total accumulated depreciation	186,047,215	29,136,573	(12,949,909)	202,233,879
Total capital assets being depreciated, net	290,500,803	(11,936,498)	(4,397,158)	274,167,147
Business-type activities capital assets, net	$ 292,353,292	(11,490,855)	(5,214,048)	275,648,389

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

The following is a summary of changes in capital assets – Wishard enterprise fund for the year ended December 31, 2004:

	January 1, 2004	Additions	Transfers/ disposals	December 31, 2004
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,121,145	68,732	—	1,189,877
Construction in progress	731,344	340,011	(816,890)	254,465
Total capital assets not being depreciated	1,852,489	408,743	(816,890)	1,444,342
Capital assets being depreciated:				
Land improvements	5,179,905	22,273	(36,276)	5,165,902
Buildings and improvements	220,019,130	7,247,902	(1,009,315)	226,257,717
Equipment	110,831,713	4,944,136	(11,184,388)	104,591,461
Vehicles	4,094,769	507,678	(19,947)	4,582,500
Total capital assets being depreciated	340,125,517	12,721,989	(12,249,926)	340,597,580
Less accumulated depreciation for:				
Land improvements	3,235,787	208,094	(36,276)	3,407,605
Buildings and improvements	100,061,339	8,635,917	(1,109,607)	107,587,649
Equipment	73,191,781	10,299,636	(11,486,747)	72,004,670
Vehicles	3,230,762	463,564	(19,947)	3,674,379
Total accumulated depreciation	179,719,669	19,607,211	(12,652,577)	186,674,303
Total capital assets being depreciated, net	160,405,848	(6,885,222)	402,651	153,923,277
Business-type activities capital assets, net	$ 162,258,337	(6,476,479)	(414,239)	155,367,619

The following is a summary of changes in capital assets – LT Care enterprise fund for the year ended December 31, 2004:

	January 1, 2004	Additions	Transfers/ disposals	December 31, 2004
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	$ —	36,900	—	36,900
Total capital assets not being depreciated	—	36,900	—	36,900
Capital assets being depreciated:				
Land improvements	11,800	24,939	—	36,739
Buildings and improvements	130,122,816	2,428,958	(5,097,141)	127,454,633
Equipment	6,215,241	2,017,724	0	8,232,965
Vehicles	72,644	6,465	0	79,109
Total capital assets being depreciated	136,422,501	4,478,086	(5,097,141)	135,803,446
Less accumulated depreciation for:				
Land improvements	295	1,939	0	2,234
Buildings and improvements	5,351,445	8,051,097	(297,209)	13,105,333
Equipment	961,277	1,461,482	(123)	2,422,636
Vehicles	14,529	14,844	0	29,373
Total accumulated depreciation	6,327,546	9,529,362	(297,332)	15,559,576
Total capital assets being depreciated, net	130,094,955	(5,051,276)	(4,799,809)	120,243,870
Business-type activities capital assets, net	$ 130,094,955	(5,014,376)	(4,799,809)	120,280,770

During 2004, LT Care cancelled a capital lease related to one of its facilities, which resulted in the disposal of the related capital asset of approximately $4,900,000.

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

Governmental activities:		
Administration	$	1,323,347
Health improvement		441,890
Communicable disease prevention		148,410
Water quality and hazardous materials management		45,083
Vector disease control		287,828
Housing and neighborhood health		70,766
Consumer and employee risk reduction		15,536
Total depreciation expense, governmental activities	$	2,332,860
Business-type activities:		
Wishard Health Services	$	19,607,211
LT Care		9,529,362
Total depreciation expense, business-type activities	$	29,136,573

In addition, the LT Care fund recognized $250,000 of amortization expense related to lease acquisition costs, which is included in depreciation and amortization expense.

(7) Estimated Medicare and Medicaid Settlements and Net Patient Service Revenue

Estimated Medicare and Medicaid settlements reflect differences between interim reimbursement and reimbursement as determined by cost reports filed or to be filed with federal and state governments after the end of each year. In addition, such settlement amounts reflect, if applicable, any differences determined to be owed to or by Wishard after an audit of such reports. Changes to any previous years' estimated settlements are reflected in the period such changes are identified. At December 31, 2004, Wishard's Medicare and Medicaid cost reports have been audited by the fiscal intermediaries through December 31, 2001. In 2004, Wishard recognized approximately $813,000 of favorable settlements related to audits or finalization of audit appeals by the fiscal intermediaries of prior year cost reports. These amounts were recorded as an increase to net patient service revenue.

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

(a) Medicare

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

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

(b) Medicaid

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

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

(c) Other Payors

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

Following is a summary of total patient service revenue, contractual adjustments, and charity and indigent care for the year ended December 31, 2004:

	Wishard Health Services	LT Care	Total	Percentage
Patient service revenue:				
Inpatient	$ 212,461,810	—	212,461,810	34%
Outpatient	260,149,296	—	260,149,296	42%
Long-term care	16,181,553	135,555,353	151,736,906	24%
Gross patient service revenue less:	488,792,659	135,555,353	624,348,012	100%
Contractual adjustments	122,993,595	—	122,993,595	20%
Charity and indigent care	145,839,571	—	145,839,571	23%
Provision for uncollectible accounts	36,940,242	1,678,130	38,618,372	6%
Net patient service revenue	$ 183,019,251	133,877,223	316,896,474	51%

Revenue from the Medicare and Medicaid programs accounted for approximately 21% and 24%, respectively, of net patient service revenue for the year ended 2004. These percentages exclude Medicaid special revenue received and recognized in the General Fund. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Medicaid special revenue includes revenue from various sources including the State of Indiana Disproportionate Share Hospital Payment Program (established to assist hospitals which have a disproportionate amount of uncompensated care), the Upper Payment Limit Program and other contractual revenues. The money received from the Medicaid special revenue programs can be utilized by the Corporation without restriction. The General Fund recognized $122,974,685 in Medicaid special revenue and

$14,500,000 in related deferred revenue in 2004 (see note 4). The Corporation recognizes the funding as revenue when it is earned and is both available and measurable in the fund statements and when it is earned in the government-wide statements. Similar monies to be received in the future, if any, are not presently determinable and, accordingly, are not recognized in the accompanying financial statements. The deferred revenue at December 31, 2004 of $14,500,000 has not been received as of the audit opinion date. Management of the Corporation believes that this amount is collectible.

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

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

The Corporation reimburses IUMG for salaries of personnel at the Corporation's community health centers. Expenses for these salaries were $17,711,549 for 2004.

In March 1997 the Corporation began paying fees to IUMG to provide and manage the provision of health care at the Community Health Centers, inpatient, senior care, newborn and pediatric wards. Many of these services are provided to members of the Wishard Advantage Program. Beginning in 2004, physician services were purchased for a flat fee while other services for Advantage members were provided under capitation payment arrangements on a per member per month basis, based on actual enrollment in the program which was approximately 45,000 as of December 31, 2004.

The Corporation also entered into an agreement with IUMG in 2001, to provide an interest-free loan in the amount of $780,000 to IUMG to provide managed care services to Medicaid recipients in Marion County, Indiana on the Corporation's behalf. If IUMG ceases, for any reason, to provide services to Medicaid recipients, IUMG agrees to repay the full $780,000 to the Corporation. The full repayment must be made within 365 days of the cessation of serving Medicaid recipients. At December 31, 2004, the $780,000 was included, as part of other assets in the General Fund as IUMG is providing services to Medicaid recipients and there are no plans that such services would cease.

