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, 2006

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, 2006

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Chief Executive Officer	**Chief Financial Officer**

Prepared by: The Treasurer's Office

Comprehensive Annual Financial Report
of The Health and Hospital Corporation
of Marion County, Indiana
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City of Indianapolis - Marion County)
for the Year Ended December 31, 2006

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INTRODUCTORY SECTION

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

HEALTH AND HOSPITAL CORPORATION
OF MARION COUNTY

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

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July 31, 2007

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, 2006, is submitted herewith. This report is presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and is audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. The Corporation has a responsibility to inform both the taxpayers of Marion County and its investors of its financial condition. We believe that this report fulfills that responsibility.

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

The Corporation's financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Corporation for the fiscal year ended December 31, 2006, 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, 2006, 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 2005 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 314-staffed beds, excluding newborn nursery; 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. MCHD 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, at the time of this issuance, operates 24 nursing homes throughout Indiana. The LT Care unit was expanded in 2006 with the purchase of four additional nursing home operations and two more operations in January 2007. 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, and the City-County Council two, to serve staggered terms of four years each. The Board is bipartisan by statute. The Board levies its own taxes, adopts its own ordinances having the effect of local law governing health matters, and issues its own general obligation bonds subject to approval of the State of Indiana Department of Local Government Finance (DLGF). The DLGF is also the final authority over the Corporation's budget. Since the governing body is appointed and not elected, under Governmental Accounting Standards Board (GASB) Statement No. 14 the Corporation is considered a component unit of the Consolidated City of Indianapolis - Marion County (Uni-Gov), and the financial statements of the Corporation are included in the comprehensive annual financial report of Uni-Gov. Management also considers all other units of government within Marion County to be separate from this Corporation, and they are not considered as component units within this report.

<u>ECONOMIC CONDITION AND OUTLOOK</u>

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 remained strong over the past several 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, 2006, 54,300 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's mandate is to provide health services to all persons within Marion County, regardless of their ability to pay for those services. The growing number of uninsured combined with declining property tax revenues in the past make it difficult for the Corporation to fund its mission. The Corporation continues to pursue all available sources of revenue including Medicare, Medicaid and supplemental Medicaid funds (disproportionate share and upper payment funds) to offset and reduce its reliance on property taxes. HHC protects its assets by partnering in membership of a primary care physician practice group (IUMG PC) and a managed care organization (MDwise) which manages some of the Medicare and Medicaid programs used by Wishard.

MAJOR INITIATIVES FOR THE YEAR

Marion County Health Department

During 2006, 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

Wishard continued to experience increased demand for clinical services. Physical capacity continues to be a significant challenge, especially in the critical care areas where telemetry monitoring is provided. In order to address this issue, Wishard opened a 20-bed unit, which provides additional telemetry capabilities. Several infrastructure projects were completed during 2006. Among them was an operating facility renovation, which improved efficiency and HVAC performance, with a total cost of approximately $4.1 million. The volume of operations in 2006 exceeded 2005 by 6%, even though operating room capacity was limited by 25% during most of 2006 for construction.

Revenue cycle initiatives continued to produce favorable results. Net patient revenue per adjusted admission improved over target by approximately 10%. With respect to cost efficiency and effectiveness, Wishard continues to operate in the top quartile according to the University Health System Consortium.

An affiliation agreement between the Health and Hospital Corporation, Indiana University School of Medicine, and Indiana University Medical Group, Specialty Care was completed during 2006. This agreement provides assurance that specialty care will continue to be provided by Indiana University faculty at the highest level of quality.

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.

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 productivity into the 85^{th} percentile of all hospitals nation-wide according to the University Healthcare Consortium. Senior leadership is working with federal and state officials to identify revenues for the Corporation.

The challenges to Health and Hospital are great in 2007 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. Certificates of deposit (CDs) with maturity of three months or less from date of purchase are treated as cash equivalents on the balance sheet. Interest rates on CDs purchased during 2006 ranged from 5.43% to 5.48%. Cash and cash equivalent interest income from all funds except capital projects totaled over $4,600,000 in 2006. Capital Projects Fund investments have been invested in U.S. Government obligations, certificates of deposit, and tax-exempt money market funds at yields not to exceed the related bond issue.

Total interest income produced for the Capital Projects Fund was over $1,900,000. Interest income of over $10,500,000 was earned from investments of all fund types during 2006. 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 nineteen years, the Corporation has utilized an incident reporting system to report accidents and incidents that might have resulted in legal matters. Management reviews the reports to identify and correct potential problems. In addition, the Corporation conducts various safety awareness and accident prevention programs for employees. Further, the Corporation is self insured for both health and vehicle insurance. Resources are being accumulated in the general fund to meet potential losses.

During 2006, the Corporation maintained a number of commercial insurance policies to cover potential losses.

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, 2005. Health and Hospital Corporation of Marion County, Indiana has received a Certificate of Achievement for the last twenty-two consecutive years (fiscal years ended 1984-2005). 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	Daniel E. Sellers
President and	Treasurer and
Chief Executive Officer	Chief Financial Officer

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

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, 2005

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

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

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

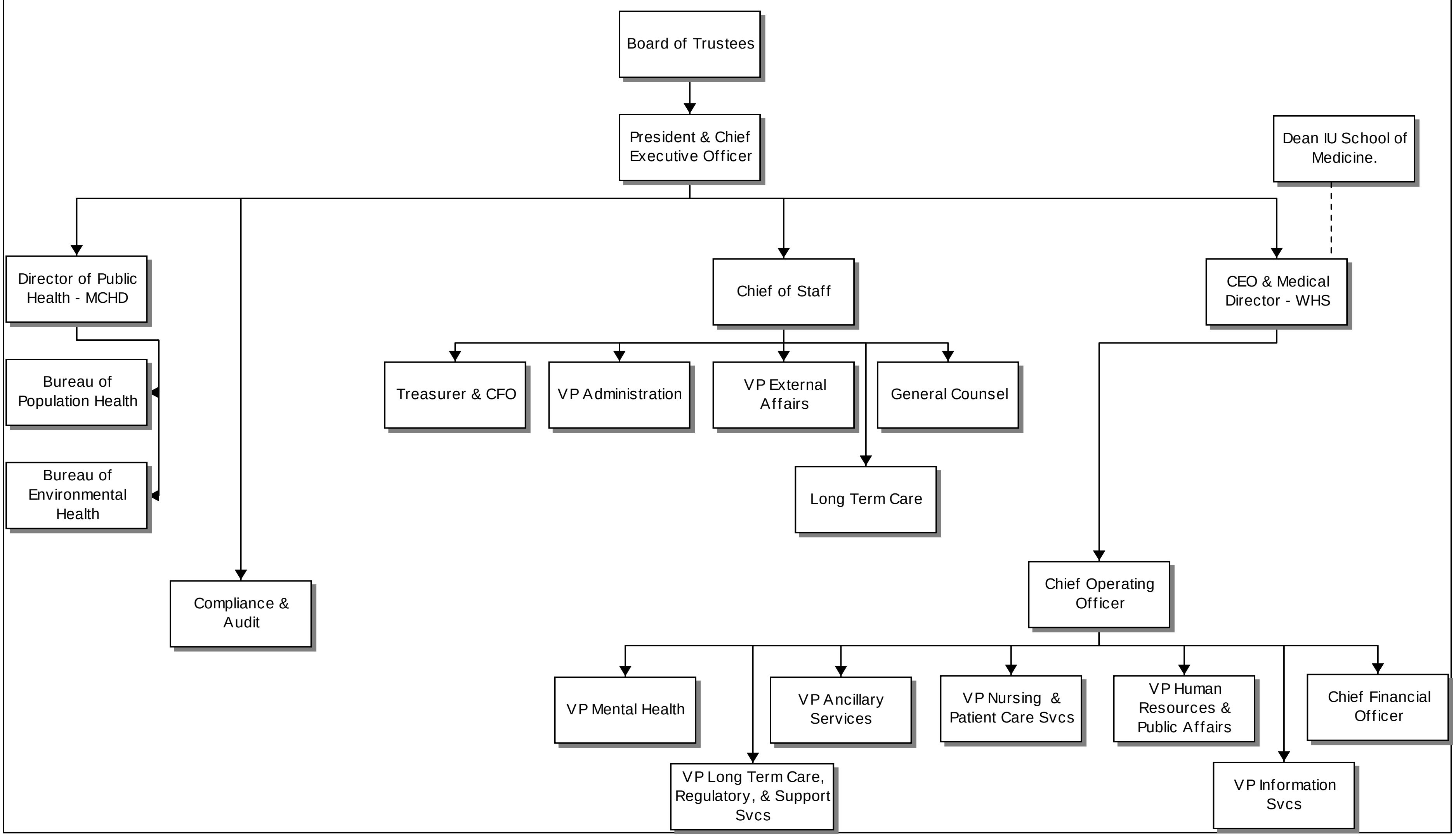
Name	Title
Matthew R. Gutwein	President and Chief Executive Officer
Daniel E. Sellers	Treasurer and Chief Financial Officer
Lisa E. Harris, M.D.	Director, Wishard Health Services
Virginia A. Caine, M.D.	Director, Marion County Health Department

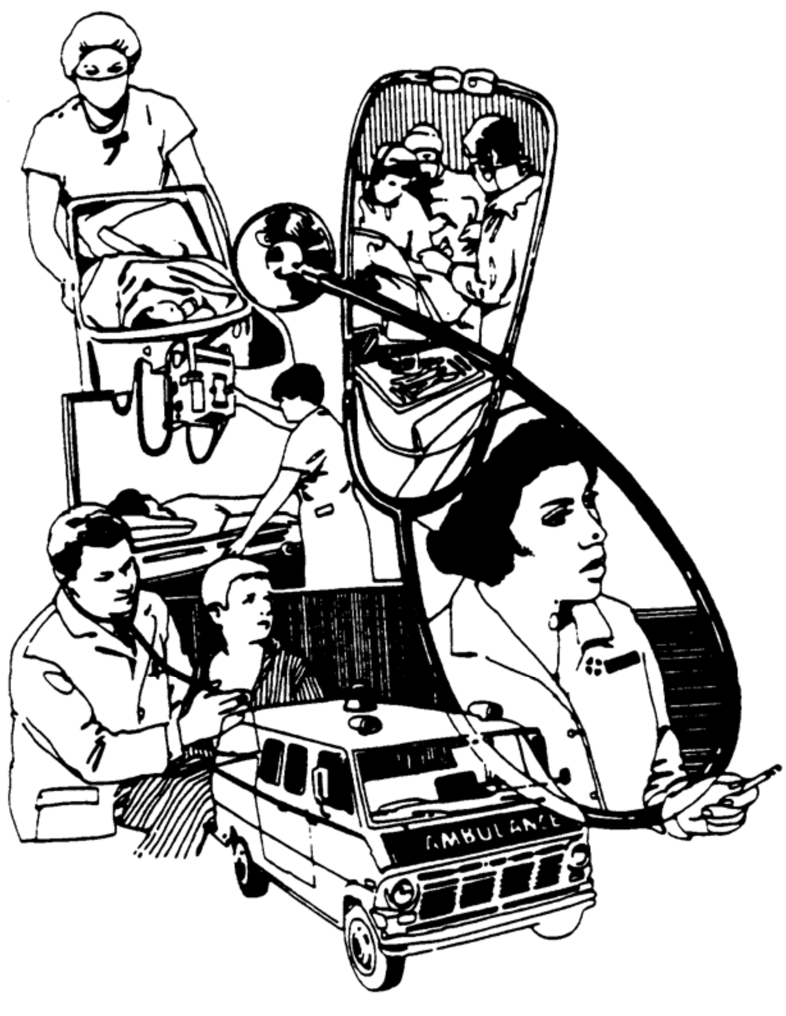
Independent Auditors

KPMG LLP	Indianapolis, Indiana

Officers of the Health and Hospital Corporation during 2006 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, 2006, 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 also 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, 2006 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 31, 2007 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 considered in assessing 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 65 and 66 and the schedule of funding progress on page 59 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 express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The information presented in the introductory section, the statistical section and the other supplementary information are 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, is 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 31, 2007

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, 2006. 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 $417,824,083 (net assets). Of this amount, $273,454,536 (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 $25,096,589.
- As of the close of 2006, the Corporation’s governmental funds reported combined ending fund balances of $160,541,796 an increase of $6,436,186 in comparison with the prior year. Approximately 93.9% of this total amount, $150,726,027, 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 $109,911,604 or 170.1% of total general fund expenditures.
- The Corporation’s total debt excluding capital leases decreased by $1.6 million or 3.5% during the current fiscal year. This reflects scheduled principal payments on outstanding notes and bonds. The capital lease obligation increased by $14,859,246 or 9.8% in 2006.

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) which includes Lions Insurance Company, a blended component unit established in 2006. 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 Fund (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 $417,824,083 at December 31, 2006.

A portion of the Corporation's net assets, 34.4%, 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, 0.2%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $273,454,536, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of 2006, 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 $25,096,589 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, 2006

	Governmental Activities		Business-type Activities		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Assets:						
Current and other assets	$ 233,434,730	187,706,627	199,316,927	190,364,635	432,751,657	378,071,262
Capital assets net of accumulated depreciation	13,308,053	14,599,134	302,707,926	298,515,760	316,015,979	313,114,894
Total Assets	246,742,783	202,305,761	502,024,853	488,880,395	748,767,636	691,186,156
Liabilities:						
Long-term liabilities outstanding	49,225,148	50,844,232	180,415,601	151,253,286	229,640,749	202,097,518
Other liablilities	25,902,791	15,421,473	75,400,013	80,939,671	101,302,804	96,361,144
Total Liabilities	75,127,939	66,265,705	255,815,614	232,192,957	330,943,553	298,458,662
Net Assets:						
Invested in capital assets net of related debt	7,134,802	7,971,335	136,595,394	147,262,474	143,730,196	155,233,809
Restricted	—	—	639,351	596,789	639,351	596,789
Unrestricted	164,480,042	128,068,721	108,974,494	108,828,175	273,454,536	236,896,896
Total Net Assets	$ 171,614,844	136,040,056	246,209,239	256,687,438	417,824,083	392,727,494

Changes in Net Assets

The Corporation's total revenue was $661,205,095 during the current fiscal year. Taxes represent 14.8% of the Corporation's revenue. Medicaid special revenue represents 15.3% of revenue, while 64.8% of revenue came from fees charged for services. The remaining 5.1% came from grants and contributions, interest earnings, and miscellaneous revenues.

The total cost of all programs and services was $636,108,506. This resulted in an increase in net assets for the year of $25,096,589.

