# 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, 2005**


**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)

## Comprehensive Annual Financial Report
## For the Year Ended
## December 31, 2005


**Matthew R. Gutwein**
**President and**
**Chief Executive Officer**

**Daniel E. Sellers**
**Treasurer and**
**Chief Financial Officer**


**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, 2005**

## Table of Contents

## III. STATISTICAL SECTION

## 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

July 21, 2006

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, 2005, is submitted herewith. This report is presented in conformity with US Generally Accepted Accounting Principles (GAAP) and is audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Corporation has a responsibility to inform both the taxpayers of Marion County and its investors of its financial condition. We believe that this report fulfills that responsibility.

This report consists of management's representations concerning the finances of the Corporation. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Corporation has established a comprehensive internal control framework that is designed both to protect the Corporation'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, 2005, 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, 2005, 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 2004 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 294-staffed beds for adult and pediatric care; 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 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 also has a long-term care (LT Care) unit which now operates 18 nursing homes throughout Indiana. The LT Care unit was expanded in 2005 with the purchase of one additional nursing home operation. LT Care supports the Corporation's mission and goal to provide quality care and services to elderly and disabled people. LT Care is reported as an individual Enterprise Fund along with Wishard Health Services.

A seven-member Board of Trustees governs the Corporation. The Mayor of Indianapolis appoints three, the Commissioners of Marion County two, to serve staggered terms of four years each. The City-County Council appoints one member to serve four years, and one member to serve two years. 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. Because 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). 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 experienced an economic turnaround over the past few years. Despite this fact, the number of people without health insurance has grown significantly, which has affected 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, 2005, 52,800 people were enrolled in the Wishard Advantage Program, and 70% 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 (16-22-8-39), see financial statement footnote 1(r). A separate state law limits property tax increases. The growing number of uninsured combined with property tax revenues that have declined over the past two years make it difficult for the Corporation to fund its mission. In 1991, the Indiana General Assembly enacted legislation, 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, remain an important mechanism for Heath and Hospital to fund its operations.

### *MAJOR INITIATIVES FOR THE YEAR*

#### Marion County Health Department

During 2005, and in the context of increasing fiscal constraint, the Department continued to focus its energies on 1) maintaining the quality of necessary, existing services while 2) meeting new challenges and 3) achieving significant long-term impact on those health problems that will have the greatest overall impact on Indianapolis. The latter include antibiotic resistance, emergency preparedness, childhood lead poisoning, immunizations, asthma, smoking, obesity and sedentary life style, cardio-vascular disease and diabetes. Most of these diseases and risks are inter-related, most involve individual's behavior, and all require long-term efforts and long-term commitment.

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

#### Wishard Health Services

In order to meet the continued demand for medical services, Wishard expanded its inpatient capacity by increasing the number of available beds by 5%. In addition, a renovation project was completed in 2005, which added additional MRI and CT equipment. This expansion of diagnostic radiology capacity and increased bed capacity will enhance Wishard's ability to care for the residents of Marion County

The Cambio Health Solutions engagement, which began in 2004, ended December 2005. This engagement provided business management and performance enhancement services. The entire Wishard organization made significant efforts 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 52,800 members and had grown by 7,800 people in the past 12 months.

**For The Future**

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. The number of hospitals eligible for DSH funding has increased over the past few years but the amount of money available to fund the program has not increased at the same rate. The Corporation's ability to increase taxes is limited by State law and there continues to be a growing number of persons who need assistance from both the Marion County Health Department and Wishard Health Services.

As listed above the Corporation has many difficult financial issues to manage. All levels of the organization continue to work together to find savings from current operations without diminishing the care we provide to the County. The grants department continues to expand and has applied for more new money this year. The Corporation is working to ensure that fees collected by the Marion County Health Department are calculated correctly to collect 100% of our expenses. Wishard has improved its revenue and reduced expenses over the past 24 months. Senior leadership is working with federal and state officials to identify revenues for the Corporation.

The challenges to Health and Hospital are great in 2006 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.

**Cash Management**

Cash temporarily idle during the year was invested in certificates of deposit, high yield deposit accounts, and treasuries. 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 deposits and investments purchased during 2005 ranged from 1.9% to 4.2%. Cash and cash equivalent interest income from all funds totaled $6,511,323 in 2005.

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 health insurance. Resources are being accumulated in the general fund to meet potential losses.

During 2005, the Corporation maintained a number of commercial insurance policies to cover potential losses. 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, 2004. Health and Hospital Corporation of Marion County, Indiana has received a Certificate of Achievement for the last twenty-one consecutive years (fiscal years ended 1984-2004). 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<br>President and<br>Chief Executive Officer | Daniel E. Sellers<br>Treasurer and<br>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

## The Health and Hospital Corporation of Marion County, Indiana

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2004

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

President

Executive Director

**HEALTH AND HOSPITAL CORPORATION**

**Elected Officials**

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

**Appointed Officials-Board of Trustees**

James D. Miner, M.D.,
Chairman
Physician

Lula M. Journey
Vice Chairman
Retired

Henry C. Bock, M.D
Physician

Gregory S. Fehribach
Attorney
Stark, Doniger & Smith

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

Marjorie H. O'Laughlin
Retired

Robert B. Pfeifer
Accountant
Robert Pfeifer CPA Associates

**HEALTH AND HOSPITAL CORPORATION**

**Officers**

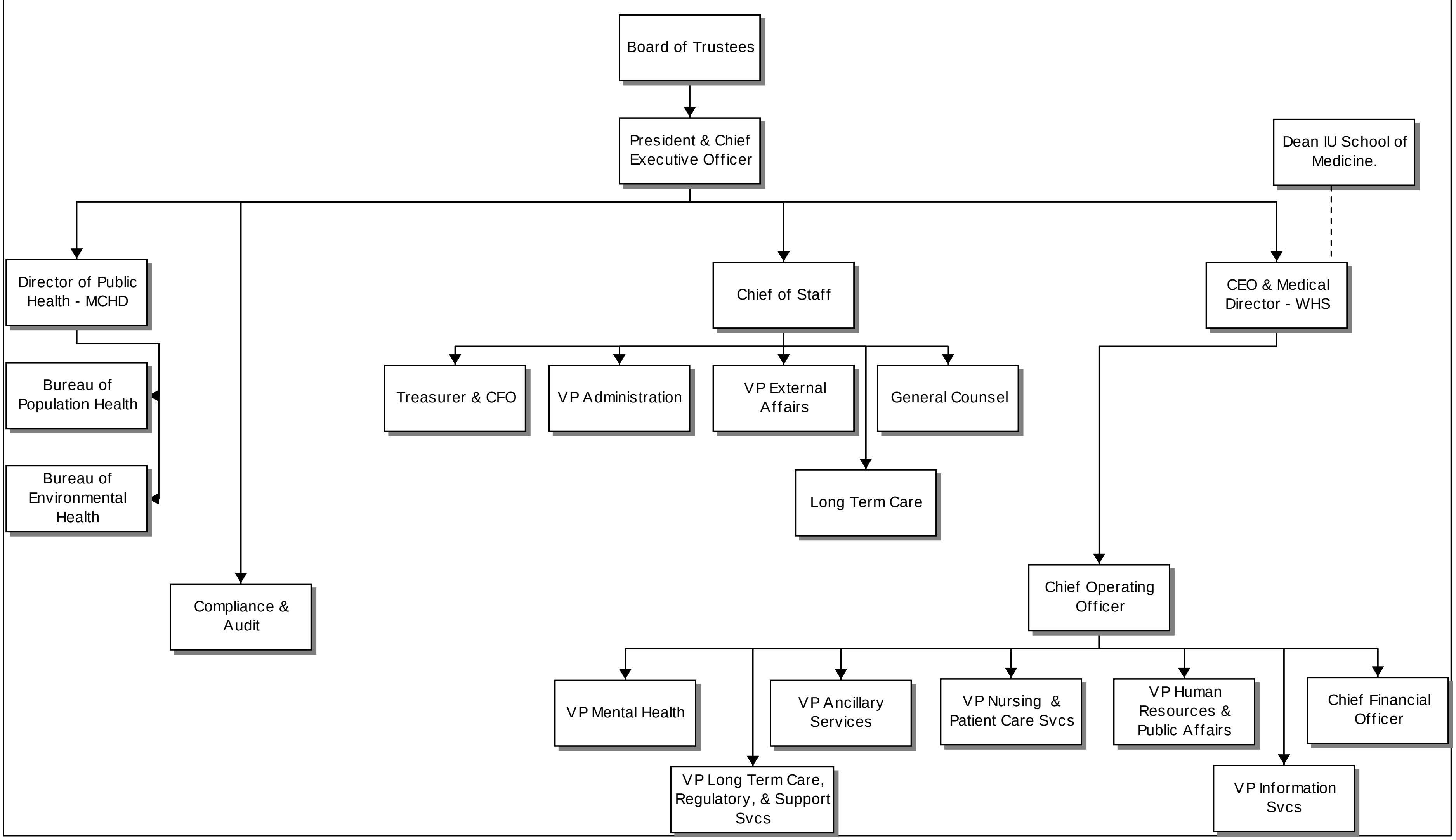
| Name | Title |
| --- | --- |
| Matthew R. Gutwein | President and Chief Executive Officer |
| Daniel E. Sellers | Treasurer and Chief Financial Officer |
| Lisa E. Harris, M.D. | Director, Wishard Health Services |
| Virginia A. Caine, M.D. | Director, Marion County Health Department |

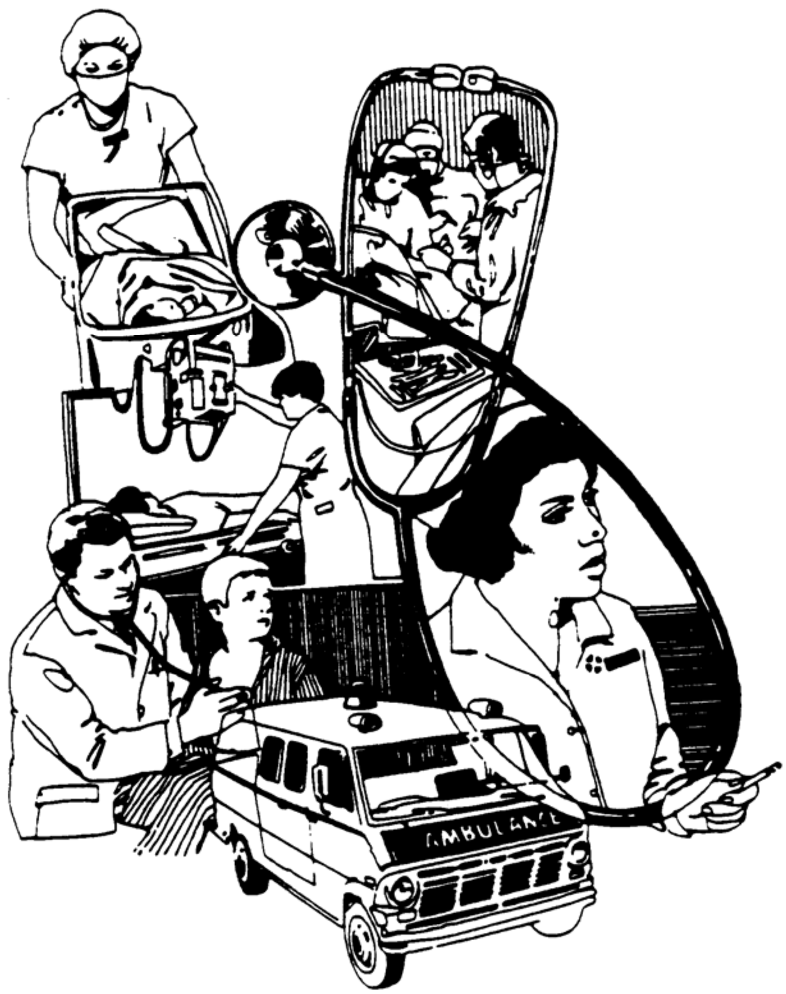
**Independent Auditors**

| | |
| --- | --- |
| KPMG LLP | Indianapolis, Indiana |

Officers of the Health and Hospital Corporation during 2005 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





**FINANCIAL SECTION**

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

**KPMG LLP**
2400 First Indiana Plaza
135 North Pennsylvania Street
Indianapolis, IN 46204-2452

**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, 2005, 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, 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, 2005 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2006 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis (MD&A) on pages 11 through 21, the General Fund budgetary comparison information on pages 63 and 64 and the schedule of funding progress on page 58 are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and accordingly, we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on 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
July 21, 2006

## 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, 2005. 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 $392,727,494 (net assets). Of this amount, $236,896,896 (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 $77,764,700.
- As of the close of 2005, the Corporation's governmental funds reported combined ending fund balances of $154,105,610, an increase of $74,124,765 in comparison with the prior year. Approximately 97% of this total amount, $149,487,370, 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 $110,843,508 or 186.8% of total general fund expenditures.
- The Corporation's total debt excluding capital leases decreased by $2 million or 4% during the current fiscal year. This reflects scheduled principal payments on outstanding notes and bonds. Capital leases increased by $33,366,766 or 28.3% in 2005.

### Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include only the Health and Hospital Corporation of Marion County, Indiana (known as the primary government). 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 $392,727,494 at December 31, 2005.

A portion of the Corporation's net assets, 39.5%, 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, .15%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $236,896,896, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of 2005 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 $77,764,700 during the current fiscal year. The majority of the increase reported in connection with Health and Hospital's governmental activities resulted from Medicaid special revenue payments.

**THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA**
**(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)**
**SCHEDULE OF NET ASSETS**
**DECEMBER 31, 2005**

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** | **2005** | **2004** |
| **Assets:** | | | | | | |
| Current and other assets | $ 187,706,627 | 108,360,831 | 190,364,635 | 183,531,238 | 378,071,262 | 291,892,069 |
| Capital assets net of accumulated depreciation | 14,599,134 | 12,912,589 | 298,515,760 | 275,648,389 | 313,114,894 | 288,560,978 |
| Total Assets | 202,305,761 | 121,273,420 | 488,880,395 | 459,179,627 | 691,186,156 | 580,453,047 |
| **Liabilities:** | | | | | | |
| Long-term liabilities outstanding | 50,844,232 | 52,526,377 | 151,253,286 | 117,886,520 | 202,097,518 | 170,412,897 |
| Other liablilities | 15,421,473 | 9,378,190 | 80,939,671 | 85,699,166 | 96,361,144 | 95,077,356 |
| Total Liabilities | 66,265,705 | 61,904,567 | 232,192,957 | 203,585,686 | 298,458,662 | 265,490,253 |
| **Net Assets:** | | | | | | |
| Invested in capital assets net of related debt | 7,971,335 | 5,855,427 | 147,262,474 | 157,761,870 | 155,233,809 | 163,617,297 |
| Restricted | — | — | 596,789 | 570,811 | 596,789 | 570,811 |
| Unrestricted | 128,068,721 | 53,513,426 | 108,828,175 | 97,261,260 | 236,896,896 | 150,774,686 |
| Total Net Assets | $ 136,040,056 | 59,368,853 | 256,687,438 | 255,593,941 | 392,727,494 | 314,962,794 |

## Changes in Net Assets

The Corporation's total revenue was $681,828,840 during the current fiscal year. Taxes represent 14.2% of the Corporation's revenue. Medicaid special revenue represents 21% of revenue, while 60% of revenue came from fees charged for services. The remaining 4.8% came from grants and contributions, interest earnings, and miscellaneous revenues.