(9) Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2004:

	January 1, 2004	Additions	Reductions	December 31, 2004	Due within one year
Governmental activities:					
Bonds payable:					
Renovation Bonds of 1988, 6.00% to 7.40%, due January 1, 2020	$ 21,540,000	—	740,000	20,800,000	795,000
General Obligation Bonds of 2000, 4.90% to 6.08%, due January 1, 2025	28,010,000	—	730,000	27,280,000	770,000
Total bonds payable	49,550,000	—	1,470,000	48,080,000	1,565,000
Notes payable:					
1998 Promissory Notes, 4.5%, due December 30, 2008	999,717	—	182,555	817,162	190,863
Accrued compensated absences	3,253,086	3,314,004	2,937,875	3,629,215	3,255,406
Governmental activities long-term liabilities	$ 53,802,803	3,314,004	4,590,430	52,526,377	5,011,269
Business-type activities:					
LT Care Fund:					
Capital leases	$ 125,548,785	—	7,662,265	117,886,520	3,111,919
Business-type activities long - term liabilities	$ 125,548,785	—	7,662,265	117,886,520	3,111,919

The above bonds and notes related to governmental activities are to be repaid from ad valorem taxes levied to the extent necessary by the Corporation against all taxable property within Marion County. Accrued compensated absences are generally liquidated by the General Fund.

The business-type capital leases will be repaid through nursing home operating revenue. During 2004, reductions in capital leases obligations for LT Care includes the cancellation of a capital lease in the amount of $4,929,141 due to the closure of the related nursing home.

The debt service requirements, including interest, on bonds and notes outstanding at December 31, 2004 is as follows:

	Principal	Interest
Bonds:		
2005	$ 1,565,000	3,125,557
2006	1,660,000	3,026,250
2007	1,770,000	2,919,345
2008	1,885,000	2,805,105
2009	2,005,000	2,682,667
2010-2014	12,220,000	11,225,555
2015-2019	16,995,000	6,444,933
2020-2024	9,980,000	1,869,060
	$ 48,080,000	34,098,472
Notes:		
2004	$ 190,863	35,124
2005	199,548	26,318
2006	208,629	17,111
2007	218,122	7,512
	$ 817,162	86,065

The Corporation has a legal debt limit of 0.67% of the assessed values of Marion County Property as certified by the Department of Local Government Finance. A computation of the Corporation's legal debt margin as of December 31, 2004, is as follows:

Net assessed value – 2004	$ 39,930,130,370
	0.67%
Debt limit	267,531,873
Debt applicable to debt limit:	
Bonded debt	48,080,000
Notes payable from tax levy	817,162
Legal debt margin	$ 218,634,711

The Corporation is in compliance with all significant applicable covenants as of December 31, 2004.

(10) Leases

(a) Operating

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

The following is a summary of the future minimum payments of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2004 for the governmental activities:

2005	$	329,962
2006		265,865
2007		184,357
2008		171,232
2009		136,920
2010-2012		416,136
Total future payments	$	1,504,472

Lease expenditures of $424,266 were reported in the governmental activities for the year ended December 31, 2004.

The following is a summary of the future minimum payments of all significant noncancelable operating leases with initial or remaining terms of one year or more at December 31, 2004 for the business-type activities:

2005	$	1,634,541
2006		1,348,788
2007		1,253,587
2008		408,225
2009		43,138
Total future payments	$	4,688,279

Lease expenditures of $2,276,642 were reported in the business-type activities for the year ended December 31, 2004.

(b) Capital

The governmental activities had no capital leases outstanding at December 31, 2004. For business-type activities including the LT Care Enterprise fund, the Corporation is obligated under capital leases covering 17 nursing homes. At December 31, 2004, the gross amount of buildings and related accumulated amortization recorded under capital leases was as follows:

Buildings	$	123,064,351
Less accumulated amortization		12,362,586
	$	110,701,765

Amortization expense of assets held under capital leases of $7,316,091 is included with depreciation and amortization expense.

Future minimum capital lease payments as of December 31, 2004 are:

2005	$	16,262,705
2006		16,351,765
2007		16,440,825
2008		16,529,885
2009		16,618,945
2010-2014		80,901,620
2015-2019		69,030,660
2020-2024		30,951,825
Total minimum lease payments		263,088,230
Less amount representing interest (at rates ranging from 5.56% to 11.74%)		145,201,710
Present value of net minimum capital lease payments		117,886,520
Less current installments of obligations under capital leases		3,111,919
Obligations under capital leases, excluding current installments	$	114,774,601

(11) Risk Management

(a) Insurance Coverage

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and patients; and natural disasters. The Corporation is self-insured for workers' compensation, general liability, and medical malpractice claims to defined limits. The Corporation purchases commercial insurance for claims in excess of coverage by the self insurance and for all other risks of loss. Settled claims have not exceeded this commercial insurance coverage in any of the past three years.

The Corporation's workers' compensation program retains the first $250,000 liability on any one claim or incident and purchases an excess workers' compensation policy to extend limits from $250,000 to $1,000,000 as it applies to any one claim or incident.

Wishard participates in the Indiana Medical Malpractice Act, which limits the maximum recovery for medical malpractice claims to $1,250,000 per occurrence, $250,000 of which would be paid by the Corporation, with the balance paid by the State of Indiana Patient Compensation Fund. Prior to January 1, 1985, the Corporation was self-insured for general liability and medical malpractice claims up to $100,000.

LT Care also participates in the Indiana Medical Malpractice Act, but has claims-made insurance coverage for the first $250,000 loss, with the balance of any claim being paid by the State of Indiana Patient Compensation Fund. LT Care also has general liability coverage, which covers each claim up to $1,000,000, with total coverage of $2,000,000 in the aggregate per year.

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

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

Balance at January 1, 2003	$	4,895,980
Change in incurred claims (including IBNRs), net		7,192,955
Claims payments		(109,801)
Balance at January 1, 2004		11,979,134
Change in incurred claims (including IBNRs), net		(237,993)
Claims payments		(1,249,560)
Balance at December 31, 2004	$	10,491,581

(b) Medical Claims Incurred But Not Reported

Wishard has entered into an agreement with a third party to provide risk-based health care services, including but not limited to inpatient, outpatient and physician services, to qualified Medicaid participants. Wishard receives payment from the Medicaid program and disburses payments to the independent third-party administrator based on processed claims.

Medical claims incurred but not reported represents an estimate of the ultimate net cost to Wishard for amounts that are unpaid at December 31, 2004. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of Wishard and gives effect to estimates of trends in claim severity and frequency. Although Wishard's management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to an absence of a significant amount of historical experience on which to base projections and the inherent variability with respect to the significant assumptions utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for unpaid claims included in the Wishard Health Services Fund. A summary of changes in the medical claims incurred but not reported for the year ended December 31, 2004 recorded within the business-type activities and proprietary fund financial statements is as follows:

Balance at January 1, 2003	$	4,256,050
Change in incurred claims (including IBNRs), net		15,034,263
Claims payments		(16,943,385)
Balance at January 1, 2004		2,346,928
Change in incurred claims (including IBNRs), net		27,268,936
Claims payments		(26,645,616)
Balance at December 31, 2004	$	2,970,248

(c) Health Insurance Coverage

The Corporation began in 2001 to provide self insurance to its employees for healthcare and prescription usage and began covering the claims out of the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount for that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

At December 31, 2004, the amount of the liability was $4,310,000. This liability is the Corporation's best estimate based on available information. A summary of changes in the reported liability for the past two years is as follows:

Balance at January 1, 2003	$	5,005,455
Change in incurred claims (including IBNRs), net		18,578,472
Claims payments		(17,378,501)
Balance at January 1, 2004		6,205,426
Change in incurred claims (including IBNRs), net		13,924,654
Claims payments		(15,820,080)
Balance at December 31, 2004	$	4,310,000

At December 31, 2004, $4,310,000 of General Fund fund balance is designated for payment of future health insurance and prescriptions claims in the fund statements.