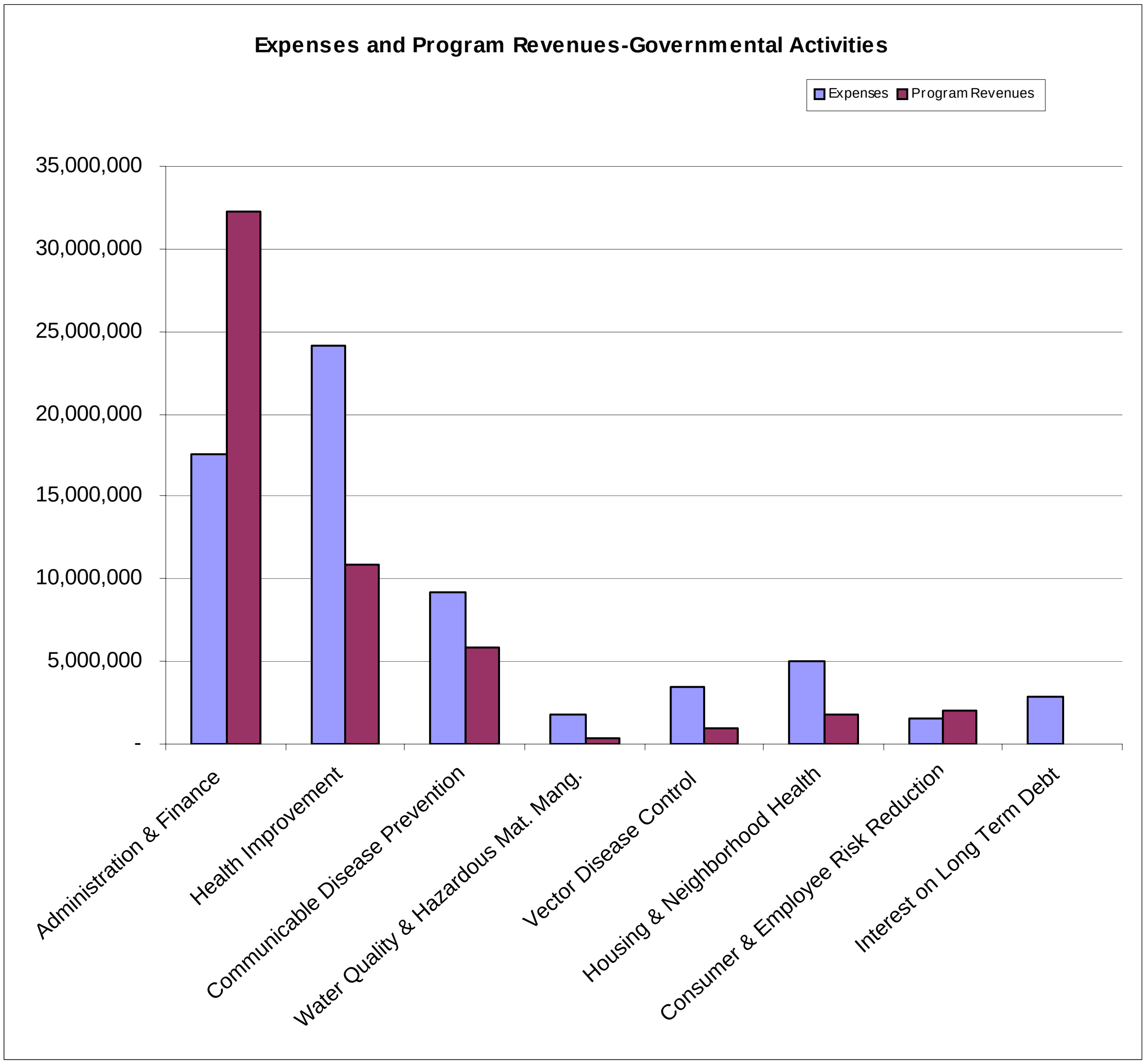
THE HEALTH AND HOSPITAL CORPORATION OF MARION COUNTY, INDIANA
(COMPONENT UNIT OF THE CONSOLIDATED CITY OF INDIANAPOLIS – MARION COUNTY)
SCHEDULE OF CHANGES IN NET ASSETS
DECEMBER 31, 2006

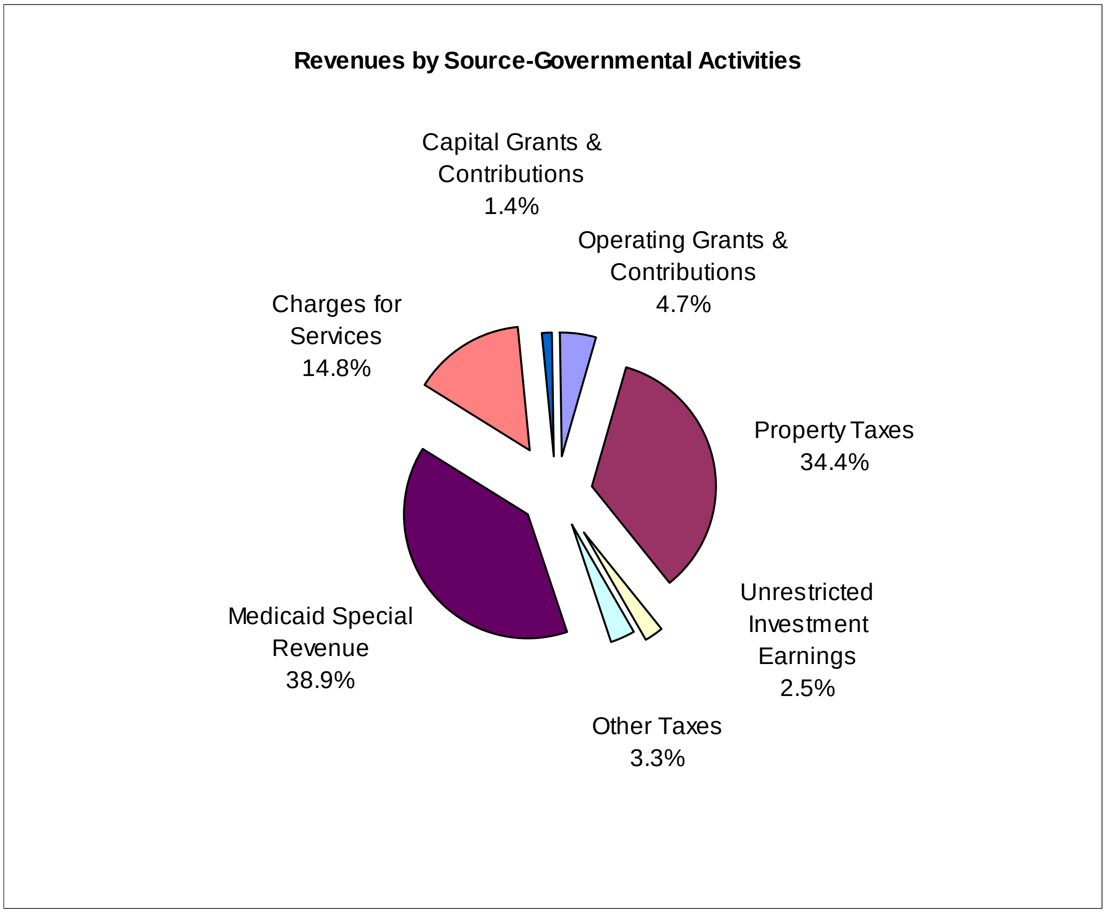
		Governmental Activities		Business-type Activities		Total	
		2006	2005	2006	2005	2006	2005
Revenues:							
Program revenues:							
Charges for services	$	38,574,932	16,996,030	389,576,653	391,643,104	428,151,585	408,639,134
Operating grants and contributions		12,108,583	16,573,583	7,680,805	8,414,943	19,789,388	24,988,526
Capital grants and contributions		3,575,826	1,702,901	—	—	3,575,826	1,702,901
General revenues:							
Property taxes		89,435,326	87,980,567	—	—	89,435,326	87,980,567
Other taxes		8,530,678	8,775,339	—	—	8,530,678	8,775,339
Medicaid special revenue		101,186,941	143,381,951	—	—	101,186,941	143,381,951
Unrestricted investment earnings		6,521,273	3,614,043	4,014,078	2,746,379	10,535,351	6,360,422
Total revenues		259,933,559	279,024,414	401,271,536	402,804,426	661,205,095	681,828,840
Expenses:							
Administration and finance		17,551,946	14,166,259	—	—	17,551,946	14,166,259
Health improvement		24,145,228	24,399,358	—	—	24,145,228	24,399,358
Communicable disease prevention		9,215,253	10,379,233	—	—	9,215,253	10,379,233
Water quality and hazardous mat mgmt		1,825,826	1,734,696	—	—	1,825,826	1,734,696
Vector disease control		3,509,809	2,977,009	—	—	3,509,809	2,977,009
Housing and neighborhood health		5,035,571	4,184,358	—	—	5,035,571	4,184,358
Consumer and employee risk reduction		1,557,309	1,546,218	—	—	1,557,309	1,546,218
Interest on long-term debt		2,898,454	2,532,873	—	—	2,898,454	2,532,873
Wishard Health Services		—	—	398,576,838	384,487,424	398,576,838	384,487,424
LT Care		—	—	171,792,272	157,656,712	171,792,272	157,656,712
Total expenses		65,739,396	61,920,004	570,369,110	542,144,136	636,108,506	604,064,140
Increase (decrease) in net assets before transfers		194,194,163	217,104,410	(169,097,574)	(139,339,710)	25,096,589	77,764,700
Transfers		(158,619,375)	(140,433,207)	158,619,375	140,433,207	—	—
Increase (decrease) in net assets		35,574,788	76,671,203	(10,478,199)	1,093,497	25,096,589	77,764,700
Net assets 1/1/2006		136,040,056	59,368,853	256,687,438	255,593,941	392,727,494	314,962,794
Net assets 12/31/2006	$	171,614,844	136,040,056	246,209,239	256,687,438	417,824,083	392,727,494

Governmental activities. Governmental activities increased the Corporation’s net assets by $35,574,788, compared to the total $25,096,589 increase in net assets of the Corporation. Property taxes increased by $1,454,759 as a result of higher assessed values in 2006. Medicaid special revenues decreased $42.2 million due to less prior year settlements being received in 2006. Capital grants and contributions increased by $1.9 million due to the receipt of additional funds under bioterrorism capital grants for the implementation of a public health preparedness response system.

Capital contributions to Wishard Health Services were $3.9 million, an increase of $3.5 million from prior year. The current year capital contributions to Wishard were for renovations to the Midtown Mental Health facility and computers, software, and support for the continued implementation of the public health preparedness response system. Transfers to Wishard Health Services were $153.7 million, an increase of $13.7 million from last year. Transfers reflect an increase in support to Wishard. Also included in transfers, was a $1.0 million contribution to LT Care for the initial capital of Lions Insurance Company, a captive insurance company.

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.



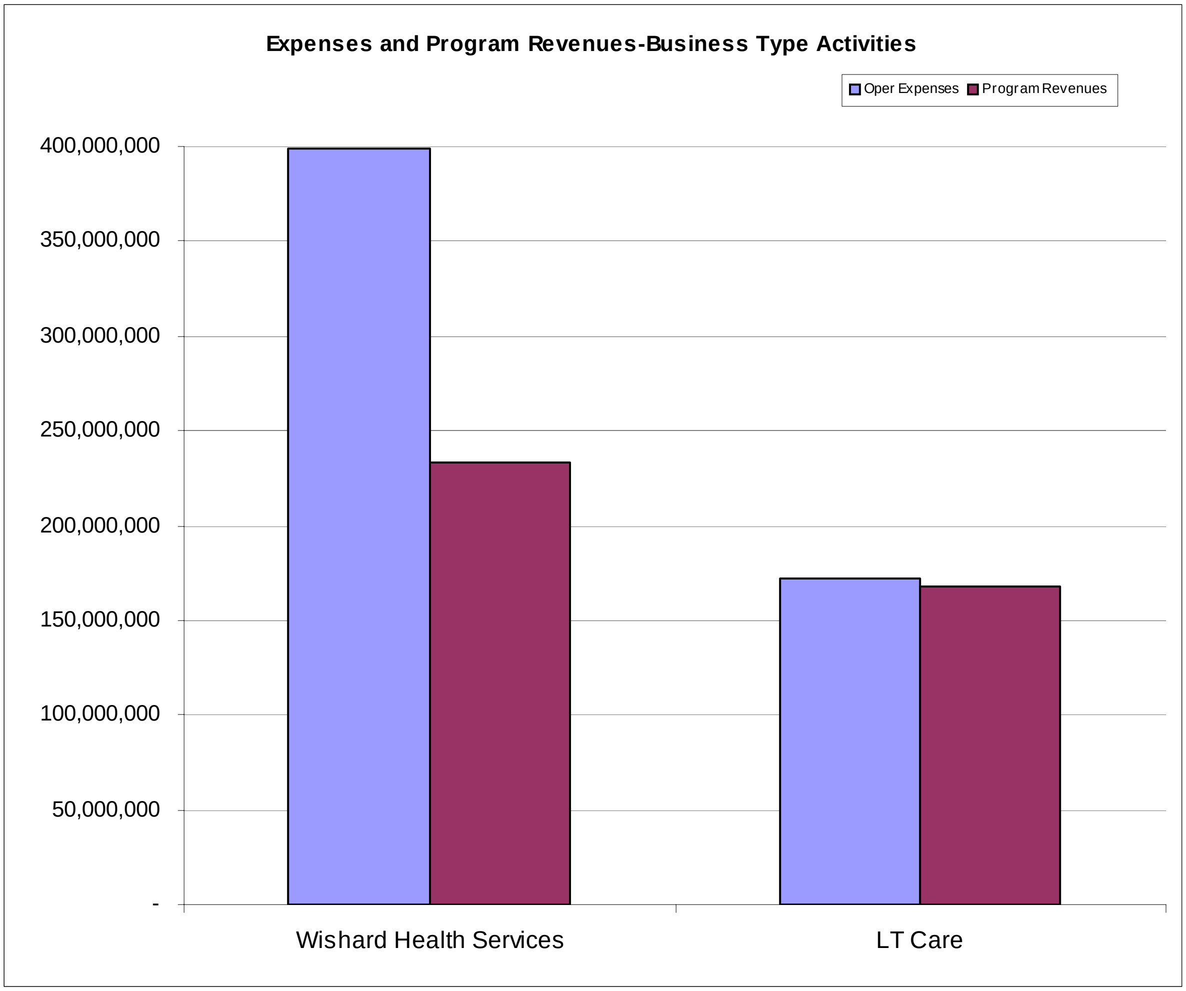


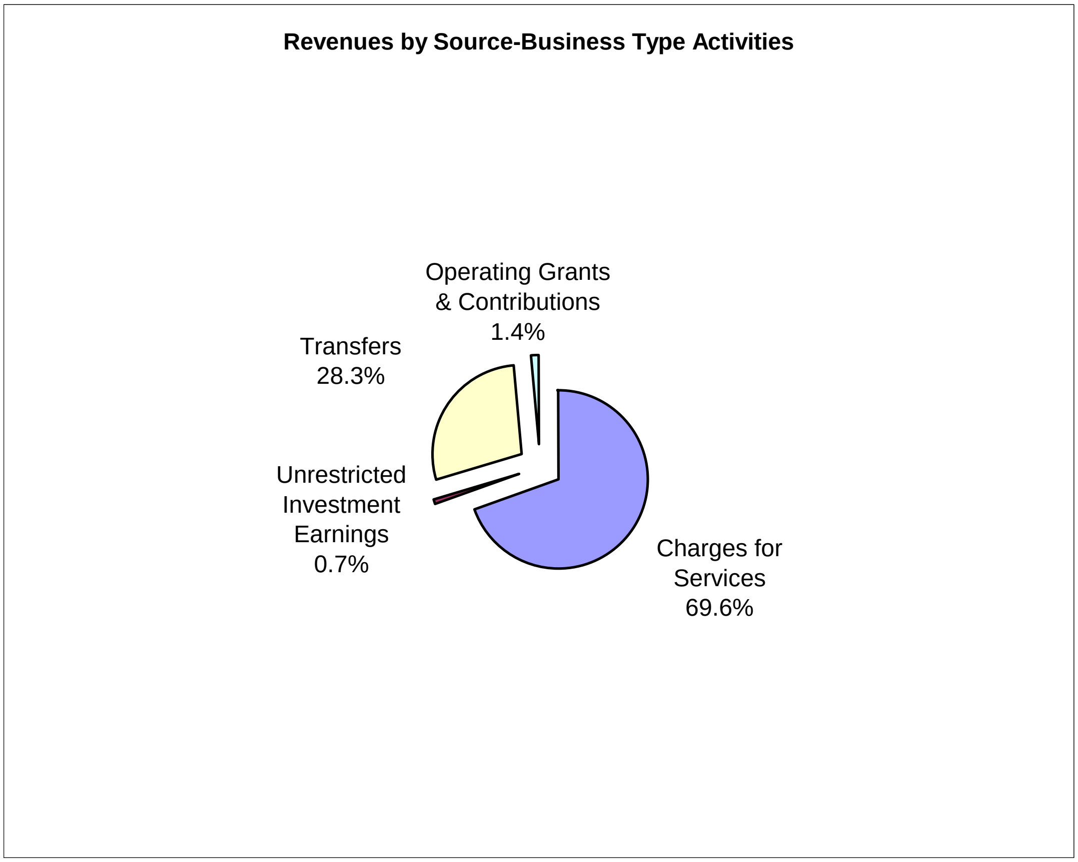
Business-type activities. Business type activities decreased the Corporation's net assets by $10,478,199 compared to an increase of $1,093,497 in 2005.

Wishard's net assets decreased by $7.5 million in the current year. Net assets invested in capital assets decreased by $3.0 million due to depreciation expense in excess of capital additions. Wishard's unrestricted net assets decreased by $4.5 million. Revenues decreased by $2.6 million due to a $6.4 million decrease in other revenue which was partially offset by a $3.7 million increase in net patient service revenues. Operating expenses increased $14.1 million in response to increased patient volumes and cost inflation. Wishard incurred an operating loss of $176.6 million, which was offset by $157.6 million in transfers from Health and Hospital Corporation, $7.7 million in mental health grants from various agencies, and $3.8 million in investment income.

LT Care net assets were $18,372,465, which was a decrease of $3.0 million over 2005. Operating revenues increased $.6 million primarily due to increased Medicaid reimbursements and operating expenses increased $13.2 million. This was primarily due to the addition of four nursing homes in 2006. LT Care has a negative $11.3 million invested in capital assets, net of related debt. All 22 facilities are recorded as capital leases under non-current assets.

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 $160,541,796, an increase of $6,436,186 in comparison with the prior year. Approximately 93.9% of this total amount, $150,726,027, 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 ($1.9 million) and 2) cover prepaid costs ($6.5 million).

The General Fund is the chief operating fund of the Corporation. At the end of the current fiscal year, unreserved and undesignated fund balance of the general fund was $109,911,604, while total fund balance increased to $119,365,313. 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 170.1% of total general fund expenditures, while total fund balance represents 184.8% of that same amount.

The fund balance of the Corporation's General Fund increased by $3,887,379 during the current fiscal year, in comparison to a $72,976,727 increase in 2005. Medicaid special revenue decreased $70.0 million, primarily because no Upper Payment Limit amounts for the LT Care division were received in 2006. Interest income increased $2.1 million as the result of steady interest rates and larger cash balances in 2006. Miscellaneous revenues increased $18.3 million due to the contractual medical education payments from Indiana University. Administrative expenses have increased $2.3 million due to increases in self insurance claims expense over the prior year. Population Health increases of $1.4 million include increased efforts in health promotion, maternal and child health, public health preparedness, and the laboratory. Transfers reflect an increase in support to Wishard. The increase in grant expenditures is a net result of a number of grant programs ending, reductions in several others, and an increase in public health preparedness grants of $1.5 million.

Debt Service funds. The Debt Service Fund has a fund balance of $362,060 compared to a deficit of ($16,186) in the prior year. The net increase in fund balance during the current year was $378,246. This increase can be associated with a slight (.0003%) increase in the tax rate and increased assessed values for 2006.

Capital Projects funds. The Capital Projects Fund has a total fund balance of $40,814,423. The net increase in fund balance during the current year was $2,170,561 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 $79,325,325. Total net assets decreased by $7.5 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 $29,649,169. The net decrease in net assets was $3.0 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 $220,213,112 was increased by $20,000,000 during 2006. This increase was the net of an increase of $1.0 million to personal services, a $400,000 increase to supplies, and an increase of $18.6 million in additional contractual services which is included in other charges and services.

The final General Fund budget of $240,213,112 included $83,793,112 in expenditures and $156,420,000 in transfers. Actual expenditures and transfers out were $227,799,688. Of the total under spending, $402,000 was budgeted for personal services, $423,000 for supplies, $8.3 million for contractual, and $3.4 million for capital. The contractual and capital surpluses reflect projects delayed until 2007. General revenues and other resources were originally estimated at $219,444,536, final budgets were $252,323,693, and actual was $257,058,790. Taxes collected were $3.4 million under budget due to appeals of assessments and Medicaid revenue was $16.5 million under budget due to timing of LT Care settlements. Miscellaneous revenue was $22.0 million over budget due to increased contractual medical education payments from Indiana University.

Capital Asset and Debt Administration

Capital assets. The Corporation's capital assets for its governmental and business-type activities as of December 31, 2006, amount to $316,015,979 (net of accumulated depreciation), compared to $313,114,894 at the end of 2005. This investment in capital assets includes land, buildings, improvements, machinery and equipment, vehicles, and construction in progress.

Major capital asset events during 2006 included the following:

- Final renovations at the Midtown Mental Health Facility**.**
- Property acquisition (land) for future use.
- Acquisition of computers and software to implement a Public Health system to detect and respond to bio-terrorism.

- Acquisition of heavy-duty equipment and other vehicles for property clean-ups.

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, 2006

	Governmental Activities		Business-type Activities		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Land	$ 930,406	140,049	1,189,877	1,189,877	2,120,283	1,329,926
Land improvements	—	—	1,756,141	1,775,588	1,756,141	1,775,588
Buildings and improvements	8,459,150	8,474,786	261,103,215	252,921,491	269,562,365	261,396,277
Equipment	2,949,256	3,402,330	36,079,680	38,513,435	39,028,936	41,915,765
Vehicles	969,241	736,152	1,117,231	987,926	2,086,472	1,724,078
Construction in progress	—	1,845,817	1,461,782	3,127,443	1,461,782	4,973,260
Total assets	$ 13,308,053	14,599,134	302,707,926	298,515,760	316,015,979	313,114,894

Long-term debt. At the end of 2006, the Corporation had total debt outstanding of $45,318,358, excluding capital leases. Of this amount, $44,891,607 comprises general obligation debt and the remainder represents notes secured solely by specified revenue sources.

Moody's Investors Service rates the Corporation's general obligation debt "Aaa".

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 $269,517,577. Outstanding debt at December 31, 2006 represents 17% 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, 2006

	Governmental Activities		Business-type Activities		Total	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
1988 renovation bonds	$ 19,155,000	20,005,000	—	—	19,155,000	20,005,000
2005 general obligation bonds	26,865,000	27,565,000	—	—	26,865,000	27,565,000
Deferred premiums	954,345	1,007,364	—	—	954,345	1,007,364
Deferred amount on refunding	(2,082,738)	(2,257,314)	—	—	(2,082,738)	(2,257,314)
1998 promissory note	426,751	626,299	—	—	426,751	626,299
Capital leases	—	—	166,112,532	151,253,286	166,112,532	151,253,286
Total long-term debt	$ 45,318,358	46,946,349	166,112,532	151,253,286	211,430,890	198,199,635

Economic Factors and Next Year's Budgets and Rates. The 2007 original budget for all annually budgeted funds was $234,453,460. No revisions have been made through June 2007. The 2007 General Fund budget is $230,092,785, a 4.2% decrease from the 2006 final General Fund budget of $240,213,112.

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, 2006

Assets	**Governmental activities**	**Business-type activities**	**Total**
Cash and cash equivalents	$ 165,970,643	108,409,478	274,380,121
Investments	—	6,753,943	6,753,943
Receivables, net:			
Patient services	—	47,286,475	47,286,475
Grants	3,139,290	3,352,681	6,491,971
Interest	37,493	42,521	80,014
Medicaid special revenue	51,996,756	—	51,996,756
Taxes	3,499,263	—	3,499,263
Other	1,538,304	8,292,480	9,830,784
Internal balances	69,988	(69,988)	—
Inventories	—	4,970,908	4,970,908
Prepaid costs and other assets	6,512,380	4,591,790	11,104,170
Restricted cash and cash equivalents	—	639,351	639,351
Bond issuance costs	394,663	—	394,663
Net pension asset	275,950	1,048,361	1,324,311
Lease acquisition costs (net of accumulated amortization)	—	9,613,949	9,613,949
Other long term assets	—	4,384,978	4,384,978
Capital assets (net of accumulated depreciation):			
Land	930,406	1,189,877	2,120,283
Land improvements	—	1,756,141	1,756,141
Buildings and improvements	8,459,150	261,103,215	269,562,365
Equipment	2,949,256	36,079,680	39,028,936
Vehicles	969,241	1,117,231	2,086,472
Construction in progress	—	1,461,782	1,461,782
Total assets	246,742,783	502,024,853	748,767,636
Liabilities			
Accounts payable	19,759,872	23,351,007	43,110,879
Salaries and related benefits	2,599,362	38,253,337	40,852,699
Unearned revenue	339,657	2,572,329	2,911,986
Estimated Medicare/Medicaid settlements	—	5,427,024	5,427,024
Medical claims incurred but not reported	—	3,269,539	3,269,539
Risk share payable	—	2,526,777	2,526,777
Asserted and unasserted self-insurance claims	3,203,900	—	3,203,900
Long-term liabilities:			
Due within one year	5,224,391	9,328,608	14,552,999
Due in more than one year	44,000,757	171,086,993	215,087,750
Total liabilities	75,127,939	255,815,614	330,943,553
Net Assets			
Invested in capital assets, net of related debt	7,134,802	136,595,394	143,730,196
Restricted for:			
Health services	—	639,351	639,351
Unrestricted	164,480,042	108,974,494	273,454,536
Total net assets	$ 171,614,844	246,209,239	417,824,083

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, 2006

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	$ 17,551,946	32,198,505	22,445	—	14,669,004	—	14,669,004
Health improvement	24,145,228	2,036,999	8,871,279	—	(13,236,950)	—	(13,236,950)
Communicable disease prevention	9,215,253	358,954	1,958,980	3,575,826	(3,321,493)	—	(3,321,493)
Water quality and hazardous materials management	1,825,826	360,957	41,203	—	(1,423,666)	—	(1,423,666)
Vector disease control	3,509,809	898,812	—	—	(2,610,997)	—	(2,610,997)
Housing and neighborhood health	5,035,571	633,456	1,214,676	—	(3,187,439)	—	(3,187,439)
Consumer and employee risk reduction	1,557,309	2,087,249	—	—	529,940	—	529,940
Interest on long-term debt	2,898,454	—	—	—	(2,898,454)	—	(2,898,454)
Total governmental activities	65,739,396	38,574,932	12,108,583	3,575,826	(11,480,055)	—	(11,480,055)
Business-type activities:							
Wishard Health Services	398,576,838	222,001,734	7,680,805	—	—	(168,894,299)	(168,894,299)
LT Care	171,792,272	167,574,919	—	—	—	(4,217,353)	(4,217,353)
Total business-type activities	570,369,110	389,576,653	7,680,805	—	—	(173,111,652)	(173,111,652)
Total	$ 636,108,506	428,151,585	19,789,388	3,575,826	(11,480,055)	(173,111,652)	(184,591,707)
General revenues:							
Property taxes					89,435,326	—	89,435,326
Excise taxes					7,270,595	—	7,270,595
Financial institution taxes					1,260,083	—	1,260,083
Medicaid special revenue (unrestricted)					101,186,941	—	101,186,941
Unrestricted investment earnings					6,521,273	4,014,078	10,535,351
Transfers (capital contributions to Wishard and LT Care)					(3,905,484)	3,905,484	—
Transfers					(154,713,891)	154,713,891	—
Total general revenues and transfers					47,054,843	162,633,453	209,688,296
Change in net assets					35,574,788	(10,478,199)	25,096,589
Net assets – beginning of year					136,040,056	256,687,438	392,727,494
Net assets – end of year					$ 171,614,844	246,209,239	417,824,083

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, 2006

Assets		**General**	**Debt Service**	**Capital Projects**	**Total Governmental Funds**
Cash and cash equivalents	$	124,833,405	360,400	40,776,838	165,970,643
Receivables (net of allowance for uncollectibles)					
Grants		3,139,290	—	—	3,139,290
Interest		—	—	37,493	37,493
Medicaid special revenue		51,996,756	—	—	51,996,756
Taxes		3,320,511	169,360	9,392	3,499,263
Other		1,538,304	—	—	1,538,304
Due from other funds		69,988	—	—	69,988
Prepaid costs and other assets		6,512,380	—	—	6,512,380
Total assets	$	191,410,634	529,760	40,823,723	232,764,117
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$	19,759,872	—	—	19,759,872
Salaries and related benefits		2,599,362	—	—	2,599,362
Deferred revenue		48,639,664	167,700	9,300	48,816,664
Asserted and unasserted self-insurance claims		1,046,423	—	—	1,046,423
Total liabilities		72,045,321	167,700	9,300	72,222,321
Fund balances:					
Reserved for:					
Prepaid costs and other assets		6,512,380	—	—	6,512,380
Encumbrances		1,894,906	—	—	1,894,906
Unreserved:					
Designated for self insurance		1,046,423	—	—	1,046,423
Designated for bond retirement		—	362,060	—	362,060
Undesignated		109,911,604	—	40,814,423	150,726,027
Total fund balances		119,365,313	362,060	40,814,423	160,541,796
Total liabilities and fund balances	$	191,410,634	529,760	40,823,723	

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		13,308,053
Net pension assets are not financial resources and therefore are not recorded in the funds statement		275,950
Deferred revenues not meeting availability criteria in funds statement are not in the statement of net assets		48,477,007
Bond issuance costs reported in the governmental activities but not reported in the funds statement		394,663
Asserted and unasserted self-insurance claims not due in the current period and therefore not reported in the funds statement		(2,157,477)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds statement		(49,225,148)
Net assets of governmental activities	$	171,614,844

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, 2006

Revenues	**General**	**Debt Service**	**Capital Projects**	**Total Governmental Funds**
Taxes	$ 93,017,687	4,690,020	258,166	97,965,873
Licenses and permits	3,864,882	—	—	3,864,882
Intergovernmental	16,007,012	—	—	16,007,012
Charges for services	1,079,203	—	—	1,079,203
Medicaid special revenue	72,864,271	—	—	72,864,271
Interest	4,607,809	1,044	1,912,418	6,521,271
Miscellaneous	31,765,188	—	—	31,765,188
Total revenues	223,206,052	4,691,064	2,170,584	230,067,700
Expenditures				
Current:				
Administrative	14,692,823	—	23	14,692,846
Population health	18,776,012	—	—	18,776,012
Environmental health	11,015,086	—	—	11,015,086
Health center program	1,092,266	—	—	1,092,266
Data processing	2,917,196	—	—	2,917,196
Grant programs	15,885,533	—	—	15,885,533
Debt service:				
Principal	199,548	1,550,000	—	1,749,548
Interest and fiscal charges	26,318	2,762,818	—	2,789,136
Total expenditures	64,604,782	4,312,818	23	68,917,623
Excess of revenues over expenditures	158,601,270	378,246	2,170,561	161,150,077
Other Financing Sources (Uses)				
Transfers in	—	—	—	—
Transfers out	(154,713,891)	—	—	(154,713,891)
Total other financing sources and (uses)	(154,713,891)	—	—	(154,713,891)
Net change in fund balances	3,887,379	378,246	2,170,561	6,436,186
Fund balances – beginning of year	115,477,934	(16,186)	38,643,862	154,105,610
Fund balances – end of year	$ 119,365,313	362,060	40,814,423	160,541,796

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, 2006

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)	$	6,436,186
Depreciation expense reported in the statement of activities but not in the funds statement		(1,939,953)
Capital expenditures reported in the funds statement but reported as additions to capital assets in the statement of net assets		2,516,272
Transfer of capital assets to proprietary fund		(1,845,817)
Net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, write-offs, etc.)		(195,270)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds statement		29,842,511
Bond and note principal payments reported as expenditures in the funds statement but as reductions of long-term liabilities in the statement of net assets		1,749,548
Increase in compensated absences not in the funds statement		(8,907)
Amortization of bond issuance costs reported in the statement of activities but not in the funds statement as there is no cash outflow		(33,081)
Amortization of deferred bond premium and deferred loss on refunding reported in the statement of activities but not in the funds statement		121,557
Asserted and unasserted self-insurance claims not in the funds statement as they have not matured		(853,285)
Decrease in net pension asset not in the funds statement		(214,973)
Change in net assets of governmental activities (page 23)	$	35,574,788

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, 2006

Assets		**Wishard Health Services**	**LT Care**	**Total**
Current assets:				
Cash and cash equivalents	$	89,104,915	19,304,563	108,409,478
Investments		6,753,943	—	6,753,943
Receivables (net of allowance for uncollectibles):				
Patient services		35,931,985	11,354,490	47,286,475
Grants		3,352,681	—	3,352,681
Interest		42,521	—	42,521
Other		8,292,480	—	8,292,480
Inventories		4,970,908	—	4,970,908
Prepaid costs and other assets		3,999,187	592,603	4,591,790
Total current assets		152,448,620	31,251,656	183,700,276
Noncurrent assets:				
Restricted cash and cash equivalents		639,351	—	639,351
Net pension asset		1,048,361	—	1,048,361
Lease acquisition costs (net of accumulated amortization)		—	9,613,949	9,613,949
Other long term assets		—	4,384,978	4,384,978
Capital assets (net of accumulated depreciation):				
Land		1,189,877	—	1,189,877
Land improvements		1,377,597	378,544	1,756,141
Buildings and improvements		112,866,566	148,236,649	261,103,215
Equipment		29,929,536	6,150,144	36,079,680
Vehicles		1,065,193	52,038	1,117,231
Construction in progress		1,443,329	18,453	1,461,782
Total capital assets (net of accumulated depreciation)		147,872,098	154,835,828	302,707,926
Total noncurrent assets		149,559,810	168,834,755	318,394,565
Total assets		302,008,430	200,086,411	502,094,841
Liabilities				
Current liabilities:				
Accounts payable		20,124,608	3,226,399	23,351,007
Accrued liabilities		13,173,964	8,915,264	22,089,228
Accrued compensated absences		16,164,109	—	16,164,109
Due to other funds		69,988	—	69,988
Capital lease obligation - current		—	3,968,857	3,968,857
Estimated Medicare/Medicaid settlements		5,427,024	—	5,427,024
Deferred revenue		2,572,329	—	2,572,329
Medical claims incurred but not reported		3,269,539	—	3,269,539
Risk share payable		2,526,777	—	2,526,777
Asserted and unasserted self-insurance claims - current		1,900,000	3,459,751	5,359,751
Total current liabilities		65,228,338	19,570,271	84,798,609
Noncurrent liabilities:				
Asserted and unasserted self insurance claims		8,943,318	—	8,943,318
Capital leases payable		—	162,143,675	162,143,675
Total noncurrent liabilities		8,943,318	162,143,675	171,086,993
Total liabilities		74,171,656	181,713,946	255,885,602
Net Assets				
Invested in capital assets, net of related debt		147,872,098	(11,276,704)	136,595,394
Restricted for health services		639,351	—	639,351
Unrestricted		79,325,325	29,649,169	108,974,494
Total net assets	$	227,836,774	18,372,465	246,209,239

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, 2006

	Wishard Health Services	LT Care	Total
Operating revenues:			
Net patient service revenue	$ 205,859,489	166,289,173	372,148,662
Other revenue	16,142,245	1,285,746	17,427,991
Total operating revenue	222,001,734	167,574,919	389,576,653
Operating expenses:			
Salaries	154,669,911	—	154,669,911
Employee benefits	37,775,175	—	37,775,175
Contract labor	4,171,108	93,795,322	97,966,430
Medical and professional fees	46,723,126	4,745,273	51,468,399
Purchased services	48,125,050	11,700,740	59,825,790
Supplies	37,501,414	17,513,092	55,014,506
Pharmaceuticals	36,169,242	—	36,169,242
Repairs and maintenance	4,041,530	1,075,203	5,116,733
Utilities	4,531,754	3,583,250	8,115,004
Equipment rental	1,401,404	940,081	2,341,485
Depreciation and amortization	18,541,398	14,122,951	32,664,349
Other	4,925,726	7,205,085	12,130,811
Total operating expenses	398,576,838	154,680,997	553,257,835
Operating income (loss)	(176,575,104)	12,893,922	(163,681,182)
Nonoperating revenues (expenses) :			
Intergovernmental revenue	7,680,805	—	7,680,805
Investment income	3,808,134	205,944	4,014,078
Interest expense	—	(17,111,275)	(17,111,275)
Total nonoperating revenues (expenses)	11,488,939	(16,905,331)	(5,416,392)
Loss before capital contributions and transfers	(165,086,165)	(4,011,409)	(169,097,574)
Capital contributions - Assets transferred from General Fund	3,905,484	—	3,905,484
Transfers – General Fund	153,713,891	1,000,000	154,713,891
Changes in net assets	(7,466,790)	(3,011,409)	(10,478,199)
Total net assets at beginning of year	235,303,564	21,383,874	256,687,438
Total net assets at end of year	$ 227,836,774	18,372,465	246,209,239

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, 2006

	Wishard Health Services	LT Care	Total
Cash Flows from Operating Activities			
Receipts from patient services	$ 208,767,731	163,964,905	372,732,636
Receipts from other operations	14,085,401	1,285,746	15,371,147
Payments to suppliers	(186,921,662)	(137,184,407)	(324,106,069)
Payments to employees	(191,831,093)	—	(191,831,093)
Net cash provided by (used in) operating activities	(155,899,623)	28,066,244	(127,833,379)
Cash Flows from Noncapital Financing Activities			
Cash receipts from intergovernmental revenue	19,349,742	—	19,349,742
Transfers from the General Fund	146,302,839	1,000,000	147,302,839
Net cash provided by noncapital financing activities	165,652,581	1,000,000	166,652,581
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	(15,549,372)	(3,759,641)	(19,309,013)
Deposit paid	—	(1,984,978)	(1,984,978)
Lease acquisition cost payments	—	(1,800,000)	(1,800,000)
Payment of capital lease obligation	—	(2,244,723)	(2,244,723)
Interest expense payments	—	(17,111,275)	(17,111,275)
Net cash used in capital and related financing activities	(15,549,372)	(26,900,617)	(42,449,989)
Cash Flows from Investing Activities			
Proceeds from sales and maturities of investments	2,110,790	—	2,110,790
Purchases of investments	(1,462,723)	—	(1,462,723)
Interest and dividends received	3,837,532	205,944	4,043,476
Net cash provided by investing activities	4,485,599	205,944	4,691,543
Net increase (decrease) in cash and cash equivalents	(1,310,815)	2,371,571	1,060,756
Cash and cash equivalents and restricted cash and cash equivalents, January 1	91,055,081	16,932,992	107,988,073
Cash and cash equivalents and restricted cash and cash equivalents, December 31	$ 89,744,266	19,304,563	109,048,829
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	$ (176,575,104)	12,893,922	(163,681,182)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	18,541,398	14,122,951	32,664,349
Changes in operating assets and liabilities:			
Patient services receivables	476,088	(2,324,268)	(1,848,180)
Other receivables	(2,056,845)	—	(2,056,845)
Inventories	(690,209)	—	(690,209)
Prepaid costs and other assets	(273,813)	(112,302)	(386,115)
Net pension asset	979,329	—	979,329
Accounts payable	(478,104)	(4,630,999)	(5,109,103)
Accrued liabilities and compensated absences	4,544,096	4,657,189	9,201,285
Estimated Medicare/Medicaid settlements	2,432,154	—	2,432,154
Asserted and unasserted self-insurance claims	193,487	3,459,751	3,653,238
Risk share payable	(3,561,639)	—	(3,561,639)
Medical claims incurred but not reported	569,539	—	569,539
Total adjustments	20,675,481	15,172,322	35,847,803
Net cash provided by (used in) operating activities	$ (155,899,623)	28,066,244	(127,833,379)
Noncash investing, capital, and financing activities:			
Contributions of capital assets from governmental activities	3,905,484	—	—
Purchase of assets held under capital lease	—	17,103,969	17,103,969
Increase in capital lease obligation from purchase of assets under capital lease	—	17,103,969	17,103,969
Unrealized gain on investments, net	13,554	—	—

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).

The Corporation's financial reporting entity has been determined in accordance with governmental accounting standards defining the reporting entity and identifying entities to be included in its basic financial statements. During 2006, the LT Care Fund (Enterprise Fund) established a nonprofit entity, Lions Insurance Company, Inc. (Lions) which is legally separate from the LT Care Fund and whose purpose is to provide insurance covering the professional (malpractice) and general liability exposures of the nursing homes operated by the Corporation. Lions is considered a blended component unit and is therefore reported as if it is a part of the LT Care Fund because its primary purpose is to provide services solely to the LT Care Enterprise Fund.

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.

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 three service divisions: Wishard Health Services (Wishard), the Marion County Health Department (MCHD), and the Long-Term Care operations. Wishard Health Services is comprised of Wishard Memorial Hospital, a general acute care facility with 314 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.

The Corporation operates 22 nursing homes through capital leases. 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 2006, 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.

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

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.

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:

Governmental Fund Types

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.

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.

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 twenty-two 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, 2006, no such debt existed. At December 31, 2006, 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, Medicaid special revenue, 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 nonexchange 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.

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 services 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, investment income, interest expense, 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, 2006, 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 fair value. 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, prepaid administrative charges to MDWise, 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	10-50
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 deposits made related to the leasing of nursing homes. The deposits 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 and 2016.

(k) Deferred and Unearned Revenue

Deferred revenue is recorded in the governmental fund financial statements for receivables that are not considered either measurable or available at December 31, 2006 or when the related revenues have not been earned for enterprise fund 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, 2006, deferred revenue represents cash received in advance on grants, amounts not earned on grants due to the availability period, 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, 2006.

(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 General and Capital Project Funds make contributions of capital assets to the Wishard Enterprise Fund. The enterprise fund reports these transactions as capital contributions; however, the General or Capital Project Funds do 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 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 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, 2006, 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, 2006, 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 2006, the Financial Accounting Standards Boards issued Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations*. Under FIN 47, entities 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 Issuance Costs, Premiums, and Amounts Deferred on Refunding

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 method 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 U.S. generally accepted accounting principles 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, expenses, 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. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* Statement No. 49, *Accounting and Financial Reporting for Pollution remediation Obligations,* Statement No. 50, *Pension Disclosures–an amendment of GASB Statements No. 25 and No. 27*, and Statement No. 51, *Accounting and Reporting for Intangible Assets*. The Corporation intends to implement these GASB Statements, if applicable, 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, 2006, by the combination of federal depository insurance and the Indiana Public Deposit Insurance Fund. The Corporation's cash equivalents held during 2006 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, 2006, the Corporation had the following cash deposits and investments:

United States Treasuries	$ 1,078,481
Federal National Mortgage Association	2,781,792
Federal Home Loan Bank	2,105,910
Federal Home Loan Mortgage Corporation	770,412
Government National Mortgage Association	17,349
Repurchase Agreements	24,572,174
State External Investment Pool	22,853,182
Money Market Funds	15,656,727
Certificates of Deposit	494,124
Other Cash Deposits	211,443,264
	$ 281,773,415

(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, 2006, 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	$ 1,078,481	—	—	1,078,481	—
Federal National Mortgage Association	2,781,792	—	1,116,765	741,932	923,095
Federal Home Loan Bank	2,105,910	288,590	1,817,320	—	—
Federal Home Loan Mortgage Corporation	770,412	—	679,087	9,663	81,662
Government National Mortgage Association	17,349	—	—	—	17,349
Repurchase Agreements	24,572,174	24,572,174	—	—	—
State External Investment Pool	22,853,182	22,853,182	—	—	—
Money Market Funds	15,656,727	15,656,727	—	—	—
Certificates of Deposit	494,124	494,124	—	—	—
	$ 70,330,151	63,864,797	3,613,172	1,830,076	1,022,106

(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, Standard & Poor's Corporation, or Fitch's Ratings Service. State law and the Corporation's policy limits investments in money market mutual funds to the top rating issued by the nationally recognized statistical rating organizations.

The investments of the Corporation were rated as follows by Standard & Poor's Corporation as of December 31, 2006:

	Fair value	AAA	A-1+	A-1	Not Rated
United States Treasuries	$ 1,078,481	1,078,481	—	—	—
Federal National Mortgage Association	2,781,792	2,781,792	—	—	—
Federal Home Loan Bank	2,105,910	2,105,910	—	—	—
Federal Home Loan Mortgage Corporation	770,412	770,412	—	—	—
Government National Mortgage Association	17,349	17,349	—	—	—
Repurchase Agreements	24,572,174	20,280,521	4,291,653	—	—
State External Investment Pool	22,853,182	—	—	—	22,853,182
Money Market Funds	15,656,727	9,239,141	—	6,417,586	—
Certificates of Deposit	494,124	—	—	—	494,124
	$ 70,330,151	36,273,606	4,291,653	6,417,586	23,347,306

(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, 2006, 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, 2006:

		Governmental fund types	Proprietary fund type
Interest income	$	6,521,273	4,000,524
Unrealized gain on investments, net		—	13,554
	$	6,521,273	4,014,078

(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 2006 property taxes were levied based on assessed valuations determined by the Auditor as of March 1, 2005, which were adjusted for estimated appeals and tax credits and deductions. The lien date for the 2006 property taxes was March 1, 2005; 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 2006, taxes were due and payable to the Treasurer in two installments on May 10, 2006 and November 10, 2006. The Auditor distributed all property taxes collected by November 10, 2006 to each applicable governmental entity based upon its levy amount prior to December 31, 2006. For the fund financial statements, all taxes collected by the Treasurer and not distributed at December 31, 2006 (i.e., collections from November 11, 2006 to December 31, 2006) 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, 2006, net of allowance for uncollectible accounts (which includes an estimate of refunds) of $2,874,500 ($2,727,500 in the General Fund, $139,300 in the Debt Service Fund and $7,700 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 and Deferred Revenue

All net receivable amounts outstanding at December 31, 2006 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, 2006, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

		Unavailable	Unearned
Delinquent property taxes receivable	$	2,727,500	—
Other taxes receivable		560,500	—
Grant draw downs prior to meeting all eligibility requirements		—	339,657
Grant reimbursements not received within 120 days		531,778	—
Other revenues not received within 120 days		1,202,560	—
Medicaid special revenue		43,277,669	—
Total General Fund		48,300,007	339,657
Delinquent property taxes receivable		139,300	—
Other taxes receivable		28,400	—
Total Debt Service Fund		167,700	—
Delinquent property taxes receivable		7,700	—
Other taxes receivable		1,600	—
Total Capital Projects Fund		9,300	—
Total	$	48,477,007	339,657

In addition, the Wishard Health Services Fund had $2,572,329 of unearned revenue recorded at December 31, 2006 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, 2006:

	Wishard Health Services	LT Care	Total
Gross patient services receivables	$ 182,479,656	12,629,720	195,109,376
Allowance for estimated contractual adjustments	(62,675,823)	—	(62,675,823)
Allowance for uncollectible accounts	(83,871,848)	(1,275,230)	(85,147,078)
Net patient services receivables	$ 35,931,985	11,354,490	47,286,475

(6) Capital Assets

Following is a summary of the changes in capital assets – governmental activities for the year ended December 31, 2006:

	January 1, 2006	Additions	Transfers/ disposals	December 31, 2006
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 140,049	790,357	—	930,406
Construction in progress	1,845,817	—	(1,845,817)	—
Total capital assets not being depreciated	1,985,866	790,357	(1,845,817)	930,406
Capital assets being depreciated:				
Buildings and improvements	14,781,961	680,417	—	15,462,378
Equipment	14,096,864	507,852	(469,721)	14,134,995
Vehicles	3,589,056	537,646	(13,199)	4,113,503
Total capital assets being depreciated	32,467,881	1,725,915	(482,920)	33,710,876
Less accumulated depreciation for:				
Buildings and improvements	6,307,175	696,053	—	7,003,228
Equipment	10,694,534	939,343	(448,138)	11,185,739
Vehicles	2,852,904	304,557	(13,199)	3,144,262
Total accumulated depreciation	19,854,613	1,939,953	(461,337)	21,333,229
Total capital assets being depreciated, net	12,613,268	(214,038)	(21,583)	12,377,647
Governmental activities capital assets, net	$ 14,599,134	576,319	(1,867,400)	13,308,053

The following is a summary of changes in capital assets – business-type activities for the year ended December 31, 2006:

		January 1, 2006	Additions	Transfers/ disposals	December 31, 2006
Business-type activities:					
Capital assets not being depreciated:					
Land	$	1,189,877	—	—	1,189,877
Construction in progress		3,127,443	6,584,334	(8,249,995)	1,461,782
Total capital assets not being depreciated		4,317,320	6,584,334	(8,249,995)	2,651,659
Capital assets being depreciated:					
Land improvements		5,408,709	210,883	14,300	5,633,892
Buildings and improvements		392,053,656	20,936,017	7,143,493	420,133,166
Equipment		124,238,973	8,033,002	1,067,272	133,339,247
Vehicles		5,180,604	648,746	(545,613)	5,283,737
Total capital assets being depreciated		526,881,942	29,828,648	7,679,452	564,390,042
Less accumulated depreciation for:					
Land improvements		3,633,121	244,630	—	3,877,751
Buildings and improvements		139,132,165	19,897,786	—	159,029,951
Equipment		85,725,538	11,558,959	(24,930)	97,259,567
Vehicles		4,192,678	519,441	(545,613)	4,166,506
Total accumulated depreciation		232,683,502	32,220,816	(570,543)	264,333,775
Total capital assets being depreciated, net		294,198,440	(2,392,168)	8,249,995	300,056,267
Business-type activities capital assets, net	$	298,515,760	4,192,166	—	302,707,926

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, 2006:

		January 1, 2006	Additions	Transfers/ disposals	December 31, 2006
Business-type activities:					
Capital assets not being depreciated:					
Land	$	1,189,877	—	—	1,189,877
Construction in progress		3,127,443	6,565,881	(8,249,995)	1,443,329
Total capital assets not being depreciated		4,317,320	6,565,881	(8,249,995)	2,633,206
Capital assets being depreciated:					
Land improvements		5,176,606	13,148	14,300	5,204,054
Buildings and improvements		227,897,213	2,537,917	7,143,493	237,578,623
Equipment		113,695,975	5,794,999	1,067,272	120,558,246
Vehicles		5,067,938	637,427	(545,613)	5,159,752
Total capital assets being depreciated		351,837,732	8,983,491	7,679,452	368,500,675
Less accumulated depreciation for:					
Land improvements		3,616,410	210,047	—	3,826,457
Buildings and improvements		116,149,773	8,562,284	—	124,712,057
Equipment		81,378,811	9,274,829	(24,930)	90,628,710
Vehicles		4,145,934	494,238	(545,613)	4,094,559
Total accumulated depreciation		205,290,928	18,541,398	(570,543)	223,261,783
Total capital assets being depreciated, net		146,546,804	(9,557,907)	8,249,995	145,238,892
Business-type activities capital assets, net	$	150,864,124	(2,992,026)	—	147,872,098

The following is a summary of changes in capital assets – LT Care enterprise fund for the year ended December 31, 2006:

	January 1, 2006	Additions	Transfers/ disposals	December 31, 2006
Business-type activities:				
Capital assets not being depreciated:				
Construction in progress	$ —	18,453	—	18,453
Total capital assets not being depreciated	—	18,453	—	18,453
Capital assets being depreciated:				
Land improvements	232,103	197,735	—	429,838
Buildings and improvements	164,156,443	18,398,100	—	182,554,543
Equipment	10,542,998	2,238,003	—	12,781,001
Vehicles	112,666	11,319	—	123,985
Total capital assets being depreciated	175,044,210	20,845,157	—	195,889,367
Less accumulated depreciation for:				
Land improvements	16,711	34,583	—	51,294
Buildings and improvements	22,982,392	11,335,502	—	34,317,894
Equipment	4,346,727	2,284,130	—	6,630,857
Vehicles	46,744	25,203	—	71,947
Total accumulated depreciation	27,392,574	13,679,418	—	41,071,992
Total capital assets being depreciated, net	147,651,636	7,165,739	—	154,817,375
Business-type activities capital assets, net	$ 147,651,636	7,184,192	—	154,835,828

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

Governmental activities:		
Administration	$	964,337
Health improvement		511,312
Communicable disease prevention		135,888
Water quality and hazardous materials management		41,698
Vector disease control		257,742
Housing and neighborhood health		26,878
Consumer and employee risk reduction		2,098
Total depreciation expense, governmental activities	$	1,939,953
Business-type activities:		
Wishard Health Services	$	18,541,398
LT Care		13,679,418
Total depreciation expense, business-type activities	$	32,220,816

In addition, the LT Care Fund recognized $443,533 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, 2006, Wishard's Medicare and Medicaid cost reports have been audited by the fiscal intermediaries through December 31, 2004. In 2006, Wishard recognized approximately $1,322,238 of favorable settlements related to audits or finalization of audit appeals by the fiscal intermediaries of prior year cost reports.

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 2006, 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, 2006:

	Wishard Health Services	LT Care	Total	Percentage
Patient service revenue:				
Inpatient	$ 282,161,307	—	282,161,307	36%
Outpatient	321,925,872	—	321,925,872	40%
Long-term care	20,627,598	170,824,101	191,451,699	24%
Gross patient service revenue less:	624,714,777	170,824,101	795,538,878	100%
Contractual adjustments	200,774,797	3,236,520	204,011,317	26%
Charity and indigent care	123,680,678	—	123,680,678	15%
Provision for uncollectible accounts	94,399,813	1,298,408	95,698,221	12%
Net patient service revenue	$ 205,859,489	166,289,173	372,148,662	47%

Revenue from the Medicare and Medicaid programs accounted for approximately 22% and 29%, respectively, of net patient service revenue for the year ended 2006. 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 $72,864,271 in Medicaid special revenue during 2006 and at December 31, 2006, $43,277,669 in related deferred revenue was recorded (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 2006, the Corporation recognized $5,114,031 in Medicaid special revenue that related to settlements of prior years. Of the total deferred revenue at December 31, 2006, $39,224,796 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 2006.

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 2005, 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 54,300 as of December 31, 2006.

(9) Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2006:

	January 1, 2006	Additions	Reductions	December 31, 2006	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	$ 20,005,000	—	(850,000)	19,155,000	920,000
General Obligation Bonds of 2005, ($28,960,000 original amount), 3.50% to 5.00%, due January 1, 2025	27,565,000	—	(700,000)	26,865,000	725,000
Deferred Amounts:					
Less: Loss on refunding	(2,257,314)	—	174,576	(2,082,738)	(169,774)
Plus: Deferred premiums	1,007,364	—	(53,019)	954,345	53,019
Total bonds payable	46,320,050	—	(1,428,443)	44,891,607	1,528,245
Notes payable:					
1998 Promissory Notes ($1,800,000 original amount) 4.50%, due December 30, 2008	626,299	—	(199,548)	426,751	208,629
Accrued compensated absences	3,897,883	3,498,466	(3,489,559)	3,906,790	3,487,517
Govermental activities long-term liabilities	$ 50,844,232	3,498,466	(5,117,550)	49,225,148	5,224,391
Business-type activities:					
Wishard Health Services:					
Asserted and unasserted self insurance claims	$ 10,649,831	2,061,667	(1,868,180)	10,843,318	1,900,000
LT Care:					
Capital leases	151,253,286	17,103,969	(2,244,723)	166,112,532	3,968,857
Asserted and unasserted self insurance claims	—	3,459,751	—	3,459,751	3,459,751
Business-type activities long-term liabilities	$ 161,903,117	22,625,387	(4,112,903)	180,415,601	9,328,608

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

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

The debt service requirements, including interest, on bonds and notes outstanding at December 31, 2006 is as follows:

		Principal	Interest
Bonds:			
2007		1,645,000	2,673,675
2008		1,740,000	2,578,936
2009		1,840,000	2,474,981
2010		1,955,000	2,359,636
2011		2,455,000	2,231,886
2012-2016		14,725,000	8,693,915
2017-2021		15,100,000	3,698,766
2022-2024		6,560,000	544,281
	$	46,020,000	25,256,076
Notes:			
2007		208,629	17,111
2008		218,122	7,512
	$	426,751	24,623

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, 2006, is as follows:

Net assessed value – 2006	$	40,226,503,968
		0.67%
Debt limit		269,517,577
Debt applicable to debt limit:		
Bonded debt		46,020,000
Notes payable from tax levy		426,751
Legal debt margin	$	223,070,826

The Corporation is in compliance with all significant applicable covenants as of December 31, 2006.

In 2005, the Corporation refunded its General Obligation Bonds of 2000 with the issuance of the General Obligation Refunding Bonds, Series 2005. The General Obligation Bonds of 2000 are considered to have been defeased and have been removed from the basic financial statements. At December 31, 2006, $26,510,000 of these defeased bonds remains outstanding.

(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, 2006 for the governmental activities:

2007	$	487,125
2008		481,849
2009		484,536
2010		416,958
2011		198,501
2012 - 2016		626,127
Total future payments	$	2,695,096

Lease expenditures of $456,905 were reported in the governmental activities for the year ended December 31, 2006.

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, 2006 for the business-type activities:

2007	$	1,555,246
2008		1,212,768
2009		1,024,028
2010		1,024,028
2011		1,024,028
2012 - 2016		190,918
Total future payments	$	6,031,016

Lease expenditures of $1,401,404 were reported in the business-type activities for the year ended December 31, 2006.

(b) Capital

The governmental activities had no capital leases outstanding at December 31, 2006. For business-type activities including the LT Care Enterprise Fund, the Corporation is obligated under capital leases covering 22 nursing homes. At December 31, 2006, the gross amount of buildings and related accumulated amortization recorded under capital leases was as follows:

Buildings	$	175,499,131
Less accumulated amortization		(32,181,607)
	$	143,317,524

Amortization expense of assets held under capital leases of $10,565,829 is included with depreciation and amortization expense for the year ended December 31, 2006.

Future minimum capital lease payments as of December 31, 2006 are:

2007	$	21,565,069
2008		21,970,089
2009		22,451,724
2010		22,976,430
2011		23,575,083
2012-2016		115,179,018
2017-2021		108,774,933
2022		7,327,973
Total minimum lease payments		343,820,319
Less amount representing interest (at rates ranging from 5.22% to 11.74%)		177,707,787
Present value of net minimum capital lease payments		166,112,532
Less current installments of obligations under capital leases		3,968,857
Obligations under capital leases, excluding current installments	$	162,143,675

(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.

The Corporation incorporated Lions Insurance Company (Lions) on February 28, 2006, and commenced operations on March 1, 2006. Lions is organized and operated exclusively to provide insurance covering the professional (malpractice) and general liability exposures of the nursing homes operated by the Corporation. Lions 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 per claim ($500,000 for causes of action occurring after January 1, 2006) for general liability claims. In addition, Lions has protection for general liability coverage in excess of $1,000,000 annually and in the aggregate. Lions participates in the Indiana Medical Malpractice Act, which limits the maximum recovery for medical malpractice claims to $1,250,000 per occurrence, with the remaining balance of any claim being paid by the State of Indiana Patient Compensation Fund. Lions has professional liability coverage from the Indiana Patient Compensation Fund excess of $250,000 per occurrence.

The Corporation has accrued for reported claims and claims incurred but not reported (IBNR) for workers' compensation, general liability, and medical 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 medical malpractice claims recorded within the business-type activities and proprietary fund financial statements:

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 January 1, 2006		10,649,831
Change in incurred claims (including IBNRs), net		5,521,418
Claims payments		(1,868,180)
Balance at December 31, 2006	$	14,303,069

(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, 2006. 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, 2006, recorded within the business-type activities and proprietary fund financial statements is as follows:

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 January 1, 2006		2,700,000
Change in incurred claims (including IBNRs), net		35,666,919
Claims payments		(35,097,380)
Balance at December 31, 2006	$	3,269,539

(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, 2006. 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, 2005	$	4,310,000
Change in incurred claims (including IBNRs), net		11,481,132
Claims payments		(13,493,432)
Balance at January 1, 2006		2,297,700
Change in incurred claims (including IBNRs), net		16,654,900
Claims payments		(15,748,700)
Balance at December 31, 2006	$	3,203,900

The amount recorded as a liability in the General Fund at December 31, 2006 is $1,046,423 and represents the claims which are matured and due as of year end. At December 31, 2006, $1,046,423 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. 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 2006 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, 2006 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)	$	8,779,665
Interest on net pension asset		(182,599)
Adjustment to ARC		208,086
Annual pension cost		8,805,152
Actual contribution made		7,610,850
Decrease in net pension asset		(1,194,302)
Net pension asset, beginning of year		2,518,613
Net pension asset, end of year	$	1,324,311

The net pension asset of $1,324,311 as of December 31, 2006, is reflected in the government-wide financial statements. Wishard’s share of this asset is $1,048,361 and $275,950 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, 2006	$	8,805	86 %	$	1,324
June 30, 2005		7,519	93		2,519
June 30, 2004		6,347	96		3,055

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

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, 2006	$ 131,960	158,826	(2,791)	98 %	$ 148,167	2 %
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

(13) Interfund Transactions and Balances

Individual due to / from other funds as of December 31, 2006 are as follows:

Due to Fund	Due from Fund	Amount
Enterprise Fund – Wishard Health Services	General Fund	$ 69,988

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, 2007.

(14) Interfund Transfers

Interfund transfers for the year ended December 31, 2006, on the fund statements consisted of the following:

Transfer to:	Transfer from General Fund	Total
Enterprise Fund – LT Care	$ 1,000,000	1,000,000
Enterprise Fund – Wishard Health Services	153,713,891	153,713,891
	154,713,891	154,713,891
Enterprise Fund - Wishard Health Services - capital transfer	3,905,484	3,905,484
	$ 158,619,375	158,619,375

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 the fund statements, this transfer is shown as a capital contribution in the Wishard Enterprise Fund as it is represents 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, 2006 and was not renewed. A new agreement between the Corporation and the University was signed in February 2007. During 2006, 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 2006. The Corporation incurred fees for professional, management, and resident physician services of approximately $37,947,349 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 2006.

(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

Wishard 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, 2006, is as follows:

Commercial insurance	11	%
Medicare	18	
Medicaid	30	
Self pay	31	
Other	10	
	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 and other special assessment fees on behalf of the Corporation. For the year ended December 31, 2006, the Corporation had received $97,552,821 in tax cash receipts and $1,141,946 in special assessment fees cash receipts from the County and at December 31, 2006, the Corporation had a tax receivable of $3,465,000, all of which was deferred in the fund financial statements. The Corporation paid the County $40,191 in fees associated with certain information technology services provided by the County in 2006. Also, the Corporation paid the County $262,000 in 2006 in autopsy and death reports and $76,913 in continuing education fees that the Corporation had collected on behalf of the County based on the issuance of death certificates. Wishard received $3,665,082 from the County to provide health care services to certain prisoners in the Marion County jail system during 2006. 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 2006. 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 2006.

(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 $26,095,501 and $20,270,113, respectively, at December 31, 2006. 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, 2006.

(21) LT Care Management Agreement

The Corporation has entered into a management agreement with American Senior Communities, LLC (ASC) to operate the 22 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 2006, the Corporation incurred approximately $10,216,114 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 2006, the Corporation paid approximately $16,300,000 to EagleCare in associated lease costs from LT Care operating revenue (see note 22).

At December 31, 2006, the LT Care Fund had a payable due to EagleCare for approximately $1,334,000 and a payable to ASC of approximately $2,579,000 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 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 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 2006 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.

In October 2006, the Corporation entered into transactions with independent third-parties, which involved the purchase of assets of four nursing homes for $2,810,000, of which $1,532,000 was paid in 2006 and the remainder to be paid from 2007 - 2009. In addition, the Corporation entered into leases for the real estate of the nursing homes. The leases end in September 2016 with the annual total lease payments of approximately $2,800,000, paid in equal monthly installments. Under the lease terms, the lease payment will increase by 2% each year after the third year of the lease.

(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 2004, the Corporation guaranteed a bond issuance ($4,000,000 Indiana Development Finance Authority Educational Facilities Revenue Bonds Series 2006) 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, 2006, the outstanding amount on the bond issuance was $3,789,052 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. During 2007, Charter refinanced this loan with the Corporation remaining as the guarantor.

(25) Subsequent Events

In January 2007, the Corporation entered into a transaction with an independent third-party, which involved the purchase of assets of two nursing homes for $1,851,000. In addition, the Corporation entered into leases for the real estate of the nursing homes. The leases end in December 2016 and require a minimum annual lease payments of $1,855,000 in total for both leases, paid in equal monthly installments.

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, 2006

		Budgeted amounts		Actual	Variance with final budget– positive
		Original	**Final**	**amounts**	**(negative)**
Revenues					
Taxes	$	96,384,553	96,384,553	93,017,687	(3,366,866)
Licenses and permits		3,600,000	3,900,000	3,864,882	(35,118)
Intergovernmental		1,200,000	1,500,000	1,330,624	(169,376)
Charges for services		800,000	1,100,000	1,079,203	(20,797)
Medicaid special revenue		102,280,000	122,400,000	105,924,177	(16,475,823)
Interest		1,200,000	2,191,124	4,591,943	2,400,819
Grants		13,079,983	15,100,000	15,485,089	385,089
Miscellaneous		900,000	9,748,016	31,765,185	22,017,169
Total revenues		219,444,536	252,323,693	257,058,790	4,735,097
Expenditures					
Personal services		39,400,000	40,400,000	39,997,704	402,296
Supplies		3,795,479	4,195,479	3,772,128	423,351
Other charges and services		16,026,953	33,206,953	24,951,693	8,255,260
Capital outlays		5,990,680	5,990,680	2,600,354	3,390,326
Total expenditures		65,213,112	83,793,112	71,321,879	12,471,233
Other Financing Uses					
Transfers out		(155,000,000)	(156,420,000)	(156,477,809)	(57,809)
Total other financing uses		(155,000,000)	(156,420,000)	(156,477,809)	(57,809)
Net change in fund balances		(768,576)	12,110,581	29,259,102	17,148,521
Fund balances – beginning of year		73,968,974	73,968,974	73,968,974	—
Fund balances – end of year	$	73,200,398	86,079,555	103,228,076	17,148,521

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	$	3,887,379
Add (deduct):		
Change in encumbrances		(1,492,339)
Change in prepaid expenditures		(133,785)
Change in accounts receivable		(4,524,998)
Change in accounts payable		(2,937,125)
Change in self-insurance claims		1,425,750
Medicaid special revenue partial payment		33,014,220
Other		20,000
Net change in fund balance – Budgetary basis	$	29,259,102

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

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, 2006

	Budgeted amounts		Actual	Variance with final budget– positive
	Original	Final	amounts	(negative)
Revenues				
Taxes	$ 4,833,724	4,833,724	4,690,020	(143,704)
Interest	1,000	1,000	2,226	1,226
Total revenues	4,834,724	4,834,724	4,692,246	(142,478)
Expenditures				
Principal retirement	1,660,000	1,660,000	1,550,000	110,000
Interest and fiscal charges	3,068,251	3,071,057	2,762,818	308,239
Total expenditures	4,728,251	4,731,057	4,312,818	418,239
Excess of revenues over expenditures	106,473	103,667	379,428	275,761
Other Financing Sources				
Transfers in	—	—	—	—
Total other financing sources	—	—	—	—
Net change in fund balances	106,473	103,667	379,428	275,761
Fund balances – beginning of year	(17,368)	(17,368)	(17,368)	—
Fund balances – end of year	$ 89,105	86,299	362,060	275,761

See accompanying independent auditors' report.

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, 2006

	Budgeted amounts		Actual	Variance with final budget– positive
	Original	**Final**	**amounts**	**(negative)**
Revenues				
Taxes	$ 266,077	266,077	258,166	(7,911)
Interest	800,000	800,000	1,866,276	1,066,276
Miscellaneous	20,000,000	20,000,000	—	(20,000,000)
Total revenues	21,066,077	21,066,077	2,124,442	(18,941,635)
Expenditures				
Capital outlays	—	—	—	—
Total expenditures	—	—	—	—
Excess of revenues over expenditures	21,066,077	21,066,077	2,124,442	(18,941,635)
Net change in fund balances	21,066,077	21,066,077	2,124,442	(18,941,635)
Fund balances – beginning of year	35,785,772	35,785,772	35,785,772	—
Fund balances – end of year	$ 56,851,849	56,851,849	37,910,214	(18,941,635)

See accompanying independent auditors' report.

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

– Voltaire

STATISTICAL
SECTION

TABLE I

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

Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)

	2006	2005	2004	2003	2002
Primary Government:					
Governmental activities					
Invested in capital assets, net of related debt	$ 7,134,802	$ 7,971,335	$ 5,855,427	$ 13,101,552	$ 11,766,693
Restricted	—	—	—	—	130,395
Unrestricted	164,480,042	128,068,721	53,513,426	8,463,765	39,851,124
Total Governmental activities net assets	171,614,844	136,040,056	59,368,853	21,565,317	51,748,212
Business-type activities					
Invested in capital assets, net of related debt	136,595,394	147,262,474	157,761,870	166,804,507	158,392,048
Restricted	639,351	596,789	570,811	564,837	548,433
Unrestricted	108,974,494	108,828,175	97,261,260	87,026,987	68,176,159
Total business-type activities net assets	246,209,239	256,687,438	255,593,941	254,396,331	227,116,640
Primary government					
Invested in capital assets, net of related debt	143,730,196	155,233,809	163,617,297	179,906,059	170,158,741
Restricted	639,351	596,789	570,811	564,837	678,828
Unrestricted	273,454,536	236,896,896	150,774,686	95,490,752	108,027,283
Total primary government net assets	$ 417,824,083	$ 392,727,494	$ 314,962,794	$ 275,961,648	$ 278,864,852

Note: The Corporation implemented GASB 34 as of fiscal year 2002.

Source: Basic financial statements

Table II

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

Schedule of Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

	2006	2005	2004	2003	2002
Expenses:					
Governmental activities:					
Administration and finance	$ 17,551,946	$ 14,166,259	$ 9,612,142	$ 17,009,724	$ 17,173,960
Health improvement	24,145,228	24,399,358	25,275,328	26,408,831	23,876,063
Communicable disease prevention	9,215,253	10,379,233	9,425,318	9,360,310	8,914,142
Water quality and hazardous materials management	1,825,826	1,734,696	1,703,637	1,699,221	1,610,101
Vector disease control	3,509,809	2,977,009	2,965,406	2,930,571	2,796,196
Housing and neighborhood health	5,035,571	4,184,358	4,117,488	4,116,053	3,759,377
Consumer and employee risk reduction	1,557,309	1,546,218	1,581,187	1,507,781	1,395,880
Interest on long-term debt	2,898,454	2,532,873	3,260,807	3,354,422	3,442,160
Total governmental activities expenses	65,739,396	61,920,004	57,941,313	66,386,913	62,967,879
Business-type activities:					
Wishard Health Services	398,576,838	384,487,424	368,212,850	362,588,065	336,219,601
LT Care	171,792,272	157,656,712	139,064,331	97,053,021	—
Total business-type activities expenses	570,369,110	542,144,136	507,277,181	459,641,086	336,219,601
Total (primary) government expenses	$ 636,108,506	$ 604,064,140	$ 565,218,494	$ 526,027,999	$ 399,187,480
Program Revenues					
Governmental Activities:					
Charges for services:					
Administration and finance	$ 32,198,505	$ 12,042,413	$ 323,299	$ 304,285	$ 154,995
Health improvement	2,036,999	2,094,473	1,979,376	1,108,469	1,225,594
Communicable disease prevention	358,954	395,412	323,576	318,275	338,184
Water quality and hazardous materials management	360,957	354,111	358,022	332,338	335,490
Vector disease control	898,812	125,523	102,741	66,994	26,138
Housing and neighborhood health	633,456	85,501	92,722	94,141	54,227
Consumer and employee risk reduction	2,087,249	1,898,597	1,757,581	1,552,017	1,471,489
Interest on long-term debt	—	—	—	—	—
Operating grants and contributions	12,108,583	16,573,583	17,488,087	17,317,170	15,270,533
Capital grants and contributions	3,575,826	1,702,901	—	5,439,547	1,174,819
Total governmental activities program revenues	54,259,341	35,272,514	22,425,404	26,533,236	20,051,469

Table II (continued)

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

Schedule of Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

	2006	2005	2004	2003	2002
Business-type Activities:					
Charges for services:					
Wishard Health Services	$ 222,001,734	$ 224,633,684	$ 199,864,995	$ 189,692,554	$ 166,401,275
LT Care	167,574,919	167,009,420	134,559,380	95,858,819	—
Operating grants and contribtions	7,680,805	8,414,943	10,038,960	11,735,585	12,126,208
Capital grants and contributions	—	—	—	—	—
Total business-type activities program revenues	397,257,458	400,058,047	344,463,335	297,286,958	178,527,483
Total primary government program revenues	$ 451,516,799	$ 435,330,561	$ 366,888,739	$ 323,820,194	$ 198,578,952
Net Program (Expense)/Revenue					
Governmental activities	(11,480,055)	(26,647,490)	(35,515,909)	(39,853,677)	(42,916,410)
Business-type activities	(173,111,652)	(142,086,089)	(162,813,846)	(162,354,128)	(157,692,118)
Total primary government net expense	$ (184,591,707)	$ (168,733,579)	$ (198,329,755)	$ (202,207,805)	$ (200,608,528)
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes					
Property taxes	$ 89,435,326	$ 87,980,567	$ 88,498,342	$ 92,454,172	$ 76,292,234
Financial institutions taxes	1,260,083	1,268,250	1,269,040	1,242,962	1,198,208
Excise taxes	7,270,595	7,507,089	7,889,045	7,905,793	7,472,835
Medicaid special revenue (unrestricted)	101,186,941	143,381,951	137,474,685	95,965,768	76,364,494
Unrestricted investment earnings	6,521,273	3,614,043	978,823	774,638	2,386,068
Transfers (capital contributions to Wishard and LT Care)	(3,905,484)	(455,288)	(6,790,490)	(5,250,867)	(14,140,401)
Transfers	(154,713,891)	(139,977,919)	(156,000,000)	(183,421,684)	(167,492,945)
Total governmental activities	47,054,843	103,318,693	73,319,445	9,670,782	(17,919,507)

Table II (continued)

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

Schedule of Changes in Net Assets
Last Five Fiscal Years
(accrual basis of accounting)

	2006	2005	2004	2003	2002
Business-type activities:					
Unrestricted investment earnings	$ 4,014,078	$ 2,746,379	$ 1,220,966	$ 961,268	$ 1,625,149
Transfers (capital contributions to Wishard)	3,905,484	455,288	6,790,490	5,250,867	14,140,401
Transfers	154,713,891	139,977,919	156,000,000	183,421,684	167,492,945
Total business-type activities	162,633,453	143,179,586	164,011,456	189,633,819	183,258,495
Total primary government	209,688,296	246,498,279	237,330,901	199,304,601	165,338,988
Change in Net Assets:					
Governmental activities	35,574,788	76,671,203	37,803,536	(30,182,895)	(60,835,917)
Business-type activities	(10,478,199)	1,093,497	1,197,610	27,279,691	25,566,377
Total primary government	$ 25,096,589	$ 77,764,700	$ 39,001,146	$ (2,903,204)	$ (35,269,540)

Note: The Corporation implemented GASB 34 as of fiscal year 2002.

Source: Basic financial statements

TABLE III

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

Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General Fund										
Reserved	$ 8,407,286	$ 3,640,918	$ 5,214,233	$ 4,864,915	$ 26,655,124	$ 2,193,529	$ 2,742,214	$ 1,389,532	$ 1,739,107	$ 1,306,373
Unreserved	110,958,027	111,837,016	37,286,974	7,642,777	21,588,774	98,498,704	50,188,938	9,447,900	8,479,610	7,546,743
Total general fund	$ 119,365,313	$ 115,477,934	$ 42,501,207	$ 12,507,692	$ 48,243,898	$ 100,692,233	$ 52,931,152	$ 10,837,432	$10,218,717	$ 8,853,116
All Other Governmental Funds										
Reserved	—	—	—	—	$ 4,330,048	—	$ 1,845,889	$ 2,185,378	$ 7,783,003	$ 5,417,834
Unreserved, reported in:										
Debt service fund	362,060	(16,186)	198,382	297,281	—	278,870	254,849	99,483	1,585	429
Capital projects fund	40,814,423	38,643,862	37,281,256	36,659,175	28,708,879	45,139,213	50,738,515	25,688,071	21,282,673	31,447,804
Total all other governmental funds	$ 41,176,483	$ 38,627,676	$ 37,479,638	$ 36,956,456	$ 33,038,927	$ 45,418,083	$ 52,839,253	$ 27,972,932	$29,067,261	$36,866,067

Source: Basic financial statements

TABLE IV

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

Changes in Fund Balances Governmental Funds
Last Ten Fiscal Years

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Revenues										
Taxes	$ 97,965,873	$ 97,196,828	$ 98,214,855	$ 101,652,352	$ 84,645,829	$ 82,298,728	$ 79,115,490	$ 26,830,305	$ 26,396,833	$ 25,231,836
Licenses and permits	3,864,882	3,662,722	3,565,750	2,853,728	2,709,269	2,614,855	2,620,461	2,602,928	2,570,835	2,353,802
Intergovernmental	16,007,012	16,598,192	17,030,332	16,444,232	15,495,683	11,962,565	8,983,120	7,219,193	6,678,330	5,758,139
Charges for services	1,079,203	1,162,710	809,638	862,954	750,014	813,934	773,232	670,990	655,125	484,324
Disproportionate share Medicaid	72,864,271	142,926,951	122,974,685	95,965,768	76,364,494	138,139,400	96,007,363	3,134,450	—	—
Interest	6,521,271	3,614,043	978,823	774,638	2,386,068	5,373,505	4,788,579	1,101,971	3,066,949	3,326,966
Miscellaneous	31,765,188	13,449,938	1,330,121	6,441,723	1,258,766	663,113	197,487	168,782	176,557	110,690
Total revenues	230,067,700	278,611,384	244,904,204	224,995,395	183,610,123	241,866,100	192,485,732	41,728,619	39,544,629	37,265,757
Expenditures										
Administrative	14,692,846	12,393,374	6,563,075	19,100,875	17,965,973	14,019,851	7,507,297	6,835,226	5,373,565	4,867,731
Population health	18,776,012	17,376,100	16,514,742	17,089,105	17,702,836	14,752,899	14,315,419	12,533,400	11,940,748	11,759,281
Environmental health	11,015,086	9,847,532	9,788,839	9,610,608	8,883,675	7,850,434	7,462,325	6,614,581	6,178,377	6,082,040
Health center program	1,092,266	1,132,398	1,230,519	1,458,533	1,146,006	283,075	—	775,949	729,309	797,111
Data processing	2,917,196	3,384,596	3,030,331	2,977,700	2,536,786	1,858,940	1,364,927	1,495,525	1,301,201	1,308,255
Grants programs	15,885,533	14,963,677	15,664,860	15,890,222	14,727,717	10,724,923	8,310,867	6,489,561	5,801,976	4,617,074
Restricted fund	—	—	—	—	—	—	—	3,635	750	750
Capital outlays	—	—	—	2,351,314	12,597,638	30,260,664	7,286,086	10,934,721	14,136,238	21,511,660
Debt service:										
Principal	1,749,548	2,380,863	1,652,555	1,559,609	1,477,010	1,230,000	560,000	525,000	485,000	460,000
Interest and fiscal charges	2,789,136	2,574,872	3,301,307	3,354,422	3,442,160	3,457,376	3,306,610	1,796,635	1,830,670	1,862,348
Bond issuance costs	—	429,167	—	—	—	—	—	—	—	—
Total expenditures	68,917,623	64,482,579	57,746,228	73,392,388	80,479,801	84,438,162	50,113,531	48,004,233	47,777,834	53,266,250
Excess (deficiency) of revenues over (under) expenditures	161,150,077	214,128,805	187,157,976	151,603,007	103,130,322	157,427,938	142,372,201	(6,275,614)	(8,233,205)	(16,000,493)
Other Financing Sources (Uses)										
Proceeds from note payable	—	—	—	—	—	—	—	—	1,800,000	—
Proceeds of bonds	—	—	—	—	—	—	30,000,000	—	—	—
Refunding on bonds issued	—	28,960,000	—	—	—	—	—	—	—	—
Premium on bonds issued	—	1,013,992	—	—	—	—	—	—	—	—
Payment to refunded bond escrow agent	—	(29,544,825)	—	—	—	—	—	—	—	—
Transfers in	—	8,294	—	17,242	225,888	18,000,000	160,539	7,000,000	65,000	21,000
Transfers out	(154,713,891)	(140,441,501)	(156,641,279)	(183,438,926)	(167,718,833)	(135,191,904)	(105,572,699)	(1,200,000)	(65,000)	(5,256,246)
Total other financing sources (uses), net	(154,713,891)	(140,004,040)	(156,641,279)	(183,421,684)	(167,492,945)	(117,191,904)	(75,412,160)	5,800,000	1,800,000	(5,235,246)
Net change in fund balances	$ 6,436,186	$ 74,124,765	$ 30,516,697	$ (31,818,677)	$ (64,362,623)	$ 40,236,034	$ 66,960,041	$ (475,614.00)	$ (6,433,205.00)	$(21,235,739.00)
Debt service as a percentage of non-capital expenditures	6.6%	8.4%	8.6%	6.9%	7.2%	8.7%	9.0%	6.3%	6.9%	7.3%
Debt service expenditures	4,538,684	5,384,902	4,953,862	4,914,031	4,919,170	4,687,376	3,866,610	2,321,635	2,315,670	2,322,348
Non-capital expenditures	68,917,623	64,482,579	57,746,228	71,041,074	67,882,163	54,177,498	42,827,445	37,069,512	33,641,596	31,754,590

Note: The Corporation implemented GASB 34 as of fiscal year 2002.

Source: Basic financial statements - Fund Statements

TABLE V

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

Assessed Value and Actual Value of 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
2006	$ 33,030,628,020	$ 33,030,628,020	$ 7,195,875,948	$ 7,195,875,948	$ 40,226,503,968	$ 40,226,503,968
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

(1) Taxable property is assessed at 33-1/3% of the true tax value for the years 1997 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

Table VI

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

Property Tax Rates - Direct and Overlapping Governments (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)
2006	0.2138	0.0098	0.0006	0.2242	0.8881	0.4131	0.1409	1.7172	0.0024	0.0644	3.4503
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	0.1189	1.7827	0.0024	0.0607	3.5514
2003	0.2134	0.0113	0.0006	0.2253	0.9603	0.4443	0.1302	1.5503	0.0033	0.1403	3.4540
2002	0.2492	0.0133	0.0008	0.2633	1.2254	0.5354	0.1676	1.9594	0.0033	0.0799	4.2343
2001	0.7441	0.0458	0.0020	0.7919	3.7670	1.4043	0.4578	5.9811	0.0100	0.2599	12.6720
2000	0.7669	0.0230	0.0020	0.7919	3.7825	1.4038	0.4572	5.9552	0.0100	0.2756	12.6762
1999	0.7653	0.0246	0.0020	0.7919	3.7948	1.4042	0.4567	5.8477	0.0100	0.3281	12.6334
1998	0.7667	0.0232	0.0020	0.7919	3.7968	1.4021	0.4070	5.3888	0.0100	0.3952	12.1918
1997	0.7671	0.0240	0.0020	0.7931	3.8033	1.4179	0.4111	5.5778	0.0100	0.5380	12.5512

(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

Table VII

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

Principal Property Tax Payers
Current Year and Nine Years Ago

	2006			1997 (3)		
Taxpayer	**Net Taxable Assessed Valuation (1) (2)**	**Rank**	**Percentage of Total City Taxable Assessed Valuation**	**Net Taxable Assessed Valuation**	**Rank**	**Percentage of Total City Taxable Assessed Valuation**
Eli Lilly & Company	$ 914,506,000	1	2.31%	$ 221,900,070	1	2.55%
South Western Bell	391,810,000	2	0.99%			
General Motors Corporation	380,680,000	3	0.96%	37,378,237	7	0.43%
Indianapolis Power & Light	351,076,000	4	0.89%	132,207,320	2	1.52%
Simon Property Group	254,426,000	5	0.64%			
International Truck and Engine	187,001,000	6	0.47%			
St. Vincent Hospital & Health Care Center, Inc.	179,332,000	7	0.45%			
Federal Express Corp.	177,927,000	8	0.45%			
Citizens Gas & Coke Utility	165,806,000	9	0.42%	59,936,170	5	0.69%
Visteon Corporation	164,023,000	10	0.41%			
American United Life				31,526,110	10	0.36%
Ford Motor Company				84,494,630	3	0.97%
Allison Engine Co.				81,990,210	4	0.94%
Indianapolis Water Company				47,278,340	6	0.54%
Navistar International				35,752,601	8	0.41%
Marsh				32,474,061	9	0.37%
	$ 4,210,420,000		10.62%	$ 958,108,243		10.99%

(1) Represents the March 1, 2004 valuations for taxes due and payable in 2005 as represented by the taxpayer.

(2) Net Assessed Valuation was determined using public records from the Marion County Treasurer's Office. Taxable property is assessed at 33-1/3% of the true tax value for 1997.

(3) Data from the 1997 Health and Hospital Corporation's Comprehensive Annual Report.

Source: Marion County Auditor

Table VIII

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

Property Tax Levies and Collections (1)
Last Ten Fiscal Years

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years (3)	Total Collections to Date	
		Amount (2)	Percentage of Levy		Amount	Percentage of Levy
2006	$ 90,469,407	$ 88,238,324	97.53%	$ 634,310	$ 88,872,634	98.24%
2005	88,832,049	86,484,708	97.36%	643,154	87,127,862	98.08%
2004	88,991,203	87,283,952	98.08%	862,109	88,146,061	99.05%
2003	87,982,909	90,537,679	102.90%	967,798	91,505,477	104.00%
2002	74,494,711	74,115,192	99.49%	719,842	74,835,034	100.46%
2001	72,738,903	72,494,311	99.66%	649,745	73,144,056	100.56%
2000	71,922,295	70,961,378	98.66%	–	70,961,378	98.66%
1999	70,340,389	69,394,898	98.66%	–	69,394,898	98.66%
1998	69,154,383	68,051,929	98.41%	–	68,051,929	98.41%
1997	66,064,187	64,788,021	98.07%	–	64,788,021	98.07%

(1) All Marion County property.
(2) For the Health and Hospital Corporation only.
(3) Deadlines for taxes collected are May 10th and November 10th. Collections after November 10th are then distributed in the following year's spring distribution. The figures for "Collections in Subsequent Years" is for only the period November 11th through December 31st of the prior year. Information for years prior to that were not available for calculation. Data for years 2000 and before was not available.

Source: Marion County Auditor

Table IX

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

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

	Governmental Activities				Business-type Activities			
Fiscal Year	**General Obligation Bonds of 2005 (1)**	**General Obligation Bonds of 2000 (1)**	**Renovation Bonds**	**Notes Payable**	**Long-Term Care Capital Leases (2)**	**Total Primary Government**	**Percentage of Personal Income (3) (4)**	**Per Capita**
2006	$ 26,865,000	$ —	$ 19,155,000	$ 426,751	$ 166,112,532	$ 212,559,283	—	$ 245.59
2005	27,565,000	—	20,005,000	626,299	151,253,286	199,449,585	637.83%	231.44
2004	—	27,280,000	20,800,000	817,162	117,886,520	166,783,682	557.94%	193.78
2003	—	28,010,000	21,540,000	999,717	125,548,785	176,098,502	616.30%	203.99
2002	—	28,705,000	22,230,000	1,174,326	—	52,109,326	186.14%	60.35
2001	—	29,370,000	22,875,000	1,341,336	—	53,586,336	197.16%	62.53
2000	—	30,000,000	23,475,000	1,501,076	—	54,976,076	208.22%	63.89
1999	—	—	24,035,000	1,653,863	—	25,688,863	105.20%	31.68
1998	—	—	24,560,000	1,800,000	—	26,360,000	111.30%	32.41
1997	—	—	25,045,000	—	—	25,045,000	115.77%	30.78

Source: Notes to Basic Financial Statements

(1) The General Obligation (GO) Bonds of 2000 were refunded in 2005 with the GO Bonds of 2005.
(2) The Long-Term Care division within the business-type activities did not exist within the Corporation prior to 2003.
(3) See Table XIII for personal income and population data.
(4) Data for 2006 was not available.

Table X

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

Ratio of Net General Obligation Debt Outstanding
Last Ten Fiscal Years

	General Bonded Debt Outstanding				
Fiscal Year	**General Obligation Bonds**	**Notes Payable**	**Total Net Bonded Debt**	**Percentage of Actual Taxable Value of Property**	**Per Capita**
2006	$ 46,020,000	$ 426,751	$ 46,446,751	0.14%	$ 53.66
2005	47,570,000	626,299	48,196,299	0.15%	55.93
2004	48,080,000	817,162	48,897,162	0.14%	56.81
2003	49,550,000	999,717	50,549,717	0.15%	58.56
2002	50,935,000	1,174,326	52,109,326	0.25%	60.35
2001	52,245,000	1,341,336	53,586,336	0.26%	62.53
2000	53,475,000	1,501,076	54,976,076	0.28%	63.89
1999	24,035,000	1,653,863	25,688,863	0.13%	31.68
1998	24,560,000	1,800,000	26,360,000	0.14%	32.41
1997	25,045,000	—	25,045,000	0.13%	30.78

Source: Basic financial statements and Marion County Auditor's Office

Table XI

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

Schedule of Direct and Overlapping Debt and Bonded Debt Limit (1)
December 31, 2006

	Assessed	Bonding Limit		Bonds
Direct Debt:	Value (7)	%	Dollar Amount	Outstanding
Health and Hospital Corporation of Marion County	$ 39,884,933,000	0.67%	$ 267,229,051	$ 46,020,000
Overlapping:				
Marion County	$ 39,884,933,000	0.67%	$ 267,229,051	$ 40,510,000
City of Indianapolis:				
Civil City	$ 37,174,040,000	0.67%	$ 249,066,068	$ 117,311,000
Consolidated County	39,884,933,000	(3)	—	—
Park District	39,884,933,000	(8)	—	28,048,000
Redevelopment District	37,174,040,000	(8)	—	33,015,000
Flood Control District	39,884,933,000	0.67%	267,229,051	62,721,000
Metropolitan Thoroughfare District	39,884,933,000	1.33%	530,469,609	59,591,000
Sanitary District	36,517,741,000	4%	1,460,709,640	71,479,000
Police Special Service District	11,869,772,000	(2)	—	—
Fire Special Service District	10,769,521,000	(2)	—	—
Solid Waste Collect Spec. Service District	37,230,891,000	(2)	—	—
Solid Waste Disposal District	37,230,891,000	2%	744,617,820	—
Pub Safety Comm and Comp Facilities District	39,884,933,000	0.67%	267,229,051	82,000,000
Total City Debt			$ 3,519,321,239	$ 454,165,000 (4)
Other Municipal Corporations				
Airport Authority	$ 39,884,933,000	0.67%	$ 267,229,051	$ —
Capital Improvement Board	39,884,933,000	0.67%	267,229,051	—
Indpls-Marion Co. Building Authority	39,884,933,000	(5)	—	33,280,000
Indianapolis-Marion County Library	38,731,741,000	0.67%	259,502,665	110,455,000
Indianapolis Public Transportation Corp.	37,688,536,000	0.67%	252,513,191	14,140,000
Total Municipal Corporations			$ 1,046,473,958	$ 157,875,000
School Districts:				
Beech Grove	$ 481,148,000	(9)	$ 9,655,360	$ 39,736,000
Decatur	1,112,751,000	(9)	22,390,666	7,199,000
Franklin	1,958,226,000	(9)	39,326,610	252,770,000
Indianapolis Public Schools	10,325,850,000	(9)	206,786,580	31,815,000
Lawrence	4,970,411,000	(9)	99,531,311	26,185,000
Perry	3,542,936,000	(9)	70,992,109	153,405,000
Pike	4,993,428,000	(9)	99,948,710	68,560,000
Speedway	672,044,000	(9)	13,440,880	—

(continued)

Table XI (continued)

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

Schedule of Direct and Overlapping Debt and Bonded Debt Limit (1)
December 31, 2006

	Assessed Value (7)	Bonding Limit %	Bonding Limit Dollar Amount	Bonds Outstanding
School Districts (continued):				
Warren	$ 3,286,999	(9)	$ 212,115	$ —
Washington	5,322,478	(9)	114,181	39,770
Wayne	3,218,654	(9)	314,510	281,599
Total School Districts	$ 39,884,925		$ 2,138,287	$ 901,039
Other Cities and Towns:				
Beech Grove	$ 514,496	0.67%	$ 3,447	$ 1,585
Lawrence	1,467,502	0.67%	9,832	4,880
Southport	56,851	0.67%	381	—
Speedway	672,044	0.67%	4,503	4,195
Total Towns and Other Cities	$ 2,710,893		$ 18,163	$ 10,660
Townships				
Center	$ 5,594,697	0.67%	$ 37,484	$ —
Decatur	1,114,598	0.67%	7,468	2,850
Franklin	2,124,942	0.67%	14,237	2,179
Lawrence	5,389,052	0.67%	36,107	—
Perry	3,894,591	0.67%	26,094	1,755
Pike	4,756,188	0.67%	31,866	1,649
Warren	4,268,407	0.67%	28,598	2,416
Washington	7,324,941	0.67%	49,077	—
Wayne	5,085,319	0.67%	34,072	—
Total Townships	$ 39,552,735		$ 265,003	$ 10,849
Excluded Library Districts				
Beech Grove	$ 481,148	0.67%	$ 3,224	$ 3,848
Speedway	672,044	0.67%	4,503	—
Total Excluded Cities Library Districts	$ 1,153,192		$ 7,726	$ 3,848
Ben Davis Conservancy District	$ 366,501	(6)		—
Total Overlapping Debt				$ 1,170,801
Total Direct and Overlapping Debt				$ 1,624,966

Table XI (continued)

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

Schedule of Direct and Overlapping Debt and Bonded Debt Limit (1)
December 31, 2006
(In Thousands)

(1) Excludes Revenue Bonds not payable from ad valorem taxes.
(2) No bonding authority.
(3) No bonding authority from ad valorem taxes.
(4) Includes $280,000 of matured bonds not presented for payment
(5) 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.
(6) Ben Davis Conservancy District has no bonding limit. Bonds are payable from either collection of special benefit taxes or revenues produced from the project per Indiana Code 13-3-3-81.
(7) Represents the March 1, 2005 (Marion County Auditor's "certified abstract") assessment for taxes due and payable in 2006.
(8) There is no statutory constitutional debt limitation to the Park and Redevelopment Districts.
(9) 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 the 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.

Source: City of Indianapolis, Office of Finance and Management

Table XII

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

Legal Debt Margin Calculation
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Yar Ended June 30, 2006

Net assessed value - 2006	$ 40,226,503,968
Debt limit (.67% of assessed values)	269,517,577
Debt applicable to limit:	
Bonded Debt	46,020,000
Notes payable from tax levy	426,751
Total net debt applicable to limit	46,446,751
Legal Debt Margin	$ 223,070,826

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Debt limit	$ 269,517,577	$ 265,525,241	$ 267,531,873	$ 278,852,313	$ 193,214,113	$ 189,862,912	$ 184,229,687	$ 182,083,146	$ 174,631,602	$ 174,310,657
Total net debt applicable to limit	46,446,751	48,196,299	48,897,162	50,549,717	52,109,326	53,586,336	54,976,076	25,688,863	26,360,000	25,045,000
Legal debt margin	$ 223,070,826	$ 217,328,942	$ 218,634,711	$ 228,302,596	$ 141,104,787	$ 136,276,576	$ 129,253,611	$ 156,394,283	$ 148,271,602	$ 149,265,657
Total net debt applicable to the limit as a percentage of debt limit	17.23%	18.15%	18.28%	18.13%	26.97%	28.22%	29.84%	14.11%	15.09%	14.37%

Source: Marion County Auditor's Office and Basic Financial Statements

Table XIII

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

Demographic and Economic Statistics
Last Ten Calendar Years

Year	(1) Population	(2) Personal Income	(2) Per Capita Personal Income	(3) Public School Enrollment	(4) Unemployment Rate
2006	865,504	$ —	$ —	133,697	4.4%
2005	861,760	31,270,050	36,286	133,694	4.8%
2004	860,674	29,892,584	34,732	132,505	4.7%
2003	863,251	28,573,705	33,142	131,543	4.8%
2002	863,429	27,994,389	32,479	129,682	4.6%
2001	856,938	27,178,761	31,491	127,569	3.3%
2000	860,454	26,403,440	30,684	126,199	2.4%
1999	810,946	24,420,134	28,480	125,189	2.2%
1998	813,405	23,684,798	27,731	125,504	2.3%
1997	813,670	21,634,296	25,412	124,663	2.5%

(1) Source: Census Bureau-Population Estimates base reflects changes to the Census 2000 population.
(2) Source: U.S. Bureau of Economics Census Bureau midyear population estimates. Estimates for 2000-2005 reflect county population estimates available as of March 2007. Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2000-2005 reflect county population estimates available as of March 2007. Data was not yet available for 2006 personal income or per capita personal income.
(3) Source: Indiana Department of Education Statistics
(4) Source: Data provided by the U.S. Bureau of Labor Statistics.

Table XIV

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

Full-time Equivalent City Government Employees by Function/Program
Last Ten Calendar Years

	Full-time Equivalent Employees as December 31									
Function/Program	**2006**	**2005**	**2004**	**2003**	**2002**	**2001 (1)**	**2000 (1)**	**1999 (1)**	**1998 (1)**	**1997 (1)**
Primary Government Employees:										
Administration	112	112	113	109	97	—	—	—	—	—
Health improvement	313	309	304	314	315	—	—	—	—	—
Communicable disease prevention	119	124	123	123	122	—	—	—	—	—
Water quality and hazardous materials	29	29	29	30	79	—	—	—	—	—
Housing and neighborhood health	84	82	82	83	79	—	—	—	—	—
Consumer and employee risk reduction	27	27	27	27	27	—	—	—	—	—
Vector disease control	52	52	53	52	54	—	—	—	—	—
Business-type Employees:										
Wishard Health Services	3,243	3,232	3,269	3,388	3,126	—	—	—	—	—
Long-Term Care (2)	—	—	—	—	—	—	—	—	—	—
Total Employees	3,979	3,966	4,001	4,127	3,899	—	—	—	—	—

Source: SAP Payroll System used by Health & Hospital Corporation

(1) The Corporation converted to the SAP accounting system January 1, 2002. FTE information prior to 2002 is not available.
(2) The Long-Term Care employees are not employees of the Corporation.

Table XV

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

Principal Employers
Current Year and Nine Years Ago

	2006			1997		
Taxpayer	**(1) Employees**	**(1) Rank**	**(1) Percentage of Total Health & Hospital Employment**	**(1) Employees**	**(1) Rank**	**Percentage of Total Health & Hospital Employment**
Eli Lilly & Company	14,000	1	NA	8,210	1	NA
Clarian Health Partners Inc.	7,503	2	NA			
Community Health Network	7,500	3	NA			
IUPUI	7,066	4	NA			
Federal Express Corp. (FedEx)	6,311	5	NA			
St. Vincent Hospitals & Health Service	6,000	6	NA			
Allison Transmission/Div of GMC	4,000	7	NA	3,607	4	NA
Rolls-Royce	4,000	8	NA			
AT&T	3,500	9	NA			
WellPoint Inc.	3,000	10	NA			
The Kroger Company				7,506	2	NA
Marsh				3,674	3	NA
BankOne Corporation (Chase)				3,561	5	NA
Anthem, Inc				3,305	6	NA
General Motors Corporation				3,018	7	NA
Ford Motor Company				3,015	8	NA
Meijer Inc.				2,250	9	NA
NBD National Bank				2,231	10	NA
	62,880			40,377		

(1) Source: The Indianapolis Economic Development in conjunction with The Indy Partnership. Data was taken from the information warehouse containing a listing of the largest employers in the City of Indianapolis/Marion County located at www.indypartnership.com.

Source: Office of Finance and Management, City of Indianapolis, Indiana

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