The total cost of all programs and services was $604,064,140. This resulted in an increase in net assets for the year of $77,764,700.

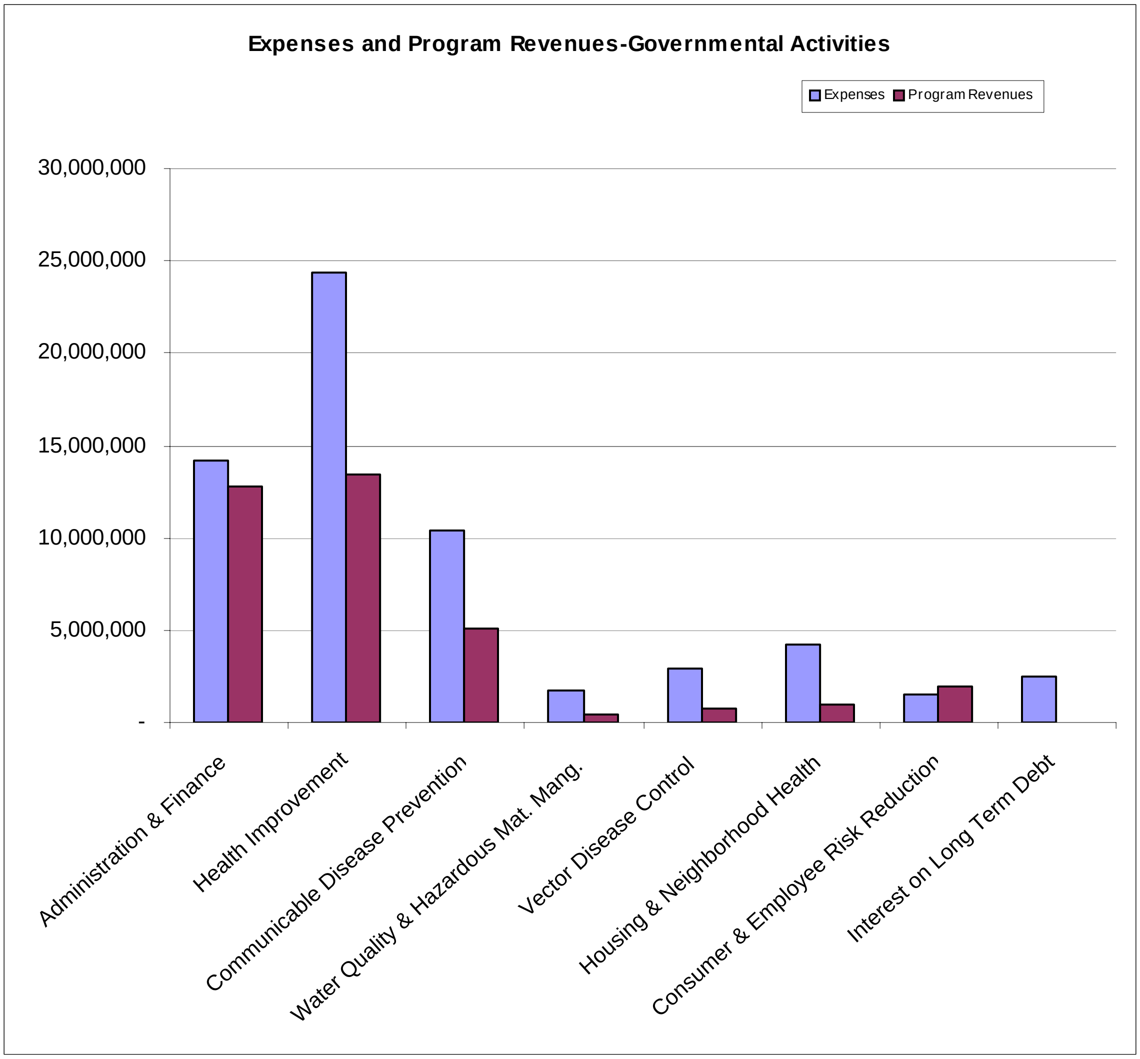
**THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA**
**(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)**
**SCHEDULE OF CHANGES IN NET ASSETS**
**DECEMBER 31, 2005**

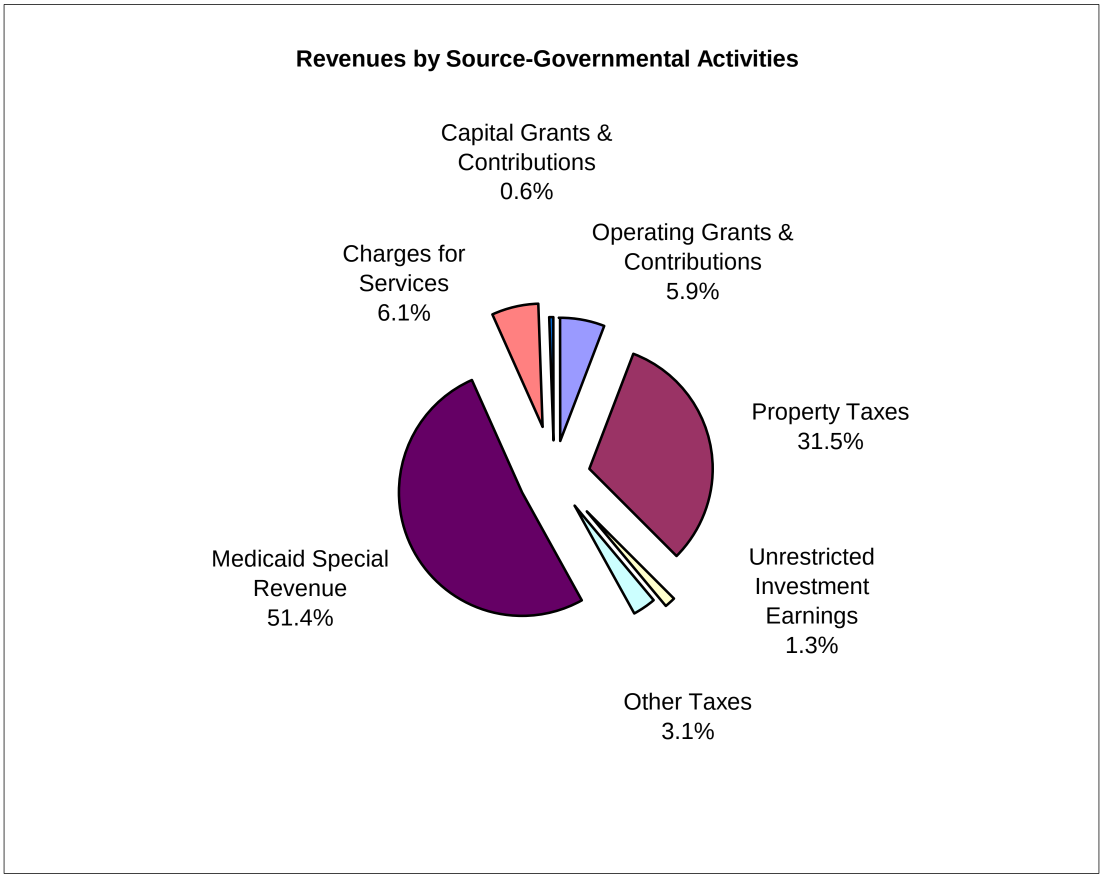
| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | $ 16,996,030 | 4,937,317 | 391,643,104 | 334,424,375 | 408,639,134 | 339,361,692 |
| Operating grants and contributions | 16,573,583 | 17,488,087 | 8,414,943 | 10,038,960 | 24,988,526 | 27,527,047 |
| Capital grants and contributions | 1,702,901 | — | — | — | 1,702,901 | — |
| General revenues: | | | | | | |
| Property taxes | 87,980,567 | 88,498,342 | — | — | 87,980,567 | 88,498,342 |
| Other taxes | 8,775,339 | 9,158,085 | — | — | 8,775,339 | 9,158,085 |
| Medicaid special revenue | 143,381,951 | 137,474,685 | — | — | 143,381,951 | 137,474,685 |
| Unrestricted investment earnings | 3,614,043 | 978,823 | 2,746,379 | 1,220,966 | 6,360,422 | 2,199,789 |
| Total revenues | 279,024,414 | 258,535,339 | 402,804,426 | 345,684,301 | 681,828,840 | 604,219,640 |
| Expenses: | | | | | | |
| Administration and finance | 14,166,259 | 9,612,142 | — | — | 14,166,259 | 9,612,142 |
| Health improvement | 24,399,358 | 25,275,328 | — | — | 24,399,358 | 25,275,328 |
| Communicable disease prevention | 10,379,233 | 9,425,318 | — | — | 10,379,233 | 9,425,318 |
| Water quality and hazardous mat mgmt | 1,734,696 | 1,703,637 | — | — | 1,734,696 | 1,703,637 |
| Vector disease control | 2,977,009 | 2,965,406 | — | — | 2,977,009 | 2,965,406 |
| Housing and neighborhood health | 4,184,358 | 4,117,488 | — | — | 4,184,358 | 4,117,488 |
| Consumer and employee risk reduction | 1,546,218 | 1,581,187 | — | — | 1,546,218 | 1,581,187 |
| Interest on long-term debt | 2,532,873 | 3,260,807 | — | — | 2,532,873 | 3,260,807 |
| Wishard health services | — | — | 384,487,424 | 368,212,850 | 384,487,424 | 368,212,850 |
| LT Care operations | — | — | 157,656,712 | 139,064,331 | 157,656,712 | 139,064,331 |
| Total expenses | 61,920,004 | 57,941,313 | 542,144,136 | 507,277,181 | 604,064,140 | 565,218,494 |
| Increase (decrease) in net assets before transfers | 217,104,410 | 200,594,026 | (139,339,710) | (161,592,880) | 77,764,700 | 39,001,146 |
| Transfers | (140,433,207) | (162,790,490) | 140,433,207 | 162,790,490 | — | — |
| Increase (decrease) in net assets | 76,671,203 | 37,803,536 | 1,093,497 | 1,197,610 | 77,764,700 | 39,001,146 |
| Net assets 1/1/2005 | 59,368,853 | 21,565,317 | 255,593,941 | 254,396,331 | 314,962,794 | 275,961,648 |
| Net assets 12/31/2005 | $ 136,040,056 | 59,368,853 | 256,687,438 | 255,593,941 | 392,727,494 | 314,962,794 |

**Governmental activities.** Governmental activities increased the Corporation's net assets by $76,671,203, compared to the total $77,764,700 increase in net assets of the Corporation. Property taxes decreased by $518,775 as a result of appeals and settlements made in 2005 of the assessed values that were used for the prior year. Medicaid special revenues increased $5.9 million due to LT Care upper payment limit reimbursements. Capital grants and contributions increased by $1.7 million due to the donation of a mobile cancer screening van and receipt of a bioterrorism capital grant for the implementation of a public health preparedness response system.

Capital contributions to Wishard Health Services were $455,288, a decrease of $6.3 million from prior year. The current year capital contributions to Wishard were for computers and relating software, which is part of the implementation of the public health preparedness response system. Transfers to Wishard Health Services were $147.3 million, a decrease of $4.7 million from last year. Transfers reflect a reduction in support to Wishard, and a transfer-in from the LT Care division of $10 million.

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.



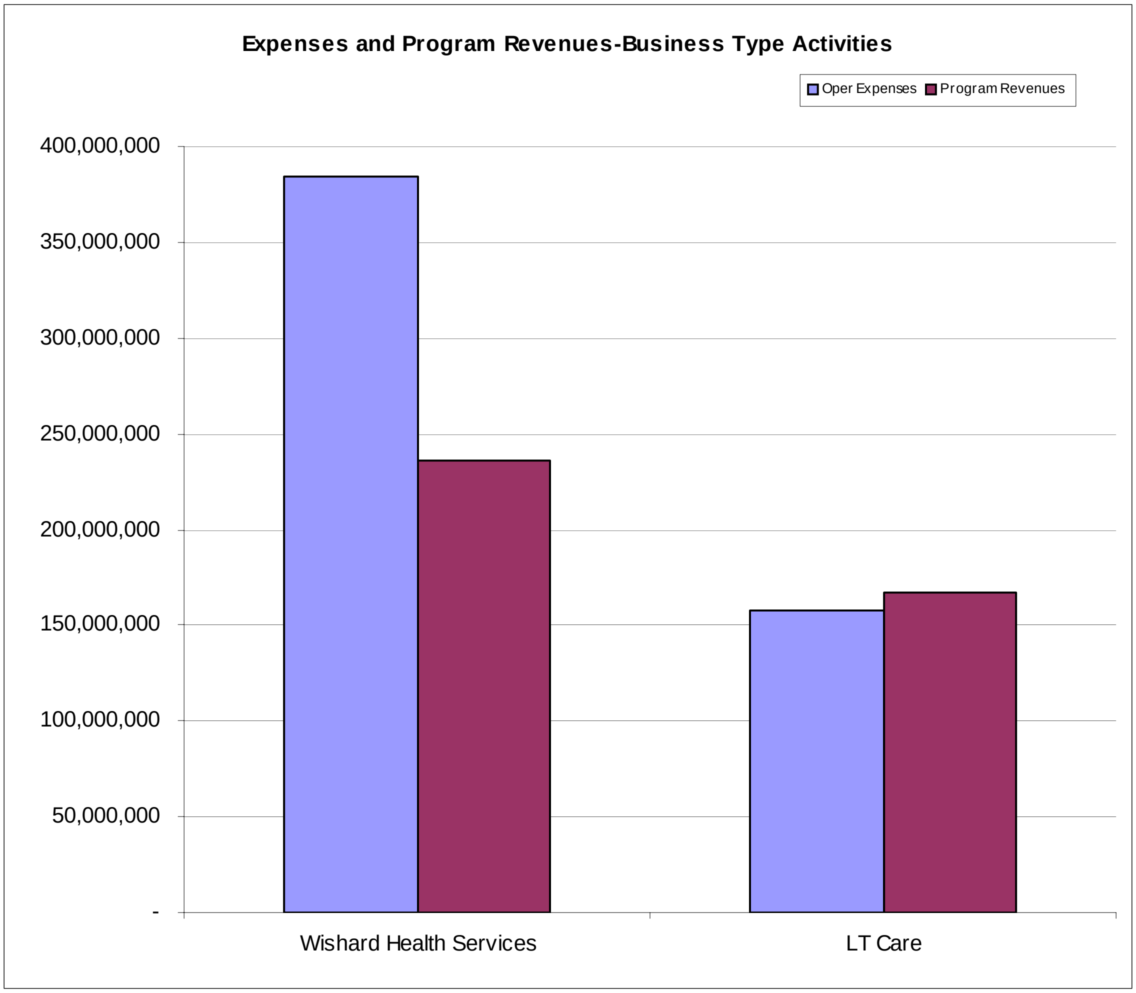


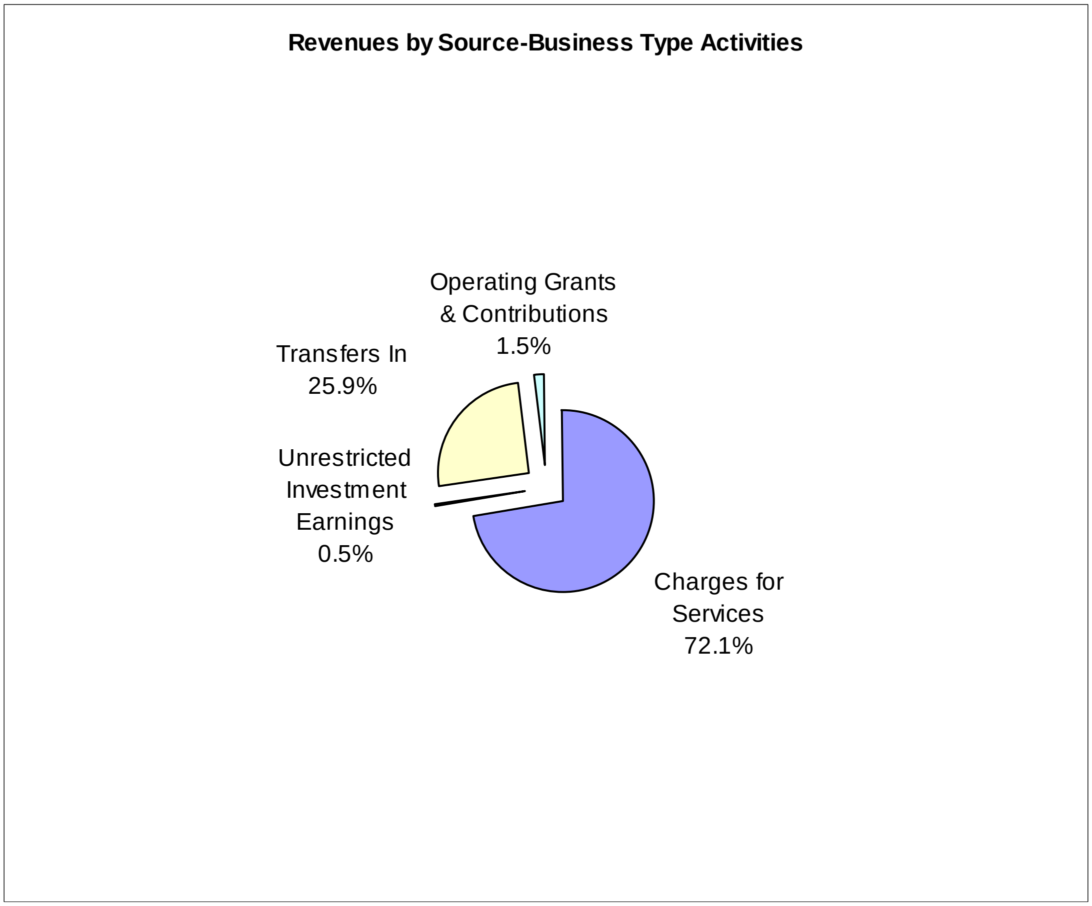

**Business-type activities**. Business-type activities increased the Corporation's net assets by $1,093,497, compared to an increase of $1,197,610 in 2004. This accounts for 1.4% of the total growth in the Corporation's net assets.

Wishard decreased its net assets by $0.9 million in the current year. Assets invested in plant and equipment decreased by $4.5 million due to recognition of a full year's depreciation on the new Pecar Health Center and depreciation expense in excess of capital additions. Wishard increased its unrestricted net assets by $3.5 million. Revenues increased $24.8 million, or 12.4%, due primarily to improved revenue cycle. Expenses increased $16.3 million, 4.4%, in response to increased patient volumes and cost inflation. Wishard incurred an operating loss of $159.9 million, which was offset by $147.3 million in transfers from the Health & Hospital Corporation, $8.4 million in mental health grants from various agencies, and $2.7 million in investment income.

LT Care net assets were $21,383,874, which was an increase of $2 million over 2004. Operating revenues increased $32.5 million primarily due to increased Medicaid reimbursements, and operating expenses increased $16 million. This was partially due to the acquisition of several facilities during 2004, resulting in 2005 being their first full year of operations. LT Care has ($3.6) million invested in capital assets, net of related debt. All 18 facilities are recorded as capital leases under non-current assets. Despite a net transfer of $7.3 million to the Corporation, the LT Care division incurred a net income of $2 million in 2005.

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 $154,105,610, an increase of $74,124,765 in comparison with the prior year. Approximately 98% of this total amount, $150,464,692, constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to 1) liquidate contracts and purchase orders of the prior period ($2.5 million) and 2) cover prepaid costs ($1.2 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 $110,843,508, while total fund balance increased to $115,477,934. 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 186.8% of total general fund expenditures, while total fund balance represents 194.7% of that same amount.

The fund balance of the Corporation's general fund increased by $72,976,727 during the current fiscal year, in comparison to a $29,993,515 increase in 2004. Medicaid special revenue increased $20.0 million, which reflects an increase of $15 million in basic disproportionate share Medicaid revenue, and an increase of $5 million for LT Care related Medicaid revenue. Interest income is up $1.9 million as the result of significant increases in interest rates during 2005. Miscellaneous revenues increase of $12.1 million reflects contractual medical education payments from Indiana University. Administrative expenses appear to have increase $5.8 million. This is due to a $6 million write down of the self-insurance liabilities in 2004. Population Health increases of $861,358 include increased efforts in health promotion, maternal and child health, public health preparedness, and the laboratory. Transfers reflect a reduction in support to Wishard, and a transfer-in from the LT Care division of $10 million. The grant expenditure reduction is the net result of a number of grant programs ending, reductions in several others, and an increase in public health preparedness grants of $1.1 million.

**Debt Service funds.** The debt service fund has a (deficit) fund balance of ($16,186) compared to $198,382 in the prior year. The net decrease in fund balance during the current year was $214,568. This decrease can be associated with receiving only 97% of the tax levy.

**Capital Projects funds.** The Capital Projects Fund has a total fund balance of $38,643,862. The net increase in fund balance during the current year was $1,362,606 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 $83,842,651. Total net assets decreased by $0.9 million. Other factors concerning the finances of Wishard have already been addressed in the discussion of the Corporation's business-type activities.

Unrestricted net assets of LT Care at the end of the year were $24,985,524. The net increase in net assets was $2 million. Other information on LT Care operations can be found in the discussion of the Corporation's business-type activities.

**General Fund Budgetary Highlights**

The original budget of $218,925,800 was increased by $2,700,000 during 2005. This increase was the net of a reduction of $1 million to personal services and $1.4 million reduction in capital outlay with a corresponding increase of $4.5 million in additional contractual services and $600,000 in supplies.

The final general fund budget of $221,625,800 included $71,825,800 in expenditures and $149,800,000 in transfers. Actual expenditures and transfers out were $204,880,400. Of the total under spending, $764,000 was budgeted for personal services, 695,000 for supplies, $6.3 million for contractual, and $1.8 million for capital. The contractual and capital surpluses reflect projects delayed until 2006. General revenues and other resources were originally estimated at $212,144,777, final budgets were $247,939,477, and actual was $248,840,340. Taxes collected were $2.6 million under budget due to appeals of assessments, and Medicaid revenue was $9.7 million under budget due to timing of LT Care settlements.

**Capital Asset and Debt Administration**

**Capital assets.** The Corporation's capital assets for its governmental and business-type activities as of December 31, 2005, amount to $313,114,894 (net of accumulated depreciation), compared to $288,560,978 at the end of 2004. This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, and construction in progress.

Major capital asset events during 2005 included the following:

- Renovation of a nursing facility closed in 2004 that will be used by our Midtown Mental Health Facility.
- First full year depreciation of the new Pecar Health Center.
- Acquisition of computers and software to implement a Public Health system to detect and respond to bio-terrorism.

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, 2005

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Land | $ 140,049 | 140,049 | 1,189,877 | 1,189,877 | 1,329,926 | 1,329,926 |
| Land improvements | — | — | 1,775,588 | 1,792,802 | 1,775,588 | 1,792,802 |
| Buildings and improvements | 8,474,786 | 8,914,192 | 252,921,491 | 233,019,368 | 261,396,277 | 241,933,560 |
| Equipment | 3,402,330 | 3,348,783 | 38,513,435 | 38,397,120 | 41,915,765 | 41,745,903 |
| Vehicles | 736,152 | 480,120 | 987,926 | 957,857 | 1,724,078 | 1,437,977 |
| Construction in progress | 1,845,817 | 29,445 | 3,127,443 | 291,365 | 4,973,260 | 320,810 |
| Total assets | $ 14,599,134 | 12,912,589 | 298,515,760 | 275,648,389 | 313,114,894 | 288,560,978 |

**Long-term debt.** At the end of 2005, the Corporation had total debt outstanding of $46,946,349, excluding capital leases. Of this amount, $46,320,050 comprises general obligation debt, and the remainder represents notes secured solely by specified revenue sources. During 2005, the Corporation refunded the 2000 Construction Bonds for a new debt issue with an original value of $28,960,000. Because of the advanced refunding, debt, excluding capital leases, decreased by approximately $2,000,000 during 2005 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 approximately $265,500,000. Outstanding debt at December 31, 2005 represents 18.2% 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, 2005

| | Governmental Activities | | Business-type Activities | | Total | |
|---|---|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| 1988 Renovation Bonds | $ 20,005,000 | 20,800,000 | — | — | 20,005,000 | 20,800,000 |
| 2005 General Obligation | 27,565,000 | — | — | — | — | — |
| Premium on 2005 GO Bonds | 1,007,364 | — | — | — | 1,007,364 | — |
| Deferred amount on refunding | (2,257,314) | — | — | — | (2,257,314) | — |
| 2000 Construction Bonds | — | 27,280,000 | — | — | — | 27,280,000 |
| 1998 Promissory Note | 626,299 | 817,162 | — | — | 626,299 | 817,162 |
| Capital Leases | — | — | 151,253,286 | 117,886,520 | 151,253,286 | 117,886,520 |
| Total long-term debt | $ 46,946,349 | 48,897,162 | 151,253,286 | 117,886,520 | 170,634,635 | 166,783,682 |

**Economic Factors and Next Year's Budgets and Rates.** The 2006 original budget for all annually budgeted funds was $224,899,362. No revisions have been made through June 2006. The 2006 general fund budget is $220,213,112, a 0.6% decrease from the 2005 general fund budget of $221,625,800.

**Requests for Information**

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

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

# BASIC
# FINANCIAL STATEMENTS

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

Statement of Net Assets

December 31, 2005

| Assets | | Governmental activities | Business-type activities | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ | 129,376,212 | 107,391,284 | 236,767,496 |
| Investments | | 998,281 | 7,402,010 | 8,400,291 |
| Receivables, net: | | | | |
| Patient services | | — | 45,438,295 | 45,438,295 |
| Grants | | 4,019,159 | 2,938,141 | 6,957,300 |
| Interest | | 22,736 | 29,357 | 52,093 |
| Medicaid special revenue | | 39,325,678 | — | 39,325,678 |
| Taxes | | 3,464,870 | — | 3,464,870 |
| Other | | 8,862,004 | 6,235,636 | 15,097,640 |
| Internal balances | | (439,576) | 439,576 | — |
| Inventories | | — | 4,280,699 | 4,280,699 |
| Prepaid costs and other assets | | 1,158,596 | 4,205,675 | 5,364,271 |
| Restricted cash and cash equivalents | | — | 596,789 | 596,789 |
| Bond issuance costs | | 427,744 | — | 427,744 |
| Net pension asset | | 490,923 | 2,027,690 | 2,518,613 |
| Lease acquisition costs (net of accumulated amortization) | | — | 6,979,483 | 6,979,483 |
| 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 | | — | 1,775,588 | 1,775,588 |
| Buildings and improvements | | 8,474,786 | 252,921,491 | 261,396,277 |
| Equipment | | 3,402,330 | 38,513,435 | 41,915,765 |
| Vehicles | | 736,152 | 987,926 | 1,724,078 |
| Construction in progress | | 1,845,817 | 3,127,443 | 4,973,260 |
| Total assets | | 202,305,761 | 488,880,395 | 691,186,156 |
| **Liabilities** | | | | |
| Accounts payable | | 10,036,370 | 28,460,111 | 38,496,481 |
| Salaries and related benefits | | 2,491,668 | 27,774,052 | 30,265,720 |
| Unearned revenue | | 595,735 | 2,272,391 | 2,868,126 |
| Estimated Medicare/Medicaid settlements | | — | 2,994,870 | 2,994,870 |
| Medical claims incurred but not reported | | — | 2,700,000 | 2,700,000 |
| Risk share payable | | — | 6,088,416 | 6,088,416 |
| Asserted and unasserted self-insurance claims | | 2,297,700 | — | 2,297,700 |
| Long-term liabilities: | | | | |
| Due within one year | | 5,138,003 | 3,347,795 | 8,485,798 |
| Due in more than one year | | 45,706,229 | 158,555,322 | 204,261,551 |
| Total liabilities | | 66,265,705 | 232,192,957 | 298,458,662 |
| **Net Assets** | | | | |
| Invested in capital assets, net of related debt | | 7,971,335 | 147,262,474 | 155,233,809 |
| Restricted for: | | | | |
| Health services | | — | 596,789 | 596,789 |
| Unrestricted | | 128,068,721 | 108,828,175 | 236,896,896 |
| Total net assets | $ | 136,040,056 | 256,687,438 | 392,727,494 |

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, 2005

| 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 | $ 14,166,259 | 12,042,413 | 709,011 | — | (1,414,835) | — | (1,414,835) |
| Health improvement | 24,399,358 | 2,094,473 | 11,079,060 | 270,000 | (10,955,825) | — | (10,955,825) |
| Communicable disease prevention | 10,379,233 | 395,412 | 3,223,650 | 1,432,901 | (5,327,270) | — | (5,327,270) |
| Water quality and hazardous materials management | 1,734,696 | 354,111 | 32,300 | — | (1,348,285) | — | (1,348,285) |
| Vector disease control | 2,977,009 | 125,523 | 638,488 | — | (2,212,998) | — | (2,212,998) |
| Housing and neighborhood health | 4,184,358 | 85,501 | 891,063 | — | (3,207,794) | — | (3,207,794) |
| Consumer and employee risk reduction | 1,546,218 | 1,898,597 | 11 | — | 352,390 | — | 352,390 |
| Interest on long-term debt | 2,532,873 | — | — | — | (2,532,873) | — | (2,532,873) |
| Total governmental activities | 61,920,004 | 16,996,030 | 16,573,583 | 1,702,901 | (26,647,490) | — | (26,647,490) |
| Business-type activities: | | | | | | | |
| Wishard Health Services | 384,487,424 | 224,633,684 | 8,414,943 | — | — | (151,438,797) | (151,438,797) |
| Long Term Care | 157,656,712 | 167,009,420 | — | — | — | 9,352,708 | 9,352,708 |
| Total business-type activities | 542,144,136 | 391,643,104 | 8,414,943 | — | — | (142,086,089) | (142,086,089) |
| Total | $ 604,064,140 | 408,639,134 | 24,988,526 | 1,702,901 | (26,647,490) | (142,086,089) | (168,733,579) |
| General revenues: | | | | | | | |
| Property taxes | | | | | 87,980,567 | — | 87,980,567 |
| Financial institution taxes | | | | | 7,507,089 | — | 7,507,089 |
| Excise taxes | | | | | 1,268,250 | — | 1,268,250 |
| Medicaid special revenue (unrestricted) | | | | | 143,381,951 | — | 143,381,951 |
| Unrestricted investment earnings | | | | | 3,614,043 | 2,746,379 | 6,360,422 |
| Transfers (capital contributions to Wishard) | | | | | (455,288) | 455,288 | — |
| Transfers | | | | | (139,977,919) | 139,977,919 | — |
| Total general revenues and transfers | | | | | 103,318,693 | 143,179,586 | 246,498,279 |
| Change in net assets | | | | | 76,671,203 | 1,093,497 | 77,764,700 |
| Net assets – beginning of year | | | | | 59,368,853 | 255,593,941 | 314,962,794 |
| Net assets – end of year | | | | | $ 136,040,056 | 256,687,438 | 392,727,494 |

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, 2005

| Assets | | General | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|---|
| Cash and cash equivalents | $ | 91,750,689 | 1,667 | 37,623,856 | 129,376,212 |
| Investments | | — | — | 998,281 | 998,281 |
| Receivables (net of allowance for uncollectibles) | | | | | |
| Grants | | 4,019,159 | — | — | 4,019,159 |
| Interest | | — | — | 22,736 | 22,736 |
| Medicaid special revenue | | 39,325,678 | — | — | 39,325,678 |
| Taxes | | 3,287,758 | 167,799 | 9,313 | 3,464,870 |
| Other | | 962,006 | — | — | 962,006 |
| Prepaid costs and other assets | | 1,158,596 | — | — | 1,158,596 |
| Total assets | $ | 140,503,886 | 169,466 | 38,654,186 | 179,327,538 |
| **Liabilities and Fund Balances** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ | 2,066,943 | — | — | 2,066,943 |
| Salaries and related benefits | | 2,491,668 | — | — | 2,491,668 |
| Deferred revenue | | 19,034,257 | 185,652 | 10,324 | 19,230,233 |
| Due to other funds | | 439,576 | — | — | 439,576 |
| Asserted and unasserted self-insurance claims | | 993,508 | — | — | 993,508 |
| Total liabilities | | 25,025,952 | 185,652 | 10,324 | 25,221,928 |
| Fund balances: | | | | | |
| Reserved for: | | | | | |
| Prepaid costs and other assets | | 1,158,596 | — | — | 1,158,596 |
| Encumbrances | | 2,482,322 | — | — | 2,482,322 |
| Unreserved: | | | | | |
| Designated for self insurance | | 993,508 | — | — | 993,508 |
| Designated for bond retirement | | — | (16,186) | — | (16,186) |
| Undesignated | | 110,843,508 | — | 38,643,862 | 149,487,370 |
| Total fund balances | | 115,477,934 | (16,186) | 38,643,862 | 154,105,610 |
| Total liabilities and fund balances | $ | 140,503,886 | 169,466 | 38,654,186 | |

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 | | 14,599,134 |
| Net pension assets are not financial resources and therefore are not recorded in the funds statement | | 490,923 |
| Net difference between account payable and account receivable recorded in governmental activities but not in funds statement as it is not matured | | (69,429) |
| Deferred revenues not meeting availability criteria in funds statement are not in the statement of net assets | | 18,634,498 |
| Bond issuance costs reported in the governmental activities but not reported in the funds statement | | 427,744 |
| Asserted and unasserted self-insurance claims not due in the current period and therefore not reported in the funds statement | | (1,304,192) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statement | | (50,844,232) |
| Net assets of governmental activities | $ | 136,040,056 |

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, 2005

| Revenues | General | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|
| Taxes | $ 92,443,730 | 4,498,468 | 254,630 | 97,196,828 |
| Licenses and permits | 3,662,722 | — | — | 3,662,722 |
| Intergovernmental | 16,598,192 | — | — | 16,598,192 |
| Charges for services | 1,162,710 | — | — | 1,162,710 |
| Medicaid special revenue | 142,926,951 | — | — | 142,926,951 |
| Interest | 2,497,630 | 8,429 | 1,107,984 | 3,614,043 |
| Miscellaneous | 13,449,938 | — | — | 13,449,938 |
| Total revenues | 272,741,873 | 4,506,897 | 1,362,614 | 278,611,384 |
| **Expenditures** | | | | |
| Current: | | | | |
| Administrative | 12,393,366 | — | 8 | 12,393,374 |
| Population health | 17,376,100 | — | — | 17,376,100 |
| Environmental health | 9,847,532 | — | — | 9,847,532 |
| Health center program | 1,132,398 | — | — | 1,132,398 |
| Data processing | 3,384,596 | — | — | 3,384,596 |
| Grant programs | 14,963,677 | — | — | 14,963,677 |
| Debt service: | | | | |
| Principal | 190,863 | 2,190,000 | — | 2,380,863 |
| Interest and fiscal charges | 35,113 | 2,539,759 | — | 2,574,872 |
| Bond issuance costs | — | 429,167 | — | 429,167 |
| Total expenditures | 59,323,645 | 5,158,926 | 8 | 64,482,579 |
| Excess (deficiency) of revenues over expenditures | 213,418,228 | (652,029) | 1,362,606 | 214,128,805 |
| **Other Financing Sources (Uses)** | | | | |
| Transfers in | — | 8,294 | — | 8,294 |
| Transfers out | (140,441,501) | — | — | (140,441,501) |
| Refunding bonds issued | — | 28,960,000 | — | 28,960,000 |
| Premium on bonds issued | — | 1,013,992 | — | 1,013,992 |
| Payment to refunded bond escrow agent | — | (29,544,825) | — | (29,544,825) |
| Total other financing sources and (uses) | (140,441,501) | 437,461 | — | (140,004,040) |
| Net change in fund balances | 72,976,727 | (214,568) | 1,362,606 | 74,124,765 |
| Fund balances – beginning of year | 42,501,207 | 198,382 | 37,281,256 | 79,980,845 |
| Fund balances – end of year | $ 115,477,934 | (16,186) | 38,643,862 | 154,105,610 |

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, 2005

| | |
|---|---|
| Amounts reported for governmental activities in the statement of activities (page 23) are different because: | |
| Net changes in fund balances – total governmental funds (page 25) | $ 74,124,765 |
| Depreciation expense reported in the statement of activities but not in the funds statements | (2,142,194) |
| Capital expenditures reported in the funds statements but reported as additions to capital assets in the statement of activities | 3,595,990 |
| Donations of capital assets not recorded in the fund statements | 270,000 |
| Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, write-offs, etc.) | (37,251) |
| Revenues in the statement of activities that do not provide current financial resources and are deferred in the funds statements | 18,642,800 |
| Bonds issued reported as financing sources in the fund statements but as additions to long-term liabilities in the statement of activities | (28,960,000) |
| Bond and note principal payments reported as expenditures or other financing uses in the fund statements but as reductions of long-term liabilities in the statement of activities | 29,660,863 |
| Premium on bonds issued which are deferred and amortized for the statement of activities but reported as other financing uses in the fund statements | (1,013,992) |
| Deferred amount on refunding which is deferred and amortized for the statement of activities but reported as other financing uses in the fund statements | 2,264,825 |
| 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 | (18,493,732) |
| Increase in compensated absences not in the funds statements | (268,668) |
| Bond issuance costs which are deferred and amortized for the statement of activities but reported when paid in the fund statements | 429,167 |
| Amortization of bond issuance costs reported in the statement of activities but not in the fund statements as there is no cash outflow | (1,423) |
| Amortization of bond premium and deferred amount on refunding reported in the statement of activities but not in the fund statements | 883 |
| Asserted and unasserted self-insurance claims not in the funds statements as they have not matured | (1,304,192) |
| Decrease in net pension asset not in the funds statements | (96,638) |
| Change in net assets of governmental activities (page 23) | $ 76,671,203 |

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, 2005

| Assets | Wishard Health Services | LT Care | Total |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ 90,458,292 | 16,932,992 | 107,391,284 |
| Investments | 7,402,010 | — | 7,402,010 |
| Receivables (net of allowance for uncollectibles) | | | |
| Patient services | 36,408,073 | 9,030,222 | 45,438,295 |
| Grants | 2,938,141 | — | 2,938,141 |
| Interest | 29,357 | — | 29,357 |
| Other | 6,235,636 | — | 6,235,636 |
| Due from other funds | 439,576 | — | 439,576 |
| Inventories | 4,280,699 | — | 4,280,699 |
| Prepaid costs and other assets | 3,725,374 | 480,301 | 4,205,675 |
| Total current assets | 151,917,158 | 26,443,515 | 178,360,673 |
| Noncurrent assets: | | | |
| Restricted cash and cash equivalents | 596,789 | — | 596,789 |
| Net pension asset | 2,027,690 | — | 2,027,690 |
| Lease acquisition costs (net of accumulated amortization) | — | 6,979,483 | 6,979,483 |
| 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 | 1,560,196 | 215,392 | 1,775,588 |
| Buildings and improvements | 111,747,440 | 141,174,051 | 252,921,491 |
| Equipment | 32,317,164 | 6,196,271 | 38,513,435 |
| Vehicles | 922,004 | 65,922 | 987,926 |
| Construction in progress | 3,127,443 | — | 3,127,443 |
| Total capital assets (net of accumulated depreciation) | 150,864,124 | 147,651,636 | 298,515,760 |
| Total noncurrent assets | 153,488,603 | 157,031,119 | 310,519,722 |
| Total assets | 305,405,761 | 183,474,634 | 488,880,395 |
| **Liabilities** | | | |
| Current liabilities: | | | |
| Accounts payable | 20,602,712 | 7,857,399 | 28,460,111 |
| Accrued liabilities | 10,616,653 | 2,980,075 | 13,596,728 |
| Accrued compensated absences | 14,177,324 | — | 14,177,324 |
| Capital lease obligation - current | — | 2,186,963 | 2,186,963 |
| Estimated Medicare/Medicaid settlements | 2,994,870 | — | 2,994,870 |
| Deferred revenue | 2,272,391 | — | 2,272,391 |
| Medical claims incurred but not reported | 2,700,000 | — | 2,700,000 |
| Risk share payable | 6,088,416 | — | 6,088,416 |
| Asserted and unasserted self-insurance claims - current | 1,160,832 | — | 1,160,832 |
| Total current liabilities | 60,613,198 | 13,024,437 | 73,637,635 |
| Noncurrent liabilities: | | | |
| Asserted and unasserted self insurance claims | 9,488,999 | — | 9,488,999 |
| Capital leases payable | — | 149,066,323 | 149,066,323 |
| Total noncurrent liabilities | 9,488,999 | 149,066,323 | 158,555,322 |
| Total liabilities | 70,102,197 | 162,090,760 | 232,192,957 |
| **Net Assets** | | | |
| Invested in capital assets, net of related debt | 150,864,124 | (3,601,650) | 147,262,474 |
| Restricted for health services | 596,789 | — | 596,789 |
| Unrestricted | 83,842,651 | 24,985,524 | 108,828,175 |
| Total net assets | $ 235,303,564 | 21,383,874 | 256,687,438 |

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, 2005

| | Wishard Health Services | LT Care | Total |
|---|---|---|---|
| Operating revenues: | | | |
| Net patient service revenue | $ 202,138,767 | 166,168,723 | 368,307,490 |
| Other revenue | 22,494,917 | 840,697 | 23,335,614 |
| Total operating revenue | 224,633,684 | 167,009,420 | 391,643,104 |
| Operating expenses: | | | |
| Salaries | 141,422,214 | — | 141,422,214 |
| Employee benefits | 33,516,317 | — | 33,516,317 |
| Contract labor | 3,951,773 | 80,818,995 | 84,770,768 |
| Medical and professional fees | 51,658,436 | 1,602,307 | 53,260,743 |
| Purchased services | 49,341,198 | 12,244,290 | 61,585,488 |
| Supplies | 34,437,026 | 6,110,856 | 40,547,882 |
| Pharmaceuticals | 37,892,567 | 19,205,566 | 57,098,133 |
| Repairs and maintenance | 3,315,679 | 1,367,384 | 4,683,063 |
| Utilities | 4,550,462 | 3,279,802 | 7,830,264 |
| Equipment rental | 1,522,189 | 720,072 | 2,242,261 |
| Depreciation and amortization | 20,119,632 | 12,196,763 | 32,316,395 |
| Other | 2,759,931 | 3,961,103 | 6,721,034 |
| Total operating expenses | 384,487,424 | 141,507,138 | 525,994,562 |
| Operating income (loss) | (159,853,740) | 25,502,282 | (134,351,458) |
| Nonoperating revenues (expenses) : | | | |
| Intergovernmental revenue | 8,414,943 | — | 8,414,943 |
| Investment income | 2,746,379 | — | 2,746,379 |
| Interest expense | — | (16,149,574) | (16,149,574) |
| Total nonoperating revenues (expenses) | 11,161,322 | (16,149,574) | (4,988,252) |
| Income (loss) before capital contributions and transfers | (148,692,418) | 9,352,708 | (139,339,710) |
| Capital contributions - Assets transferred from General Fund | 455,288 | — | 455,288 |
| Transfers – General Fund | 147,296,600 | (7,318,681) | 139,977,919 |
| Changes in net assets | (940,530) | 2,034,027 | 1,093,497 |
| Total net assets at beginning of year | 236,244,094 | 19,349,847 | 255,593,941 |
| Total net assets at end of year | $ 235,303,564 | 21,383,874 | 256,687,438 |

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, 2005

| | Wishard Health Services | LT Care | Total |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts from patient services | $ 194,090,583 | 167,671,219 | 361,761,802 |
| Receipts from other operations | 19,624,966 | 840,697 | 20,465,663 |
| Payments to suppliers | (193,185,458) | (128,662,056) | (321,847,514) |
| Payments to employees | (172,154,415) | — | (172,154,415) |
| Net cash provided by (used in) operating activities | (151,624,324) | 39,849,860 | (111,774,464) |
| **Cash Flows from Noncapital Financing Activities** | | | |
| Cash receipts from intergovernmental revenue | 8,524,549 | — | 8,524,549 |
| Transfers from (to) the General Fund | 147,296,600 | (7,318,681) | 139,977,919 |
| Net cash provided by (used in) noncapital financing activities | 155,821,149 | (7,318,681) | 148,502,468 |
| **Cash Flows from Capital and Related Financing Activities** | | | |
| Purchases of capital assets | (15,616,137) | (3,612,602) | (19,228,739) |
| Lease acquisition costs payments | — | (1,868,000) | (1,868,000) |
| Payment of capital lease obligation | — | (2,224,496) | (2,224,496) |
| Interest expense payments | — | (16,149,574) | (16,149,574) |
| Net cash used in capital and related financing activities | (15,616,137) | (23,854,672) | (39,470,809) |
| **Cash Flows from Investing Activities** | | | |
| Proceeds from sales and maturities of investments | 6,014,191 | — | 6,014,191 |
| Purchases of investments | (2,201,794) | — | (2,201,794) |
| Interest and dividends received | 2,805,866 | — | 2,805,866 |
| Net cash provided by investing activities | 6,618,263 | — | 6,618,263 |
| Net increase (decrease) in cash and cash equivalents | (4,801,049) | 8,676,507 | 3,875,458 |
| Cash and cash equivalents and restricted cash and cash equivalents, January 1 | 95,856,130 | 8,256,485 | 104,112,615 |
| Cash and cash equivalents and restricted cash and cash equivalents, December 31 | $ 91,055,081 | 16,932,992 | 107,988,073 |
| **Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:** | | | |
| Operating income (loss) | $ (159,853,740) | 25,502,282 | (134,351,458) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | 20,119,632 | 12,196,763 | 32,316,395 |
| Changes in operating assets and liabilities: | | | |
| Patient services receivables | (3,936,120) | 1,502,496 | (2,433,624) |
| Other receivables | (2,869,952) | — | (2,869,952) |
| Inventories | (775,873) | — | (775,873) |
| Prepaid costs and other assets | 780,792 | (132,366) | 648,426 |
| Net pension asset | 440,240 | — | 440,240 |
| Accounts payable | (3,006,218) | (289,386) | (3,295,604) |
| Accrued liabilities and compensated absences | 2,343,877 | 1,070,071 | 3,413,948 |
| Estimated Medicare and Medicaid settlements | (4,112,064) | — | (4,112,064) |
| Asserted and unasserted self-insurance claims | 158,250 | — | 158,250 |
| Risk share payable | (642,900) | — | (642,900) |
| Medical claims incurred but not reported | (270,248) | — | (270,248) |
| Total adjustments | 8,229,416 | 14,347,578 | 22,576,994 |
| Net cash provided by (used in) operating activities | $ (151,624,324) | 39,849,860 | (111,774,464) |
| Noncash investing, capital, and financing activities: | | | |
| Contributions of capital assets from governmental activities | 455,288 | — | — |
| Modification of capital lease agreements | — | 23,430,810 | 23,430,810 |
| Purchase of assets held under capital lease | — | 11,900,000 | 11,900,000 |
| Increase in capital lease obligation from modification and purchase of assets under capital lease | — | 35,330,810 | 35,330,810 |
| Unrealized loss on investments | 150,901 | — | 150,901 |

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). Of those members appointed by the City-County Council, one serves a two year term, and one serves a four year term. All other appointments serve a term of four years. The Board 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, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, 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 294 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 was converted into a unit for Midtown Mental Health and provides outpatient services (see note 22). In 2005, a capital lease was entered into to operate one additional nursing home. 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). During 2005, Wishard also contracted with ASC to provide management services for Lockefield Village. Lockefield Village continues to be reported within Wishard. For purposes of financial reporting, LT Care is accounted for as a separate Enterprise Fund.

***Government-wide and Fund Financial Statements***

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

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

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

***(b) 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:

For purposes of financial reporting, the Corporation has two enterprise funds: (1) The Wishard Health Services fund which accounts for the activities of Wishard and (2) the LT Care fund which accounts for the activities of the eighteen 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, 2005, no such debt existed. At December 31, 2005, 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. Patient accounts receivable for services provided under contractual arrangements are also adjusted to reflect these differences.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All transactions deemed by management to be ongoing, major, or central to the provision of 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.

***(c) Cash, Cash Equivalents and Investments***

Cash equivalents held at December 31, 2005, consist of non-negotiable certificates of deposit, U.S. agencies, and repurchase agreements with a maturity of three months or less from date of purchase, excluding restricted assets whose use is limited by donors, or grantors. Certificates of deposit, U.S. agencies, and repurchase agreements are stated at 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.

### *(d) Receivables and Payables*

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

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

### *(e) Inventories*

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

### *(f) Prepaid Costs and Other Assets*

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

### *(g) Restricted Assets*

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

### *(h) Capital Assets*

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

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

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

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

### *(i) Capitalization of Interest*

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

### *(j) Other Long-term Assets*

Other long-term assets consist of a deposit made related to the leasing of four 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.

### *(k) 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, 2005 for governmental activities or when the related revenues have not been earned for business-type activities. Note 1(b) provides further discussion on the Corporation’s availability policy. Deferred revenue for governmental funds in the fund statements is recognized as revenue when it is earned and considered measurable and available. At December 31, 2005, deferred revenue represents cash received in advance on grants, unpaid delinquent property and other taxes, and uncollected Medicaid special revenue.

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

### *(l) Risk Share Payable*

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

### *(m) Accrued Compensated Absences*

Employees are paid for vacation and other absences by prescribed formulas based primarily on length of service and staff classification. In the government-wide statements, the cost of benefit and other absences is recognized when accrued by employees. Benefit leave is also accrued as a liability when earned in the statement of net assets of the proprietary funds. In addition, certain amounts have been recorded in the governmental fund financial statements, since such amounts came due (i.e., matured) during the fiscal year ended December 31, 2005.

### *(n) Lease Acquisition Costs*

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

### *(o) Interfund Transactions*

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

Transfers

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

Contribution of Capital Assets

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.

***(p) Net Assets/Fund Balances***

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

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

In the governmental fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the Board and management, and can be increased, reduced, or eliminated by similar actions. As of December 31, 2005, designations 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, 2005, 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 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.

### *(q) Indigent Care Services*

Under Indiana Code (16-22-8-39), the services provided by Wishard are for the benefit of the residents of Marion County, Indiana and for every person falling sick or being injured or maimed within its limits, regardless of their ability to pay for such services. Certain services to patients are classified as indigent care based on established policies of Wishard. Because Wishard does not expect amounts determined to qualify as indigent care to result in cash collections, they are not reported as net patient service revenue.

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

### *(r) Net Patient Service Revenue*

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

### *(s) Conditional Asset Retirement Obligations*

In March 2005, the Financial Accounting Standards Boards issued Interpretation No. 47 (FIN 47), Accounting for Conditional Asset Retirement Obligations. Under FIN 47, companies must accrue for costs related to legal obligations to perform certain activities in connection with the retirement, disposal or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional.

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

### *(t) Amortization of Bond Costs and Amounts Deferred on Refundings*

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

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

### *(u) Estimates and Uncertainties*

The preparation of financial statements in conformity with 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.

### *(v) New Accounting Pronouncements*

GASB has issued 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*. The Corporation intends to implement these GASB Statements on their respective effective dates.

## (2) Deposits and Investments

The Corporation's investment policies are governed by state statute and management policies. The Corporation's cash, cash equivalents, and non-negotiable certificates of deposit with a maturity date greater than 90 days from date of purchase are insured in full at December 31, 2005, by the combination of federal depository insurance and the Indiana Public Deposit Insurance Fund. The Corporation's cash equivalents held during 2005 consist entirely of non-negotiable certificates of deposit with a maturity date within 90 days of date of purchase.

The Corporation is authorized to invest in the following:

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

As of December 31, 2005, the Corporation had the following cash deposits and investments:

| | | |
|---|---|---|
| United States Treasuries | $ | 2,333,592 |
| Federal National Mortgage Association | | 3,706,991 |
| Federal Home Loan Bank | | 2,161,588 |
| Federal Home Loan Mortgage Corporation | | 176,146 |
| Government National Mortgage Association | | 21,974 |
| Repurchase Agreements | | 8,555,427 |
| State External Investment Pool | | 9,343,381 |
| Money Market Funds | | 9,868,387 |
| Certificates of deposit | | 1,469,730 |
| Other Cash Deposits | | 208,127,360 |
| | $ | 245,764,576 |

### *(a) Interest Rate Risk*

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

As of December 31, 2005, the Corporation had the following investments and maturities:

| | | Investment maturities (in years) | | | |
|---|---|---|---|---|---|
| | **Fair value** | **Less than 1** | **1-5** | **6-10** | **More than 10** |
| United States Treasuries | $ 2,333,592 | 998,281 | 1,335,311 | — | — |
| Federal National Mortgage Association | 3,706,991 | 182,478 | 1,143,032 | 778,410 | 1,603,071 |
| Federal Home Loan Bank | 2,161,588 | — | 1,328,382 | 833,206 | — |
| Federal Home Loan Mortgage Corporation | 176,146 | — | 61,092 | 13,879 | 101,175 |
| Government National Mortgage Association | 21,974 | — | — | — | 21,974 |
| Repurchase Agreements | 8,555,427 | 8,555,427 | — | — | — |
| State External Investment Pool | 9,343,381 | 9,343,381 | — | — | — |
| Money Market Funds | 9,868,387 | 9,868,387 | — | — | — |
| Certificates of Deposit | 1,469,730 | 1,469,730 | — | — | — |
| | $ 37,637,216 | 30,417,684 | 3,867,817 | 1,625,495 | 1,726,220 |

### *(b) Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is measured using credit quality ratings of investments in debt securities as described by nationally recognized rating agencies such as Moody's Investor Services. State law limits investments in money market mutual funds to the top rating issued by the nationally recognized statistical rating organizations. All investments are rated AAA at December 31, 2005, except for the State external investment pool and the certificates of deposit which are not rated.

***(c) Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of the failure of a counterparty, the Corporation will not be able to recover the value of investments, collateral securities, or deposits that are in the possession of the counterparty. State law requires that repurchase agreements must be fully collateralized by obligations in either United States Treasuries or other interest-bearing securities guaranteed as to principal and interest by the United States or an agency or instrumentality of the United States.

At December 31, 2005, all Corporation investments and all collateral securities pledged against Corporation deposits are held by the counterparty's trust department or agent in the Corporation's name.

***(d) Concentration of Credit Risk***

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

***(e) Investment Income***

Investment income is comprised of the following for the year ended December 31, 2005:

| | | Governmental fund types | Proprietary fund type |
|---|---|---|---|
| Interest income | $ | 3,614,043 | 2,897,280 |
| Unrealized loss on investments, net | | — | (150,901) |
| | $ | 3,614,043 | 2,746,379 |

## (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 2005 property taxes were levied based on assessed valuations determined by the Auditor as of March 1, 2004, which were adjusted for estimated appeals and tax credits and deductions. The lien date for the 2005 property taxes was March 1, 2004; 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 2005, taxes were due and payable to the Treasurer in two installments on May 10, 2005 and November 10, 2005. The Auditor distributed all property taxes collected by November 10, 2005 to each applicable governmental entity based upon its levy amount prior to December 31, 2005. For the fund financial statements, all taxes collected by the Treasurer and not distributed at December 31, 2005 (i.e., collections from November 11, 2005 to December 31, 2005) 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, 2005, net of allowance for uncollectible accounts (which includes an estimate of refunds) of $2,874,067 ($2,727,105 in the General Fund, $139,294 in the Debt Service Fund and $7,668 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, 2005 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, 2005, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

| | Unavailable | Unearned |
|---|---|---|
| Delinquent property taxes receivable | $ 2,727,105 | — |
| Other taxes receivable | 560,655 | — |
| Overpayment of property taxes | — | 359,926 |
| Grant draw downs prior to meeting all eligibility requirements | — | 216,945 |
| Grant reimbursements not received within 120 days | — | — |
| Other revenues not received within 120 days | 214,626 | — |
| Medicaid special revenue | 14,955,000 | — |
| Total General Fund | 18,457,386 | 576,871 |
| Delinquent property taxes receivable | 139,294 | — |
| Overpayment of property taxes | — | 17,853 |
| Other taxes receivable | 28,505 | — |
| Total Debt Service Fund | 167,799 | 17,853 |
| Delinquent property taxes receivable | 7,668 | — |
| Overpayment of property taxes | — | 1,011 |
| Other taxes receivable | 1,645 | — |
| Total Capital Projects Fund | 9,313 | 1,011 |
| Total | $ 18,634,498 | 595,735 |

In addition, the Wishard Health Services Fund had $2,272,391 of unearned revenue recorded at December 31, 2005 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, 2005:

| | Wishard Health Services | LT Care | Total |
|---|---|---|---|
| Gross patient services receivables | $ 178,165,905 | 10,484,188 | 188,650,093 |
| Allowance for estimated contractual adjustments | (56,952,347) | — | (56,952,347) |
| Allowance for uncollectible accounts | (84,805,485) | (1,453,966) | (86,259,451) |
| Net patient services receivables | $ 36,408,073 | 9,030,222 | 45,438,295 |

## (6) Capital Assets

Following is a summary of the changes in capital assets – governmental activities for the year ended December 31, 2005:

| | January 1, 2005 | Additions | Transfers/ disposals | December 31, 2005 |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| *Capital assets not being depreciated:* | | | | |
| Land | $ 140,049 | — | — | 140,049 |
| Construction in progress | 29,445 | 1,845,817 | (29,445) | 1,845,817 |
| Total capital assets not being depreciated | 169,494 | 1,845,817 | (29,445) | 1,985,866 |
| *Capital assets being depreciated:* | | | | |
| Buildings and improvements | 14,565,779 | 216,182 | — | 14,781,961 |
| Equipment | 13,743,827 | 1,286,127 | (933,090) | 14,096,864 |
| Vehicles | 3,073,457 | 517,864 | (2,265) | 3,589,056 |
| Total capital assets being depreciated | 31,383,063 | 2,020,173 | (935,355) | 32,467,881 |
| *Less accumulated depreciation for:* | | | | |
| Buildings and improvements | 5,651,587 | 655,588 | — | 6,307,175 |
| Equipment | 10,395,044 | 1,224,774 | (925,284) | 10,694,534 |
| Vehicles | 2,593,337 | 261,832 | (2,265) | 2,852,904 |
| Total accumulated depreciation | 18,639,968 | 2,142,194 | (927,549) | 19,854,613 |
| Total capital assets being depreciated, net | 12,743,095 | (122,021) | (7,806) | 12,613,268 |
| Governmental activities capital assets, net | $ 12,912,589 | 1,723,796 | (37,251) | 14,599,134 |

At December 31, 2005, the Corporation had commitments outstanding on governmental activities of approximately $292,463. During 2005, the Corporation disposed of governmental activities capital assets, which had a net loss of $7,806, which is recorded in the administration and financial function on the statement of activities. Construction in progress primarily relates to the conversion of a closed nursing home into a Midtown Mental Health facility (see footnote 22).

The following is a summary of changes in capital assets – business-type activities for the year ended December 31, 2005:

| | | January 1, 2005 | Additions | Transfers/ disposals | December 31, 2005 |
|---|---|---|---|---|---|
| Business-type activities: | | | | | |
| *Capital assets not being depreciated:* | | | | | |
| Land | $ | 1,189,877 | — | — | 1,189,877 |
| Construction in progress | | 291,365 | 7,855,751 | (5,019,673) | 3,127,443 |
| Total capital assets not being depreciated | | 1,481,242 | 7,855,751 | (5,019,673) | 4,317,320 |
| *Capital assets being depreciated:* | | | | | |
| Land improvements | | 5,202,641 | 206,068 | — | 5,408,709 |
| Buildings and improvements | | 353,712,350 | 37,006,530 | 1,334,776 | 392,053,656 |
| Equipment | | 112,824,426 | 9,212,312 | 2,202,235 | 124,238,973 |
| Vehicles | | 4,661,609 | 539,340 | (20,345) | 5,180,604 |
| Total capital assets being depreciated | | 476,401,026 | 46,964,250 | 3,516,666 | 526,881,942 |
| *Less accumulated depreciation for:* | | | | | |
| Land improvements | | 3,409,839 | 223,282 | — | 3,633,121 |
| Buildings and improvements | | 120,692,982 | 18,439,701 | (518) | 139,132,165 |
| Equipment | | 74,427,306 | 12,780,376 | (1,482,144) | 85,725,538 |
| Vehicles | | 3,703,752 | 509,271 | (20,345) | 4,192,678 |
| Total accumulated depreciation | | 202,233,879 | 31,952,630 | (1,503,007) | 232,683,502 |
| Total capital assets being depreciated, net | | 274,167,147 | 15,011,620 | 5,019,673 | 294,198,440 |
| Business-type activities capital assets, net | $ | 275,648,389 | 22,867,371 | — | 298,515,760 |

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

The following is a summary of changes in capital assets – Wishard enterprise fund for the year ended December 31, 2005:

| | | January 1, 2005 | Additions | Transfers/ disposals | December 31, 2005 |
|---|---|---|---|---|---|
| Business-type activities: | | | | | |
| *Capital assets not being depreciated:* | | | | | |
| Land | $ | 1,189,877 | — | — | 1,189,877 |
| Construction in progress | | 254,465 | 7,855,751 | (4,982,773) | 3,127,443 |
| Total capital assets not being depreciated | | 1,444,342 | 7,855,751 | (4,982,773) | 4,317,320 |
| *Capital assets being depreciated:* | | | | | |
| Land improvements | | 5,165,902 | 10,704 | — | 5,176,606 |
| Buildings and improvements | | 226,257,717 | 341,620 | 1,297,876 | 227,897,213 |
| Equipment | | 104,591,461 | 6,902,279 | 2,202,235 | 113,695,975 |
| Vehicles | | 4,582,500 | 505,783 | (20,345) | 5,067,938 |
| Total capital assets being depreciated | | 340,597,580 | 7,760,386 | 3,479,766 | 351,837,732 |
| *Less accumulated depreciation for:* | | | | | |
| Land improvements | | 3,407,605 | 208,805 | — | 3,616,410 |
| Buildings and improvements | | 107,587,649 | 8,562,642 | (518) | 116,149,773 |
| Equipment | | 72,004,670 | 10,856,285 | (1,482,144) | 81,378,811 |
| Vehicles | | 3,674,379 | 491,900 | (20,345) | 4,145,934 |
| Total accumulated depreciation | | 186,674,303 | 20,119,632 | (1,503,007) | 205,290,928 |
| Total capital assets being depreciated, net | | 153,923,277 | (12,359,246) | 4,982,773 | 146,546,804 |
| Business-type activities capital assets, net | $ | 155,367,619 | (4,503,495) | — | 150,864,124 |

The following is a summary of changes in capital assets – LT Care enterprise fund for the year ended December 31, 2005:

| | January 1, 2005 | Additions | Transfers/ disposals | December 31, 2005 |
|---|---|---|---|---|
| **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 | 36,739 | 195,364 | — | 232,103 |
| Buildings and improvements | 127,454,633 | 36,664,910 | 36,900 | 164,156,443 |
| Equipment | 8,232,965 | 2,310,033 | — | 10,542,998 |
| Vehicles | 79,109 | 33,557 | — | 112,666 |
| Total capital assets being depreciated | 135,803,446 | 39,203,864 | 36,900 | 175,044,210 |
| *Less accumulated depreciation for:* | | | | |
| Land improvements | 2,234 | 14,477 | — | 16,711 |
| Buildings and improvements | 13,105,333 | 9,877,059 | — | 22,982,392 |
| Equipment | 2,422,636 | 1,924,091 | — | 4,346,727 |
| Vehicles | 29,373 | 17,371 | — | 46,744 |
| Total accumulated depreciation | 15,559,576 | 11,832,998 | — | 27,392,574 |
| Total capital assets being depreciated, net | 120,243,870 | 27,370,866 | 36,900 | 147,651,636 |
| Business-type activities capital assets, net | $ 120,280,770 | 27,370,866 | — | 147,651,636 |

During 2005, LT Care modified its capital leases and entered into one new capital lease which resulted in an increase in buildings and improvements of approximately $35,300,000.

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

| | | |
|---|---|---|
| **Governmental activities:** | | |
| Administration | $ | 1,164,961 |
| Health improvement | | 489,769 |
| Communicable disease prevention | | 136,086 |
| Water quality and hazardous materials management | | 41,640 |
| Vector disease control | | 253,599 |
| Housing and neighborhood health | | 47,965 |
| Consumer and employee risk reduction | | 8,174 |
| Total depreciation expense, governmental activities | $ | 2,142,194 |
| **Business-type activities:** | | |
| Wishard Health Services | $ | 20,119,632 |
| LT Care | | 11,832,998 |
| Total depreciation expense, business-type activities | $ | 31,952,630 |

In addition, the LT Care fund recognized $363,765 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, 2005, Wishard's Medicare and Medicaid cost reports have been audited by the fiscal intermediaries through December 31, 2003. In 2005, Wishard recognized approximately $2,400,000 of favorable settlements related to audits or finalization of audit appeals by the fiscal intermediaries of prior year cost reports. During 2005, Lockefield Village and LT Care netted approximately $2,100,000 and $8,900,000, respectively, for years prior to 2005 from a new program from the State of Indiana called Medicaid Quality Assessment Fee Program. This program collects a fee from all Indiana nursing homes based on the number of licensed beds. Enhanced Medicaid rates are then paid to nursing homes based on the number of Medicaid patient days.

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). During 2005, inpatient psychiatric services began a 3-year transition from cost reimbursement to a prospective payment system.

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

***(b) Medicaid***

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

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

***(c) Other Payors***

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

Following is a summary of total patient service revenue, contractual adjustments, and charity and indigent care for the year ended December 31, 2005:

| | Wishard Health Services | LT Care | Total | Percentage |
|---|---|---|---|---|
| Patient service revenue: | | | | |
| Inpatient | $ 249,576,587 | — | 249,576,587 | 34% |
| Outpatient | 286,290,096 | — | 286,290,096 | 40% |
| Long-term care | 19,846,749 | 168,345,760 | 188,192,509 | 26% |
| Gross patient service revenue less: | 555,713,432 | 168,345,760 | 724,059,192 | 100% |
| Contractual adjustments | 160,216,446 | 591,248 | 160,807,694 | 22% |
| Charity and indigent care | 107,420,044 | — | 107,420,044 | 15% |
| Provision for uncollectible accounts | 85,938,175 | 1,585,789 | 87,523,964 | 12% |
| Net patient service revenue | $ 202,138,767 | 166,168,723 | 368,307,490 | 51% |

Revenue from the Medicare and Medicaid programs accounted for approximately 25% and 29%, respectively, of net patient service revenue for the year ended 2005. 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 $142,926,951 in Medicaid special revenue and $14,955,000 in related deferred revenue in 2005 (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. During 2005, the Corporation recognized $14,700,065 in Medicaid special revenue that related to settlements of prior years. The deferred revenue at December 31, 2005 of $14,955,000 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 $12,071,245 for 2005.

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 (Advantage). 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 52,800 as of December 31, 2005.

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, 2005, 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, 2005:

| | January 1, 2005 | Additions | Reductions | December 31, 2005 | Due within one year |
|---|---|---|---|---|---|
| **Govermental activities:** | | | | | |
| Bonds payable: | | | | | |
| Renovation Bonds of 1988, ($28,000,000 original amount) 6.00 % to 7.40% due January 1, 2020 | $ 20,800,000 | — | (795,000) | 20,005,000 | 850,000 |
| General Obligation Bonds of 2000, ($30,000,000 original amount), 4.90% to 6.08%, due January 1, 2025 | 27,280,000 | — | (27,280,000) | — | — |
| General Obligation Bonds of 2005, ($28,960,000 original amount), 3.50% to 5.00%, due January 1, 2025 | — | 28,960,000 | (1,395,000) | 27,565,000 | 700,000 |
| Deferred Amounts: | | | | | |
| Less: Loss on refunding | — | (2,264,825) | 7,511 | (2,257,314) | (174,576) |
| Plus: Deferred Premiums | — | 1,013,992 | (6,628) | 1,007,364 | 53,019 |
| Total bonds payable | 48,080,000 | 27,709,167 | (29,469,117) | 46,320,050 | 1,428,443 |
| Notes payable: | | | | | |
| 1998 Promissory Notes ($1,800,000 original amount) 4.50%, due December 30, 2008 | 817,162 | — | (190,863) | 626,299 | 199,548 |
| Accrued compensated absences | 3,629,215 | 3,461,903 | (3,193,235) | 3,897,883 | 3,510,012 |
| Govermental activities long-term liabilities | $ 52,526,377 | 31,171,070 | (32,853,215) | 50,844,232 | 5,138,003 |
| **Business-type activities:** | | | | | |
| Wishard Funds: | | | | | |
| Asserted and unasserted self insurance claims | 10,491,581 | 1,305,920 | (1,147,670) | 10,649,831 | 1,160,832 |
| LT Care Fund: | | | | | |
| Capital leases | $ 117,886,520 | 35,591,262 | (2,224,496) | 151,253,286 | 2,186,963 |
| Business-type activities long-term liabilities | $ 128,378,101 | 36,897,182 | (3,372,166) | 161,903,117 | 3,347,795 |

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.

On November 15, 2005, the Corporation issued its General Obligation Refunding Bonds, Series 2005 in the amount of $28,960,000 to the Indianapolis Local Public Improvement Bond Bank which issued its related Refunding Bonds, Series 2005 D in the amount of $28,960,000. The Corporation used the proceeds from the bond issuance to fully refund the outstanding amounts of its General Obligation Bonds of 2000 in the amount of $27,280,000 and to pay issuance costs. The refunding resulted in a reduction of future debt service payments of $1,901,822 and an economic gain of $1,487,849. The funds were deposited into an escrow account and are thus considered to have been defeased and have been removed from the financial statements. At December 31, 2005, the outstanding principal balances of these defeased bonds is $27,280,000.

The business-type capital leases will be repaid through nursing home operating revenue.

The debt service requirements, including interest, on bonds and notes outstanding at December 31, 2005 is as follows:

| | | Principal | Interest |
|---|---|---|---|
| **Bonds:** | | | |
| 2006 | $ | 1,550,000 | 2,762,818 |
| 2007 | | 1,645,000 | 2,673,675 |
| 2008 | | 1,740,000 | 2,578,935 |
| 2009 | | 1,840,000 | 2,474,980 |
| 2010 | | 1,955,000 | 2,359,635 |
| 2011-2015 | | 13,865,000 | 9,559,830 |
| 2016-2020 | | 16,440,000 | 4,673,080 |
| 2021-2024 | | 8,535,000 | 935,938 |
| | $ | 47,570,000 | 28,018,891 |
| **Notes:** | | | |
| 2006 | | 199,548 | 26,318 |
| 2007 | | 208,629 | 17,111 |
| 2008 | | 218,122 | 7,512 |
| | $ | 626,299 | 50,941 |

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, 2005, is as follows:

| | | |
|---|---|---|
| Net assessed value – 2005 | $ | 39,630,633,000 |
| | | 0.67% |
| Debt limit | | 265,525,241 |
| Debt applicable to debt limit: | | |
| Bonded debt | | 47,570,000 |
| Notes payable from tax levy | | 626,299 |
| Legal debt margin | $ | 217,328,942 |

The Corporation is in compliance with all significant applicable covenants as of December 31, 2005.

## (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, 2005 for the governmental activities:

| | | |
|---|---|---|
| 2006 | $ | 409,261 |
| 2007 | | 335,038 |
| 2008 | | 321,913 |
| 2009 | | 324,600 |
| 2010 | | 327,289 |
| 2011-2012 | | 164,695 |
| Total future payments | $ | 1,882,796 |

Lease expenditures of $434,379 were reported in the governmental activities for the year ended December 31, 2005.

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, 2005 for the business-type activities:

| | | |
|---|---|---|
| 2006 | $ | 1,513,480 |
| 2007 | | 1,277,242 |
| 2008 | | 231,225 |
| 2009 | | 43,138 |
| Total future payments | $ | 3,065,085 |

Lease expenditures of $1,522,189 were reported in the business-type activities for the year ended December 31, 2005.

### *(b) Capital*

The governmental activities had no capital leases outstanding at December 31, 2005. For business-type activities including the LT Care Enterprise Fund, the Corporation is obligated under capital leases covering 18 nursing homes. At December 31, 2005, the gross amount of buildings and related accumulated amortization recorded under capital leases was as follows:

| | | |
|---|---|---|
| Buildings | $ | 158,395,161 |
| Less accumulated amortization | | (21,611,903) |
| | $ | 136,783,258 |

Amortization expense of assets held under capital leases of $9,249,317 is included with depreciation and amortization expense.

Future minimum capital lease payments as of December 31, 2005 are:

| | | |
|---|---|---|
| 2006 | $ | 18,828,153 |
| 2007 | | 19,283,570 |
| 2008 | | 19,747,230 |
| 2009 | | 20,219,318 |
| 2010 | | 22,610,703 |
| 2011-2015 | | 104,149,992 |
| 2016-2020 | | 105,722,730 |
| 2021-2025 | | 28,710,035 |
| Total minimum lease payments | | 339,271,731 |
| Less amount representing interest (at rates ranging from 5.56% to 11.74%) | | 188,018,445 |
| Present value of net minimum capital lease payments | | 151,253,286 |
| Less current installments of obligations under capital leases | | 2,186,963 |
| Obligations under capital leases, excluding current installments | $ | 149,066,323 |

## (11) Risk Management

### *(a) Insurance Coverage*

The Corporation is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and patients; and natural disasters. The Corporation is self-insured for workers' compensation, general liability, and medical malpractice claims to defined limits. With respect to general liability, the Corporation is protected by the Indiana tort claims act, under IC 34-13-3-4, which limits the tort liability of governmental entities to $300,000 ($500,000 for causes of action occurring after January 1, 2006).

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 occurrence based 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 $3,000,000 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, 2004 | $ | 11,979,134 |
| Change in incurred claims (including IBNRs), net | | (237,993) |
| Claims payments | | (1,249,560) |
| Balance at January 1, 2005 | | 10,491,581 |
| Change in incurred claims (including IBNRs), net | | 1,305,920 |
| Claims payments | | (1,147,670) |
| Balance at December 31, 2005 | $ | 10,649,831 |

### *(b) Medical Claims Incurred But Not Reported*

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

Medical claims incurred but not reported represents an estimate of the ultimate net cost to Wishard for amounts that are unpaid at December 31, 2005. 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, 2005, recorded within the business-type activities and proprietary fund financial statements is as follows:

| | | |
|---|---|---|
| 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 January 1, 2005 | | 2,970,248 |
| Change in incurred claims (including IBNRs), net | | 29,823,720 |
| Claims payments | | (30,093,968) |
| Balance at December 31, 2005 | $ | 2,700,000 |

### *(c) Health Insurance Coverage*

The Corporation began in 2001 to provide self insurance to its employees for healthcare and prescription usage and began covering the claims out of the General Fund. Asserted and unasserted self-insurance claims in the governmental activities of the government-wide statements represents an estimate of the ultimate net cost to the Corporation for amounts that are unpaid at December 31, 2005. The liability is based on claim factors determined by an actuary using projections and the historical loss experience of the Corporation and gives effect to estimates of trends in claim severity and frequency. Although the Corporation's management believes that the estimates of the liability for claims incurred but not reported is reasonable in the circumstances, it is possible that the actual incurred claims will not conform to the assumptions inherent in the estimation of future claims due to an absence of a significant amount of historical experience on which to base projections and the inherent variability with respect to the significant assumption utilized. Accordingly, the ultimate settlement of claims may vary significantly from the liability for asserted and unasserted self-insurance claims included in governmental activities.

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

| | | |
|---|---|---|
| Balance at January 1, 2004 | $ | 6,205,426 |
| Change in incurred claims (including IBNRs), net | | 13,924,654 |
| Claims payments | | (15,820,080) |
| Balance at January 1, 2005 | | 4,310,000 |
| Change in incurred claims (including IBNRs), net | | 11,481,132 |
| Claims payments | | (13,493,432) |
| Balance at December 31, 2005 | $ | 2,297,700 |

The amount recorded as a liability in the General Fund at December 31, 2005 is $993,508 and represents the claims which are matured and due as of year end. At December 31, 2005, $993,508 of General Fund fund balance is designated for payment of future health insurance and prescriptions claims in the fund statements.

## (12) Retirement Plan

### *(a) Plan Description*

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

The plan is a benefit plan with components of both a defined benefit and defined contribution plan, which covers substantially all Corporation employees. PERF retirement benefits vest after 10 years of service. Effective July 1, 1995, Senate Bill 74 enabled PERF members to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. An employee may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the employee's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions 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 4.50% of annual covered payroll. Therefore, the total employer contribution rate for 2005 was 7.50%. The contribution requirements of plan members are determined by PERF's Board of Directors as authorized by Indiana state statute. The Corporation-financed pension benefits are classified as defined benefits and the employee-financed pension benefits are classified as defined contributions.

### *(c) Annual Pension Cost*

The PERF funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the Corporation's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The required contributions were determined as part of the June 30, 2005 actuarial valuation using the entry age normal cost method. The asset valuation method is 75% of expected actuarial value plus 25% of market value. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 7.25% per year, compounded annually; (b) future salary increases based on experience from 1995 to 2000; (c) cost of living increase of 1.0% (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 an open 30-year period. The standardized measure of the net pension asset is as follows:

| | | |
|---|---|---|
| Annual required contribution (ARC) | $ | 7,488,016 |
| Interest on net pension asset | | (221,523) |
| Adjustment to ARC | | 252,443 |
| Annual pension cost | | 7,518,936 |
| Actual contribution made | | 6,982,058 |
| Decrease in net pension asset | | (536,878) |
| Net pension asset, beginning of year | | 3,055,491 |
| Net pension asset, end of year | $ | 2,518,613 |

The net pension asset of $2,518,613 as of December 31, 2005, is reflected in the government-wide financial statements. Wishard’s share of this asset is $2,027,690, and $490,923 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, 2005 | $ | 7,519 | 93 | % | $ | 2,519 |
| June 30, 2004 | | 6,347 | 96 | | | 3,055 |
| June 30, 2003 | | 7,135 | 69 | | | 3,330 |

***(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, 2005 | $ | 137,480 | 155,007 | (17,527) | 89 % | 148,356 | 12 % |
| 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 |

## (13) Interfund Transactions and Balances

Individual due to / from other funds as of December 31, 2005 are as follows:

| Due to Fund | Due from Fund | | Amount |
|---|---|---|---|
| Enterprise Fund – Wishard | General Fund | $ | 439,576 |

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, 2006.

## (14) Interfund Transfers

Interfund transfers for the year ended December 31, 2005, on the fund statements consisted of the following:

| Transfer to: | | Transfer (to) from General Fund | Total |
|---|---|---|---|
| Enterprise Fund – LT Care | $ | (7,318,681) | (7,318,681) |
| Enterprise Fund – Wishard | | 147,751,888 | 147,751,888 |
| Governmental Fund - Debt Service | | 8,294 | 8,294 |
| | $ | 140,441,501 | 140,441,501 |

Interfund transfers were used to 1) move revenues from the fund that ordinance or budget requires to collect them to the fund which will ultimately expend them, 2) use unrestricted revenues collected in the General Fund to cover other deficit budget amounts or 3) to transfer capital assets from the fund that paid for them to the fund that will ultimately use them. For the government-wide statements, capital contributions received by the Wishard Health Services fund from other funds are reported as transfers; however, for 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 had a cooperative agreement with the Trustees of Indiana University (University) to operate Wishard, as an agent for the Corporation, through its School of Medicine. The cooperative agreement expired on January 31, 2005 and was not renewed. A new agreement between the Corporation and the University was still being negotiated at the time this CAFR was published. During 2005, the Corporation paid for physician services at the same rate as paid under the expired agreement. The Corporation continued to rely on the University to supply several leadership positions for Wishard but the operations of Wishard became the direct responsibility of the Corporation in 2005. The Corporation incurred fees for professional, management and resident physician services of approximately $37,500,319 during the year (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 2005.

## (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, 2005, is as follows:

| | | |
|---|---|---|
| Commercial insurance | 13 | % |
| Medicare | 13 | |
| Medicaid | 33 | |
| Self pay | 38 | |
| Other | 3 | |
| | 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, 2005, the Corporation had received $98,446,946 in tax cash receipts from the County and at December 31, 2005, the Corporation had a tax receivable of $3,464,870, all of which was deferred.

Also, in 2005, the Corporation received $378,790 from the County for property taxes in error. The County has indicated that this amount should be retained by the Corporation as an advance against their 2006 property tax distribution. The Corporation has recorded this amount as deferred and unearned revenue in the fund and government-wide financial statements, respectively. The Corporation paid the County $34,810 in fees associated with certain information technology services provided by the County in 2005. Also, the Corporation paid the County $250,000 in 2005 in autopsy and death reports, and $64,896 in continuing education fees that the Corporation had collected on behalf of the County based on the issuance of death certificates. Wishard received $3,600,000 from the county to provide health care services to certain prisoners in the Marion County jail system during 2005. The corporation paid the City $1,183,000 for police and fire services. The City paid the Corporation $555,872 for unsafe building enforcement in 2005. 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 2005.

## (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 $22,691,213 and $19,025,473, respectively, at December 31, 2005. 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, 2005.

## (21) LT Care Management Agreement

The Corporation has entered into a management agreement with American Senior Communities, LLC (ASC) to operate the 18 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 2005, 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 14 of the nursing homes from EagleCare. During 2005, the Corporation paid approximately $15,611,000 to EagleCare in associated lease costs from LT Care operating revenue (see note 22).

At December 31, 2005, the LT Care fund had a payable to EagleCare of approximately $3,300,000 and a payable to ASC of approximately $2,400,000 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. In 2005, the Corporation and EagleCare amended the lease terms so that annually, the lease payments will increase by the greater of the Consumer Price Index or 2.25%. The Corporation is required to make capital improvements of at least $1,725,000 annually to these 12 nursing homes, with the amount of the commitment increasing annually by the percentage as the annual rent increase. If the Corporation would not make the minimum capital improvements, the shortfall would accumulate. The Corporation expects to fund the capital improvements through cash flow generated from the operations of these nursing homes. The Corporation has a put option on these nursing homes by which the Corporation would pay EagleCare $4,000,000 if the put option is exercised by December 31, 2012 and $7,000,000 if exercised after this date.

In October 2003, the Corporation entered into another transaction with EagleCare, which involved the purchase of assets of one nursing home for $2,000,000. In addition, the Corporation entered into a lease for the real estate of the nursing home. The lease ends in 2022 and requires minimum annual lease payment of $1,620,000, paid in equal monthly installments. In 2005, the Corporation and EagleCare amended the lease terms so that annually, the lease payment will increase by the greater of the Consumer Price Index or 2.25%. Additional rent not to exceed $25,000 per month is payable by the Corporation if certain cash flow targets are met. If the targets are met for six consecutive months, the monthly rate moves from $135,000 to $150,000. In June 2005, cash flow targets were achieved and the monthly rent was increased from $135,000 to $150,000. The Corporation is required to make capital improvements of at least $222,650 annually to this nursing home. This commitment would increase in the same percentage as the annual rent increase. If the Corporation would not make the minimum capital improvements, the shortfall would accumulate. The Corporation expects to fund the capital improvements through cash flow generated from the operation of this nursing home. The Corporation has a put option on this nursing home by which the Corporation would pay EagleCare $500,000 if the put option is exercised by December 31, 2012 and $750,000 if exercised after this date.

In December 2003, the Corporation entered into capital lease agreements for five additional nursing homes with an unrelated third-party. The lease agreements terminate in 2013. The Corporation was required to make a $2,400,000 deposit, which is refundable at the end of the leases, contingent upon the acceptable condition of the facilities at lease end. The Corporation was required to make one-time capital improvements of $2,000,000. Rent payments are based on the number of beds in service in the five nursing homes. Rent payments made in 2005 were approximately $2,500,000.

The Corporation closed the Mid-Town Nursing and Rehabilitation facility (Mid-Town) located in Indianapolis in May 2004. The operations of the home were purchased on December 1, 2003. The home was in disrepair and was typically less than 50% occupied. The Corporation owns the operations of another home located on North Capitol Street less than one mile from the Mid-Town facility. The North Capitol facility was also in disrepair when the operations were purchased on December 1, 2003, and was also approximately 50% occupied. LT Care invested $1,800,000 of working capital to improve the North Capitol facility. After the improvements were completed, the patients of Mid-Town were transferred to North Capitol and the process of closing the Mid-Town facility commenced and were completed in 2004. The employees of the Mid-Town facility were offered other positions in LT Care operations. During 2005 Mid-Town was converted into a Midtown Mental Health facility which became operational in 2006.

In April 2005, the Corporation entered into a transaction with an independent third-party, which involved the purchase of assets of one nursing home for $2,593,750. In addition, the Corporation entered into a lease for the real estate of the nursing home. The lease ends in March 2022 and requires minimum annual lease payment of $1,356,000, paid in equal monthly installments. Annually, the lease payments will increase by the greater of the Consumer Price Index or 2.25%. The Corporation is required to make capital improvements of at least $230,000 annually to this nursing home, with the amount of the commitment increasing annually by the same percentage as the annual rent increase. If the Corporation would not make the minimum capital improvements, the shortfall would accumulate. The Corporation expects to fund the capital improvements through cash flow generated from the operation of the nursing home. The Corporation has a put option on this nursing home by which the Corporation would pay EagleCare 55% of the average monthly revenue as defined in the asset purchase agreement, if the put option is exercised by March 2022.

## (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. 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 2005, the Corporation guaranteed a bond issuance ($4,000,000 Indiana Development Finance Authority Educational Facilities Revenue Bonds Series 2005) 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 beginning December 2006 through December 2018. At December 31, 2005, the outstanding amount on the bond issuance was $3,831,438 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 2006, the Corporation formed Lions Insurance Company, a captive insurance company, to provide medical malpractice coverage for all nursing facilities operated by the Corporation. Effective January 1, 2006, the Corporation was self-insured for this coverage.

# 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, 2005

| | | Budgeted amounts | | Actual | Variance with final budget– positive |
|---|---|---|---|---|---|
| | | Original | Final | amounts | (negative) |
| **Revenues** | | | | | |
| Taxes | $ | 95,074,877 | 95,074,877 | 92,443,730 | (2,631,147) |
| Licenses and permits | | 3,600,000 | 3,600,000 | 3,662,722 | 62,722 |
| Intergovernmental | | 1,200,000 | 1,200,000 | 1,203,111 | 3,111 |
| Charges for services | | 800,000 | 800,000 | 1,162,710 | 362,710 |
| Medicaid special revenue | | 94,000,000 | 128,294,700 | 118,556,273 | (9,738,427) |
| Interest | | 500,000 | 2,000,000 | 2,126,971 | 126,971 |
| Grants | | 16,288,000 | 16,288,000 | 16,234,885 | (53,115) |
| Miscellaneous | | 681,900 | 681,900 | 13,449,938 | 12,768,038 |
| Total revenues | | 212,144,777 | 247,939,477 | 248,840,340 | 900,863 |
| **Expenditures** | | | | | |
| Personal services | | 40,036,800 | 39,036,800 | 38,273,066 | 763,734 |
| Supplies | | 3,723,400 | 4,323,400 | 3,628,327 | 695,073 |
| Other charges and services | | 23,818,600 | 25,518,600 | 19,228,190 | 6,290,410 |
| Capital outlays | | 4,347,000 | 2,947,000 | 1,170,330 | 1,776,670 |
| Total expenditures | | 71,925,800 | 71,825,800 | 62,299,913 | 9,525,887 |
| **Other Financing Uses** | | | | | |
| Transfers out | | (147,000,000) | (149,800,000) | (142,580,487) | 7,219,513 |
| Total other financing uses | | (147,000,000) | (149,800,000) | (142,580,487) | 7,219,513 |
| Net change in fund balances | | (6,781,023) | 26,313,677 | 43,959,940 | 17,646,263 |
| Fund balances – beginning of year | | 30,009,034 | 30,009,034 | 30,009,034 | — |
| Fund balances – end of year | $ | 23,228,011 | 56,322,711 | 73,968,974 | 17,646,263 |

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 (DLGF). Any additional appropriations that increase the total expenditures require approval by the Corporation's Board of Trustees and the DLGF. Any decreases to total appropriated expenditures require the approval by the Corporation's Board of Trustees but not the DLGF. Budgetary control is exercised at the object of expenditure. Management may amend department and cost center budgets without seeking Board approval, as long as the total appropriation by Division, by object of expenditure, remains unchanged.

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

## (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 | $ | 72,976,727 |
| Add (deduct): | | |
| Change in encumbrances | | (759,825) |
| Change in prepaid expenditures | | (275,729) |
| Change in accounts payable | | (142,316) |
| Change in accounts payable grants | | 211,588 |
| Change in self-insurance claims | | (3,583,227) |
| Wishard operating transfer | | (96,600) |
| Medicaid special revenue partial payment | | (24,370,678) |
| Excess (deficiency) of revenues over expenditures – Budgetary basis | $ | 43,959,940 |

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, 2005

| | | Budgeted amounts | | | Variance with final budget– positive |
|---|---|---|---|---|---|
| | | Original | Final | Actual amounts | (negative) |
| **Revenues** | | | | | |
| Taxes | $ | 4,630,449 | 4,630,449 | 4,498,468 | (131,981) |
| Interest | | 500 | 500 | 7,249 | 6,749 |
| Total revenues | | 4,630,949 | 4,630,949 | 4,505,717 | (125,232) |
| **Expenditures** | | | | | |
| Principal retirement | | 1,565,000 | 1,565,000 | 2,190,000 | (625,000) |
| Interest and fiscal charges | | 3,166,057 | 3,166,057 | 2,539,761 | 626,296 |
| Total expenditures | | 4,731,057 | 4,731,057 | 4,729,761 | 1,296 |
| Excess of revenues over expenditures | | (100,108) | (100,108) | (224,044) | (126,528) |
| **Other Financing Sources** | | | | | |
| Transfers in | | — | — | 8,294 | 8,294 |
| Total other financing sources | | — | — | 8,294 | 8,294 |
| Net change in fund balances | | (100,108) | (100,108) | (215,750) | (115,642) |
| Fund balances – beginning of year | | 198,382 | 198,382 | 198,382 | — |
| Fund balances – end of year | $ | 98,274 | 98,274 | (17,368) | (115,642) |

**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, 2005

| | Budgeted amounts | | Actual | Variance with final budget– positive |
|---|---|---|---|---|
| | **Original** | **Final** | **amounts** | **(negative)** |
| **Revenues** | | | | |
| Taxes | $ 261,583 | 261,583 | 254,630 | (6,953) |
| Interest | 240,000 | 240,000 | 984,372 | 744,372 |
| Miscellaneous | 20,000,000 | 20,000,000 | — | (20,000,000) |
| Total revenues | 20,501,583 | 20,501,583 | 1,239,002 | (19,262,581) |
| **Expenditures** | | | | |
| Capital outlays | — | — | — | — |
| Total expenditures | — | — | — | — |
| Excess of revenues over expenditures | 20,501,583 | 20,501,583 | 1,239,002 | (19,262,581) |
| Net change in fund balances | 20,501,583 | 20,501,583 | 1,239,002 | (19,262,581) |
| Fund balances – beginning of year | 34,546,770 | 34,546,770 | 34,546,770 | — |
| Fund balances – end of year | $ 55,048,353 | 55,048,353 | 35,785,772 | (19,262,581) |

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

**STATISTICAL SECTION**

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 |
|---|---|---|---|---|---|---|
| 2005 | $ 384,487,424 | 157,656,712 | 46,322,155 | 13,001,490 | 5,158,926 | 606,626,707 |
| 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 |

(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 |
|---|---|---|---|---|
| 2005 | $ 96,942,198 | 512,397,151 | 70,713,847 | 680,053,196 |
| 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 |

(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, medicaid special 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) |
|---|---|---|---|---|
| 2005 | $ 97,196,828 | 86,484,708 | 1,268,992 | 9,443,128 |
| 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 |

(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)(3) | General Fund Levy (2) | Debt Service Levy (2) | Cumulative Building Fund Levy | Combined Funds Levy (2) | Total Taxes Collected (2) | Percent of Levy Collected |
|---|---|---|---|---|---|---|---|
| 2005 | $ 13,197,000,789 | 84,408,221 | 4,186,837 | 236,991 | 88,832,049 | 86,484,708 | 97.36 % |
| 2004 | 13,296,733,290 | 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 |

(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.

**THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA** **Table V**
(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 |
| 2005 | $ 32,400,972,000 | 32,400,972,000 | 7,229,661,000 | 7,229,661,000 | 39,630,633,000 | 39,630,633,000 |
| 2004 | 34,606,376,000 | 34,606,376,000 | 5,323,754,000 | 5,323,754,000 | 39,930,130,000 | 39,930,130,000 |
| 2003 | 32,982,779,000 | 32,982,779,000 | 8,845,067,000 | 8,845,067,000 | 41,827,846,000 | 41,827,846,000 |
| 2002 | 20,820,046,000 | 20,820,046,000 | 8,162,071,000 | 8,162,071,000 | 28,982,117,000 | 28,982,117,000 |
| 2001 | 6,839,830,510 | 20,519,488,530 | 2,653,315,080 | 7,959,945,240 | 9,493,145,590 | 28,479,433,770 |
| 2000 | 6,636,935,980 | 19,910,807,940 | 2,574,548,390 | 7,723,645,170 | 9,211,484,370 | 27,634,453,110 |
| 1999 | 6,553,357,000 | 19,660,071,001 | 2,550,800,310 | 7,652,400,930 | 9,104,157,310 | 27,312,471,931 |
| 1998 | 6,362,743,493 | 19,088,230,479 | 2,368,836,585 | 7,106,509,755 | 8,731,580,078 | 26,194,740,234 |
| 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 |

(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.

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) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | 0.2137 | 0.0106 | 0.0006 | 0.2249 | 0.9532 | 0.4163 | 0.1401 | 1.6744 | 0.0024 | 0.0637 | 3.4750 |
| 2004 | 0.2139 | 0.0108 | 0.0006 | 0.2253 | 0.9485 | 0.4129 | 0.1284 | 1.5633 | 0.0024 | 0.0607 | 3.3415 |
| 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 |

(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

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 |
|---|---|---|---|---|---|---|---|
| 2005 | $ 39,630,633,000 | 47,570,000 | – | 47,570,000 | 0.12 % | 6.00 % | 55.28 |
| 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 |

(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 |
|---|---|---|---|---|---|
| 2005 | $ 2,190,000 | 2,497,760 | 4,687,760 | 606,626,707 | 0.77 % |
| 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 |

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

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

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

Schedule of Direct and Overlapping Bonded Debt and Bonding Limit

December 31, 2005 (A)

| | Assessed Value (G) | Bonding limit Percent | Bonding limit Dollar Amount | Bonds Outstanding |
|---|---|---|---|---|
| Direct: | | | | |
| Health and Hospital Corporation of Marion County | $ 39,630,633,000 | 0.67% | $ 265,525,241 | $ 47,570,000 |
| Overlapping: | | | | |
| Marion County | $ 39,630,633,000 | 0.67% | $ 265,525,241 | $ 23,050,000 |
| City of Indianapolis: | | | | |
| Civil City | $ 36,913,244,000 | 0.67% | $ 247,318,735 | $ 101,111,000 |
| Consolidated County | 39,630,633,000 | (C) | – | – |
| Park District | 39,630,633,000 | (H) | – | 28,334,000 |
| Redevelopment District | 36,913,244,000 | (H) | – | 34,389,000 |
| Flood Control District | 39,630,633,000 | 0.67% | 265,525,241 | 22,979,000 |
| Metropolitan Thoroughfare District | 39,630,633,000 | 1.33% | 527,087,419 | 65,867,000 |
| Sanitary District | 36,244,321,000 | 4.00% | 1,449,772,840 | 75,947,000 |
| Police Special Service District | 11,900,826,000 | (B) | – | – |
| Fire Special Service District | 10,972,757,000 | (B) | – | – |
| Solid Waste Collection Special Service District | 36,970,505,000 | (B) | – | – |
| Solid Waste Disposal District | 36,970,505,000 | 2.00% | 739,410,100 | – |
| Public Safety Communications and Computer Facilities District | 39,630,633,000 | 0.67% | 265,525,241 | 10,015,000 |
| Total City of Indianapolis | | (D) | 3,494,639,576 | 338,642,000 |
| Other municipal corporations: | | | | |
| Airport Authority | $ 39,630,633,000 | 0.67% | $ 265,525,241 | $ – |
| Capital Improvement Board of Managers | 39,630,633,000 | 0.67% | 265,525,241 | – |
| Indianapolis—Marion County Building Authority | 39,630,633,000 | (E) | – | 38,305,000 |
| Indianapolis—Marion County Library | 38,444,859,000 | 0.67% | 257,580,555 | 90,217,000 |
| Indianapolis Public Transportation Corporation | 37,421,366,000 | 0.67% | 250,723,152 | 15,085,000 |
| Total other municipal corporations | | | 1,039,354,189 | 143,607,000 |
| School districts: | | | | |
| Beech Grove | $ 474,892,000 | (I) | $ 41,898,000 | $ 39,494,000 |
| Decatur | 1,029,914,000 | (I) | 156,244,000 | 141,942,000 |
| Franklin | 1,798,203,000 | (I) | 198,054,000 | 171,485,000 |
| Indianapolis Public Schools | 10,515,867,000 | (I) | 479,897,000 | 311,627,000 |
| Lawrence | 4,937,398,000 | (I) | 221,839,000 | 142,673,000 |
| Perry | 3,501,833,000 | (I) | 203,426,000 | 157,764,000 |
| Pike | 5,015,524,000 | (I) | 180,460,000 | 80,150,000 |
| Speedway | 710,882,000 | (I) | 14,218,000 | – |
| Warren | 3,056,383,000 | (I) | 207,503,000 | 146,375,000 |
| Washington | 5,332,302,000 | (I) | 114,377,000 | 22,366,000 |
| Wayne | 3,257,435,000 | (I) | 314,510,000 | 280,599,000 |
| Total school districts | 39,630,633,000 | | 2,132,426,000 | 1,494,475,000 |

(Continued)

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

December 31, 2005 (A)

| | Assessed Value (G) | Bonding limit Percent | Bonding limit Dollar Amount | Bonds Outstanding |
|---|---|---|---|---|
| Other cities and towns: | | | | |
| Beech Grove | $ 508,122,000 | 0.67% | $ 3,404,417 | $ 936,000 |
| Lawrence | 1,441,124,000 | 0.67% | 9,655,531 | 4,880,000 |
| Southport | 57,262,000 | 0.67% | 383,655 | – |
| Speedway | 710,882,000 | 0.67% | 4,762,909 | 3,675,000 |
| Total other cities and towns | 2,717,390,000 | | 18,206,513 | 9,491,000 |
| Townships: | | | | |
| Center | $ 5,547,959,000 | 0.67% | $ 37,171,325 | $ – |
| Decatur | 1,034,145,000 | 0.67% | 6,928,772 | 2,850,000 |
| Franklin | 1,957,513,000 | 0.67% | 13,115,337 | 2,963,000 |
| Lawrence | 5,381,292,000 | 0.67% | 36,054,656 | – |
| Perry | 3,853,447,000 | 0.67% | 25,818,095 | 1,507,000 |
| Pike | 5,109,143,000 | 0.67% | 34,231,258 | 1,649,000 |
| Warren | 4,158,056,000 | 0.67% | 27,858,975 | 3,110,000 |
| Washington | 7,428,477,000 | 0.67% | 49,770,796 | – |
| Wayne | 5,160,601,000 | 0.67% | 34,576,027 | – |
| Total townships | 39,630,633,000 | | 265,525,242 | 12,079,000 |
| Excluded cities' library districts: | | | | |
| Beech Grove | $ 474,892,000 | 0.67% | $ 3,181,776 | $ 3,848,000 |
| Speedway | 710,882,000 | 0.67% | 4,762,909 | – |
| Total excluded cities' library districts | 1,185,774,000 | | 7,944,686 | 3,848,000 |
| Ben Davis Conservancy District | $ 370,505,000 | (F) | – | – |
| Total overlapping debt | | | | $ 2,025,192,000 |
| Total direct and overlapping debt | | | | $ 2,072,762,000 |

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

(B) No bonding authority.

(C) No bonding authority from ad valorem taxes.

(D) Includes $280,000 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, 2004 (Marion County Auditor's "certified abstract") assessment for taxes due and payable in 2005.

(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 (H) (I)**

| Income levels | 2004 Percent | 2004 Households | 2003 Percent | 2003 Households |
|---|---|---|---|---|
| Under $15,000 | 14.0 | 50,000 | 15.0 | 53,000 |
| $15,000–$24,999 | 14.8 | 53,000 | 15.0 | 53,000 |
| $25,000–$49,000 | 37.0 | 132,000 | 37.8 | 134,000 |
| Over $50,000 | 34.2 | 122,000 | 32.2 | 114,000 |
| Total households | 100.0 | 357,000 | 100.0 | 354,000 |

| Income levels | 2002 Percent | 2002 Households | 2001 Percent | 2001 Households | 2000 Percent | 2000 Households | 1999 Percent | 1999 Households | 1998 Percent | 1998 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 | 100.0 | 325,000 | 100.0 | 355,000 | 100.0 | 357,100 | 100.0 | 334,599 | 100.0 | 334,000 |

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

**Comparison of Households by Percent Groupings (A)**

| | MSA (C) | Marion County | Indiana |
|---|---|---|---|
| Under $15,000 | 11.5 | 14.0 | 13.5 |
| $15,000 to $24,999 | 13.0 | 14.8 | 14.5 |
| $25,000 to $49,999 | 35.0 | 37.0 | 37.2 |
| Over $50,000 | 40.5 | 34.2 | 34.7 |



(Continued)

Demographic Statistics (Continued)
City of Indianapolis/Marion County

**Population Trend (A), (G)**

| | 2004 | 2003 | 2002 | 2001 | 2000 | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|---|---|---|---|---|
| Marion County | 864,000 | 864,000 | 863,000 | 863,787 | 860,454 | 810,946 | 812,662 | 814,288 | 818,014 | 825,300 |
| Consolidated City (B) | 794,000 | 794,000 | 794,000 | 795,259 | 791,926 | 748,918 | 750,814 | 753,242 | 757,600 | 759,200 |
| MSA (C) | 1,700,000 | 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 |

**Population by Age (D)**

| | 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 1995-2004 Population Estimates - htpp://www.census.gov/population/estimates
(B) Marion County less Beech Grove, Lawerence, Southport and Speedway. http://quickfacts.census.gov/qfd/states/18000lk.htm
(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
(G) 2005 data not yet available by Census Bureau
(H) Source: Demographics USA for 2004. Survey of Buying Power, Sales, and Marketing magazines for years 1995-2003
(I) Source: www.iedc.com/demograp.htm. For 1995

Source: City of Indianapolis, Office of Finance and Management

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) |
|---|---|---|---|---|---|
| 2005 | $ 39,630,633,000 | 30,000 | 2,190,514,000 | 14,726,000,000 | 2,491,000,000 |
| 2004 | 39,930,130,000 | 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 |

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

(B) Source: Sheshunoff Information Services for 1996; FDIC Homepage for 1997 through 2005. Numbers taken from FDIC are as of June 30.

(C) Source: Sheshunoff Information Services for 1996; FDIC Homepage for 1997 through 2005.

(D) Source: Marion County Auditor’s Office

Marion County Principal Taxpayers (D)

| Principal taxpayers—name | Type of business | 2004 Net assessed valuation (A) | |
|---|---|---|---|
| Eli Lilly and Company | Manufacturing - Pharmaceuticals | $ 962,470 | (B) |
| South Western Bell | Utility | 395,354 | (B) |
| General Motors Corporation | Manufacturing - Automotive | 383,445 | (B) |
| Indianapolis Power and Light | Utility | 355,511 | |
| Simon Property Group, Inc. | Real Estate | 244,214 | |
| Citizens Gas & Coke Utility | Utility | 183,662 | |
| International Truck and Engine Corporation | Manufacturing - Automotive | 185,425 | (B) |
| Federal Express Corporation | Shipping | 153,801 | (B) |
| Visteon Corporation (formerly Ford Motor Co.) | Manufacturing - Automotive | 141,448 | |
| American United Life Insurance Co. | Insurance | 120,204 | |
| Dugan Realty, LLC | Real Estate | 112,277 | (B) |
| Kroger | Retail - Grocery | 105,218 | |
| Rolls-Royce | Manufacturing - Automotive | 101,861 | (B) |
| Roche Diagnostics Corporation | Manufacturing - Pharmaceuticals | 93,107 | |
| Marsh Supermarkets, Inc. | Retail - Grocery | 91,517 | |
| Total | | $ 2,667,044 | |

| Other principal employers | | | |
|---|---|---|---|
| United States Government | | N/A | (C) |
| Indiana State Government | | N/A | (C) |
| Indianapolis/Marion County Government | | N/A | (C) |
| IUPUI | University | N/A | (C) |
| Community Hospitals of Indianapolis, Inc. | Hospital / Healthcare | N/A | (C) |

(A) Represents the March 1, 2004 valuations for taxes due and payable in 2005 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) Net assessed valuation was determined using public records from the Marion County Treasurer's Office.

(C) Not-for-profit entity.

(D) As of December 31, 2005

Source: City of Indianapolis, Office of Finance and Management

**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, 2005

| | (A) Name of Company<br>(B) Type of Coverage | Policy Number | Policy Period<br>From | <br>To | Details of Coverage | Liabilitiy<br>Limits | | Annual<br>Premium |
|---|---|---|---|---|---|---|---|---|
| 1. | (A) Federal Insurance Co. (Chubb)-Commercial/Prop.<br>(B) Special Causes of Loss | 35761284 | 4/1/2005 | 4/1/2006 | Property at locations, property in transit, EO, Flood, Terrorism, BOLaw, Loss of Utilities, Debris Removal, Valuable Paper, Equipment Floater, Boiler & Machinery | Various<br>See Insurance<br>Summary | | 238,895 |
| 2 | (A) Midwest Employer's Casualty Co.<br>(B) Excess Workers' Compensation | EWC006822 | 8/1/2005 | 8/1/2006 | Worker's Compensation | 1,000,000 | | 92,703 |
| 3 | (A) Travelers<br>(B) Crime Liability Insurance | 103980658 | 1/1/2005 | 1/1/2006 | Crime Coverage<br>-EE Dishonesty, Forgery, Theft, Destruction<br>-Computer Fraud, Destruction, Alteration | 1,000,000 | | 7,150 |
| 4 | (A) Executive Risk Management (Chubb)<br>(B) Liability Insurance | 81648951 | 2/1/2005 | 2/1/2006 | Director's & Officers<br>(including employment practices) | 5,000,000 | | 70,947 |
| 5 | (A) Federal Insurance Co.<br>(B) Travel/Accident | 64776215 | 1/20/2005 | 1/20/2006 | Travel and Accident | 250,000 | / per accident | 850 |
| 6 | Health and Hospital Self Insurance | | | | | | | |
| | (A) Special Risk Accident Policy | Self | | | Volunteer/Students Accident Blanket Policy | 50,000 | / occurrence | |
| | (B) Institutional Professional Liability | Self | | | Professional Employees all Divisions/students and volunteers | 1,000,000 | | |

**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