(d) Vehicle Coverage

The Corporation is self insured for its vehicle coverage, and covers the claims out of the General Fund. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount for that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

At December 31, 2004, the amount of this liability was $200,000. This liability is the Corporation's best estimate based on available information. A summary of changes in the reported liability since its inception is as follows:

Balance at January 1, 2003	$	555,235
Change in incurred claims (including IBNRs), net		580,001
Claims payments		(51,780)
Balance at January 1, 2004		1,083,456
Change in incurred claims (including IBNRs), net		(815,505)
Claims payments		(67,951)
Balance at December 31, 2004	$	200,000

At December 31, 2004, $200,000 of General Fund fund balance is designated for payment of future vehicle claims in the fund statements.

(12) Retirement Plan

(a) Plan Description

The Corporation has adopted GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*. The Corporation contributes to the Indiana Public Employees' Retirement Fund

(PERF), an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. PERF is governed by Indiana Code 5-10.2 and 5-10.3. As such, it is PERF's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt.

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

Employees have two choices regarding their annuity savings account. They may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described in the paragraph above.

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

(b) Funding Policy

The Corporation's employees are required to contribute 3.0% of their annual salaries to an annuity savings account that may be withdrawn at any time should an employee terminate employment. The Corporation has elected to pay the required employee contribution. In addition, the Corporation is required by state statute to contribute at an actuarially determined rate, which was 4.25% of annual covered payroll. Therefore, the total employer contribution rate for 2004 was 7.25%. The contribution requirements of plan members are determined by PERF Board of Directors as authorized by Indiana state statute. The Corporation-financed pension benefits are classified as defined benefits and the employee-financed pension benefits are classified as defined contributions.

(c) Annual Pension Cost

The PERF funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the Corporation's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The required contributions were determined as part of the June 30, 2004 actuarial valuation using the entry age normal cost method. The asset valuation method is 75% of expected actuarial value plus 25% of market value. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 7.25% per year, compounded annually; (b) future salary increases based on experience from 1995 to 2000; (c) cost of living increase of 2.0% (compounded) that is applied to pension benefit each year following retirement with no increase assumed to be applied to the PERF annuity benefit; and (d) assumed annual post retirement benefit increases of 2%. PERF uses the level percentage of payroll method to amortize the unfunded liability over a closed 30-year period. The standardized measure of the net pension asset is as follows:

Annual required contribution (ARC)	$	6,313,581
Interest on net pension asset		(241,401)
Adjustment to ARC		275,095
Annual pension cost		6,347,275
Actual contribution made		6,073,096
Decrease in net pension asset		(274,179)
Net pension asset, beginning of year		3,329,670
Net pension asset, end of year	$	3,055,491

The net pension asset of $3,055,491 as of December 31, 2004, is reflected in the government-wide financial statements. Wishard's share of this asset is $2,467,930 and $587,561 is reflected as an asset of governmental activities.

(d) Historical Trend Information

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

Valuation date	Annual pension cost (APC)	Percentage of APC contributed	Net pension asset
June 30, 2004	$ 6,347	96 %	$ 3,055
June 30, 2003	7,135	69	3,330
June 30, 2002	3,322	134	5,576

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

Valuation date	(1) Actuarial valuation assets	(2) Entry age actuarial accrued liability (AAL)	(2-1) Excess of assets over (under) AAL (AEAAL)	(1/2) Funded ratio	(3) Anticipated covered payroll	[(2-1)/3] AEAAL as a percentage of covered payroll
July 1, 2004	$ 131,960	135,625	(3,665)	97 %	152,092	2 %
July 1, 2003	130,539	124,980	5,559	104	144,949	4
July 1, 2002	130,643	136,082	(5,439)	96	128,858	4

(13) Interfund Transactions and Balances

Individual due to / from other funds as of December 31, 2004 are as follows:

Due to Fund	Due from Fund		Amount
Enterprise Fund – Wishard	General Fund	$	142,326

All of these interfund balances are due to timing differences or the elimination of negative cash balances within the various funds. The interfund balances are expected to be repaid during the fiscal year ending December 31, 2005.

(14) Interfund Transfers

Interfund transfers for the year ended December 31, 2004, on the fund statements consisted of the following:

Transfer to:		Transfer from: General Fund	Total
Enterprise Fund – LT Care	$	4,000,000	4,000,000
Enterprise Fund – Wishard		152,000,000	152,000,000
	$	156,000,000	156,000,000

Interfund transfers were used to 1) move revenues from the fund that ordinance or budget requires to collect them to the fund which will ultimately expend them, 2) use unrestricted revenues collected in the General Fund to cover other deficit budget amounts, or 3) to establish a new enterprise fund. For the government-wide statements, capital contributions received by the Wishard Health Services fund from other funds are reported as transfers; however, for fund statements, this transfer is shown as capital contribution in the Wishard enterprise fund as associated with the actual transfer of capital assets.

(15) Hospital Management Agreement

The Corporation has a cooperative agreement with the Trustees of Indiana University (University), which grants the University exclusive authority to manage and operate Wishard, as agent for the Corporation, through its School of Medicine. This agreement was extended through 2004 and includes a one-year cancellation notice option. Under the agreement, the Corporation remains financially responsible for Wishard operations and reimburses the University for expenses it incurs in the performance of its management duties. The agreement provides the University authority over Wishard employees, including those on the medical staff. During 2004, the Corporation incurred fees for professional, management and resident physician services of approximately $36,878,000 under this agreement (recorded in medical and professional fees on the statement of revenues and expenses). The University also rents office space from Wishard, which resulted in revenue to Wishard of $2,344,250 in 2004.

(16) Deferred Compensation Plan

Employees of the Corporation are eligible to participate in a deferred compensation plan (the Plan) adopted under the provisions of Internal Revenue Code (IRC) Section 457 (Deferred Compensation Plans with

Respect to Service for State and Local Governments). The deferred compensation plan is available to substantially all employees of the Corporation. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The plan assets are held in trust for the exclusive benefits of participants and their beneficiaries.

(17) Concentrations of Credit Risk

The Hospital and LT Care grant credit without collateral to their patients, most of whom are generally insured under third-party agreements. The mix of receivables from patients and third-party payors at December 31, 2004, is as follows:

Commercial insurance	9 %
Medicare	10
Medicaid	23
Self pay	49
Other	9
	100 %

(18) Related Party

As described in note 1, the Corporation is a component unit of the Consolidated City of Indianapolis – Marion County. During the year, the Corporation had transactions with the City of Indianapolis (the City) and Marion County (the County) that were conducted in the normal course of business. Below is a summary of the significant transactions.

As described in note 3, the County collects and distributes taxes on behalf of the Corporation. For the year ended December 31, 2004, the Corporation had received $97,343,526 in tax cash receipts from the County and at December 31, 2004, the Corporation had a tax receivable of $3,905,793, all of which was deferred. The Corporation paid the County $48,975 in fees associated with certain information technology services provided by the County in 2004. Also, the Corporation paid the County $200,000 in 2004 in autopsy and death reports. Further, the Corporation paid the County $76,999 in continuing education fees that the Corporation had collected on behalf of the County based on the issuance of death certificates. The City paid the Corporation $519,507 for unsafe building enforcement in 2004. In addition, the Corporation acts as either a subreceipent or a pass-through agent for various state and federal grant programs with the City and County during 2004.

(19) Wishard Foundation

The Wishard Foundation, Inc. (Foundation) receives and maintains funds for charitable purposes on behalf of the Corporation and other tax-exempt health related organizations. The Corporation does not control the Foundation. Total assets held by the Foundation and total assets held by the Foundation restricted by donors specifically for the use of Wishard totaled approximately $21,087,378 and $4,553,695, respectively, at December 31, 2004. The Foundation is not included as a component unit of the Corporation as management has determined that it does not meet the criteria of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

(20) Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments*, requires disclosure of the fair value of financial assets and liabilities in the enterprise funds for which it is practicable to estimate. Fair value is defined in the statement as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Corporation believes the carrying amounts of its financial instruments approximate their fair values at December 31, 2004.

(21) LT Care Management Agreement

The Corporation has entered into a management agreement with American Senior Communities, LLC (ASC) to operate the 17 nursing homes, which are accounted for in the LT Care fund. The term of the management agreement extends until March 31, 2022 with the Corporation having the right to extend the term for an additional period of ten years if written notice is given to ASC at least 60 days prior to the expiration of the initial term. During 2004, the Corporation incurred approximately $6,900,000 in management fees to ASC for LT Care operations.

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

The Corporation leases 13 of the nursing homes from EagleCare. During 2004, the Corporation paid approximately $13,807,000 to EagleCare in associated lease costs from LT Care operating revenue (see note 22).

At December 31, 2004, the LT Care fund had a payable to EagleCare of approximately $5,700,000 and a payable to ASC of approximately $1,000,000 for outstanding services rendered to be paid from operations.

(22) Nursing Home Leases

In January 2003, the Corporation entered into a transaction with EagleCare, which involves the leasing of buildings and purchasing of the equipment for the purpose of operating 12 nursing homes for $9,669,000. The leases end in 2022 and require minimum annual lease payments of approximately $11,766,000 (Base Rate), paid in equal monthly installments. Annually, the lease payments will change by the same percentage as the change in the Indiana State Medicaid daily rate, but would never go below the Base Rate. The Corporation is required to make capital improvements of at least $1,725,000 annually to these 12 nursing homes, with the amount of the commitment increasing annually by the amount of the annual rent. If the Corporation would not make the minimum capital improvements, the shortfall would accumulate. The Corporation expects to fund the capital improvements through cash flow generated from the operations of these nursing homes. The Corporation has a put option on these nursing homes by which the Corporation would pay EagleCare $4,000,000 if the put option is exercised by December 31, 2012 and $7,000,000 if exercised after this date.

In October 2003, the Corporation entered into a transaction with EagleCare, which involved the purchase of assets of one nursing home for $2,000,000. In addition, the Corporation entered into a lease for the real estate of the nursing home. The lease ends in 2022 and requires minimum annual lease payment of $1,620,000, paid in equal monthly installments. Annually, the lease payment will change by the same percentage as the change in the Indiana State Medicaid daily rate, but would never go below the $1,620,000 annually. Additional rent not to exceed $25,000 per month is payable by the Corporation if certain cash flow targets are met. If the targets are met for six consecutive months, the monthly rate moves from $135,000 to $150,000. In June 2004, cash flow targets were achieved and the monthly rent was increased from $135,000 to $150,000. The Corporation is required to make capital improvements of at least $222,650 annually to this nursing home. This commitment would increase in the same manner as the rent. If the Corporation would not make the minimum capital improvements, the shortfall would accumulate. The Corporation expects to fund the capital improvements through cash flow generated from the operation of this nursing home. The Corporation has a put option on this nursing home by which the Corporation would pay EagleCare $500,000 if the put option is exercised by December 31, 2012 and $750,000 if exercised after this date.

In December 2003, the Corporation entered into capital lease agreements for five additional nursing homes with an unrelated third-party. The lease agreements terminate in 2013. The Corporation was required to make a $2,400,000 deposit, which is refundable at the end of the leases, contingent upon the acceptable condition of the facilities at lease end. The Corporation is required to make one-time capital improvements of $2,000,000. Rent payments are based on the number of beds in service in the five nursing homes. Rent payments made in 2004 were approximately $2,500,000.

The Corporation closed the Mid-Town Nursing and Rehabilitation located in Indianapolis in May 2004. The operations of the home were purchased on December 1, 2003. The home was in disrepair and was typically less than 50% occupied. The Corporation owns the operations of another home located on North Capitol Street less than one mile from the Mid-Town facility. The North Capitol facility was also in disrepair when the operations were purchased on December 1, 2003 and was also approximately 50% occupied. LT Care invested $1,800,000 of working capital to improve the North Capitol facility. After the improvements were completed, the patients of Mid-Town were transferred to North Capitol and the process of closing the Mid-Town facility commenced and were completed in 2004. The employees of the Mid-Town facility were offered other positions in LT Care operations. The Corporation will find an alternate use for this facility.

(23) Contingent Liabilities

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

The Corporation participates in a number of Federal financial assistance programs. Although the Corporation grant programs have been audited in accordance with provisions of the Single Audit Act through December 31, 2003, these programs are subject to financial and compliance audits by Federal agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although, the Corporation expects such amounts, if any, to be immaterial.

(24) Loan Guarantee

In January 2004, the Corporation guaranteed a bond issuance ($4,000,000 Indiana Development Finance Authority Educational Facilities Revenue Bonds Series 2004) to support the renovation of a building for the Charter for Accelerated Learning, Inc. (Charter). The Corporation also guaranteed a line of credit for Charter in the amount of $200,000. Charter is the incorporated name of the Charles A. Tindley Accelerated High School which is a charter school authorized by the City of Indianapolis. Charter is required to repay the bond issuance in monthly principal payments of $23,798 through December 2018. At December 31, 2004, the outstanding amount on the bond issuance was $3,998,022 and there was no outstanding amount on the line of credit. The Corporation knows of no event of default that would require it to satisfy these guarantees, and therefore, no amount has been recorded in the Corporation's financial statements.

(25) Subsequent Events

In April 2005, the Corporation entered into a transaction with an independent third-party, which involved the purchase of assets of one nursing home for $2,593,750. In addition, the Corporation entered into a lease for the real estate of the nursing home. The lease ends in March 2022 and requires minimum annual lease payment of $1,356,000, paid in equal monthly installments.

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

—Marvin Kitman

REQUIRED
SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)

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

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

For the year ended December 31, 2004

	Budgeted amounts		Actual	Variance with final budget– favorable
	Original	Final	amounts	(unfavorable)
Revenues				
Taxes	$ 94,128,319	94,803,012	93,333,438	(1,469,574)
Licenses and permits	3,630,073	3,630,073	3,565,750	(64,323)
Intergovernmental	509,611	509,611	1,133,329	623,718
Charges for services	793,350	793,350	809,638	16,288
Medicaid share revenue	85,000,000	94,216,572	49,597,020	(44,619,552)
Interest	500,000	500,000	609,423	109,423
Grants	13,100,000	16,288,000	15,897,002	(390,998)
Miscellaneous	1,816,966	1,132,394	1,330,121	197,727
Total revenues	199,478,319	211,873,012	166,275,721	(45,597,291)
Expenditures				
Personal services	38,296,000	37,796,000	31,353,530	6,442,470
Supplies	3,615,000	4,015,000	3,273,353	741,647
Other charges and services	20,305,000	28,045,000	20,324,167	7,720,833
Capital outlays	3,500,000	4,460,000	2,055,166	2,404,834
Total expenditures	65,716,000	74,316,000	57,006,216	17,309,784
Other Financing Uses				
Transfers out	(137,000,000)	(170,500,000)	(170,141,279)	358,721
Total other financing uses	(137,000,000)	(170,500,000)	(170,141,279)	358,721
Net change in fund balances	(3,237,681)	(32,942,988)	(60,871,774)	(27,928,786)
Fund balances – beginning of year	17,503,143	17,503,143	17,503,143	—
Prior period amount	73,377,665	73,377,665	73,377,665	—
Fund balances – end of year	$ 87,643,127	57,937,820	30,009,034	(27,928,786)

See accompanying notes to the required supplementary information.

(1) Budgets and Budgetary Accounting

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

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

(2) Encumbrance Accounting

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

(3) Reconciliation of Budgetary Basis Actual to GAAP Basis Actual

The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis. Because the budgetary and GAAP presentations of actual data differ for the General Fund expenditures, a reconciliation of the two presentations is presented below for the General Fund.

Net change in fund balance – GAAP basis	$	29,993,515
Add (deduct):		
Change in encumbrances		(1,250,589)
Change in prepaid expenditures		16,265
Change in accounts payable		(2,964,888)
Change in accounts payable grants		211,588
Wishard operating transfer		(13,500,000)
Disproportionate share revenue advance		(73,377,665)
Excess (deficiency) of revenues over expenditures – Budgetary basis	$	(60,871,774)

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

—Voltaire

OTHER SUPPLEMENTARY INFORMATION

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

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual
Debt Service

For the year ended December 31, 2004

	Budgeted amounts		Actual	Variance with final budget– favorable
	Original	Final	amounts	(unfavorable)
Revenues				
Taxes	$ 4,715,890	4,707,591	4,624,500	(83,091)
Interest	300	300	4,236	3,936
Total revenues	4,716,190	4,707,891	4,628,736	(79,155)
Expenditures				
Principal retirement	1,470,000	1,470,000	1,470,000	—
Interest and fiscal charges	3,217,135	3,260,000	3,257,635	2,365
Total expenditures	4,687,135	4,730,000	4,727,635	2,365
Excess of revenues over expenditures	29,055	(22,109)	(98,899)	(81,520)
Other Financing Sources				
Transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Net change in fund balances	29,055	(22,109)	(98,899)	(76,790)
Fund balances – beginning of year	297,281	297,281	297,281	—
Fund balances – end of year	$ 326,336	275,172	198,382	(76,790)

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

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

For the year ended December 31, 2004

	Budgeted amounts		Actual	Variance with final budget– favorable
	Original	Final	amounts	(unfavorable)
Revenues				
Taxes	$ 257,694	261,533	256,917	(4,616)
Interest	200,000	200,000	365,164	165,164
Total revenues	457,694	461,533	622,081	160,548
Expenditures				
Capital outlays	—	—	—	—
Total expenditures	—	—	—	—
Excess of revenues over expenditures	457,694	461,533	622,081	160,548
Net change in fund balances	457,694	461,533	622,081	160,548
Fund balances – beginning of year	33,924,689	33,924,689	33,924,689	—
Fund balances – end of year	$ 34,382,383	34,386,222	34,546,770	160,548

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

STATISTICAL SECTION

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA **Table I**

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

General Governmental Expenditures (1) and Expenses by Function

Last Ten Fiscal Years

Year	Wishard Health Services (2)	Long-Term Care Operations (2,3)	Public Health	Headquarters Division	Debt Service	Total General Expenditures
2004	$ 368,212,850	139,064,331	45,581,796	7,436,797	4,727,635	565,023,409
2003	362,588,065	97,053,021	45,361,553	20,988,588	4,687,808	530,679,035
2002	336,232,756	–	44,296,139	18,560,839	4,692,891	403,782,625
2001	337,928,471	–	38,120,971	13,453,331	4,687,376	394,190,149
2000	287,657,034	–	33,459,094	6,041,920	2,319,689	329,477,737
1999	259,336,432	–	30,854,355	5,705,302	2,321,635	298,217,724
1998	242,225,001	–	29,061,211	3,853,509	2,315,670	277,455,391
1997	233,700,734	–	26,954,315	3,831,885	2,322,348	266,809,282
1996	210,973,363	–	25,742,711	3,467,830	2,735,431	242,919,335
1995	190,186,387	–	24,537,650	3,637,036	2,961,684	221,322,757

(1) Includes non-transfer expenditures in the General, Proprietary, Special Revenue, and Debt Service Funds. Beginning in 2002, the provision for uncollectible accounts is considered an offset to Wishard Health Services revenue rather than as expenditures.

(2) Includes interest expense.

(3) LT Care Operations began 2003.

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA **Table II**

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

General Revenues (1) by Source

Last Ten Fiscal Years

Year	Taxes	Charges For Services (2)	Miscellaneous	Total
2004	$ 97,957,938	440,680,797	51,327,689	589,966,424
2003	101,386,795	367,090,242	48,791,897	517,268,934
2002	84,457,114	228,468,471	50,020,679	362,946,264
2001	82,093,672	299,764,177	37,165,373	419,023,222
2000	78,915,679	256,640,794	37,131,564	372,688,037
1999	77,309,737	199,838,854	32,230,975	309,379,566
1998	76,377,394	163,313,361	30,632,114	270,322,869
1997	72,557,854	157,105,116	28,768,797	258,431,767
1996	71,874,374	158,536,197	27,143,484	257,554,055
1995	68,922,348	129,927,634	24,593,816	223,443,798

(1) Includes General, Proprietary, and Debt Service Funds. Capital Projects Fund is omitted. Beginning 2002, the provision for uncollectible accounts is considered an offset to Wishard Health Services revenue rather than as an expenditure.

(2) Includes Hospital and LT Care net patient service revenue, disporportionate share medicaid revenue and charges for services.

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

Tax Revenues by Source

Last Ten Fiscal Years

Year	Total Taxes (1)	Property Tax (3)	Financial Institution Tax	Excise and Other Taxes (2)
2004	$ 98,214,855	87,283,952	1,269,044	9,661,859
2003	101,652,352	90,537,679	1,240,591	9,874,082
2002	84,645,829	74,115,193	1,194,355	9,336,281
2001	82,298,727	72,494,311	1,173,864	8,630,552
2000	79,115,490	70,961,378	1,181,129	6,972,983
1999	77,505,413	69,394,898	1,237,282	6,873,233
1998	76,570,779	68,051,930	1,179,388	7,339,461
1997	72,741,289	64,788,021	1,233,400	6,719,868
1996	72,056,092	64,342,639	1,208,176	6,505,277
1995	69,087,155	61,258,936	1,227,036	6,601,183

(1) Includes General, Debt Service, Capital Projects, and Proprietary Funds.

(2) Beginning in 2001, includes license excise, commercial vehicle excise taxes and mental health taxes.

(3) Beginning in 2001, includes a component for mental health.

THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA **Table IV**

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

Property Taxes Levied and Collected

Last Ten Fiscal Years

Year Payable	Assessed Valuation (1)	General Fund Levy (2)	Debt Service Levy (2)	Cumulative Building Fund Levy	Combined Funds Levy (2)	Total Taxes Collected (2)	Percent of Levy Collected
2004	$ 13,153,160,673	84,488,319	4,265,890	236,994	88,991,203	87,283,952	98.08 %
2003	13,928,672,718	83,335,787	4,412,813	234,309	87,982,909	90,537,679	102.90
2002	9,651,044,961	70,559,035	3,765,791	169,885	74,494,711	74,115,192	99.49
2001	9,493,145,590	68,348,299	4,206,897	183,707	72,738,903	72,494,311	99.66
2000	9,211,484,370	69,651,734	2,088,916	181,645	71,922,295	70,961,378	98.66
1999	9,104,157,310	67,977,648	2,185,091	177,650	70,340,389	69,394,898	98.66
1998	8,731,580,078	66,954,024	2,025,727	174,632	69,154,383	68,051,929	98.42
1997	8,715,532,860	63,898,422	1,999,168	166,597	66,064,187	64,788,021	98.07
1996	8,384,462,690	60,915,775	2,434,389	160,157	63,510,321	64,342,639	101.31
1995	7,460,583,950	58,958,182	2,528,880	147,028	61,634,090	61,258,936	99.39

(1) All Marion County property. (Source: Marion County Auditor)
(2) For the Health and Hospital Corporation only.
(3) For purposes of this table assessed valuation is based on 33 1/3% of the true tax value

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

Assessed and True Tax Value of All Marion County Taxable Property

Last Ten Fiscal Years

	Real Property		Personal Property		Total	
Year	Assessed Value (1) (2)	True Tax Value	Assessed Value (1) (2)	True Tax Value	Assessed Value (1) (2)	True Tax Value
2004	$ 32,459,861,000	32,459,861,000	7,039,121,000	7,039,121,000	39,498,981,000	39,498,981,000
2003	32,982,779,000	32,982,779,000	8,845,067,000	8,845,067,000	41,827,846,000	41,827,846,000
2002	20,820,046,000	20,820,046,000	8,162,071,000	8,162,071,000	28,982,117,000	28,982,117,000
2001	6,839,830,510	20,519,488,530	2,653,315,080	7,959,945,240	9,493,145,590	28,479,433,770
2000	6,636,935,980	19,910,807,940	2,574,548,390	7,723,645,170	9,211,484,370	27,634,453,110
1999	6,553,357,000	19,660,071,001	2,550,800,310	7,652,400,930	9,104,157,310	27,312,471,931
1998	6,362,743,493	19,088,230,479	2,368,836,585	7,106,509,755	8,731,580,078	26,194,740,234
1997	6,424,300,120	19,272,910,350	2,291,232,740	6,873,698,220	8,715,532,860	26,146,608,570
1996	6,227,500,210	18,682,500,630	2,156,962,480	6,470,887,440	8,384,462,690	25,153,388,070
1995	5,452,184,900	16,358,190,519	2,008,399,050 (3)	6,031,228,378	7,460,583,950	22,389,418,897

(1) Taxable property is assessed at 33-1/3% of the true tax value for the years 1993 through 2001. It is assessed at 100% beginning in 2002.

(2) Represents the assessment (Marion County Auditor's "certified abstract") on March 1 of the prior year for taxes due and payable in the year indicated.

(3) Includes $19,965,087 in assessed value that was used to fund replacement credit in the mall districts

Source: Marion County Auditor

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

Property Tax Rates (1) (2) (3)
Direct and Overlapping

Last Ten Fiscal Years

Year	Operations	Debt	Cumulative Building	Total	City	County	Other Municipal Corporations	School	State	Other	Total (1)
2004	0.2139	0.0108	0.0006	0.2253	0.9532	0.4082	0.1189	1.7827	0.0024	0.0607	3.5514
2003	0.2134	0.0113	0.0006	0.2253	0.9603	0.4443	0.1302	1.5503	0.0033	0.1403	3.4540
2002	0.2492	0.0133	0.0008	0.2633	1.2254	0.5354	0.1676	1.9594	0.0033	0.0799	4.2343
2001	0.7441	0.0458	0.0020	0.7919	3.7670	1.4043	0.4578	5.9811	0.0100	0.2599	12.6720
2000	0.7669	0.0230	0.0020	0.7919	3.7825	1.4038	0.4572	5.9552	0.0100	0.2756	12.6762
1999	0.7653	0.0246	0.0020	0.7919	3.7948	1.4042	0.4567	5.8477	0.0100	0.3281	12.6334
1998	0.7667	0.0232	0.0020	0.7919	3.7968	1.4021	0.4070	5.3888	0.0100	0.3952	12.1918
1997	0.7671	0.0240	0.0020	0.7931	3.8033	1.4179	0.4111	5.5778	0.0100	0.5380	12.5512
1996	0.7607	0.0304	0.0020	0.7931	3.8054	1.5970	0.4121	5.5294	0.0100	0.5391	12.6861
1995	0.8020	0.0344	0.0020	0.8384	3.9140	1.6855	0.4042	5.7743	0.0100	0.5275	13.1539

(1) Rate of District 101 (Indianapolis - Center Township) which is the only rate that includes all major services.
(2) The rates are based upon $100 of assessed valuation.
(3) Rates decreased because of the assessed valuation increased by 3 times the true tax value in 2002.

Source: Marion County Auditor

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

Ratio of Net Bonded Debt to Assessed Value and Net Bonded Debt per Capita

Last Ten Fiscal Years

Year		Assessed Value (1)	Gross Bonded Debt	Less Debt Service Assets Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Ratio of Net Bonded Debt to Limit (2)	Net Bonded Debt Per Capita
2004	$	39,930,130,000	48,080,000	198,382	47,881,618	0.12 %	6.00 %	55.65
2003		41,827,846,000	49,550,000	297,281	49,252,719	0.12	5.89	57.24
2002		28,982,117,000	50,935,000	–	50,935,000	0.18	8.79	59.20
2001		9,493,145,590	52,245,000	278,870	51,966,130	0.55	27.37	60.39
2000		9,211,484,370	53,475,000	254,849	53,220,151	0.58	28.89	61.85
1999		9,104,157,310	24,035,000	99,483	23,935,517	0.26	13.15	30.03
1998		8,731,580,078	24,560,000	1,585	24,558,415	0.28	14.06	30.81
1997		8,715,532,860	25,045,000	429	25,044,571	0.29	14.37	31.42
1996		8,384,462,690	25,505,000	80,185	25,424,815	0.30	15.16	31.89
1995		7,460,583,950	26,320,000	39,568	26,280,432	0.35	17.61	32.97

(2000 population: 860,454)
(1990 population: 797,159)

(1) Estimated actual value is assessed at 33 1/3% of the true tax value for the years 1993 through 2001. It is assessed at 100% beginning in 2002.
(2) Bonding limit is 2% of assessed value.

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

Ratio of Annual Debt Expenditures for General Bonded Debt to Total General Expenditures

Last Ten Fiscal Years

Year	Principal	Interest	Total Debt Service	Total (1) General Expenditures	Ratio of Debt Service to General Expenditures
2004	$ 1,470,000	3,217,135	4,687,135	565,023,409	0.83 %
2003	1,385,000	3,302,809	4,687,809	530,679,035	0.88
2002	1,310,000	3,382,891	4,692,891	403,782,625	1.16
2001	1,230,000	3,457,376	4,687,376	394,190,149	1.19
2000	560,000	3,306,610	3,866,610	329,477,737	1.17
1999	525,000	1,796,635	2,321,635	298,217,724	0.78
1998	485,000	1,830,670	2,315,670	277,455,391	0.83
1997	460,000	1,862,348	2,322,348	266,809,282	0.87
1996	815,000	1,920,431	2,735,431	242,919,335	1.10
1995	976,920	1,984,764	2,961,684	221,322,757	1.30

(1) Includes General, Proprietary, and Debt Service Funds.

Schedule of Direct and Overlapping Bonded Debt and Bonding Limit

December 31, 2004 (A)

	Assessed Value (G)	Bonding limit Percent	Bonding limit Dollar Amount	Bonds Outstanding
Direct:				
Health and Hospital Corporation of Marion County	$ 39,930,130,000	0.67%	$ 267,531,871	$ 48,080,000
Overlapping:				
Marion County	$ 39,930,130,000	0.67%	$ 193,214,113	$ 11,500,000
City of Indianapolis:				
Civil City	$ 37,232,911,000	0.67%	$ 249,460,504	$ 1,441,000
Consolidated County	39,930,130,000	(C)	–	–
Park District	39,930,130,000	(H)	–	28,602,000
Redevelopment District	37,232,911,000	(H)	–	35,691,000
Flood Control District	39,930,130,000	0.67%	267,531,871	26,472,000
Metropolitan Thoroughfare District	39,930,130,000	1.33%	531,070,729	71,836,000
Sanitary District	36,564,519,000	4.00%	1,462,580,760	80,301,000
Police Special Service District	12,098,142,000	(B)	–	–
Fire Special Service District	11,124,551,000	(B)	–	–
Solid Waste Collection Special Service District	37,289,934,000	(B)	–	–
Solid Waste Disposal District	37,232,911,000	2.00%	744,658,220	–
Public Safety Communications and Computer Facilities District	39,930,130,000	0.67%	267,531,871	11,750,000
Total City of Indianapolis			3,522,833,955	256,093,000
Other municipal corporations:				
Airport Authority	$ 39,930,130,000	0.67%	$ 267,531,871	$ –
Capital Improvement Board of Managers	39,930,130,000	0.67%	267,531,871	–
Indianapolis—Marion County Building Authority	39,930,130,000	(E)	–	81,418,000
Indianapolis—Marion County Library	38,275,650,000	0.67%	256,446,855	81,362,000
Indianapolis Public Transportation Corporation	37,743,859,000	0.67%	252,883,855	15,965,000
Total other municipal corporations			1,044,394,451	178,745,000
School districts:				
Beech Grove	$ 475,232,000	(I)	$ 85,099,640	$ 75,595,000
Decatur	1,057,208,000	(I)	187,252,160	166,108,000
Franklin	1,678,038,000	(I)	180,364,760	146,804,000
Indianapolis Public Schools	10,638,604,000	(I)	532,057,080	319,285,000
Lawrence	4,900,668,000	(I)	202,866,360	104,853,000
Perry	3,432,363,000	(I)	227,382,260	158,735,000
Pike	5,125,939,000	(I)	185,933,780	83,415,000
Speedway	748,878,000	(I)	14,977,560	–
Warren	3,177,551,000	(I)	217,691,020	154,140,000
Washington	5,393,076,000	(I)	134,490,520	26,629,000
Wayne	3,302,632,000	(I)	259,899,640	193,847,000
Total school districts	39,930,189,000		2,228,014,780	1,429,411,000

(Continued)

Schedule of Direct and Overlapping Bonded Debt and Bonding Limit (Continued)

December 31, 2004 (A)

	Assessed Value (G)	Bonding limit Percent	Bonding limit Dollar Amount	Bonds Outstanding
Other cities and towns:				
Beech Grove	$ 510,948,000	0.67%	$ 3,423,352	$ –
Lawrence	1,380,430,000	0.67%	9,248,881	5,100,000
Southport	57,023,000	0.67%	382,054	–
Speedway	748,818,000	0.67%	5,017,081	2,525,000
Total other cities and towns	2,697,219,000		18,071,367	7,625,000
Townships:				
Center	$ 5,800,125,000	0.67%	$ 38,860,838	$ –
Decatur	1,061,997,000	0.67%	7,115,380	1,659,000
Franklin	1,832,893,000	0.67%	12,280,383	3,290,000
Lawrence	5,351,261,000	0.67%	35,853,449	1,180,000
Perry	3,793,200,000	0.67%	25,414,440	1,799,000
Pike	4,849,629,000	0.67%	32,492,514	3,400,000
Warren	4,171,834,000	0.67%	27,951,288	4,066,000
Washington	7,402,657,000	0.67%	49,597,802	–
Wayne	5,290,142,000	0.67%	35,443,951	6,397,000
Total townships	39,553,738,000		265,010,046	21,791,000
Excluded cities' library districts:				
Beech Grove	$ 475,232,000	0.67%	$ 3,184,054	$ 4,327,000
Speedway	748,818,000	0.67%	5,017,081	405,000
Total excluded cities' library districts	1,224,050,000		8,201,135	4,732,000
Ben Davis Conservancy District	$ 372,825,000	(F)	–	–
Total overlapping debt				$ 1,909,897,000
Total direct and overlapping debt				$ 1,957,977,000

(A) Excludes revenue bonds not payable from ad valorem taxes.

(B) No bonding authority.

(C) No bonding authority from ad valorem taxes.

(D) Includes $610,000 of matured bonds not presented for payment.

(E) There is no debt limit for the Building Authority. Its debt service requirements are funded by rentals paid by the City of Indianapolis and Marion County from ad valorem taxes mandated by the Authority's enabling legislation.

(F) Ben Davis Conservancy District has no bonding limit. Bonds are payable from either collection of special benefits taxes or revenues produced from the project per Indiana Code 13-3-3-81.

(G) Presents the March 1, 2003 (Marion County Auditor's "certified abstract") assessment for taxes due and payable in 2004.

(H) There is no statutory constitutional debt limitation to the Park and Redevelopment Districts.

(I) A statutory 2% limit on school district debt does not apply to any debt that is incurred by a school district building corporation for the purpose of constructing facilities to be leased to a school district at rentals sufficient to fund the corporation's annual debt service requirements. The bonding limit shown is the sum of the statutory limit plus the outstanding building corporation debt.

Demographic Statistics
City of Indianapolis/Marion County

Marion County— Effective Buying Income of Households (A) (B)

	2003	
Income levels	Percent	Households
Under $15,000	15.0	53,000
$15,000–$24,999	15.0	53,000
$25,000–$49,000	37.8	134,000
Over $50,000	32.2	114,000
Total households (B)	100.0	354,000

	2002		2001		2000		1999		1998	
Income levels	Percent	Households	Percent	Households	Percent	Households	Percent	Households	Percent	Households
Under $20,000	22.4	73,000	19.6	69,580	23.2	82,847	23.9	79,969	25.3	84,502
$20,000–$34,999	25.3	82,000	23.7	84,135	22.4	79,990	22.7	75,954	23.5	78,490
$35,000–$49,999	20.0	65,000	19.7	69,935	18.0	64,278	18.7	62,570	19.0	63,460
Over $50,000	32.3	105,000	37.0	131,350	36.4	129,984	34.7	116,106	32.2	107,548
Total households (B)	100.0	355,000	100.0	355,000	100.0	357,100	100.0	334,599	100.0	334,000

	1997		1996		1995		1994	
Income levels	Percent	Households	Percent	Households	Percent	Households	Percent	Households
Under $20,000	25.7	86,019	26.5	88,536	28.0	93,380	24.0	79,368
$20,000–$34,999	23.8	79,658	24.5	81,855	25.1	83,709	22.8	75,400
$35,000–$49,999	19.0	63,593	19.1	63,813	19.4	64,699	20.0	66,140
Over $50,000	31.5	105,430	29.9	99,896	27.5	97,712	33.2	109,792
Total households	100.0	334,700	100.0	334,100	100.0	339,500	100.0	330,700

Comparison of Households by Percent Groupings (A)

	MSA (C)	Marion County	Indiana
Under $15,000	12.3	14.9	14.4
$15,000 to $24,999	13.0	14.9	14.6
$25,000 to $49,999	35.4	37.7	37.7
over $50,000	39.0	32.0	33.0

(A) Source: Survey of Buying Power, Sales and Marketing Magazine. For years 1996 - 2003
(B) Source: http://www.iedc.com/demograp.htm. For years 1994 - 1995
(C) Metropolitan Statistical Area includes the following counties: Boone, Hamilton, Hancock, Hendicks, Johnson, Madison, Marion, Morgan and Shelby.

(Continued)

Demographic Statistics (Continued)
City of Indianapolis/Marion County

Population Trend (A) (G)

	2003	2002	2001	2000	1999	1998	1997		1996	1995	1994
Marion County	864,000	863,000	863,787	860,454	810,946	812,662	814,288		818,014	825,300	821,800
Consolidated City (B)	794,000	794,000	795,259	791,926	748,918	750,814	753,242		757,600	759,200	755,700
MSA (C)	1,691,000	1,650,000	1,634,648	1,607,000	1,536,665	1,519,194	1,438,681	(F)	1,504,900	1,492,300	1,473,300

Population by Age (D) (G)

	Percent of total									
	2000	1990	1980	1970	1960	2000	1990	1980	1970	1960 (E)
0–19	28%	28%	32%	39%	36%	240,927	225,016	244,042	291,547	173,781
20–44	41	42	38	32	33	352,786	338,728	290,450	238,506	155,365
45–64	20	18	20	20	21	172,091	140,594	151,443	149,467	99,861
65 and over	11	12	10	9	10	94,650	92,821	79,298	65,077	47,251
	100%	100%	100%	100%	100%	860,454	797,159	765,233	744,597	476,258

(A) Source: U.S. Bureau of the Census 1995-2003 Population Estimates - htpp://www.census.gov/population/estimates
(B) Marion County less Beech Grove, Lawerence, Southport and Speedway
(C) Metropolitan Statistical Area includes the following counties: Boone, Hamilton, Hancock, Hendicks, Johnson, Madison, Marion Morgan and Shelby.
(D) Source: Survey of Buying Power, Sales and Marketing Magazine
(E) Before Unigov reorganization.
(F) Source: http://www.iedc.com/demograp.htm
(H) 2004 data not yet available by Census Bureau

Source: City Controller’s Office

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

Marion County Property Value, Construction, and Bank Deposits

Last Ten Fiscal Years

Year	Estimated Actual Property Value (D)	Construction (A) Number of Permits Issued	Construction (A) Value of Buildings	Bank Deposits (B)	Savings and Loan Deposits (C)
2004	$ 39,498,981,000	26,000	3,315,578,000	13,863,000,000	2,532,000,000
2003	41,827,846,000	31,000	1,851,021,000	13,692,000,000	2,389,000,000
2002	28,982,117,000	36,000	1,760,318,000	12,659,000,000	1,273,000,000
2001	28,479,433,770	41,000	1,932,731,000	11,520,000,000	2,392,000,000
2000	27,634,453,110	37,166	2,363,509,670	10,433,000,000	2,075,000,000
1999	27,312,471,931	40,013	1,948,286,690	11,301,000,000	1,903,000,000
1998	26,194,740,234	38,114	1,845,017,605	11,277,000,000	1,780,000,000
1997	26,146,608,570	38,567	1,199,898,147	9,771,643,000	1,472,507,000
1996	25,153,388,070	38,290	1,070,886,493	9,804,723,000	1,498,840,000
1995	22,389,418,897	39,203	1,339,263,435	10,042,791,000	1,469,224,000

(A) Source: City of Indianapolis, Department of Metropolitan Development

(B) Source: Sheshunoff Information Services for 1993 through 1996; FDIC Homepage for 1997 through 2004. Numbers taken from FDIC are as of June 30.

(C) Source: Sheshunoff Information Services for 1995 through 1996; FDIC Homepage for 1997 through 2004.

(D) Source: Marion County Auditor’s Office

Marion County Principal Taxpayers

Principal taxpayers—name	Type of business	2003 Net assessed valuation (A)	
AIMCo	Real Estate - Apartment Complexes	263,419	
American United Life Insurance Co.	Insurance	118,127	
Eli Lilly and Company	Manufacturing - Pharmaceuticals	790,468	
Federal Express Corp	Shipping	194,385	
General Motors Corporation	Manufacturing - Automotive	199,030	
Indianapolis Power and Light	Utility	361,426	
Internation Truck and Engine Corp	Manufacturing - Automotive	178,911	
Marsh	Retail - Grocery	97,845	
Monument Circle, LLC	Real Estate	108,647	
Roche Diagnostics Corp.	Manufacturing - Pharmaceuticals	91,370	
Rolls-Royce	Manufacturing - Automotive	103,894	
Simon Property Group, Inc.	Real Estate - Shopping Malls	275,553	
Southwestern Bell	Utility	397,080	
Visteon Corporation (formerly Ford Motor Co.)	Manufacturing - Automotive	152,576	
Wal-Mart	Retail - Grocery	114,234	
Total		$ 3,183,546	
Other principal employers			
United States Government		N/A	(E)
Indiana State Government		N/A	(E)
Indianapolis/Marion County Government		N/A	(E)
IUPUI	University	N/A	(E)
Community Hospitals of Indianapolis, Inc.	Hospital / Healthcare	N/A	(E)

(A) Represents the March 1, 2003 valuations for taxes due and payable in 2004 as represented by taxpayer. The principal taxpayers are located in different taxing districts, therefore percentage of total assessed valuation is not applicable. Amounts in thousands
(B) As of December 31, 2004.
(C) Includes Methodist, I.U., and Riley hospitals
(D) Data not available.
(E) Not-for-profit entity.
(F) Data is from the Office of Workforce Information located in the U.S. Office of Personnel Management
(G) Data is per State of Indiana Personnel Department.
(H) Includes the following entites reporting to City-County Council: Airport Authority, Building Authority, Capital Improvement Board, City, Marion County, Health and Hospital, Library Board and Indianapolis Public Transportation Corporation

Source: City Controller's Office

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

Schedule of Insurance In Force

December 31, 2004

	(A) Name of company (B) Type of coverage	Policy number	Policy period From	 To	Details of coverage	Liability limits	Annual premium
1	(A) Federal Insurance Co. (Chubb)-Commercial/Prop. (B) Special Causes of Loss	35761284	4/1/2004	4/1/2005	Property and Contents, Pecar Center, Boiler & Machinery, Fine Arts, EDP Equipment, Flood, Terrorism, Bolaw, Tradeshow	$ 500,000 See Insurance Summary	248,592
2	(A) Lexington Insurance Company (B) Commercial Application	6792922	6/1/2004	6/1/2005	Premises at 3838 N Meridian	Not Stated	Not Stated
3	(A) Midwest Employer's Casualty Co. (B) Worker's Compensation	EWC006822	7/1/2004	7/1/2005	Worker's Compensation	1,000,000	68,616
4	(A) Travelers (B) Crime Liability Insurance	103980658	1/1/2004	1/1/2005	Crime Coverage EE Dishonesty, Forgery, Theft, Destruction Computer Fraud, Destruction, Alteration Public Official's Bond	1,000,000	7,150
5	(A) Executive Risk Management (B) Liability Insurance	81648951	2/1/2004	2/1/2005	Director's & Officers (including employment practices)	5,000,000	70,947
6	(A) Lexington Insurance Company (new policy) (B) Umbrella	6792922	6/1/2004	6/1/2005	Professional / General Liablility -Umbrella	5,000,000 / occurrence 5,000,000 / aggregate	400,000
7	(A) Federal Insurance Co. (B) Travel/Accident	64776215	1/20/2003	1/20/2004	Travel and Accident	250,000.00 /per accident	850
8	Health and Hospital Self Insurance (B) Special Risk Accident Policy				Volunteer/Students Accident Blanket Policy	50,000 / occurrence	In Self Ins. Plan

HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY INDIANA

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