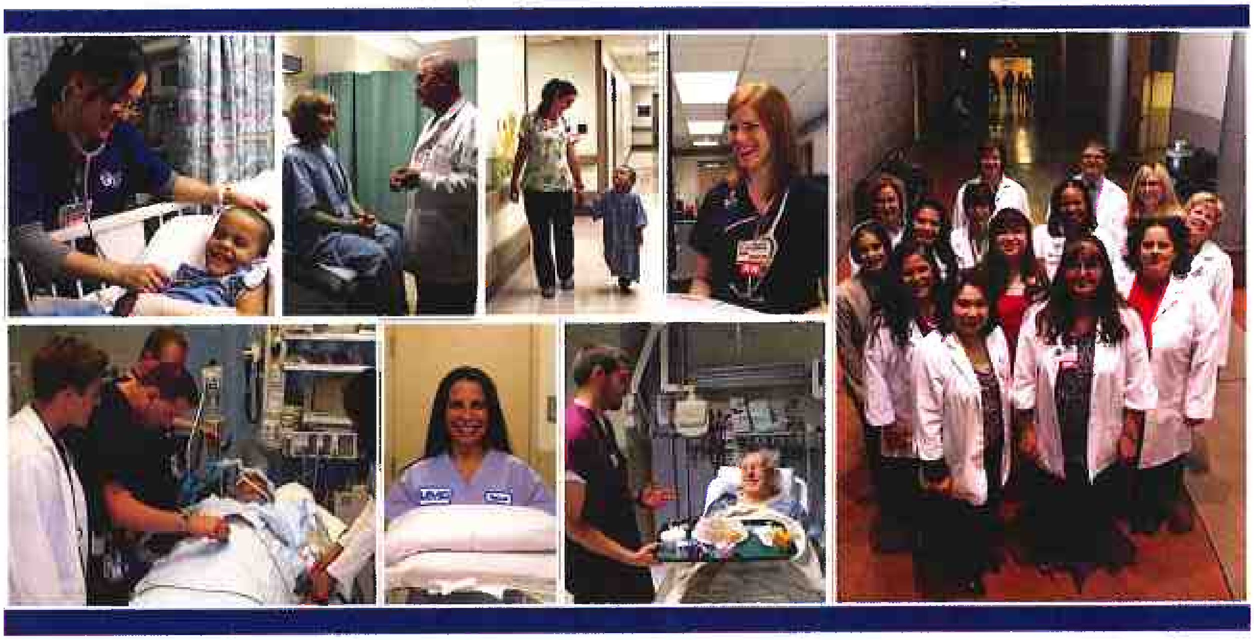

BASIC FINANCIAL STATEMENTS

AND

SINGLE AUDIT INFORMATION

UNIVERSITY MEDICAL CENTER OF SOUTHERN NEVADA

(A COMPONENT UNIT OF CLARK COUNTY, NEVADA)

YEARS ENDED JUNE 30, 2014 AND 2013

UNIVERSITY MEDICAL CENTER OF SOUTHERN NEVADA
(A COMPONENT UNIT OF CLARK COUNTY, NEVADA)

CONTENTS

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Independent Auditor's Report

UMC Governing Board
University Medical Center of Southern Nevada
Las Vegas, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of the University Medical Center of Southern Nevada ("UMC"), a component unit of Clark County, Nevada, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise UMC's basic financial statements as listed in the table of contents.

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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 UMC'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 UMC'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 UMC, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The 2013 financial statements of the UMC were audited by other auditors, whose report dated November 20, 2013 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, postemployment benefits other than pensions, and schedule of funding progress on pages 3 through 12 and 56 through 57 be presented to supplement the basic financial statements. Such information, although not a 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 audit 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 Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 10, 2014 on our consideration of UMC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UMC's internal control over financial reporting and compliance.

BDO USA, LLP

December 10, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2014 AND 2013

Management's Discussion and Analysis

This section of the annual financial report of the University Medical Center of Southern Nevada (the Hospital) presents background information and our analysis of the Hospital's financial performance during the fiscal years ended June 30, 2014, and 2013, which management believes is relevant for an understanding of our financial condition and results of operations. This discussion should be read in conjunction with the basic financial statements and the related notes included in this report. This discussion and analysis is designed to focus on current activities, resulting change, and currently known facts. The financial statements, notes thereto, and this discussion and analysis are the responsibility of the Hospital's management.

Overview of the Financial Statements

This annual report consists of financial statements prepared in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis — for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These standards establish comprehensive financial reporting standards for all state and local governments and related entities.

The Hospital's financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States as promulgated by the GASB. The Hospital is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when paid. Capital assets are capitalized and are depreciated (except land and construction in progress) over their estimated useful lives. See the *Notes to Financial Statements* for a summary of the Hospital's significant accounting policies.

Following this discussion and analysis are the basic financial statements of the Hospital together with the notes, which are essential to a complete understanding of the data. The Hospital's basic financial statements are designed to provide readers with a broad overview of the Hospital's finances.

The *Statement of Net Position* presents information on all of the Hospital's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of the Hospital's financial position; however, other nonfinancial factors such as change in economic conditions, population growth, including uninsured and underinsured patients, and new or changed government legislation should also be considered.

The *Statement of Revenues, Expenses, and Changes in Net Position* presents information showing how the Hospital's net position changed during each year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods.

The *Statement of Cash Flows* relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Hospital's cash accounts are presented in this statement. A reconciliation is provided at the bottom of the *Statement of Cash Flows* to assist in the understanding of the difference between cash flows from operating activities and operating income or loss.

The Hospital is the public health care facility for Clark County, Nevada (the County). The Board of County Commissioners is, ex officio, the Board of Hospital Trustees, per Chapter 450 of the Nevada Revised Statutes. The seven-member Board of Commissioners is elected from geographic districts on a partisan basis for staggered four-year terms. Commissioners elect a chairperson who serves as the Commission's presiding officer.

In accordance with GASB Statement No. 14, *The Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital's financial statements are included, as a blended component unit, in the County's Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained from Jessica Colvin, Comptroller, 500 South Grand Parkway, Las Vegas, Nevada 89155.

Financial and Operating Highlights for Fiscal 2014

- Overall activity at the Hospital as measured by patient days adjusted for outpatient services gross revenue decreased by 9.0% from prior year levels.
    - Hospital patient days decreased by 6.1% from the prior year.
    - Outpatient visits decreased 11.1% from the prior year.

- The Hospital experienced a deficit from operations of $121.6 million, and total net position declined by $56.3 million.
    - The Upper Payment Limit (UPL) revenues decreased $67.9 million from the prior year to $61.5 million.
    - Total operating revenues decreased by 19.6% to $472.7 million.
    - Operating expenses including other postemployment benefits (OPEB) increased by 1.6% to $594.3 million as compared to the prior year.

- Total employee full-time equivalents (FTEs) decreased by 47, or 1.3%, from fiscal 2013.

- The Hospital invested $17.1 million in the following capital acquisitions:
    - Hospital Beds
    - Critical Care/Primary Care Monitoring Systems
    - Radiology Imaging Equipment
    - Phase I Electronic Health Records System
    - Facilities Improvements

Financial and Operating Highlights for Fiscal 2013

- Overall activity at the Hospital as measured by patient days adjusted for outpatient services gross revenue increased by 4.5% from prior year levels.
    - Hospital patient days increased by 1.2% from the prior year.
    - Outpatient visits decreased 0.7% from the prior year.

- The Hospital experienced a gain from operations of $2.8 million, and total net position improved by $33.4 million.
    - The Upper Payment Limit (UPL) revenues increased $17.2 million from the prior year to $129.5 million.
    - Total operating revenues increased by 5.8% to $587.8 million.
    - Operating expenses including other postemployment benefits (OPEB) increased by 1.9% to $585.1 million as compared to the prior year.

- Total employee full-time equivalents (FTEs) increased by 83, or 2.4%, from fiscal 2012.

- The Hospital invested $29.1 million in the following capital acquisitions, inclusive of $19.8 million for Phase I of the implementation of an integrated health information system:
    - CT Scanners
    - Critical Care Monitoring System
    - Facilities improvements

Financial Analysis of the Hospital for June 30, 2014 and 2013

In fiscal 2014, net position decreased $56.3 million to $46.8 million, from $102.9 million in fiscal 2013, primarily due to the operating loss offset by contributions from the County and recognition of revenue related to the UPL program. In fiscal 2013, net position increased $33.4 million to $102.9 million, up from $69.4 million in fiscal 2012, primarily due to the operating loss offset by contributions from the County. A summary of the Hospital's Statements of Net Position as of June 30, 2014, 2013 and 2012 is presented in Table 1 below:

Table 1
Condensed Statements of Net Position
(In Thousands)

	2014	2013	2012
Current assets	$ 161,829	$ 173,495	$ 158,461
Restricted and other assets	24,147	43,110	39,123
Capital assets	187,820	186,824	169,975
Total assets	$ 373,796	$ 403,429	$ 367,559
Deferred outflows of resources	$ 2,292	$ -	$ -
Current liabilities	$ 127,643	$ 98,470	$ 113,462
Long-term debt outstanding (a)	60,304	64,191	70,131
Other liabilities (b)	141,600	137,875	114,519
Total liabilities	329,547	300,536	298,112
Net investment in capital assets	124,753	130,648	109,287
Restricted	6,964	8,996	9,180
Unrestricted	(85,175)	(36,751)	(49,020)
Total net position	46,542	102,893	69,447
Total liabilities and net position	$ 376,089	$ 403,429	$ 367,559

(a) Long-term debt excludes current portions of $6,295, $5,995, and $5,730 respectively, included in current liabilities.
(b) Other liabilities include the long-term portion of due to related party and self-insured liabilities.

Summary of Revenues, Expenses, and Changes in Net Position

The following table presents a summary of the Hospital's revenues and expenses for the years ended June 30, 2014, 2013, and 2012.

Table 2
Condensed Statements of Revenues, Expenses, and
Changes in Net Position
(In Thousands)

	2014	2013	2012
Net patient revenues	$ 448,346	$ 551,540	$ 524,260
Other operating revenues	24,353	36,317	31,175
Total operating revenues	472,699	587,857	555,435
Operating expenses	578,198	573,891	562,300
Depreciation and amortization	16,067	11,162	11,987
Total operating expenses	594,265	585,053	574,287
Operating gain/(loss)	(121,566)	2,804	(18,852)
Nonoperating revenues, net	65,215	30,642	30,322
Change in net position	(56,351)	33,446	11,470
Total net position, beginning of year	102,893	69,447	57,977
Total net position, end of year	$ 46,542	$ 102,893	$ 69,447

During fiscal 2014, 2013 and 2012, the Hospital derived approximately 87.9%, 95.0%, and 94.8% respectively, of its total revenues from operating revenues. Operating revenues include, among other items, revenues from the Medicare and Medicaid programs, the Clark County Social Services program, patients or their third-party carriers that pay for their care in the Hospital's facilities, and grant revenues.

Table 3 presents the relative percentages of gross charges billed for patient services by payer for the years ended June 30, 2014, 2013 and 2012.

Table 3
Payer Mix by Percentage

	2014	2013	2012
Medicare	20 %	19 %	19 %
Medicaid, and self-pay	50	57	57
Commercial, HMO, PPO	20	19	18
Other	10	5	6
Total patient revenue	100 %	100 %	100 %

During fiscal 2014, 2013 and 2012, the Hospital derived less than 1% of its total revenues from interest income on its capital acquisition, debt service and malpractice funds. The Hospital's cash is deposited with the County Treasurer and funds in the custody of the County Treasurer are invested as a pool. Other non-operating revenues in fiscal 2014 and 2013 include $66.9 million and $31.0 million, respectively, in contributions from the County used primarily to defray operating, capital and debt service costs.

Fiscal 2014 Activity

In fiscal 2014, overall activity at the Hospital as measured by patient days adjusted for outpatient services decreased by 9.0% to 192,055 compared to 210,935 in fiscal 2013. This increase was due primarily to a decrease in patient days and patient visits, offset by an increase in gross amounts charged for services.

In fiscal 2014, the Hospital had patient days and discharges of 125,720 and 23,171, respectively. This is a decrease of 6.1% and 7.4%, respectively, as compared to fiscal 2013. The decrease in patient days is due to a decrease in patient admissions from 25,014 to 22,998. Outpatient and emergency visits were 476,365, or 11.1%, below 2013 levels of 535,595. The decrease in outpatient volume occurred primarily due to decreased emergency registrations (10.1%) and by a decrease in Primary Care and Quick Care registrations (12.6%), and other outpatient services (8.1%).

In fiscal 2014, net patient revenue decreased compared to fiscal 2013 by $103.2 million due primarily to rate decrease in the overall UPL funding from prior years, lower volumes, which can be attributable to the change in the landscape of the Health Care industry due to the legislation of the ACA. Also, lower volumes and decrease in the Medicare and Medicaid reimbursement rates.

Excluded from net patient revenue are charges foregone for uncompensated and charity care patient services. Based on established rates, gross charges of $269.5 million were foregone during fiscal 2014, a 33.4% decrease from fiscal 2013. The Hospital's level of uncompensated and charity care continues to reflect the Hospital's status as a safety net facility in the County.

In fiscal 2014, total operating expenses including OPEB increased by $9.2 million, or 1.6%. The increase in operating expenses was due to increases in employee compensation and benefits including OPEB, purchased services, depreciation, and professional and general liability expenses, offset by decreases in supplies, professional fees and rental/lease expenses.

In fiscal 2014, employee compensation and benefits including OPEB increased $4.9 million, or 1.4%, due to a increase in the OPEB provision, and cost of living increase and ongoing market rate increases throughout the clinical staff, but offset by a decrease in the number of paid FTEs. The number of paid FTEs decreased by 1.3% from 3,600 in fiscal 2013 to 3,553 in fiscal 2014. There were cost of living increases given in fiscal 2014.

Professional fees for contracted physician services to provide coverage for emergency services, trauma services, and for indigent patients decreased $0.1 million, or 0.4%, in fiscal 2014. This decrease is due primarily to lower contract rates and ongoing recruitment efforts for employed physicians.

In fiscal 2014, the cost of supplies decreased by $3.7 million, or 3.8%, due to continued cost containment efforts.

Purchased services expense increased by $3.0 million, or 4.5%, in fiscal 2014 due primarily to consulting services received for operational improvements and increases in medical and IT services.

Other expenses increased $0.2 million, or 0.8%, in fiscal 2014 due to increased legal fees and licensing fees for IT.

Non-operating revenue consists of rental income, gain on asset abandonment, interest income, and contributions from the County. The County contributed $66.9 million to the Hospital in fiscal 2014 to defray operating, capital and debt service costs.

Net position decreased $56.3 million to $46.5 million in fiscal 2014 primarily due to decreases in operating revenue, operating costs and expenses, and offset by an increase in contributions from the County.

Fiscal 2013 Activity

In fiscal 2013, overall activity at the Hospital as measured by patient days adjusted for outpatient services increased by 4.5% to 210,935 compared to 201,838 in fiscal 2012. This increase was due primarily to a decrease in patient days and patient visits, offset by an increase in gross amounts charged for services.

In fiscal 2013, the Hospital had patient days and discharges of 133,928 and 25,014, respectively. This is an increase of 1.2% and 1.7%, respectively, as compared to fiscal 2012. The increase in patient days is due to an increase in patient admissions from 24,366 to 25,014. Outpatient and emergency visits were 535,595, or 0.7%, below 2012 levels of 539,358. The decrease in outpatient volume occurred primarily due to increased emergency registrations (4.0%) offset by a decrease in Primary Care and Quick Care registrations (0.7%), and other outpatient services (5.8%).

In fiscal 2013, net patient revenue increased compared to fiscal 2012 by $27.3 million due primarily to recognition and receipt of additional revenue from the UPL program, to lower volumes and decreases in Medicare and Medicaid reimbursement rates, offset by charge rate increases since July 2011.

Excluded from net patient revenue are charges foregone for uncompensated and charity care patient services. Based on established rates, gross charges of $404.4 million were foregone during fiscal 2013, a 8.4% decrease from fiscal 2012. The Hospital's level of uncompensated and charity care continues to reflect the Hospital's status as a safety net facility in the County.

In fiscal 2013, total operating expenses including OPEB increased by $10.8 million, or 1.9%. The increase in operating expenses was due to increases in employee compensation and benefits including OPEB, purchased services, and professional and general liability expenses, offset by decreases in supplies and depreciation expenses.

In fiscal 2013, employee compensation and benefits including OPEB increased $12.9 million, or 3.9%, due to a decrease in the OPEB provision, as well as an increase in the number of paid FTEs and ongoing market rate increases throughout the clinical staff. The number of paid FTEs increased by 2.4% from 3,517 in fiscal 2012 to 3,600 in fiscal 2013. No cost of living increases were given in fiscal 2013.

Professional fees for contracted physician services to provide coverage for emergency services, trauma services, and for indigent patients decreased $0.6 million, or 1.7%, in fiscal 2014. This decrease is due primarily to lower contract rates and ongoing recruitment efforts for employed physicians.

In fiscal 2013, the cost of supplies decreased by $1.7 million, or 1.7%, due to continued cost containment efforts.

Purchased services expense increased by $1.5 million, or 2.2%, in fiscal 2013 due primarily to consulting services received for operational improvements and increases in medical and IT services.

Other expenses decreased $0.5 million, or 2.0%, in fiscal 2013 due to continued cost containment efforts.

Non-operating revenue consists of rental income, gain on asset abandonment, interest income, and contributions from the County. The County contributed $31.0 million to the Hospital in fiscal 2013 to defray operating, capital and debt service costs. There is a onetime increase of $2.7 million in other non-operating revenue that is related to a lease and asset abandonment that the Hospital assumed and is recorded as a contribution in fiscal year 2013.

Net position increased $33.4 million to $102.9 million in fiscal 2013 primarily due to increases in operating revenue offset by, increases in operating costs and expenses, and a decrease in contributions from the County.

Capital Assets

During fiscal 2014 and 2013, the Hospital invested $17.1 million and $29.1 million, respectively, in a broad range of capital assets. Gross capital assets increased in fiscal 2014 primarily due to the acquisition of patient safety equipment, radiology imagining equipment and critical facilities improvements, and Phase I of the implementation of an integrated health information system, which is to be completed in fiscal 2015. Gross capital assets increased in fiscal 2013 primarily due to the acquisition of equipment, significant investment in Phase I of the implementation of an integrated health information systems, and building improvements.

The Hospital's fiscal 2015 capital budget includes up to $5.7 million for capital projects, of which $4.4 million is for the critical patient-related equipment replacement items. The remaining capital budget of $1.3 million is for facility repairs and necessary IT software upgrades.

The Hospital is subject to several contracts and commitments relating to construction projects and services. These commitments are not expected to significantly affect the availability of fund resources for future use.

Long-Term Debt

At June 30, 2014 and 2013, the Hospital had $66.6 million and $70.2 million, respectively, in long-term debt, including the current portion thereof. This represented a decrease of $3.6 million and $5.7 million, respectively, from the outstanding balances at June 30, 2013, and June 30, 2012. Total outstanding debt represents 20.2% and 23.4% of the Hospital's total liabilities as of June 30, 2014 and 2013, respectively.

Economic Factors

The most recent unemployment statistics, as of August 2014, indicated that the unemployment rate for the Las Vegas, Nevada metropolitan area was 7.7%, which was a decrease from 10% a year ago. The unemployment rate for the State of Nevada and the United States was 7.6% and 6.1%, respectively.

Inflationary trends in the County are comparable to the United States national indices.

All of these factors affected the fiscal 2014 operating and financial performance. The focus of management in the near term is to develop a multi-year plan that will emphasize revenue generation, cost control, fiscal discipline, capital requirements, and financing in support of net asset stability and a focus on the core services provided to patients.

Contacting the Hospital's Financial Management

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the Hospital's finances and to demonstrate the Hospital's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Department, University Medical Center of Southern Nevada, 1800 West Charleston Blvd., Las Vegas, Nevada 89102.

University Medical Center of Southern Nevada
A Component Unit of Clark County, Nevada

Statements of Net Position

	June 30	
	2014	**2013**
Assets		
Current assets:		
Cash and cash equivalents	**$ 14,668,928**	$ 14,798,826
Assets limited as to use, current portion	**742,884**	3,442,479
Patient receivables, net of allowance for uncollectible accounts of $394,150,050 and $407,746,016	**126,526,924**	141,184,280
Other receivables, net	**6,342,197**	935,002
Inventories	**11,059,949**	11,066,807
Prepaid expenses and other	**2,488,002**	2,068,137
Total current assets	**161,828,884**	173,495,531
Assets limited as to use, net of current portion:		
Contributor or grantor restricted:		
Cash and cash equivalents	**7,803,850**	18,316,245
Grants receivable	**398,073**	642,252
Internally designated cash and cash equivalents	**16,527,059**	27,153,296
	24,728,982	46,111,793
Less amount required to meet current obligations	**(742,884)**	(3,442,479)
Total assets limited as to use, net of current portion	**23,986,098**	42,669,314
Other assets:		
Land	**10,218,247**	10,218,247
Depreciable property and equipment, net	**154,567,144**	161,300,140
Construction in progress	**23,035,056**	15,305,270
Deposits	**161,263**	161,263
Deferred bond and debt issue costs, net of accumulated amortization of $1,243,883 and $1,228,814	**–**	279,657
Total assets	**$ 373,796,692**	$403,429,422
Deferred outflows of resources		
Unamortized loss on refunding	**$ 2,292,489**	$ -

(Continued)

University Medical Center of Southern Nevada
A Component Unit of Clark County, Nevada

Statements of Net Position (continued)

	June 30	
	2014	**2013**
Liabilities and net position		
Current liabilities:		
Accounts payable	**$ 45,077,918**	$ 45,808,102
Accrued compensation and benefits	**36,248,849**	32,987,808
Other accrued expenses	**1,115,055**	1,365,399
Current portion of long-term debt	**6,295,000**	5,995,000
Current portion of due to related party	**35,974,912**	9,739,082
Current portion of self-insurance liability	**2,930,887**	2,574,921
Total current liabilities	**127,642,621**	98,470,312
Accrued benefits, net of current portion	**125,054,618**	101,817,473
Long-term debt, net of current portion	**60,304,253**	64,191,463
Due to related party, net of current portion	**9,246,928**	28,758,723
Self-insurance liability, net of current portion	**7,298,390**	7,298,710
Total liabilities	**329,546,810**	300,536,681
Net position:		
Net investment in capital assets	**124,753,686**	130,647,501
Restricted:		
Hospital and administrative programs	**4,027,322**	4,174,402
Donations, various programs	**1,042,478**	3,918,328
Research programs	**623,906**	524,877
Educational programs	**1,270,029**	378,772
	6,963,735	8,996,379
Unrestricted	**(85,175,050)**	(36,751,139)
Total net position	**46,542,371**	102,892,741
Total liabilities and net position	**$ 376,089,181**	$ 403,429,422

See accompanying notes.

University Medical Center of Southern Nevada
A Component Unit of Clark County, Nevada

Statements of Revenues, Expenses, and Changes in Net Position

	Years Ended June 30	
	2014	**2013**
Operating revenues:		
Net patient revenues (net of provisions for bad debts of $30,449,180 and $45,687,501)	**$ 448,345,983**	$ 551,540,022
Other operating revenues	**24,352,832**	36,317,118
Total operating revenues	**472,698,815**	587,857,140
Operating expenses:		
Nursing and other professional services	**403,924,880**	410,557,176
Administrative and fiscal services	**94,342,031**	86,992,574
General services	**55,630,037**	52,156,677
Depreciation and amortization	**16,066,958**	11,162,129
	569,963,906	560,868,556
Income/(Loss) from operations before provision for postemployment benefits other than pensions (OPEB)	**(97,265,091)**	26,988,584
Provision for OPEB (net of implicit subsidies of $1,059,897 and $1,204,896)	**24,301,137**	24,184,609
Income/(Loss) from operations	**(121,566,228)**	2,803,975
Nonoperating revenues (expenses):		
Contributions from Clark County	**66,916,792**	31,000,000
Interest income	**522,983**	282,074
Rental income	**1,040,433**	1,134,642
Interest expense	**(3,266,345)**	(3,572,523)
Other nonoperating revenues (expenses)	**1,995**	1,797,762
Total nonoperating revenues (expenses)	**65,215,858**	30,641,955
Change in net position	**(56,350,370)**	33,445,930
Net position, beginning of year	**102,892,741**	69,446,811
Net position, end of year	**$ 46,542,371**	$ 102,892,741

See accompanying notes.

University Medical Center of Southern Nevada
A Component Unit of Clark County, Nevada

Statements of Cash Flows

	Years Ended June 30	
	2014	**2013**
Cash flows from operating activities		
Cash received from patients and third-party payers	**$ 463,003,339**	$ 528,421,692
Cash payments to suppliers for goods and services	**(203,717,652)**	(232,719,102)
Cash payments to employees for services and benefits	**(326,520,786)**	(324,898,545)
Other operating receipts	**24,597,011**	36,819,440
Net cash (used in) provided by operating activities	**(42,638,088)**	7,623,485
Cash flows from noncapital financing activities		
Contributions from Clark County	**66,916,792**	31,000,000
Contributions, donations and other	**1,995**	1,797,762
Net cash provided by noncapital financing activities	**66,918,787**	32,797,762
Cash flows from capital and related financing activities		
Purchase of property and equipment, net	**(18,530,202)**	(23,609,742)
Principal paid on long-term debt	**(25,381,796)**	(5,730,000)
Interest paid on long-term debt	**(3,200,647)**	(3,558,778)
Other	**1,040,433**	1,134,643
Net cash used in capital and related financing activities	**(46,072,212)**	(31,763,877)
Cash flows from investing activities		
Interest received	**522,983**	20,291
(Decrease) Increase in cash and cash equivalents	**(21,268,530)**	8,677,661
Cash and cash equivalents, beginning of year	**60,268,367**	51,590,706
Cash and cash equivalents, end of year	**$ 38,999,837**	$ 60,268,367
Unrestricted cash and cash equivalents	**$ 14,668,928**	$ 14,798,826
Contributor or grantor restricted cash and cash equivalents	**7,803,850**	18,316,245
Internally designated cash and cash equivalents	**16,527,059**	27,153,296
Total cash and cash equivalents	**$ 38,999,837**	$ 60,268,367

(Continued)

University Medical Center of Southern Nevada
A Component Unit of Clark County, Nevada

Statements of Cash Flows (continued)

	Years Ended June 30	
	2014	**2013**
Reconciliation of (loss)/income from operations to net cash (used in) provided by operating activities		
Income/(Loss) from operations	**$ (121,566,228)**	$ 2,803,975
Adjustments to reconcile income/(loss) from operations to net cash provided by (used in) operating activities:		
Depreciation and amortization	**16,066,958**	11,162,129
Provision for uncollectible accounts	**30,449,180**	45,687,501
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Patient receivables	**(15,791,824)**	(68,805,831)
Inventories	**6,858**	1,579,871
Prepaid expenses and other current assets	**(5,582,881)**	824,526
Increase (decrease) in:		
Other noncurrent assets	**0**	2,024
Accounts payable and accrued expenses	**27,188,373**	18,651,264
Self-insured liability	**355,646**	364,750
Due to related party	**26,235,830**	(4,646,724)
Net cash (used in) provided by operating activities	**$ (42,638,088)**	$ 7,623,485

See accompanying notes.

Overview of the Financial Statements

This annual report consists of financial statements prepared in accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis — for State and Local Governments* as amended by GASB Statement No. 37, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. These standards establish comprehensive financial reporting standards for all state and local governments and related entities.

1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

University Medical Center of Southern Nevada (the Hospital), the public health care facility for Clark County, Nevada (the County), is a blended component unit of the County, and is reflected as an enterprise fund of the County. The Hospital is organized and operated by The Board of County Commissioners, ex officio, the Board of Hospital Trustees, per Chapter 450 of the Nevada Revised Statutes. The seven-member commission is elected from geographic districts on a partisan basis for staggered four-year terms. Commissioners elect a chairperson who serves as the Commission's presiding officer. As the Hospital is a component unit of the County, it is exempt from income tax and, accordingly, no provision for income taxes is required.

In accordance with GASB Statement No. 14, *The Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital's financial statements are included, as a blended component unit, in the County's Comprehensive Annual Financial Report (CAFR). A copy of the CAFR can be obtained from Jessica Colvin, Comptroller, 500 South Grand Parkway, Las Vegas, Nevada 89155.

Summary of Significant Accounting Policies

The financial statements of the Hospital are prepared under accounting principles generally accepted in the United States applicable to state and local governmental entities on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. Substantially all revenues and expenses are subject to accrual.

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)

The Hospital is accounted for as a proprietary fund (enterprise fund) using the flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the Hospital's operations are included in the *Statement of Net Position*. Revenue is recognized in the period in which it is earned and expenses are recognized in the period in which incurred.

Use of Estimates

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

Cash, Cash Equivalents, and Investments

Cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less at date of purchase, excluding amounts held under trust agreements. The Hospital's restricted and unrestricted cash is deposited with the County Treasurer (the Treasurer) in a fund similar to an external investment pool that is reported at fair value. Because the amounts deposited with the Treasurer are sufficiently liquid to permit withdrawals in the form of cash at any time without prior notice or penalty, they are deemed to be cash equivalents. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires the County to adjust the carrying amount of its investment portfolio to reflect the change in fair or market values. Interest revenue is increased or decreased in relation to this adjustment of unrealized gain or loss. Net interest income reflects this positive or negative market value adjustment.

Inventories

Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or market, generally determined on the first-in, first-out method.

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)

Restricted Assets

Restricted assets are cash and cash equivalents and investments whose use is limited by legal or other requirements. Restricted cash and cash equivalents represent monies received from donors or grantors to be used for specific purposes, as well as the Hospital's proportionate share of collateral assets held under securities lending transactions and those whose purpose was limited by the contributor and/or grantor. The Hospital has elected to use restricted assets before unrestricted assets when an expense is incurred for a purpose for which both resources are available.

Capital Assets

Capital assets are stated at historical cost or, if donated, at estimated fair value at the date of the gift. Capital assets are defined by the Hospital as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Depreciation and amortization of assets are recorded in amounts sufficient to amortize the cost of the related assets over their estimated useful lives using the straight-line method. The following are the most commonly used estimated useful lives:

Buildings	10-40 years
Building improvements	5-20 years
Equipment	3-20 years
Land improvements	15 years
Furniture and fixtures	5 years

Expenditures that substantially increase the useful lives or functionality of existing assets are capitalized. Routine maintenance, repairs, and minor improvements are expensed as incurred. The cost of property retired and related accumulated depreciation is removed from the accounts, and any gain or loss recognized in non-operating revenues (expenses).

Bond and Debt Issue Costs

Financing costs represent debt issuance expenditures on long-term debt obligations and are expensed as incurred due to implementation of GASB 65.

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)

Cost of Borrowing

Interest costs incurred on debt during the construction or acquisition of assets are capitalized as a component of the cost of acquiring those assets. No capitalized interest was recorded in fiscal 2014 and 2013.

Deferred Outflows/Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and is not recognized as expense until then. In the Hospital financial statements, unamortized loss on refunding is reported as a deferred outflow of resources. The unamortized loss on refunding results from the difference between the reacquisition price and the net carrying amount of the refunded debt. This amount is deferred and amortized over the life of the refunding debt.

Compensated Absences

It is the Hospital's policy to permit employees to accumulate earned, but unused vacation and sick leave benefits. Such benefits were accrued when incurred as a current liability in both fiscal 2014 and 2013.

Self-Insured Liability

The self-insured liability represents the provision for estimated self-insured professional liability claims, general liability claims, and workers' compensation claims. The provision includes estimates of the ultimate costs for both reported claims and claims incurred but not reported based on the recommendations of an independent actuary.

Net Position

GASB Statement No. 34 requires the classification of net position into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)

- Net investment in capital assets: This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted: This component of net position results from restrictions placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted: This component of net position consists of all net position that do not meet the definition of restricted or net investment in capital assets.

Statements of Revenues, Expenses, and Changes in Net Position

All revenues and expenses directly related to the delivery of health care services are included in operating revenues and expenses in the *Statements of Revenues, Expenses, and Changes in Net Position*. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities, non-exchange transactions, or investment income.

Net Patient Revenue, Accounts Receivable, and Allowance for Uncollectible Accounts

Net patient revenue is reported at the estimated realizable amount from patients, third-party payers, and others for services provided including the provision for bad debts and includes estimated retroactive adjustments under reimbursement agreements with third-party payers. Revenue under certain third-party payer agreements is subject to audit, retroactive adjustments, and significant regulatory actions. Provisions for third-party settlements and adjustments are estimated in the period the related services are provided and adjusted in future periods as additional information becomes available and as final settlements are determined.

As part of the Hospital's mission to serve the community, the Hospital provides care to patients even though they may lack adequate insurance or may participate in programs that do not pay established rates. Uncompensated care is defined as write-offs on patient accounts without insurance payment. Charity care is a subset of uncompensated care representing those patients that are approved by the hospital for a discount under its charity policy guidelines. Throughout the admission, billing, and collection processes, certain patients are identified by the Hospital as

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)

indigent or qualifying for charity care. The Hospital provides care to these patients without charge or at amounts less than its established rates or actual costs. The Hospital maintains records to identify and monitor the ability of patients to pay for services rendered. These records are utilized to determine the amount of estimated charges foregone for services and supplies furnished for uncompensated and charity care, the estimated costs of these services and supplies, and equivalent service statistics. Charges foregone based upon established rates for services for charity care provided by the Hospital, and for educational and selected community service programs, totaling $269,540,754 and $404,435,661, which represents 14.34% and 19.4% of gross charges in fiscal 2014 and fiscal 2013, respectively, are not reported as revenue as the Hospital does not pursue collection of these amounts. Partial payments to which the Hospital is entitled from public assistance and other programs on behalf of patients who meet the charity care policy of the Hospital are reported as net patient revenue.

The Hospital has agreements with third-party payers that provide for payment at amounts different from established charge rates. A summary of the basis of payment by major third-party payers follows:

- Medicare and Medicaid: The Hospital renders services to patients under contractual arrangements with the U.S. Federal Medicare and the State of Nevada (State) Medicaid programs. Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries and Medicare capital costs are paid at prospectively determined rates-per-discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. As an academic medical center, medical education payments in addition to disproportionate share entitlements are received from Medicare and Medicaid. Medicare utilizes a prospective payment system for inpatient rehabilitation services and psychiatric services.

  Medicare outpatient claims are reimbursed under the Ambulatory Payment Classification based prospective payment system. The payments are based on patient assessment data classifying patients into one of the Medicare Ambulatory Payment Classifications. Inpatient rehabilitation and psychiatric services are reimbursed at a prospectively determined per diem rate. Certain outpatient services related to Medicare beneficiaries and capital costs for Medicaid beneficiaries are reimbursed based on a cost-based methodology subject to certain limitations. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare and Medicaid fiscal intermediaries.

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)

The Hospital's classification of patients under the Medicare and Medicaid programs and the appropriateness of their admission, and therefore, the revenues received are subject to an independent review and retroactive adjustment. Differences between the estimated amounts accrued at interim and final settlements are reported in the *Statement of Revenues, Expenses, and Changes in Net Position* in the year of settlement. Medicare cost reports have been finalized through fiscal year 2012. Provisions for estimated retroactive adjustments for cost report years that have not been finalized have been provided, where applicable. The Hospital recorded a favorable adjustment of $4,325,712 in fiscal 2014, compared to a unfavorable adjustment of approximately $62,719 in fiscal 2013, respectively, due to prior year retroactive adjustments to amounts previously estimated and changes in estimates.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, governmental program participation, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as repayment of patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs unknown or unasserted at this time. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. Management believes that the Hospital is in compliance with fraud and abuse statutes, as well as other applicable government laws and regulations, and that adequate provision has been made in the financial statements for any adjustments that may result from final settlements.

- Upper payment limit: On September 22, 2002, the amendment to the State Medicaid program to allow for supplemental Medicaid payments as provided under federal regulations, referred to as the Upper Payment Limit program (UPL), was approved by the Center for Medicare and Medicaid Services (CMS). Effective January 1, 2003, the amendment revised the State's plan to provide access to supplemental Medicaid payments up to 100% of the Medicare upper payment limits for inpatient hospital services rendered by public hospitals in the State to State Medicaid consumers. The State fiscal 2014 budget also included an expansion of the UPL program to outpatient services. These funds are distributed prospectively on a quarterly basis. Funding for the UPL program is generated through intergovernmental transfers and matching funds from the

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)

federal government. The gross amount recorded in net patient service revenue for UPL by the Hospital was $61,556,787and $129,531,439 in fiscal 2014 and 2013, respectively.

- Disproportionate share: As a public health care provider, the Hospital renders services to residents of the County and others regardless of ability to pay. The Hospital is classified as a disproportionate share provider by the Medicare and Medicaid programs due to the volume of low-income patients it serves. Accordingly, the Hospital receives additional payments from these programs as a result of this status totaling $69,663,739 and $72,336,599 in fiscal 2014 and 2013, respectively, which are included in net patient revenue. Funding for the disproportionate share program is generated through intergovernmental transfers and matching funds from the federal government. The Hospital also provides major trauma services to the region, and the ability to continue these levels of service and programs is contingent upon the continuation of various funding sources.

- Other payers: The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment under these agreements includes prospectively-determined rates-per-discharge, discounts from established charges, and prospectively-determined per diem rates.

The approximate percentage of gross patient revenues by major payer group for the years ended June 30 follows:

	2014	2013
Medicare	20 %	19 %
Medicaid, and self-pay	50	57
Commercial, HMO, PPO	20	19
Other	10	5
Total	100 %	100 %

The provision for bad debts is based upon management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage, and other collection indicators. Periodically throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based upon historical write-off experience by payer category, including those amounts not covered by insurance. The results of this review are then used to make any modifications to the provision for bad debts to establish an appropriate allowance for

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)

uncollectible accounts. Extensive efforts are made to collect all amounts owed to the Hospital. Several avenues are pursued including direct collections efforts, assistance in finding pay sources, and assistance in compliance with the County's uninsured discount program. After satisfaction of amounts due from insurance and reasonable efforts to collect from the patient have been exhausted, the Hospital follows established guidelines for placing certain past-due patient balances with collection agencies, subject to the terms of certain restrictions on collection efforts as determined by the Hospital. These accounts are then followed up by collection agencies.

For receivables associated with services provided to patients who have third-party coverage, the Hospital analyzes contractually due amounts and provides an allowance for bad debts, allowance for contractual adjustments, provision for bad debts, and contractual adjustments on accounts for which the third-party payor has not yet paid or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely. For receivables associated with self-pay patients or with balances remaining after the third-party coverage has already paid, the Hospital records a significant provision for bad debts in the period of services on the basis of its historical collections, which indicates that many patients ultimately do not pay the portion of their bill for which they are financially responsible. The difference between the discounted rates and the amounts collected after all reasonable collection efforts have been exhausted is charged off against the allowance for bad debts. The change in the allowance for bad debts was as follows for the year ended June 30:

	2014	2013
Reserve-Beginning Balance	(407,746,017)	(317,597,249)
Provision	(300,962,812)	(450,123,162)
Write-Offs	326,239,324	376,172,511
Bad Debt Recovery	(12,653,424)	(16,198,119)
Reserve-Ending Balance	(395,122,929)	(407,746,019)

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payer arrangements. Significant concentrations of accounts receivable at June 30, 2014 and 2013, include:

	2014	2013
Medicare	7 %	3 %
Medicaid, and self-pay	82	84
Commercial, HMO, PPO	6	5
Other	5	8
Total	100 %	100 %

Grants and Contributions

The Hospital receives financial assistance from federal agencies, the State, and the County, in the form of grants, as well as contributions from individuals and private organizations. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes and are reported as other operating revenues.

Other such audits could be undertaken by federal and state granting agencies and result in the disallowance of claims and expenditures; however, in the opinion of management, any such disallowed claims or expenditures will not have a material effect on the overall financial position of the Hospital.

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)

Concentrations of Credit and Economic Risks and Uncertainties

Financial instruments that potentially subject the Hospital to concentrations of credit risk consist principally of cash and cash equivalents, patient accounts receivable, and investments.

The Hospital's cash and cash equivalents on deposit with financial institutions, including cash and cash equivalents in the custody of the Treasurer or a fiscal agent, are often in excess of federally insured limits, and the risk of losses related to such concentrations may be increasing as a result of continuing economic conditions including, but not limited to, weakness in the commercial and investment banking systems. The extent of a future loss, if any, to be sustained as a result of uninsured deposits in the event of a future failure of a financial institution; however, is not subject to estimation at this time.

Concentration of credit risk relating to patient accounts receivable is limited to some extent by the diversity and number of the Hospital's patients and payers. Patient accounts receivable consist of amounts due from government programs, commercial insurance companies, private pay patients, and other group insurance programs. One payer source, self-pay, comprises approximately 45% and 45% of gross patient accounts receivable at June 30, 2014 and 2013, respectively. Excluding governmental programs, no other payer source represents more than 10% of the Hospital's patient accounts receivable. The Hospital maintains an allowance for losses based on the expected collectability of patient accounts receivable.

Because the Hospital operates in the health care industry exclusively in southern Nevada, realization of its receivables, inventories, and its future operations could be affected by adverse economic conditions in the area. In addition, the Hospital receives the majority of its products from a limited number of suppliers and any reduction or interruption of such sources could adversely affect future operations.

The majority of the hospital's employees are covered by collective bargaining agreements entered into with the Service Employee International Union (SEIU) and the International Union of Operating Engineers (IUOE). The SEIU contract expired June 30, 2013, and the updated contract was ratified on February 21, 2014, but not effective until October 7, 2014 and will expire June 30, 2016, but will remain in effect until modified. The IUOE contract was updated and ratified on March 19, 2013. The IUOE contract will remain in effect until June 30, 2016.

1. Description of Reporting Entity and Summary of Significant Accounting Policies (continued)

Reclassifications

Certain minor reclassifications of fiscal 2013 amounts have been made to conform to the fiscal 2014 presentation.

Subsequent Events

The Hospital evaluates the impact of subsequent events, which are events that occur after the statement of net position date but before the financial statements are issued, for potential recognition in the financial statements as of the balance sheet date. For the year ended June 30, 2014, the Hospital evaluated subsequent events through December 10, 2014, representing the date on which the accompanying audited financial statements were issued. During this period, the Hospital commenced a Refunding Bond, the Hospital Refunding Bond Series 2014, which if approved will refund the following bonds: Hospital Refunding Bonds Series 2005, Hospital Refunding Bond Series 2013. The Bond refunding was approved and closed on December 1, 2014.

2. Changes in Accounting Principles and Recent Accounting Pronouncements

The GASB has issued the following statements that have been recently implemented by the Hospital:

Statement No. 65, *Items Previously Listed as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. See note 12 regarding GASB 65 implementation.

Statement No. 66, *Technical Corrections – 2012: An Amendment of GASB Statements 10 and 62*, improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. There was no material impact to the financial statements as a result of implementation of Statement No. 66.

Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement 25*, revises existing standards of financial reporting for most pension plans. There was no material impact to the financial statement, since the Hospital is not effected by Statement No. 67.

Statement No.69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting guidance in regards to a government merger, government acquisition, transfer of operations and disposals of government operations, that are covered by the scope of this Statement. The primary objective of this Statement is to provide specific accounting and financial reporting guidance for combinations in the governmental environment, which include the Hospital. It also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. There was no material impact to the financials as a result of implementation of Statement No. 69.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* establishes accounting and financial reporting standards in relation to financial guarantees that are nonexchange transactions (nonexchange financial guarantees) extended or received by a state or local government that are covered by the scope of this Statement. The primary objective of this Statement is to improve the recognition, measurement, and disclosure guidance for state and local governments that have extended or received financial guarantees that are nonexchange transactions. There was no material impact to the financials as a result of implementation of Statement No. 70.

2. Changes in Accounting Principles and Recent Accounting Pronouncements (continued)

The GASB has recently issued the following statements, which the Hospital is assessing the impact of the implementation, if any, on its financial statements:

Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that are provided by other entities. The Hospital is required to implement this Statement for the fiscal year ending June 30, 2015.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68,* improves accounting and financial reporting by addressing an issue in Statement No. 68, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities. The primary objective of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expenses in the first year of implementation of Statement 68 of employers and nonemployer contributing entities. The Hospital will be required to implement this statement for the fiscal year ending June 30, 2015.

3. Cash, Cash Equivalents, and Investments

Substantially all cash (including cash equivalents) and investments of the Hospital are under control of the Treasurer and are included in the Treasurer's investment pool. The Hospital's cash and investments generally are reported at fair value, as discussed in note 1. As of June 30, 2014 and 2013, these amounts were as follows:

	2014	2013
Clark County investment pool	$ 38,980,338	$ 60,246,167
Cash on hand	19,500	22,200
Total cash and investments	$ 38,999,838	$ 60,268,367

The Treasurer invests monies held both by individual funds and through a pooling of monies. The pooled monies, referred to as the investment pool, are invested as a whole and not as a combination of monies from each fund belonging to the pool. In this manner, the Treasurer is able to invest the monies at a higher interest rate for a longer period of time. Interest is apportioned monthly to each fund in the pool based on the average daily cash balance of the fund for the month.

According to Statutes, County monies must be deposited with federally insured banks, credit unions, or savings and loan associations within the County. The Treasurer is authorized to use demand accounts, time accounts, and certificates of deposit. Statutes do not specifically require collateral for demand deposits, but do specify that collateral for time deposits may be of the same type as those described for permissible investments. Permissible investments are similar to allowable County investments described below, except that statutes permit a longer term and include securities issued by municipalities within Nevada. The County's deposits are fully covered by federal depository insurance or collateral held by the County's agent in the County's name. The County has written custodial agreements with the various financial institutions' trust banks for demand deposits and certificates of deposit. These custodial agreements pledge securities totaling 102% of the deposits with each financial institution. The County has a written agreement with the State Treasurer for monitoring the collateral maintained by the County's depository institutions.

Due to the nature of the investment pool, it is not possible to separately identify any specific investment as being that of the Hospital. Instead, the Hospital owns a proportionate share of each investment, based on the Hospital's participation percentage in the investment pool. As of June 30, 2014 and 2013, $38,980,338 and $60,246,167, respectively, of Hospital investments in the investment pool were as follows:

3. Cash, Cash Equivalents, and Investments (continued)

	2014		2013	
Investment Type	Allocation	Duration in Years	Allocation	Duration in Years
U.S. Agencies	51.91%	2.21	70.13%	2.15
U.S. Treasury Obligations	19.27%	3.30	12.13%	1.66
Commercial Paper Discounts	8.16%	0.14	9.16%	0.08
Corporate Notes	11.83%	2.61	3.63%	2.91
Asset-Backed Securities	1.91%	3.98	2.45%	4.03
Collateralized Mortgage Obligations	0.56%	5.80	0.88%	6.34
Certificates of Deposit	-	-	0.86%	0.34
State of Nevada Pool	0.00%	-	0.71%	-
Money Market Funds	6.05%	-	0.05%	-
Collateralized Inv Agreements	0.31%	-	0.00%	-
	100.00%		100.00%	
Average Portfolio Duration		1.85		1.85

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's investment policy applies a prudent-person rule, which is: "In investing the County's monies, there shall be exercised the judgment and care under the circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

3. Cash, Cash Equivalents, and Investments (continued)

As of June 30, 2014 and 2013, the County's investments were rated by Standard and Poor's and Moody's Investors Service, respectively, as follows:

	2014	2013
U.S. Treasury Obligations	AAA/Aaa	AAA/Aaa
Bonds of U.S. Agencies	AAA/Aaa	AAA/Aaa
Discount Notes of U.S. Agencies	A-1/P-1	A-1/P-1
Commercial Paper Discounts	A-1/P-1	A-1/P-1
Negotiable Certificates of Deposit	A-1/P-1	A-1/P-1
Collateralized Mortgage Obligations	AAA/Aaa	AAA/Aaa
Collateralized Investment Agreements	(1)	(1)
Asset-Backed Securities	AAA/Aaa	AAA/Aaa
Corporate Notes	(2)	(2)

(1) Issued by insurance companies rated AA/Aa2, or its equivalent, or higher, or issued by entities rated A/A2, or its equivalent, or higher
(2) Issued by corporations organized and operating in the United States, which have a rating of A, or its equivalent, or higher.

On August 5, 2012, the credit rating on all investments in U.S. agency obligations was lowered from AAA to AA+ by Standard and Poor's. The County investments in U.S. Treasury obligations carry no measurable credit risk because they are backed by the U.S. federal government. The State Investment Pool does not have a credit rating.

Concentration of Credit Risk

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County's investment policy limits the amount that may be invested in obligations of any one issuer, except direct obligations of the U.S. government or federal agencies, to be no more than 5% of the County investment pool. At June 30, 2014 and 2013, the following investments exceeded 5% of the investment pool:

3. Cash, Cash Equivalents, and Investments (continued)

	2014	2013
Federal Home Loan Mortgage Corporation (FHLMC)	17.89 %	27.23 %
Federal National Mortgage Association (FNMA)	15.52	24.08
U.S.Treasury obligations	19.27	12.21
Federal Farm Credit Bank (FFCB)	6.46	9.71
Federal Home Loan Banks (FHLB)	12.60	6.96

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates by limiting the weighted average duration of its investment portfolio to less than 2.5 years. Duration is a measure of the present value of a fixed income's cash flows and is used to estimate the sensitivity of a security's price to interest rate changes. Accordingly, the County's investment policy limits investment portfolio maturities for certain investment instruments as follows: U.S. Treasury and U.S. agencies to less than ten years; bankers' acceptances to 180 days; commercial paper to 270 days; certificates of deposit to one year; corporate notes and bonds to five years; and repurchase agreements to 90 days.

Interest Rate Sensitivity

At June 30, 2014 and 2013, the County invested in the following types of securities that have a higher sensitivity to interest rates, which represented 12% and 27%, respectively, of total investment securities.

- Callable securities are directly affected by the movement of interest rates. Callable securities allow the issuer to redeem or call a security before maturity, generally on coupon dates.

- Step-up/step-down securities have fixed rate coupons for a specific time interval that will step-up or step-down a predetermined number of basis points at scheduled coupon or other reset dates. These securities are callable one time or on their coupon dates.

3. Cash, Cash Equivalents, and Investments (continued)

- Fix-to-floating rate notes have fixed rate coupons for a specified period of time, then a variable rate coupon for the remaining life of the security. The variable rate is generally based on the three-month LIBOR plus 125 basis points. In some cases, interest rate caps are reset higher annually. These securities are callable, generally on their coupon dates.

- CPI floaters have variable rate coupons based on the Consumer Price Index Year-Over-Year index plus 114 basis points. This rate resets and pays a coupon monthly.

- Range notes have fixed rate coupons based on the three-month LIBOR staying within a range for a time period, generally one year. If the three-month LIBOR is within the predetermined range for a specified time period, the coupon rate is reset at a higher rate at periodic intervals. If the three-month LIBOR is out of the predetermined range, then coupon rate is reset to a floor rate of 1%. These securities are also callable on their coupon dates.

4. Other Receivables, Net

The Hospital has agreements with third-party payers that provide for payment of amounts different from established rates. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. See Note 1, *Net Patient Revenue, Accounts Receivable, and Allowance for Uncollectible Accounts* for additional information. A summary of other receivables, net at June 30, follows:

	2014	2013
Third-party settlements	$ 2,947,574	$ (184,686)
Other	3,394,623	1,119,688
	$ 6,342,197	$ 935,002

5. