El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas

Independent Auditor's Report and Financial Statements

September 30, 2015 and 2014

BKD LLP
CPAs & Advisors

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
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Contents

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Independent Auditor's Report

Board of Managers
El Paso County Hospital District
d/b/a University Medical Center of El Paso
El Paso, Texas

We have audited the accompanying financial statements of El Paso County Hospital District d/b/a University Medical Center of El Paso (the Medical Center), and its aggregate discretely presented component units, collectively, a component unit of El Paso County, Texas, which are comprised of the balance sheets as of September 30, 2015 and 2014, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Medical Center's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Medical Center and its aggregate discretely presented component units as of September 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1*, in 2015, the Medical Center changed its method of accounting for pension plans in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Medical Center's basic financial statements. The other information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

BKD, LLP

Dallas, Texas
December 16, 2015

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Management's Discussion and Analysis
Years Ended September 30, 2015 and 2014
(In Millions)

Introduction

This management's discussion and analysis of the financial performance of El Paso County Hospital District d/b/a University Medical Center of El Paso (the Medical Center), provides an overview of the Medical Center's financial activities for the years ended September 30, 2015 and 2014. It should be read in conjunction with the financial statements of the Medical Center. Unless otherwise indicated, amounts are in millions.

Financial Highlights

- In June 2015, Fitch Ratings removed the negative rating watch and affirmed the Medical Center's rating of "AA-" with a stable outlook. In November 2015, Standard and Poor's lowered the Medical Center's ratings from "A+" to "A-" and removed the rating from credit watch. Standard and Poor's views the outlook as stable.
- The Medical Center's property tax rate was $0.220682 in 2015 and $0.214393 in 2014.
- The Medical Center's assets and deferred outflows of resources increased by $16.7 million or 2.7% between 2014 and 2015 and decreased by $94.9 million or 13.4% between 2013 and 2014.
- The Medical Center's net position decreased $14.6 million or 9.9% between 2014 and 2015 and $71.9 million or 32.8% between 2013 and 2014. The decrease in net position between 2014 and 2015 is primarily attributable to a change in accounting principle related to the Medical Center's pension plan as discussed further in *Note 1*. Adoption of this standard decreased the net position by $12.4 million.
- Operating revenues increased $68.7 million or 30.6% between 2014 and 2015 and decreased $50.7 million or 18.4% between 2013 and 2014. The 2015 increase was primarily the result of significant negative adjustments in 2014 not recurring. During 2014, management fully reserved all amounts owed to it by El Paso Children's Hospital (EPCH) for current contract services based on the financial condition of EPCH. This resulted in a bad debt provision of $59.9 million related to all amounts owed to the Medical Center by EPCH in 2014. In addition, no net contract revenues were recognized in 2014. Net patient service revenue increased $15.9 million or 9.8% from 2014 to 2015 and Medicaid Supplemental Program revenue increased $17.3 million or 27.4%.
- Operating expenses increased $2.1 million or 0.6% between 2014 and 2015 and increased $24.3 million or 7.0% between 2013 and 2014.
- The Medical Center invested $37.3 million in capital assets in 2015 and $22.3 million in 2014, as part of the ongoing Master Facility Expansion Plan.

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Management's Discussion and Analysis
Years Ended September 30, 2015 and 2014
(In Millions)

Using this Annual Report

The Medical Center's financial statements consist of three statements–a balance sheet; a statement of revenues, expenses and changes in net position; and a statement of cash flows. These statements provide information about the activities of the Medical Center, including resources held by the Medical Center but restricted for specific purposes by creditors, contributors, grantors or enabling legislation. The Medical Center is accounted for as a business-type activity and presents its financial statements using the economic resources measurement focus and the accrual basis of accounting.

The Balance Sheet and Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any hospital's finances is "Is the hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Changes in Net Position report information about the Medical Center's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. Using the accrual basis of accounting means that all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Medical Center's net position and changes in them. The Medical Center's total net position–the difference between assets, deferred outflows of resources and liabilities–is one measure of the Medical Center's financial health or financial position. Over time, increases or decreases in the Medical Center's net position are an indicator of whether its financial health is improving or deteriorating. Other nonfinancial factors, such as changes in the Medical Center's patient base, changes in legislation and regulations, measures of the quantity and quality of services provided to its patients, and local economic factors should also be considered to assess the overall financial health of the Medical Center.

The Statement of Cash Flows

The statement of cash flows reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from four defined types of activities. It provides answers to such questions as where did cash come from, what was cash used for, and what was the change in cash and cash equivalents during the reporting period.

The Hospital District

The Medical Center's management is responsible for the discretely presented component units of the Medical Center, El Paso First Health Plans, Inc. (the Health Plan), and the University Medical Center Foundation of El Paso (the Foundation), which collectively comprise the "Hospital District." While presentation of combined financial statements is not in accordance with accounting principles generally accepted in the United States of America (GAAP), management believes it is important for readers of the financial statements to comprehend the combined activities of these component units. The combined financial position and results of operations of the Hospital District are presented in the following tables.

(In Millions)

Table 1: Assets and Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	2015	2014	2013
Assets and Deferred Outflows of Resources			
Current and other assets	$ 268.7	$ 282.0	$ 341.1
Capital assets, net	387.2	379.8	388.7
Deferred outflows of resources	18.7	9.9	10.4
Total assets and deferred outflows of resources	$ 674.6	$ 671.7	$ 740.2
Liabilities and Deferred Inflows of Resources			
Long-term debt, including current maturities	$ 395.5	$ 403.1	$ 409.8
Other liabilities	104.5	82.9	78.3
Deferred inflows of resources	0.5	-	-
Total liabilities and deferred inflows of resources	500.5	486.0	488.1
Net Position			
Net investment in capital assets	123.5	129.4	137.9
Restricted	7.6	7.9	6.2
Unrestricted	43.0	48.4	108.0
Total net position	174.1	185.7	252.1
Total liabilities, deferred inflows of resources and net position	$ 674.6	$ 671.7	$ 740.2

(In Millions)

Table 2: Operating Results and Changes in Net Position

	2015	2014	2013
Operating Revenue			
Net patient service revenue	$ 178.3	$ 162.5	$ 155.4
Premium revenue	166.7	142.4	123.9
Medicaid supplemental program revenue	80.4	63.1	70.4
Net contract revenues	8.8	(27.4)	23.4
Other revenue	34.7	21.4	20.8
Total operating revenues	468.9	362.0	393.9
Operating Expense			
Salaries and employee benefits	161.8	163.3	146.7
Medical claims expense	146.9	122.4	102.8
Purchased services	49.2	43.8	40.2
Professional fees	1.0	0.7	1.4
Supplies and other	114.3	94.4	84.8
Intergovernmental transfers	41.6	45.4	50.3
Depreciation	30.9	33.4	32.7
Total operating expenses	545.7	503.4	458.9
Operating Loss	(76.8)	(141.4)	(65.0)
Nonoperating Revenues, Net	77.7	75.0	66.1
Change in Net Position	$ 0.9	$ (66.4)	$ 1.1

(In Millions)

The Medical Center's Net Position

A summary of the Medical Center's balance sheets are presented in the following table:

Table 3: Assets and Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

	2015	2014	2013
Assets and Deferred Outflows of Resources			
Current and other assets	$ 226.0	$ 225.5	$ 311.4
Capital assets, net	385.8	378.4	386.9
Deferred outflows of resources	18.7	9.9	10.4
Total assets and deferred outflows of resources	$ 630.5	$ 613.8	$ 708.7
Liabilities and Deferred Inflows of Resources			
Long-term debt, including current maturities	$ 395.5	$ 403.1	$ 409.8
Net pension liability	20.0	-	-
Other liabilities	81.7	63.3	79.6
Deferred inflows of resources	0.5	-	-
Total liabilities and deferred inflows of resources	497.7	466.4	489.4
Net Position			
Net investment in capital assets	122.1	128.0	136.1
Restricted	2.0	2.0	2.1
Unrestricted	8.7	17.4	81.1
Total net position	132.8	147.4	219.3
Total liabilities, deferred inflows of resources and net position	$ 630.5	$ 613.8	$ 708.7

Total assets and deferred outflows of resources increased $16.7 million or 2.7% between 2014 and 2015.

- Capital assets increased $7.4 million or 2.0% primarily due to the completion of certain bond funded construction projects including the intermediate care unit, neuro radiology interventional lab and outpatient preparation and recovery area.

- Deferred outflows of resources increased by $8.8 million, or 88.9%. This increase is attributable to a change in accounting principles related to pension plans as discussed further in *Note 1*.

- Total liabilities and deferred inflows of resources increased $31.3 million or 6.7% primarily due to a change in accounting principles related to pension plans, which increased the net pension liability by $20.0 million, as discussed further in *Note 1*, as well as obtaining a $13.5 million intercompany line of credit with the Health Plan. These increases are offset by a decrease in long-term debt from making regularly scheduled debt service payments on the outstanding bond issuances.

Total assets and deferred outflows of resources decreased $94.9 million or 13.4% between 2013 and 2014.

- Current and other assets decreased $85.9 million or 27.6% primarily as a result of fully reserving the outstanding contract receivables owed from EPCH, as well as a decrease in cash and cash equivalents as a result of paying off the line of credit owed to the Health Plan.
- Capital assets decreased $8.5 million or 2.2% primarily due to a full year of depreciation on the Master Facility Expansion Plan and the EPCH construction projects that were placed into service in 2012 and 2013.
- Total liabilities decreased $23.0 million or 4.7% primarily due to paying off the line of credit owed to the Health Plan as well as making regularly scheduled debt service payments on the outstanding bond issuances.

Operating Results and Changes in the Medical Center's Net Position

The following table presents a summary of the Medical Center's revenues and expenses for each of the years ended September 30, 2015, 2014 and 2013.

El Paso County Hospital District
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A Component Unit of El Paso County, Texas
Management's Discussion and Analysis
Years Ended September 30, 2015 and 2014
(In Millions)

Table 4: Operating Results and Changes in Net Position

	2015	2014	2013
Operating Revenue			
Net patient service revenue	$ 178.3	$ 162.4	$ 155.4
Medicaid Supplemental Program revenue	80.4	63.1	70.4
Net contract revenues	8.8	(27.4)	23.4
Other revenue	25.6	26.3	25.9
Total operating revenues	293.1	224.4	275.1
Operating Expense			
Salaries and employee benefits	161.9	163.4	147.1
Purchased services	43.9	38.5	35.2
Professional fees	1.0	0.7	1.4
Supplies and other	94.1	90.1	80.5
Intergovernmental transfers	41.6	45.4	50.2
Depreciation	30.3	32.6	32.0
Total operating expenses	372.8	370.7	346.4
Operating Loss	(79.7)	(146.3)	(71.3)
Nonoperating Revenues, Net	77.4	74.5	65.8
Decrease in Net Position	$ (2.3)	$ (71.8)	$ (5.5)

Operating revenues increased by $68.7 million or 30.6% between 2014 and 2015.

- Net patient service revenue increased $15.9 million or 9.8% primarily due to growth in the outpatient adult services and improved revenue cycle processes.
- Medicaid Supplemental revenue increased $17.3 million or 27.4% primarily due to the Medical Center commencing participation in the Network Access Improvement Program (NAIP) for seven months in 2015.
- Net contract revenues increased $36.2 million or 132.1% as a result of the Medical Center recognizing $8.8 million in net contract revenues in 2015 and management fully reserving all amounts owed to it by EPCH in 2014, which resulted in a bad debt provision of $59.8 million related to all amounts owed to the Medical Center by EPCH, and no recognition of net contract revenues in 2014.

(In Millions)

- Uncompensated care increased to $354.7 million in 2015 ($215.8 million in charity care – a 4.7% increase from 2014 and $138.9 million in bad debt expense – a 19.9% increase from 2014) from $322.0 million in 2014 ($206.1 million in charity care and $115.9 million in bad debt expense) – an overall increase of 4.7%.

Operating revenues decreased by $50.7 million or 18.4% between 2013 and 2014.

- Net patient service revenue increased $7.0 million or 4.5% primarily due to growth in adult services and associated payments for these services.

- Medicaid Supplemental revenue decreased $7.3 million or 10.4% primarily due to the changes to federal funding levels and final settlement of federal fiscal year 2013 Waiver program.

- Net contract revenues decreased $50.8 million or 217.1% as a result of management fully reserving all amounts owed to it by EPCH, as well as no longer accruing income on current contract services based on the financial condition of EPCH. This resulted in a bad debt provision of $59.8 million related to all amounts owed to the Medical Center by EPCH, and no recognition of net contract revenues in 2014.

- Uncompensated care decreased to $322.0 million in 2014 ($206.1 million in charity care – a 7.5% decrease from 2013 and $115.9 million in bad debt expense – a 1.6% increase from 2013) from $336.9 million in 2013 ($222.8 million in charity care and $114.1 million in bad debt expense) – an overall decrease of 4.4%.

The following table presents the relative percentages of gross charges billed for patient services by payer for the fiscal years ended September 30, 2015, 2014 and 2013:

Table 5: Payer Mix by Percentage

	Years Ended September 30				
Payer	**2015**	**2014**	**Change**	**2013**	**Change**
Medicare	22%	22%	0%	21%	1%
Medicaid	17%	17%	0%	16%	1%
Commercial	7%	5%	2%	5%	0%
Charity	20%	22%	-2%	26%	-4%
Self-pay	18%	19%	-1%	18%	1%
HMO/PPO	9%	8%	1%	6%	2%
Other	7%	7%	0%	8%	-1%
	100%	100%		100%	

Operating expenses increased $2.1 million or 0.6% between 2014 and 2015.

- Salaries and employee benefits expense decreased $1.5 million or 0.9% due to reduction in workforce implemented in summer 2015 and as well as a change in accounting principles related to pension plans as discussed in *Note 1*.
- Supplies and other expenses increased $4.0 million or 4.4% primarily due to increased inpatient and outpatient pharmaceutical expenses and cardiac services expansion.
- Purchased services expense increased by $5.4 million or 14.0% as a result of an increase in computer fees and new partnerships with community members associated with the DSRIP projects and as a result of an increase in legal fees and other purchased services associated with the EPCH bankruptcy case. Repairs and maintenance also increased due to a Joint Commission audit in 2015.
- Intergovernmental transfer (IGT) expense decreased $3.8 million or 8.4% due to deferring IGT payments in 2016.
- Depreciation expense decreased $2.3 million, or 7.1% due to an increase in fully depreciated assets in 2015.

Operating expenses increased $24.3 million or 7.0% between 2013 and 2014.

- Salaries and employee benefits expense increased $16.3 million or 11.1% due to higher staffing associated with growth and expansion in outpatient clinics, growth in adult service lines, and implementation of the Waiver's DSRIP projects and the impact of converting certain physicians from contractors to employees. This change contributed to a decrease in professional fees expense of $0.7 million.
- Supplies and other expenses increased $9.6 million or 11.9% primarily due to growth in adult service lines and a full year of opening new pharmacies in outlying areas.
- Purchased services expense increased by $3.3 million or 9.4% as a result of an increase in computer fees and new partnerships with community members associated with the DSRIP projects.
- IGT expense decreased $4.8 million or 9.6% due the Center for Medicare and Medicaid Services (CMS) deferring IGT payments until 2015.
- Depreciation expense was comparable in 2014 as compared to 2013.

Nonoperating revenues (expenses) consists of property taxes, investment income, tobacco settlement proceeds, interest expense on bonds and contributions to others.

(In Millions)

Net nonoperating revenues increased $2.9 million or 3.9% between 2014 and 2015.

- Property tax revenue increased $3.5 million or 4.3% to $85.8 million from 2014. Of the $85.8 million, $68.6 million was to support maintenance and operations and the remaining $17.2 million was for debt service.
- Interest expense was comparable in 2015 as compared to 2014.

Net nonoperating revenues increased $8.7 million or 13.2% between 2013 and 2014.

- Property tax revenue increased $9.1 million or 12.5% to $82.2 million from 2013. Of the $82.2 million, $64.1 million was to support maintenance and operations and the remaining $18.1 million was for debt service.
- Interest expense was comparable in 2014 as compared to 2013.

Capital Assets

The following table presents a summary of the Medical Center's capital assets as of September 30, 2015, 2014 and 2013:

Table 6: Capital Assets

	2015	2014	Dollar Change	2013
Land and land improvements	$ 15.1	$ 11.6	$ 3.5	$ 10.3
Building and leasehold improvements	421.5	412.9	8.6	412.5
Equipment	243.9	236.9	7.0	226.8
	680.5	661.4	19.1	649.6
Construction in progress	34.0	15.8	18.2	5.3
Accumulated depreciation	(328.7)	(298.8)	(29.9)	(268.0)
Capital Assets, Net	$ 385.8	$ 378.4	$ 7.4	$ 386.9

Capital assets, net, increased $7.4 million or 2.0% between 2014 and 2015. The increase is due to land purchases to accommodate the construction of new clinic sites and bond funded construction projects to include the intermediate care unit, neuro radiology intervention lab and outpatient preparation and recovery offset with annual depreciation expense. The Medical Center invested $37.3 million in capital assets in 2015, of which over $5.8 million represents capitalized interest from the 2013 bond issue along with certain other costs incurred for the construction and equipping of new outpatient medical clinic sites.

Capital assets decreased $8.5 million or 2.2% between 2013 and 2014. The decrease is due to annual depreciation expense exceeding current year additions of new equipment. The Medical Center invested $24.1 million of which over $6.8 million represents capitalized interest from the 2013 bond issue along with certain other costs incurred for the construction and equipping of new outpatient medical clinic sites.

Long-term Debt

Long-term debt consists of the following:

- Combination Tax and Revenue Certificates of Obligation, Series 2013 - $133.5 million
- General Obligation Refunding Bonds, Series 2013 (of the previously issued Series 2005 Combination Tax and Revenue Bonds) - $110.4 million
- General Obligation Refunding Bonds, Series 2009 (of the previously issued Series 2002 and 1998 Bonds) - $5.2 million
- General Obligation Bonds, Series 2008A - $114.3 million

Long-term debt, including current maturities, at September 30, 2015, totaled $395.5 million and decreased 1.9% from 2014. Long-term debt represents 79.5% of the total liabilities at September 30, 2015.

Long-term debt, including current maturities, at September 30, 2014, totaled $403.1 million and decreased 1.6% from 2013. Long-term debt represents 86.4% of the total liabilities at September 30, 2014.

No debt was issued in 2015 or 2014. The Combination Tax and Revenue Bonds, Series 2005 was paid in full in 2015. More detailed information about the Medical Center's long-term debt is presented in the notes to the financial statements.

Economic Factors and Key Challenges

The Medical Center's board and senior management considered many factors while forecasting its fiscal year 2016 budget. One of the most significant concerns taken into consideration while planning the budget is the status of El Paso Children's Hospital and potential changes in Medicaid regulations. Key considerations include:

Medicaid Transformation Waiver

Since December 2011, the Health and Human Services Commission (HHSC) has been paying the Medical Center Medicaid supplemental payments pursuant to the Texas Healthcare Transformation and Quality Improvement Program (the Waiver). The Waiver allowed the state to expand Medicaid managed care while preserving federal hospital funding historically received as Upper Payment Limit (UPL) Program payments (supplemental payments to make up the difference between what Medicaid pays for a service and what Medicare would pay for the same service). This program has been the basis for the Medical Center's supplemental payments from 2012 to 2015, and will continue through September 2016. The Waiver replaced the UPL Program payment methodology with two funding pools – the Uncompensated Care (UC) pool and Delivery System Reform Incentive Payment (DSRIP) pool.

UC Pool Payments are designed to help offset the costs of uncompensated care provided by the hospital or other providers.

DSRIP Pool Payments are incentive payments to hospitals and other providers that develop programs or strategies to enhance access to health care, increase the quality of care and improve the health of the patients and families served, and improve the cost-effectiveness of the care provided. Estimates from HHSC indicate approximately $500 million is available for Region 15 DSRIP funding for the five year period ending 2016. Of this amount, the Medical Center is entitled to $217 million.

Under the transformation waiver, eligibility to receive UC pool or DSRIP pool payments requires participation in a regional health care partnership. Within a partnership, participants include governmental entities providing public funds known as intergovernmental transfers (IGTs), Medicaid providers and other stakeholders. Participants were required to develop a regional plan that identifies partners, community needs, the proposed projects to meet those needs and funding distribution. The Medical Center serves as the anchoring entity for Region 15, which acts as a primary point of contact for HHSC in the region and is responsible for seeking regional stakeholder engagement and coordinating development of a regional plan.

The Waiver is scheduled to expire in September 2016, and an extension or renewal has not yet been approved by CMS. While management expects Waiver payments to continue through September 2016 in an amount consistent with 2015, funding beyond September 2016 is uncertain. Management anticipates the Waiver will be extended or renewed, but the format of such modification is not currently determinable. It is possible that any changes to the Waiver, if it is extended or renewed, could have a material effect on the Medical Center's revenues in future years.

Since 2007, under the UPL Program and subsequently the Waiver, the Medical Center has participated with local health care providers for payment of health care services provided to indigent patients being performed at the Medical Center. The 2016 budget assumes that this program will continue at its current funding and expense alleviation level under the Waiver program. However, CMS has indicated it may not continue to support such burden alleviation arrangements after September 2017, although negotiations between the HHSC and CMS continue.

Medicaid Supplemental Program Payments

HHSC has had challenges in timely implementing the Waiver program and has delayed Medicaid Supplemental payments in 2012, 2013, 2014 and 2015. The 2016 budget assumes the following Medicaid Supplemental cash payments:

- 2015 Disproportionate Share (DSH) payments of $4 million;
- 2016 DSH payments of $9 million;
- 2015 UC payments of $28 million;
- 2016 UC payments of $26 million;
- 2015 DSRIP Payment 2 of $23 million; and
- 2016 DSRIP Payment 1 of $10 million

In 2016, the Medical Center also expects to payback approximately $17 million as a result of a 2012 UC overpayment. There is no income statement impact on 2016 as this liability has been accrued for in previous years.

In addition, the Medical Center expects to receive approximately $20 million from the NAIP program. This program is currently approved through August 31, 2016. Management expects that the NAIP program will continue in its current form through September 30. 2016 and longer as the state continues its Waiver renewal or extension negotiations with CMS.

El Paso Children's Hospital

EPCH commenced operations in February 2012. They received Joint Commission accreditation on March 8, 2012, received their Medicare provider number in late May 2012 and received their Medicaid number in late June 2012.

The Medical center entered numerous lease and service agreements with EPCH, including

- Contractual services agreement
- Facility lease agreement
- Medical equipment (new and transferred) lease agreement
- IT lease agreement
- Administrative services agreement
- Pre-opening costs agreement
- Working capital advance agreement

Shortly after opening, EPCH began experiencing significant financial difficulties and was unable to pay a large portion of the lease and service agreement payments owed to the Medical Center. From 2012 to 2015, aggregate unpaid amounts totaled nearly $106 million. In 2014, the Medical Center fully reserved all amounts owed to it by EPCH, and recognized $8.8 million of contract revenues in 2015.

In May 2015, EPCH filed for Chapter 11 bankruptcy protection. The Bankruptcy Court (Court) required EPCH to make rental payments to the Medical Center subsequent to the bankruptcy filing totaling approximately $3,476,000, which is included in contract revenues in 2015. The Medical Center and EPCH also entered intense negotiations subsequent to this filing, which resulted in a proposed plan of reorganization that will be considered by the Court in December 2015. In accordance with the Plan, the Medical Center will agree to repay all creditors of EPCH (totaling approximately $14,800,000). In October 2015, the Medical Center funded a $7 million escrow account for the benefit of EPCH creditors, as required by the Court. The Medical Center will also agree to forgive all amounts owed to it by EPCH in excess of approximately $33 million and reduce the facility rental rate to $500,000 per month.

The plan was approved by the Court on December 8, 2015. The plan of reorganization will become effective on January 8, 2016. EPCH will become a component unit of the Medical Center and in future financial statements, EPCH be shown as a discretely presented component unit under current accounting principles.

Management does not anticipate that EPCH will be able to repay any of the past indebtedness in 2016, but does anticipate that EPCH will be able to pay for current rental and service agreements. Any past indebtedness owed to the Medical Center by EPCH subsequent to its emergence from bankruptcy will continue to be fully reserved on the Medical Center's financial statements until such time as EPCH's operations improve to the point that payment is likely.

Contacting the Medical Center's Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the Medical Center's finances and to demonstrate the Medical Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the El Paso County Medical Center, Fiscal Services Office, 4815 Alameda Avenue, El Paso, Texas 79905.

Report of Management's Responsibility

The Medical Center's management is responsible for the preparation and integrity of the financial information presented in this report. The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board and include amounts based on judgments and estimates made by management. Management also prepares the other information included in the report and is responsible for its accuracy and consistency with the financial statements.

The 2015 and 2014 financial statements have been audited by the independent accounting firm of **BKD, LLP**, as stated in their reports, who was given unrestricted access to all financial records and related data, including the minutes of all meetings of the board of managers. The board of managers, through its Finance Committee (the Committee), provides oversight to the financial reporting process. Integral to this process is the Committee's review and discussion with management of the monthly financial statements and the external auditors for the annual financial statements.

The Medical Center maintains a system of internal control over financial reporting, which is designed to provide reasonable assurance that transactions are executed as authorized and accurately recorded and that assets are properly safeguarded, and also to provide reasonable assurance to our management and the board of managers regarding the reliability of our financial statements. The internal control system includes:

- A documented organizational structure and division of responsibility.
- Established policies and procedures that are regularly communicated and that demand highly ethical conduct from all employees.
- The Medical Center's Compliance Department monitors the operation of the internal control system and reports findings and recommendations to management and the board of managers as appropriate. Corrective actions are taken to address control deficiencies and other opportunities for improvement as they are identified.

El Paso County Hospital District
d/b/a University Medical Center of El Paso

/s/ *James N. Valenti*	/s/ *Michael L. Nuñez*
James N. Valenti President and Chief Executive Officer	Michael L. Nuñez, CHFP, CPA Chief Financial Officer

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Balance Sheets
September 30, 2015 and 2014
(In Thousands)

	2015					2014				
		Component Units					Component Units			
Assets and Deferred Outflows of Resources	Medical Center	El Paso First	Foundation	Eliminations	Total	Medical Center	El Paso First	Foundation	Eliminations	Total
Current Assets										
Cash and cash equivalents	$ 24,387	$ 34,183	$ -	$ -	$ 58,570	$ 16,832	$ 46,597	$ -	$ -	$ 63,429
Short-term investments	6	-	-	-	6	6	-	-	-	6
Held by trustee for self insurance, current portion	1,439	-	-	-	1,439	1,664	-	-	-	1,664
Patient accounts receivable, net	26,031	-	-	-	26,031	25,335	-	-	-	25,335
County appropriation - property taxes receivable, net	1,874	-	-	-	1,874	1,994	-	-	-	1,994
Medicaid Supplemental Program Revenue receivable	23,369	-	-	-	23,369	14,523	-	-	-	14,523
Estimated amounts due from third-party payers	1,319	-	-	-	1,319	19	-	-	-	19
Supplies	7,195	11	-	-	7,206	6,468	-	8	-	6,476
Contract receivable, net	2,406	-	-	-	2,406	-	-	-	-	-
Prepaid expenses and other	7,684	2,833	571	-	11,088	6,878	4,034	569	-	11,481
Due from component units	1,012	13,881	-	(14,893)	-	1,048	206	-	(1,254)	-
Total current assets	96,722	50,908	571	(14,893)	133,308	74,767	50,837	577	(1,254)	124,927
Noncurrent Cash and Investments										
Held by trustee for debt service	2,005	-	-	-	2,005	2,005	-	-	-	2,005
Held by trustee for self-funded insurance	2,228	-	-	-	2,228	2,547	-	-	-	2,547
Held by trustee for project construction	124,945	-	-	-	124,945	146,287	-	-	-	146,287
Held by Foundation	-	-	3,840	-	3,840	-	-	3,860	-	3,860
Internally designated	877	-	-	-	877	916	-	-	-	916
Restricted for medical claims	-	700	-	-	700	-	700	-	-	700
	130,055	700	3,840	-	134,595	151,755	700	3,860	-	156,315
Less amount required to meet current obligations	1,439	-	-	-	1,439	1,664	-	-	-	1,664
	128,616	700	3,840	-	133,156	150,091	700	3,860	-	154,651
Capital Assets, Net	385,793	1,376	-	-	387,169	378,419	1,400	-	-	379,819
Other Assets	640	600	940	-	2,180	669	600	1,131	-	2,400
Total assets	611,771	53,584	5,351	(14,893)	655,813	603,946	53,537	5,568	(1,254)	661,797
Deferred Outflows of Resources										
Loss on Bond Refunding	9,487	-	-	-	9,487	9,898	-	-	-	9,898
Pensions	9,250	-	-	-	9,250	-	-	-	-	-
Total deferred outflows of resources	18,737	-	-	-	18,737	9,898	-	-	-	9,898
Total assets and deferred outflows of resources	$ 630,508	$ 53,584	$ 5,351	$ (14,893)	$ 674,550	$ 613,844	$ 53,537	$ 5,568	$ (1,254)	$ 671,695

See Notes to Financial Statements

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Balance Sheets
September 30, 2015 and 2014
(In Thousands)

	2015					2014				
		Component Units					Component Units			
Liabilities, Deferred Inflows of Resources and Net Position	Medical Center	El Paso First	Foundation	Eliminations	Total	Medical Center	El Paso First	Foundation	Eliminations	Total
Current Liabilities										
Accounts payable and accrued expenses	$ 65,823	$ 16,448	$ 104	$ -	$ 82,375	$ 58,527	$ 19,816	$ 25	$ -	$ 78,368
Current maturities of long-term debt	7,951	-	-	-	7,951	7,701	-	-	-	7,701
Estimated self-insurance costs - current	1,439	-	-	-	1,439	1,664	-	-	-	1,664
Due to component units	13,881	680	332	(14,893)	-	237	670	347	(1,254)	-
Total current liabilities	89,094	17,128	436	(14,893)	91,765	68,129	20,486	372	(1,254)	87,733
Estimated Self-insurance Costs	708	-	-	-	708	677	-	-	-	677
Long-term Debt	387,459	-	-	-	387,459	395,411	-	-	-	395,411
Net Pension Liability	19,994	-	-	-	19,994	-	-	-	-	-
Other Long-term Liabilities	-	-	-	-	-	2,185	-	-	-	2,185
Total liabilities	497,255	17,128	436	(14,893)	499,926	466,402	20,486	372	(1,254)	486,006
Deferred Inflows of Resources - pensions	492	-	-	-	492	-	-	-	-	-
Net Position										
Net investment in capital assets	122,101	1,376	-	-	123,477	128,000	1,400	-	-	129,400
Restricted - expendable	2,005	700	4,115	-	6,820	2,005	700	4,424	-	7,129
Restricted - non-expendable	-	-	800	-	800	-	-	772	-	772
Unrestricted	8,655	34,380	-	-	43,035	17,437	30,951	-	-	48,388
Total net position	132,761	36,456	4,915	-	174,132	147,442	33,051	5,196	-	185,689
Total liabilities, deferred inflows of resources and net position	$ 630,508	$ 53,584	$ 5,351	$ (14,893)	$ 674,550	$ 613,844	$ 53,537	$ 5,568	$ (1,254)	$ 671,695

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Statements of Revenues, Expenses and Changes in Net Position
Years Ended September 30, 2015 and 2014
(In Thousands)

	2015					2014				
		Component Units					Component Units			
	Medical Center	El Paso First	Foundation	Eliminations	Total	Medical Center	El Paso First	Foundation	Eliminations	Total
Operating Revenues										
Net patient service revenue	$ 178,310	$ -	$ -	$ -	$ 178,310	$ 162,433	$ -	$ -	$ -	$ 162,433
Premium revenue	-	166,692	-	-	166,692	-	142,443	-	-	142,443
Medicaid Supplemental Program revenue	80,350	-	-	-	80,350	63,132	-	-	-	63,132
Net contract revenues (see *Note 12*)	8,812	-	-	-	8,812	(27,387)	-	-	-	(27,387)
Other revenue	25,640	16,565	2,342	(9,837)	34,710	26,267	1,375	4,096	(10,401)	21,337
Total operating revenues	293,112	183,257	2,342	(9,837)	468,874	224,445	143,818	4,096	(10,401)	361,958
Operating Expenses										
Salaries and employee benefits	161,907	-	-	(168)	161,739	163,372	-	-	(106)	163,266
Medical claims expense	-	146,946	-	-	146,946	-	122,372	-	-	122,372
Purchased services	43,864	12,885	964	(8,493)	49,220	38,513	12,936	1,133	(8,785)	43,797
Professional fees	1,047	-	-	-	1,047	736	-	-	-	736
Supplies and other	94,076	19,621	1,687	(1,176)	114,208	90,098	4,273	1,521	(1,510)	94,382
Intergovernmental transfers	41,641	-	-	-	41,641	45,414	-	-	-	45,414
Depreciation	30,283	600	-	-	30,883	32,622	824	-	-	33,446
Total operating expenses	372,818	180,052	2,651	(9,837)	545,684	370,755	140,405	2,654	(10,401)	503,413
Operating Income (Loss)	(79,706)	3,205	(309)	-	(76,810)	(146,310)	3,413	1,442	-	(141,455)
Nonoperating Revenues (Expenses)										
Investment return	206	200	-	(178)	228	200	152	-	(130)	222
Interest expense	(10,981)	-	-	178	(10,803)	(10,803)	-	-	130	(10,673)
County appropriation - property taxes, net	85,751	-	-	-	85,751	82,214	-	-	-	82,214
Tobacco settlement	1,575	-	-	-	1,575	1,413	-	-	-	1,413
Miscellaneous - other	892	-	28	-	920	1,522	-	311	-	1,833
Total nonoperating revenues, net	77,443	200	28	-	77,671	74,546	152	311	-	75,009
Excess (Deficiency) of Revenues over Expenses and Changes in Net Position	(2,263)	3,405	(281)	-	861	(71,764)	3,565	1,753	-	(66,446)
Net Position, Beginning of Year, as originally reported	147,442	33,051	5,196	-	185,689	219,206	29,486	3,443	-	252,135
Adjustment for accounting change	(12,418)	-	-	-	(12,418)	-	-	-	-	-
Net Position, Beginning of Year, as restated	135,024	33,051	5,196	-	173,271	219,206	29,486	3,443	-	252,135
Net Position, End of Year	$ 132,761	$ 36,456	$ 4,915	$ -	$ 174,132	$ 147,442	$ 33,051	$ 5,196	$ -	$ 185,689

See Notes to Financial Statements

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Statements of Cash Flows
Years Ended September 30, 2015 and 2014
(In Thousands)

	2015	2014
Operating Activities		
Receipts from and on behalf of patients	$ 176,314	$ 168,069
Payments to suppliers and contractors	(173,919)	(170,769)
Payments to employees	(160,894)	(160,964)
Cash received from contract revenues and other operating activities	25,106	24,066
Cash received from uncompensated care related activities	71,504	86,065
Net cash used in operating activities	(61,889)	(53,533)
Noncapital Financing Activities		
County appropriations supporting operations	68,663	64,035
Cash received from tobacco settlement	1,718	1,557
Other cash received	912	1,606
Net cash provided by noncapital financing activities	71,293	67,198
Capital and Related Financing Activities		
Principal paid on bonds payable	(6,210)	(5,230)
Interest paid on bonds payable	(17,855)	(19,663)
County appropriations to acquire or retire debt for acquisitions of capital assets	17,188	18,100
Purchase of capital assets	(30,378)	(16,910)
Net cash used in capital and related financing activities	(37,255)	(23,703)
Investing Activities		
Interest on investments	206	200
Proceeds from disposition of investments	21,401	4,043
Payments to Health Plan under line of credit	(18,000)	(55,000)
Advances from Health Plan under line of credit	31,500	39,000
Net cash provided by (used in) investing activities	35,107	(11,757)
Increase (Decrease) in Cash and Cash Equivalents	7,256	(21,795)
Cash and Cash Equivalents, Beginning of Year	23,595	45,390
Cash and Cash Equivalents, End of Year	$ 30,851	$ 23,595

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Statements of Cash Flows (Continued)
Years Ended September 30, 2015 and 2014
(In Thousands)

	2015	2014
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 24,387	$ 16,832
Cash and cash equivalents in current portion of cash and investments held for self-funded insurance reserves	1,439	1,664
Cash and cash equivalents in noncurrent cash and investments	5,025	5,099
Total cash and cash equivalents	$ 30,851	$ 23,595
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (79,706)	$ (146,310)
Depreciation	30,283	32,622
Provision for uncollectible accounts	138,890	115,880
Changes in operating assets and liabilities		
Patient accounts receivable, net	(139,586)	(110,365)
Estimated third party payer settlements	(1,300)	(121)
Accounts payable and accrued expenses	3,431	(454)
Other assets and liabilities	(13,901)	55,215
Net cash used in operating activities	$ (61,889)	$ (53,533)
Supplemental Cash Flows Information		
Capital assets acquisition included in accounts payable located in payables to suppliers and contractors	$ 4,218	$ 2,697

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Reporting Entity

The El Paso County Hospital District d/b/a University Medical Center of El Paso (the Medical Center), is a component unit of El Paso County, Texas (the County). The Commissioner's Court of the County appoints the Medical Center's governing body (the Board of Managers) and approves the Medical Center's budget, tax rate and issuance of bonded debt. The Medical Center is charged with the legal responsibility to provide medical and hospital care to all County residents regardless of their ability to pay based upon Board approved eligibility guidelines.

The accompanying financial statements present the Medical Center and its component units, entities for which the Medical Center is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended units are appropriately presented as funds of the primary government. Discretely presented component units are reported in a separate column in the financial statements to emphasize that they are legally separate from the government.

Blended component unit. The Medical Center is the sole corporate member of Thomason Cares, Inc. (Thomason Cares). Thomason Cares was incorporated as a Texas not-for-profit corporation and was certified under the *Medical Practices Act of Texas* as Section 501(a) not-for-profit health organizations. Thomason Cares operated as a physician group practice of primary care physicians. It primarily employed physicians for the Medical Center's outpatient clinics. Thomason Cares ceased operations in 2014 and was dissolved in 2015. Prior to being dissolved Thomason Cares did not issue separate financial statements.

Discretely presented component units. The Medical Center is the sole corporate member of El Paso First Health Plans, Inc. (the Health Plan). The Health Plan is organized as a health maintenance organization (HMO) licensed only in Texas, to provide prepaid health coverage to employees and dependents of various organizations in its service area. The Health Plan has agreements with health care providers in its service area to provide health care to its members. Payments under these agreements include predetermined, prepaid periodic fee and prospectively determined rates and discounts from established charges. The Health Plan has a Certificate of Authority from the Texas Department of Insurance (TDI) and commenced insurance operations in October 2000. The Health Plan is reported as a discretely presented component unit of the Medical Center since the Health Plan's Board of Directors is appointed by the Medical Center's Board of Managers and the Medical Center can impose its will on the Health Plan. Separately issued financial reports are available for the Health Plan and may be obtained by contacting El Paso First Health Plans, Inc. 1145 Westmoreland, El Paso, Texas 79925.

The Medical Center is also the sole corporate member of the University Medical Center Foundation of El Paso (the Foundation). The Foundation is a designated Section 501(c)(3) charitable organization for the Medical Center and El Paso Children's Hospital (EPCH). The Foundation's purpose is to provide support for the Medical Center and EPCH in fulfilling their vital mission of providing patient care, education of health care professionals, research and community service for the County. The Foundation is reported as a discretely presented component unit of the Medical Center since the Foundation's Board of Directors is appointed by the Medical Center's Board of Managers and the Medical Center can impose its will on the Foundation. Separately issued financial reports are available for the Foundation and may be obtained by contacting the El Paso County Hospital District, Fiscal Services Office, 4815 Alameda Avenue, El Paso, Texas 79905.

Unless otherwise noted, the following notes to the financial statements do not include the Health Plan or the Foundation.

Basis of Accounting and Presentation

The financial statements of the Medical Center have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally federal and state grants and county appropriations) are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as county or state appropriations), investment income and interest on capital assets-related debt are included in nonoperating revenues and expenses. The Medical Center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(In Thousands)

Cash Equivalents

The Medical Center considers all liquid investments with original maturities of three months or less to be cash equivalents. At September 30, 2015 and 2014, cash equivalents consisted primarily of money market accounts.

County Appropriations – Property Taxes

The Medical Center received approximately 23% and 27% of its support from County appropriations funded by property taxes in 2015 and 2014, respectively. These funds were used as follows:

	2015	2014
Percentage used to support operations	80.4%	78.4%
Percentage used for debt service on bonds	19.6%	21.6%
Total	100.0%	100.0%

Property taxes are levied January 1 and become due October 1 each year based on the value of all real and personal property located in the County. Assessed taxes become delinquent the following February 1. The tax rate is set at a level to meet the Medical Center's budgeted debt service and operating needs. Debt service needs include both interest expense and scheduled principal reductions of general obligation bonds and obligations for which property tax revenues have been pledged.

County appropriations funded by property taxes are recorded in the fiscal period for which the appropriations are budgeted. Appropriations receivable for delinquent property taxes are recorded net of a provision for uncollectible amounts, collection expenses and appraisal fees. Subsequent adjustments to the tax rolls made by the County Assessor are included in revenues in the period such adjustments are made.

The Medical Center's property tax rate was $0.176190 per $100 valuation in 2015 and $0.167153 per $100 valuation in 2014 for maintenance and operations. The Medical Center's property tax rate was $0.044492 per $100 valuation in 2015 and $0.047240 per $100 valuation in 2014 for debt service.

Premium Revenue

Premium revenue for the Health Plan represents premiums collected through the Texas Department of Health and Human Services (HHSC), Children's Health Insurance Program (CHIP) and the State of Texas Access Reform Medicaid programs (STAR). Premiums are due monthly and are recognized as revenue during the period in which the Health Plan is obligated to provide services to members.

Intergovernmental Transfers

The Medical Center has entered into affiliation agreements with area hospitals to improve the level of health care provided to the County indigent population by participating in one of the state's Medicaid supplemental payment programs for privately owned safety-net hospitals. The Medical Center provides funding for the nonfederal share of the Medicaid Supplemental Payment Program ("Private" UPL Program). This amount approximated $41.6 million in 2015 and $45.4 million in 2014. At September 30, 2015 and 2014, the Medical Center had accrued $20,557 and $21,806, respectively, of committed but unpaid transfers, which is recorded in other liabilities on the balance sheets.

Tobacco Settlement Revenue

Tobacco settlement revenue is the result of a settlement between various counties and Medical Centers in Texas and the tobacco industry for tobacco-related health care costs. The Medical Center received approximately $1.6 million and $1.4 million in 2015 and 2014, respectively, associated with the settlement. The funding from the tobacco industry is to offset indigent health care costs of local governments.

Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employment practices and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than medical malpractice, worker's compensation and employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The Medical Center is self-insured for a portion of its exposure to risk of loss from medical malpractice, worker's compensation and employee health claims. Annual estimated provisions are accrued for the self-insured portion of medical malpractice, worker's compensation and employee health claims and include an estimate of the ultimate costs for both reported claims and claims incurred but not yet reported.

Investments and Investment Income

Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other investments are carried at fair value. Fair value is determined using quoted market prices.

Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in the fair value of investments carried at fair value.

Patient Accounts Receivable

The Medical Center reports patient accounts receivable for services rendered at net realizable amounts from third-party payers, patients and others. The Medical Center provides an allowance for uncollectible accounts based upon a review of outstanding receivables, historical collection information and existing economic conditions.

Reserves for Incurred But Not Reported Medical Claims

The Health Plan management estimates and provides reserves for incurred but not reported physician and hospital services rendered to enrolled members during the period. These reserves represent management's best estimate of the ultimate net cost of all reported and unreported claims incurred during the reporting period. The estimate is based on actuarial projections of the historical development of claims incurred but not reported and case-basis estimates of claims reported prior to the end of the reporting period.

The estimate of the unpaid claims liability is based on the best data available to management; however, the estimates are subject to a significant degree of inherent variability. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.

Although management believes the estimate of the unpaid liability is reasonable, it is possible that actual incurred claims expense will not conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of the claims may vary significantly from the estimate included in the accompanying financial statements.

Supplies

Supply inventories are stated at the lower of cost, determined using the first-in, first-out method, or market.

Capital Assets

Capital assets are recorded at cost at the date of acquisition or fair value at the date of donation if acquired by gift. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

During the years ended September 30, 2015 and 2014, the Medical Center capitalized interest expense of $5.8 million and $6.8 million, respectively.

Compensated Absences

Medical Center policies permit most employees to accumulate vacation and sick leave benefits that may be realized as paid time off or, in limited circumstances, as a cash payment. Expense and the related liability are recognized as vacation benefits are earned whether the employee is expected to realize the benefit as time off or in cash. Sick leave benefits expected to be realized as paid time off are recognized as expense when the time off occurs and no liability is accrued for such benefits employees have earned but not yet realized. Compensated absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date plus an additional amount for compensation-related payments such as social security and Medicare taxes computed using rates in effect at that date.

Defined Benefit Pension Plan

The Medical Center has an agent multiple-employer defined benefit pension plan through the Texas County and District Retirement System, (the Plan). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that are applicable to future periods are reported as deferred outflows of resources and deferred inflow of resources.

Net Position

Net position of the Medical Center is classified in four components. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is made up of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors or donors external to the Medical Center, including amounts deposited with trustees as required by bond indentures, reduced by the outstanding balances of any related borrowings. Restricted nonexpendable net position consists of noncapital assets that are required to be maintained in perpetuity as specified by external parties, such as permanent endowments. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers and others for services rendered and includes estimated retroactive revenue adjustments and a provision for uncollectible accounts. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered and such estimated amounts are revised in future periods as adjustments become known.

Charity Care

The Medical Center provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, these amounts are not reported as net patient service revenue.

Income Taxes

As an essential government function of the County, the Medical Center is generally exempt from federal income taxes under Section 115 of the Internal Revenue Code. However, the Medical Center is subject to federal income tax on any unrelated business taxable income. The Medical Center also holds dual status as a 501(c)(3) organization.

Thomason Cares, the Foundation and the Health Plan are incorporated as not-for-profit corporations in the state of Texas and are exempt from income taxes under Section 501(a) of the Internal Revenue Code. These entities are subject to federal income tax on any unrelated business income.

Electronic Health Records Incentive Program

The Electronic Health Records Incentive Program, enacted as part of the *American Recovery and Reinvestment Act of 2009,* provides for one-time incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified electronic health records technology (EHR). Payments under the Medicare program are generally made for up to four years based on a statutory formula. Payments under the Medicaid program are generally made for up to four years based upon a statutory formula, as determined by the state, which is approved by the Centers for Medicare and Medicaid Services. Payments under both programs are contingent on the hospital continuing to meet escalating meaningful use criteria and any other specific requirements that are applicable for the reporting period. The final amount for any payment year is determined based upon an audit by the fiscal intermediary. Events could occur that would cause the final amounts to differ materially from the initial payments under the program.

The Medical Center recognizes revenue ratably over the reporting period starting at the point when management is reasonably assured it will meet all of the meaningful use objectives and any other specific grant requirements applicable for the reporting period.

The Medical Center recognized revenue from these programs of $764 thousand and $1.5 million in 2015 and 2014, respectively, which is included in other operating revenues in the statements of revenues, expenses and changes in net position. Accounts receivable from this program were $1,323 and $1,468 at September 30, 2015 and 2014, respectively, which is included in prepaid expenses and other on the balance sheets.

Change in Accounting Principle

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. In addition to making changes to how annual pension expense is to be calculated for defined benefit pension plans, the standard also requires that governmental entities record an asset or liability in their financial statements that is equal to the net pension asset or liability. Historically, governmental entities have only been required to record a liability, if any, for the difference between annual pension cost (APC) and the amount of APC contributed to the plan. Restatement of the 2014 financial statements is not practical because prior year information calculated under the provisions of GASB 68 is not available, accordingly, the Medical Center has reported the cumulative effect of applying GASB 68 as a restatement of net position as of October 1, 2014. This restatement decreased previously reported net position by $12,418.

Note 2: Net Patient Service Revenue

The Medical Center has agreements with third-party payers that provide for payments to the Medical Center at amounts different from its established rates. These payment arrangements include:

Medicare. Inpatient acute care services and substantially all outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Certain inpatient nonacute services and defined medical education costs are paid based on a cost reimbursement methodology. The Medical Center is reimbursed for certain services at tentative rates with final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicare fiscal intermediary. The

Medical Center's Medicare cost reports have been audited by the Medicare administrative contractor through September 30, 2009.

Medicaid – Non-managed. Inpatient services rendered to Medicaid program beneficiaries that are not part of a managed care plan are paid at prospectively determined rates per discharge similar to those of the Medicare inpatient program. Medicaid outpatient beneficiaries are reimbursed using a mixture of cost-based and a fee schedule methodologies. For outpatients, the Medical Center is reimbursed for cost-based services at a preliminary rate, with the final settlement determined after submission of annual cost reports by the Medical Center and audits thereof by the Medicaid fiscal intermediary. A retroactive settlement only occurs if payments exceed costs. The Medical Center's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2009.

Medicaid – Managed. Inpatient and outpatient services rendered to Medicaid managed care program beneficiaries are primarily paid based on prospective rates and fee schedule amounts, with no retroactive settlement for the difference in the cost of services and the payments received.

Revenue from the Medicare program accounted for approximately 21.5% of the Medical Center's total gross patient revenues in 2015 and 2014. Revenue from the Medicaid program accounted for approximately 17.0% of the Medical Center's total gross patient revenues in 2015 and 2014. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation and change. As a result, it is reasonably possible that recorded estimates will change materially in the near term. The 2014 net patient service revenue decreased by approximately $3.0 million due to changes in management's estimate of the valuation of net patient accounts receivable.

The Medical Center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Note 3: Uncompensated Care

In support of its mission, the Medical Center voluntarily provides care to patients at less than its established charges for patients that meet the Medical Center's charity care criteria. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported in net patient service revenue. Charges excluded from revenue under the Medical Center's charity care policy were $215.8 million in 2015 and $206.1 million in 2014. Additional uncompensated care in the form of uncollectible patient account receivables totaled $138.9 million in 2015 and $115.9 million in 2014. In total, the Medical Center provided uncompensated care of $354.7 million in 2015 and $322.0 million in 2014.

Note 4: Funds for the Indigent's Medical Care

In response to the growing number of uninsured patients and the rising cost of health care, the Texas Legislature established a Texas Medicaid Disproportionate Share Program (DSH Program) that was designed to assist those facilities serving the majority of the indigent patients by providing funds supporting increased access to health care within the community. This program allows the Texas Department of Human Services to levy assessments from certain hospitals, use the assessed funds to obtain federal matching funds, and then redistribute the total funds to those facilities serving a disproportionate share of indigent patients in the state of Texas. The revenues related to these funds are included in the Medicaid Supplemental revenue in the statements of revenues, expenses and changes in net position.

On December 12, 2011, the United States Department of Health and Human Services approved a Medicaid section 1115(a) demonstration entitled "Texas Health Transformation and Quality Improvement Program" (the Waiver). The Waiver expands existing Medicaid managed care programs and established two funding pools that assist providers with uncompensated care costs and promote health system transformation. The demonstration is effective from December 12, 2011 to September 30, 2016. The revenue from the two funding pools is recognized as earned throughout the related demonstration year.

Beginning in 2015, the Medical Center began to participate in the Network Access Improvement Program (NAIP). The NAIP aims to increase the availability and effectiveness of primary care for Medicaid by providing incentive payments to participating Health Related Institutions (HRIs). Participation is voluntary and requires HRIs to create a proposal in partnership with a managed care organization (MCO). When the proposal is approved by HHSC, the costs associated with the incentive payments are added to the monthly capitation rates paid to the MCO and the MCOs are responsible for making payments to the HRIs, such as the Medical Center.

Total revenue recognized from all programs was approximately $80.3 million in 2015 and $63.1 million in 2014, and is included as Medicaid Supplemental revenue within operating revenues in the statements of revenues, expenses and changes in net position. Accounts receivable under these programs were $23.4 million and $14.5 million at September 30, 2015 and 2014, respectively.

The Medical Center participates in the Waiver program in conjunction with other El Paso health care providers to enhance access to patient care in the El Paso community. As a result of participating in the Waiver, the Medical Center realized net savings in medical service costs of $31.6 million and $30.7 million in 2015 and 2014, respectively, after consideration of supplemental transfers. The Medical Center agreed to supplement the state's funding for the affiliated providers in the amounts of $41.6 million and $45.4 million in 2015 and 2014, respectively. The supplement to the state's funding is recorded in intergovernmental transfers expense in the statements of revenues, expenses and changes in net position.

The programs described above are subject to review and scrutiny by both the Texas Legislature and the Center for Medicare and Medicaid Services (CMS) and the programs could be modified or terminated based on new legislation or regulation in future periods. The Waiver is scheduled to expire in September 2016. Management expects the Waiver to be extended or renewed in some form, but it is possible the Waiver will expire with no replacement funding source. This outcome would have a material adverse impact on the Medical Center's operating results.

(In Thousands)

Note 5: Deposits, Investments and Investment Income

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Medical Center's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State law requires collateralization of all deposits with federal depository insurance or other qualified investments. At September 30, 2015, the Medical Center had $2.0 million of cash that was uninsured and uncollateralized. At September 30, 2014, the Medical Center's deposits were either insured or collateralized in accordance with state law.

Investments

The Medical Center may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. It may also invest to a limited extent in corporate bonds and equity securities.

At September 30, 2015 and 2014, the Medical Center had the following investments and maturities:

	September 30, 2015				
		Maturities in Years			
Type	Fair Value	Less than 1	1-5	6-10	More than 10
U.S. agency obligations	$ 883	$ 883	$ -	$ -	$ -
Money market fund	2,211	2,211	-	-	-
Repurchase agreement	122,714	122,714	-	-	-
	$ 125,808	$ 125,808	$ -	$ -	$ -

(In Thousands)

	September 30, 2014				
		Maturities in Years			
Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
U.S. agency obligations	$ 922	$ 6	$ 916	$ -	$ -
Money market fund	2,211	2,211	-	-	-
Repurchase agreement	144,076	144,076	-	-	-
	$ 147,209	$ 146,293	$ 916	$ -	$ -

Interest Rate Risk **–** As a means of limiting its exposure to fair value losses rising interest rates, the Medical Center's investment policy requires that total investments have a weighted-average maturity of five years or less. The longer the maturity of a fixed-rate obligation, the greater the impact a change in interest rates will have on its fair value. As interest rates increase, the fair value of the obligations decrease. Likewise, when interest rates decrease, the fair value of the obligations increase.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Medical Center's policy to allow for investments in U.S. Treasury and agency securities as well as fully collateralized repurchase agreements. At September 30, 2015, the debt securities of the U.S. agencies are rated AA+ by Standard & Poor's rating agency.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Medical Center will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the Medical Center's investments are held in safekeeping or trust accounts. Securities underlying the Medical Center's investment in a repurchase agreement are held in the Medical Center's name, and the value of such securities were equal to 105.4% and 104.7% of the carrying value of the repurchase agreement at September 30, 2015 and 2014, respectively.

Concentration of Credit Risk – The Medical Center places no limit on the amount that may be invested in any one issuer as long as the restrictions of the *Texas Public Funds Investment Act* are followed. The following table reflects the Medical Center's investments in single issuers that represent more than 5% of total investments:

	2015	**2014**
Repurchase agreement - Bayerische Landesbank	97.5%	97.9%

(In Thousands)

Summary of Carrying Values

The carrying values of deposits and investments shown above are included in the balance sheets as follows:

	2015	2014
Carrying value		
Deposits	$ 28,640	$ 21,384
Investments	125,808	147,209
	$ 154,448	$ 168,593
Included in the following balance sheet captions		
Cash and cash equivalents	$ 24,387	$ 16,832
Short-term investments	6	6
Held by trustee for self-insurance, current portion	1,439	1,664
Noncurrent cash and investments	128,616	150,091
	$ 154,448	$ 168,593

Investment Return

Investment return for the years ended September 30 consisted of:

	2015	2014
Interest income	$ 245	$ 237
Net decrease in fair value of investments	(39)	(37)
	$ 206	$ 200

(In Thousands)

Note 6: Patient Accounts Receivable

The Medical Center grants credit without collateral to its patients, many of whom are area residents and are insured under third-party payer agreements. Patient accounts receivable at September 30 consisted of:

	2015	2014
Medicare	$ 8,438	$ 8,086
Medicaid	3,285	2,803
Other third-party payers	19,973	20,478
Patients	57,130	46,504
	88,826	77,871
Less allowance for uncollectible accounts	62,795	52,536
	$ 26,031	$ 25,335

Note 7: Capital Assets

Capital assets activity for the Medical Center for the years ended September 30 was:

	Estimated Useful Lives In Years	2013	Additions	Transfer/ Disposals/ Retirements	2014	Additions	Transfer/ Disposals/ Retirements	2015
Land and land improvements	5-25	$ 10,330	$ 1,245	$ -	$ 11,575	$ 3,484	$ -	$ 15,059
Buildings and leasehold improvements	8-40	412,484	511	(94)	412,901	8,654	-	421,555
Movable and fixed equipment	3-15	226,799	11,987	(1,796)	236,990	7,348	(429)	243,909
		649,613	13,743	(1,890)	661,466	19,486	(429)	680,523
Less accumulated depreciation		(267,993)	(32,622)	1,779	(298,836)	(30,283)	419	(328,700)
		381,620	(18,879)	(111)	362,630	(10,797)	(10)	351,823
Construction in progress including capitalized interest		5,291	23,445	(12,947)	15,789	18,181	-	33,970
Capital assets, net		$ 386,911	$ 4,566	$ (13,058)	$ 378,419	$ 7,384	$ (10)	$ 385,793

(In Thousands)

Construction in Progress

Construction in progress at September 30, 2015, primarily represents capitalized interest from the 2013 revenue bond debt issuance along with certain other costs incurred to fund approximately $150 million of capital improvements, including outpatient medical clinics, renovate existing hospital inpatient floors and purchase equipment for the main campus. These projects will occur through 2018 and will be paid for with unexpended proceeds of the 2013 Combination Tax and Revenue Certificates of Obligation bonds.

Note 8: Accounts Payable and Accrued Expenses

The Medical Center's accounts payable and accrued expenses included in current liabilities at September 30 consisted of:

	2015	2014
Payable to suppliers and contractors	$ 39,410	$ 36,973
Payable to employees (including payroll taxes and benefits)	21,617	17,237
Accrued interest	2,197	2,232
Patient refunds	1,863	1,621
Rebates and other	736	464
	$ 65,823	$ 58,527

The Health Plan's accounts payable and accrued expenses included in current liabilities at September 30 consisted of:

	2015	2014
Payable to suppliers and contractors	$ 2,587	$ 3,611
Primary care provider temporary rate increase deposit	-	5,667
Health claims payable	13,561	10,089
Other	300	449
	$ 16,448	$ 19,816

Note 9: Medical Malpractice, Employee Health and Workers' Compensation Claims

The Medical Center is self-insured for claims under the *Texas Workers' Compensation Act* (the Act). At September 30, 2015 and 2014, the Medical Center had accrued amounts, which in the opinion of management, are sufficient to cover all claims arising under the Act through September 30, 2015 and 2014, respectively. The accrual is based on an independent actuarial determination obtained by management for all claims arising in the self-insured period.

The Medical Center is also self-insured for malpractice claims. At September 30, 2015 and 2014, the Medical Center had accrued amounts that in the opinion of management, are sufficient to cover all asserted and unasserted claims incurred through September 30, 2015 and 2014, respectively. The accrual is based on an independent actuarial determination obtained by management for all claims arising in the self-insured period. The estimate is based on a maximum liability, under Texas statute, of $100,000 for each person, $300,000 for each single occurrence for bodily injury or death and $100,000 for each single occurrence for injury to or destruction of property. Because of these limits on its liability, the Medical Center does not hold commercial stop-loss coverage for malpractice claims.

Eligible employees of the Medical Center are covered under a self-insured health plan, which is administered by the Health Plan. The Medical Center accrues a liability for all claims that are estimated to have been incurred prior to year-end under the plan.

Losses from asserted and unasserted claims identified under the Medical Center's incident reporting system are accrued based on estimates that incorporate the Medical Center's past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. It is reasonably possible that the Medical Center's estimate of losses could change by a material amount in the near term.

At September 30, 2015 and 2014, the Medical Center's assets designated for self-insured obligations were $2.2 million and $2.5 million, respectively. Changes in and the balances of the Medical Center's aggregate claims liability in fiscal years 2015 and 2014 are as follows:

(In Thousands)

	Beginning of Fiscal Year Liability	Current-Year Expenses	Claim Payments	Balance at Fiscal Year-End
Employee health claims				
2014	$ 1,209	$ 8,058	$ (8,035)	$ 1,232
2015	$ 1,232	$ 7,726	$ (7,951)	$ 1,007
Workers' compensation claims				
2014	$ 411	$ 176	$ (304)	$ 283
2015	$ 283	$ 167	$ (224)	$ 226
Professional liability				
2014	$ 916	$ 37	$ (127)	$ 826
2015	$ 826	$ 368	$ (280)	$ 914

Health Claims Payable

The following table provides a reconciliation of the beginning and ending health claims payable balances for the years ended September 30, 2015 and 2014, as reported in the accompanying balance sheets for the Health Plan:

	2015	2014
Health claims payable, beginning of year	$ 10,089	$ 8,664
Incurred claims related to		
Current year	142,650	121,205
Prior years	4,295	1,167
Total incurred claims	146,945	122,372
Paid claims related to		
Current year	130,190	112,041
Prior years	13,283	8,906
Total paid claims	143,473	120,947
Health claims payable, end of year	$ 13,561	$ 10,089

(In Thousands)

Accounting principles generally accepted in the United States of America requires disclosure of certain significant estimates. The health claims payable includes an amount determined from claim reports, actuarial estimates and individual cases and an amount, based on prior experience, for claims incurred but not reported. This liability is necessarily based on estimates; and while management believes the amount is adequate, the ultimate claims payable could vary materially from the amount provided in the near term.

Note 10: Long-term Debt

The following is a summary of long-term debt transactions for the Medical Center for the years ended September 30:

	2015				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Combination Tax and Revenue Certificates of Obligation, Series 2013	$ 134,290	$ -	$ 770	$ 133,520	$ 945
General Obligation Refunding Bonds, Series 2013	110,400	-	-	110,400	1,505
General Obligation Refunding Bonds, Series 2009	7,190	-	1,955	5,235	1,960
General Obligation Bonds, Series 2008A	116,335	-	2,000	114,335	2,075
Combination Tax and Revenue Bonds, Series 2005	1,485	-	1,485	-	-
Plus					
Net bond premium and discount	33,412	-	1,492	31,920	1,466
Total long-term debt	$ 403,112	$ -	$ 7,702	$ 395,410	$ 7,951

	2014				
	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Long-term debt					
Combination Tax and Revenue Certificates of Obligation, Series 2013	$ 134,290	$ -	$ -	$ 134,290	$ 770
General Obligation Refunding Bonds, Series 2013	110,400	-	-	110,400	-
General Obligation Refunding Bonds, Series 2009	9,160	-	1,970	7,190	1,955
General Obligation Bonds, Series 2008A	118,255	-	1,920	116,335	2,000
Combination Tax and Revenue Bonds, Series 2005	2,825	-	1,340	1,485	1,485
Plus					
Net bond premium and discount	34,907	-	1,495	33,412	1,491
Total long-term debt	$ 409,837	$ -	$ 6,725	$ 403,112	$ 7,701

Combination Tax and Revenue Certificates of Obligation, Series 2013

In May 2013, the Medical Center issued $134.3 million in Series 2013 Combination Tax and Revenue Certificates of Obligation (Certificates). Net bond fund proceeds were used to finance the renovation and improvements of the hospital annex, construct and equip new clinics in the east, northeast, central and west areas of the county, renovate existing hospital inpatient floors and acquire certain medical equipment and machinery for the main hospital campus. Interest rates for the Series 2013 bonds range from 3% to 5%. This bond issuance is a direct obligation of the Medical Center and is payable from an ad valorem tax levied on property within the District, as well as a limited pledge of the Medical Center's operating revenues.

The Certificates, at the option of the Medical Center, provide for early redemption on bonds having stated maturities on and after August 15, 2024, in whole or in part, on August 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

General Obligation Refunding Bonds, Series 2013

In May 2013, the Medical Center refunded $115.9 million of the $120 million Series 2005 Combination Tax and Revenue Bonds with $110.4 million of Series 2013 General Obligation Refunding Bonds (2013 Bonds). Interest rates on the 2013 refunding bonds range from 3% to 5%. The 2013 Bonds are secured by ad valorem taxes levied on property within the District's boundaries; however, management currently intends to pay the 2013 Bond's debt service requirements from operating revenues. The maturity schedule of the Series 2013 refunding bonds was consistently maintained with the Series 2005 bonds.

As a result of the refunding, the Medical Center decreased its total debt service requirements by $13.3 million ($9.1 million present value) and incurred an accounting loss of approximately $10.6 million. The accounting loss on the debt refunding is being amortized into interest expense using a straight-line method over the term of the debt issuance, which matures in 2035. The balance of the deferred loss on the debt refunding is $9.5 million and $9.9 million at September 30, 2015 and 2014, respectively, and is included as a deferred outflow of resources in the accompanying balance sheets. Any 2013 Bonds maturing after August 24, 2024 are subject to optional early redemption at par by the Medical Center on or after August 15, 2023.

General Obligation Refunding Bonds, Series 2009

In October 2009, the Medical Center refunded the Series 2002 Public Property Finance Contractual Obligations; and the Series 1998 General Obligation Refunding Bonds; with $25.8 million Refunding Bonds, Series 2009 bond issue. The 2002 Public Property Finance Contractual Obligations redemption requirement was $18.0 million and the Series 1998 General Obligation Refunding Bonds redemption requirement was $8.4 million at the time of the closing. The original maturity schedules of the 2002 Public Property Finance Contractual Obligations and the Series 1998 General Obligation Refunding Bonds from 2010 to 2018 were maintained with a stated interest rate ranging from 2.0% to 3.5%. The Series 2009 Bonds are not subject to redemption prior to maturity. The Series 2009 Bonds are direct obligations of the Medical Center and are payable from an ad valorem tax.

(In Thousands)

General Obligation Bonds, Series 2008A

In May 2008, the Medical Center issued $120.1 million in Series 2008A General Obligation Bonds. Proceeds of the bonds financed the construction and equipping of the Children's Hospital with a stated interest rate ranging from 4.00% to 4.25%. The Series 2008A General Obligation Bonds, at the option of the Medical Center, provide for early redemption on obligations having stated maturities on and after August 15, 2019, in whole or in part, on August 15, 2018, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Series 2008A Bonds are direct obligations of the Medical Center and are payable from an ad valorem tax.

Combination Tax and Revenue Bonds, Series 2005

In December 2005, the Medical Center issued $120 million in Series 2005 Combination Tax and Revenue Bonds (2005 Bonds). Proceeds of the 2005 Bonds financed the construction and equipping of operating and emergency departments, replacement facility for inpatient surgery, the addition of private patient rooms and the establishment of a heart program at the hospital facility, as well as the establishment of additional outpatient services and expansion of the infusion center. Interest rates on the Series 2005 Bonds range from 4.25% to 5.00%. As mentioned in a preceding paragraph, approximately $115.9 million of the $120 million bond issue was refunded in 2013. The remaining bond debt was paid in full in 2015.

The debt service requirements as of September 30, 2015, are as follows:

Year Ending September 30,	Total to be Paid	Principal	Interest
2016	$ 24,065	$ 6,485	$ 17,580
2017	24,066	6,755	17,311
2018	24,063	7,050	17,013
2019	24,064	7,345	16,719
2020	24,065	7,695	16,370
2021-2025	120,329	44,500	75,829
2026-2030	120,328	56,520	63,808
2031-2035	120,319	71,485	48,834
2036-2040	120,326	90,115	30,211
2041-2043	72,201	65,540	6,661
	$ 673,826	$ 363,490	$ 310,336

Tax Anticipation Loan Agreement

Subsequent to September 30, 2015, the Medical Center entered into a tax anticipation loan agreement with aggregate principal advances not to exceed $20 million, maturing on February 26, 2016 and secured by tax revenue to be collected by the Medical Center. The interest rate is equal to LIBOR plus 1.75, which was 1.85% on September 30, 2015, and is payable monthly.

In September 2014, the Medical Center entered into a tax anticipation loan agreement with similar terms as the tax anticipation loan agreement discussed above. At September 30, 2014, there were no amounts borrowed under this agreement. The loan matured on February 28, 2015.

Note 11: Pension Plan

Plan Description

The Medical Center contributes to the Texas County and District Retirement System (TCDRS), an agent multiple-employer defined benefit pension plan covering substantially all employees. The Plan is administered by a board of trustees appointed by TCDRS. Benefit provisions are contained in the plan document and were established and can be amended by action of the Medical Center's governing body within the options available in the state statutes governing TCDRS. The Plan does not issue a separate report that includes financial statements and required supplementary information for the plan. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or from the website www.tcdrs.org.

Benefits Provided

The Plan provides retirement, disability and survivor benefits to plan members and their beneficiaries. Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the Medical Center within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the commitment of the Medical Center to contribute to the plan. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer financed monetary credits to a monthly annuity using annuity purchase rates prescribed by TCDRS.

Members can retire at ages 60 and above with 8 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. A member is vested after 5 years but must leave his accumulated contributions in the plan to receive any employer-financed benefit. If a member withdraws his personal contributions in a lump sum, he is not entitled to any amounts contributed by the employer.

(In Thousands)

The employees covered by the Plan at December 31, 2014 are:

	2014
Inactive employees or beneficiaries currently receiving benefits	509
Inactive employees entitled to but not yet receiving benefits	2,456
Active employees	2,549
	5,514

Contributions

The Medical Center's governing body has the authority to establish and amend the contribution requirements of the Medical Center and active employees.

The Medical Center establishes rates based on the annually determined rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both the employee members and the employer based on the covered payroll of employee members. Plan members are required to contribute 5% of their annually covered salary. Under the TCDRS Act, rates are based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Medical Center is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the plan year ended December 31, 2014, employees contributed approximately $6.3 million, or 5.0% of annual pay, and the Medical Center contributed approximately $8.3 million, or 6.6% of annual pay, to the Plan.

Net Pension Liability

The Medical Center's net pension liability as of September 30, 2015 was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

(In Thousands)

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.5%
Ad hoc cost of living adjustments	Not included
Investment rate of return	8.1%, net of pension plan administrative expenses

Mortality rates for depositing members were based on the RP-2000 Active Employee Mortality Table with a four-year setback for females and a two-year set-forward for males, as appropriate, with adjustments for mortality improvements based on the projection scale AA.

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012. The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equities		
U.S. Equities	16.5%	5.4%
International Equities — Developed	11%	5.4%
International Equities — Emerging	9%	6.4%
Global Equities	1.5%	5.7%
Hedge Funds	25%	5.2%
High-Yield Investments		
High-Yield Bonds	3%	3.8%
Opportunistic Credit	5%	5.5%
Distressed Debt	3%	6.8%
Direct Lending	2%	5.8%
Private Equity	12%	8.4%
Real Assets		
REITs	2%	4.0%
Commodities	2%	-0.2%
Private Real Estate Partnerships	3%	7.2%
Master Limited Partnerships	2%	5.3%
Investment-Grade Bonds	3%	0.6%
Total	100%	

(In Thousands)

Discount Rate

The discount rate used to measure the total pension liability was 8.1% at December 31, 2014. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension asset for the year end December 31, 2014 are:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at December 31, 2013	$ 293,123	$ 274,582	$ 18,541
Changes for the year:			
Service cost	11,453	-	11,453
Interest on total pension liability	23,877	-	23,877
Effect of economic/demographic gains or losses	(656)		(656)
Refund of contributions	(1,337)	(1,337)	-
Benefit payments	(6,751)	(6,751)	-
Administrative expenses	-	(221)	221
Member contributions	-	6,339	(6,339)
Net investment income	-	18,629	(18,629)
Employer contributions	-	8,342	(8,342)
Other changes	-	132	(132)
Net changes	26,586	25,133	1,453
Balances at December 31, 2014	$ 319,709	$ 299,715	$ 19,994

(In Thousands)

The net pension liability has been calculated using a discount rate of 8.1%. The following table presents the net pension (asset) liability using a discount rate 1% higher and 1% lower than the current rate.

	1% Decrease 7.1%	Current Discount Rate 8.1%	1% Increase 9.1%
Medical Center's net pension (asset) liability	$ 66,577	$ 19,994	$ (17,722)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2015, the Medical Center recognized pension expense of approximately $7.0 million. At September 30, 2015, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 492
Net difference between projected and actual earnings on plan investments	3,274	-
Contributions subsequent to the measurement date	5,968	-
	$ 9,242	$ 492

(In Thousands)

At September 30, 2015, the Medical Center reported approximately $6.0 million as deferred outflows of resources related to pensions resulting from Medical Center contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability at September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2015, related to pensions will be recognized in pension expense as follows:

Year ending September 30:		
2016	$	654
2017		654
2018		654
2019		820
	$	2,782

Funding Status and Funding Progress

Prior to adoption of GASB 68, and as of December 31, 2013, the plan was 86% funded. The actuarial accrued liability for benefits was $253.5 million and the actuarial value of assets was $218.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of $34.7 million. The covered payroll (annual payroll of active employees covered by the plan) was $120.2 million and the ratio of the UAAL to the covered payroll was 28.9% for the year ended December 31, 2013.

Pension Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued financial report of TCDRS for the year ended December 31, 2014.

Note 12: Contractual Arrangements with El Paso Children's

In 2007, the voters of El Paso County, Texas, by general election, approved the issuance of $120.1 million Series 2008A General Obligation Bonds as tax-exempt obligations to construct and equip a children's hospital.

EPCH, a Texas not-for-profit corporation, is a separate entity apart from the Medical Center. EPCH began operations in February 2012 and received its Medicare accreditation in March 2012.

In 2012, the Medical Center entered into various agreements with EPCH including but not limited to the following: a) Master Agreement; b) Facility Lease Agreement; c) Development Services Agreement; d) Repayment Phase Agreement (Phase I and Phase II); e) Administrative Services Agreement; f) Information Technology Lease; g) Interim Equipment Agreement; and h) Contract

(In Thousands)

Services Agreement for Diagnostic Imaging and Laboratory. In 2013, the interim equipment agreement was amended and finalized terms for the equipment lease as discussed in (E) below.

The EPCH lease receivable is located in contract receivable, net of allowance on the balance sheets and the contract revenues, net of provision for uncollectible amounts, are located in the net contract revenues in the statements of revenues, expenses and changes in net position. A summary of contract receivables as of September 30, 2015 and 2014 and contract revenues for the years ending September 30, 2015 and 2014 follows:

	2015	2014
Contract receivable:		
Facility lease agreement (A)	$ 37,299	$ 27,715
Administrative services agreement (B)	56,454	43,984
Information technology agreement (C)	7,345	5,656
Equipment agreement (D)	4,566	3,478
Other (E)	457	478
	106,121	81,311
Less allowance for uncollectible amounts	103,715	81,311
	$ 2,406	$ -
Contract revenues:		
Lease and service agreement revenues	$ 26,261	$ 28,747
Interest income on unpaid balances	4,959	3,721
Less: Provision for uncollectible amounts	(22,408)	(59,855)
	$ 8,812	$ (27,387)
Included in the following captions:		
Net contract revenues	$ 8,812	$ (27,387)

The Medical Center records the contract receivable based upon the contractual arrangements of each agreement and provides an allowance for uncollectible accounts based upon a review of outstanding receivables, current economic conditions and projected cash flows of EPCH.

EPCH began incurring losses almost immediately upon beginning operations, and has been unable to pay most of the amounts owed to the Medical Center. In 2014, management fully reserved all amounts owed to it by EPCH, and during 2015 all revenues related to EPCH (prior to the bankruptcy filing discussed below) were reserved as well.

In May 2015, EPCH filed for bankruptcy protection under Chapter 11 of the Bankruptcy Code. Subsequent to this filing, the Bankruptcy Court (Court) required EPCH to make monthly facility rental payments to the Medical Center, retroactive to June 2015. This totaled approximately $2.5 million and is included as contract revenues.

Under a plan of reorganization that was approved by the Court in December 2015, the Medical Center will become the sole member of EPCH in January 2016. Additionally, the Medical Center has agreed to repay all of EPCH's creditors (totaling approximately $14.8 million) and in October 2015 funded a $7 million escrow account for the benefit of these creditors. The Medical Center will also agree to forgive all amounts owed to it by EPCH in excess of $33 million, and will reduce the facility rental amount from approximately $869,000 per month to $500,000 per month.

The plan of reorganization was approved by the Court on December 8, 2015, with an effective date of January 8, 2016. EPCH will become a discretely presented component unit of the Medical Center during 2016. Management expects that EPCH will be able to pay all rental and service amounts currently due, but does not anticipate EPCH will be able to repay any prior indebtedness owed to the Medical Center in the near future.

(A) The Medical Center has leased building space to EPCH to provide general and pediatric care. The lease matures in February 2042 and includes a monthly payment charge of approximately $860,000 for the first 36 months with a 1% increase per year thereafter. The lease also has two renewal options of 10 years. The impact of escalation on the base rent is allocated on a straight line basis over the lease and amounts to $108,876 per month.

(B) The Medical Center and EPCH have entered into an Administrative Services Agreement under which the Medical Center provides specified administrative and support services to EPCH. These services include but are not limited to the following: 1) Fiscal and revenue cycle; 2) Information technology; 3) Human resources; 4) Ancillary support; 5) Nursing support; 6) Medical staff support. Payment for services are due once billed to EPCH. The net contract receivable balance as of September 30, 2015 and 2014 was approximately $1.3 million and $0 million, respectively.

The Medical Center and EPCH also have entered into a Contractual Services Agreement under which the Medical Center provides Diagnostic Imaging and Laboratory Services. These services are due once billed to EPCH. The net contract receivable balance at the end of September 30, 2015 and 2014 was approximately $643 and $0, respectively.

(C) The Medical Center has leased to EPCH certain information technology capital equipment, software and licenses under a cancellable operating lease. The lease matures March 2018, and is paid over five years starting in March 2013 at a monthly payment charge of $146 plus interest of 4.8% per annum. This agreement may be cancelled by either party with 120 days notice.

(In Thousands)

(D) The Medical Center has leased to EPCH certain medical equipment under a cancellable operating lease that was renegotiated in 2013, with a term of 92 months, maturing in September 2019. The lease is based on equipment value of $18.9 million with $10 million payable in installments of $167 beginning in October 1, 2014 and a purchase option price of $8.9 million. This agreement may be terminated by either party with 120 days notice. The purchase option price will be reduced by the amount of medical equipment purchases made by EPCH subsequent to February 2012.

(E) The Medical Center performs various services for EPCH that are not subject to a contractual arrangement. This amount is offset with a one-time leased employee arrangement from EPCH during February 2012.

Operating Leases

The Medical Center is the lessor of certain building space and equipment under the Facility Lease Agreement and the Interim Equipment Agreement. These leases are considered cancellable leases under the terms of the agreements. The following is a summary of property held for lease at September 30:

	2015	2014
Building	$ 116,703	$ 116,703
Moveable and fixed equipment	20,456	20,456
	137,159	137,159
Accumulated depreciation	24,467	17,985
	$ 112,692	$ 119,174

Note 15: Contingencies

In the normal course of business, the Medical Center is, from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Medical Center's self-insurance program (discussed elsewhere in these notes) or by commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Medical Center evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

Required Supplementary Information

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Schedule of Changes in the Medical Center's Net Pension Liability and Related Ratios
As of December 31,
(In Thousands)

		2014
Total pension liability		
Service cost	$	11,453
Interest on total pension liability		23,877
Effect of plan changes		-
Effect of assumption changes or inputs		-
Effect of economic and demographic (gains) or losses		(656)
Benefit payments, including refunds of employee contributions		(8,088)
Net change in total pension liability		26,586
Total pension liability—beginning		293,123
Total pension liability—ending (a)	$	319,709
Plan fiduciary net position		
Contributions—employer	$	8,342
Contributions—employee		6,339
Net investment income		18,629
Benefit payments, including refunds of employee contributions		(8,088)
Administrative expense		(221)
Other		132
Net change in plan fiduciary net position		25,133
Plan fiduciary net position—beginning		274,582
Plan fiduciary net position—ending (b)	$	299,715
Medical Center's net pension liability—ending (a) – (b)	$	19,994
Plan fiduciary net position as a percentage of the total pension liability		93.75%
Covered-employee payroll	$	126,780
Medical Center's net pension liability as a percentage of covered-employee payroll		15.77%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Medical Center will present information for those years for which information is available. All amounts are in thousands, unless otherwise indicated.

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Schedule of Medical Center Contributions
Year Ending September 30,
(In Thousands)

Year Ending September 30,	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered-employee payroll *(1)*	Contributions as a percentage of covered-employee payroll
2015	$ 8,186	$ 8,186	$ -	$ 127,109	6.4%

Notes to Schedule:

(1) Payroll is calculated based on contributions as reported to TCDRS

Valuation date:
Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization method	Closed
Remaining amortization period	20 years
Asset valuation method	5-year smoothed non-asymptotic market
Inflation	3%
Salary increases	3.5%
Investment rate of return	8.1%, net of pension plan investment expense, including inflation
Retirement age	60
Mortality	RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Medical Center will present information for those years for which information is available. All amounts are in thousands unless otherwise indicated.

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Schedule of Funding Progress
September 30, 2014
(In Thousands)

Valuation Date		Actuarial Value of Plan Assets		Actuarial Accrued Liability (AAL)		Plan Assets Less than AAL	Funded Ratio		Covered Payroll	Plan Assets Less Than AAL as a Percent of Covered Payroll
December 31, 2011	$	185,653	$	219,168	$	33,515	84.7%	$	112,318	29.8%
December 31, 2012	$	198,144	$	233,485	$	35,341	84.9%	$	110,527	32.0%
December 31, 2013	$	218,782	$	253,523	$	34,741	86.3%	$	120,167	28.9%

Other Information

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Combined Balance Sheet Information
September 30, 2015 and 2014
(In Thousands)

Assets and Deferred Outflows of Resources

	2015	2014
Current Assets		
Cash and cash equivalents	$ 58,570	$ 63,429
Short-term investments	6	6
Held by trustee for self insurance, current portion	1,439	1,664
Patient accounts receivable, net	26,031	25,335
County appropriation - property taxes receivable, net	1,874	1,994
Medicaid Supplemental Program Revenue receivable	23,369	14,523
Estimated amounts due from third party payers	1,319	19
Supplies	7,206	6,476
Contract receivable, net	2,406	-
Prepaid expenses and other	11,088	11,481
Total current assets	133,308	124,927
Noncurrent Cash and Investments		
Held by trustee for debt service	2,005	2,005
Held by trustee for self-funded insurance	2,228	2,547
Held by trustee for project construction	124,945	146,287
Held by Foundation	3,840	3,860
Internally designated	877	916
Restricted for medical claims	700	700
	134,595	156,315
Less amount required to meet current obligations	1,439	1,664
	133,156	154,651
Capital Assets, Net	387,169	379,819
Other Assets	2,180	2,400
Deferred Outflows of Resources		
Loss on Bond Refunding	9,487	9,898
Pensions	9,250	-
Total deferred outflows of resources	18,737	9,898
Total assets and deferred outflows of resources	$ 674,550	$ 671,695

The above schedule is not presented in accordance with generally accepted accounting principles in the United Sates of America (GAAP), but is information used by management to evaluate the combined activities of the Hospital District.

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Combined Balance Sheet Information
September 30, 2015 and 2014
(In Thousands)

Liabilities, Deferred Inflows of Resources and Net Position

	2015	2014
Current Liabilities		
Accounts payable and accrued expenses	$ 82,375	$ 78,368
Current maturities of long-term debt	7,951	7,701
Estimated self-insurance costs - current	1,439	1,664
Total current liabilities	91,765	87,733
Estimated Self-insurance Costs	708	677
Long-term Debt	387,459	395,411
Net Pension Liability	19,994	-
Other Long-term Liabilities	-	2,185
Total liabilities	499,926	486,006
Deferred Inflows of Resources - pensions	492	-
Net Position		
Net investment in capital assets	123,477	129,400
Restricted - expendable	6,820	7,129
Restricted - non-expendable	800	772
Unrestricted	43,035	48,388
Total net position	174,132	185,689
Total liabilities, deferred inflows of resources and net position	$ 674,550	$ 671,695

The above schedule is not presented in accordance with generally accepted accounting principles in the United Sates of America (GAAP), but is information used by management to evaluate the combined activities of the Hospital District.

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Combined Statements of Revenues, Expenses, and Changes in Net Position Information
Years Ended September 30, 2015 and 2014
(In Thousands)

	2015	2014
Operating Revenues		
Net patient service revenue	$ 178,310	$ 162,433
Premium revenue	166,692	142,443
Medicaid Supplemental Program revenue	80,350	63,132
Net contract revenues	8,812	(27,387)
Other revenue	34,710	21,337
Total operating revenues	468,874	361,958
Operating Expenses		
Salaries and employee benefits	161,739	163,266
Medical claims expense	146,946	122,372
Purchased services	49,220	43,797
Professional fees	1,047	736
Supplies and other	114,208	94,382
Intergovernmental transfers	41,641	45,414
Depreciation	30,883	33,446
Total operating expenses	545,684	503,413
Operating Loss	(76,810)	(141,455)
Nonoperating Revenues (Expenses)		
Investment return	228	222
Interest expense	(10,803)	(10,673)
County appropriation - property taxes, net	85,751	82,214
Tobacco settlement	1,575	1,413
Miscellaneous - other	920	1,833
Total nonoperating revenues, net	77,671	75,009
Excess (Deficiency) of Revenues over Expenses and Change in Net Position	861	(66,446)
Net Position, Beginning of Year, as originally reported	185,689	-
Adjustment for accounting change	(12,418)	-
Net Position, Beginning of Year, as restated	173,271	252,135
Net Position, End of Year	$ 174,132	$ 185,689

The above schedule is not presented in accordance with generally accepted accounting principles in the United Sates of America (GAAP), but is information used by management to evaluate the combined activities of the Hospital District.

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Combined Statements of Cash Flows Information
Years Ended September 30, 2014 and 2013
(In Thousands)

	2015	2014
Operating Activities		
Receipts from and on behalf of patients and members	$ 343,773	$ 308,412
Payments to suppliers and contractors	(320,147)	(313,694)
Payments to employees	(160,894)	(160,964)
Cash received from contract revenues and other operating activites	5,326	34,816
Cash received from uncompensated care related activities	71,504	86,065
Net cash used in operating activities	(60,438)	(45,365)
Noncapital Financing Activities		
County appropriations supporting operations	68,663	64,035
Cash received from tobacco settlement	1,718	1,557
Other cash received	940	1,917
Net cash provided by noncapital financing activities	71,321	67,509
Capital and Related Financing Activities		
Principal paid on bonds payable	(6,210)	(5,230)
Interest paid on bonds payable	(17,855)	(19,663)
County appropriations to acquire or retire debt for acquisitions of capital assets	17,188	18,100
Purchase of capital assets	(30,954)	(17,303)
Net cash used in capital and related financing	(37,831)	(24,096)
Investing Activities		
Interest on investments	369	410
Proceeds from disposition of investments	21,401	4,043
Net cash provided by investing activities	21,770	4,453
Increase (Decrease) in Cash and Cash Equivalents	(5,178)	2,501
Cash and Cash Equivalents, Beginning of Year	74,052	71,551
Cash and Cash Equivalents, End of Year	$ 68,874	$ 74,052

The above schedule is not presented in accordance with generally accepted accounting principles in the United Sates of America (GAAP), but is information used by management to evaluate the combined activities of the Hospital District.

El Paso County Hospital District
d/b/a University Medical Center of El Paso
A Component Unit of El Paso County, Texas
Combined Statements of Cash Flows Information (Continued)
Years Ended September 30, 2015 and 2014
(In Thousands)

	2015	2014
Reconciliation of Cash and Cash Equivalents to the Balance Sheets		
Cash and cash equivalents in current assets	$ 58,570	$ 63,429
Cash and cash equivalents in current portion of cash and investments held for self-funded insurance reserves	1,439	1,664
Cash and cash equivalents in noncurrent cash and investments	8,865	8,959
Total cash and cash equivalents	$ 68,874	$ 74,052
Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	$ (76,810)	$ (141,455)
Depreciation	30,883	33,446
Provision for uncollectible accounts	138,890	115,880
Changes in operating assets and liabilities		
Patient accounts receivable, net	(139,586)	(110,365)
Estimated third party payer settlements	(1,300)	(121)
Accounts payable and accrued expenses	125	4,340
Other assets and liabilities	(12,640)	52,910
Net cash used in operating activities	$ (60,438)	$ (45,365)
Supplemental Cash Flows Information		
Capital assets acquisition included in accounts payable located in payables to suppliers and contractors	$ 4,218	$ 2,697

The above schedule is not presented in accordance with generally accepted accounting principles in the United Sates of America (GAAP), but is information used by management to evaluate the combined activities of the Hospital District.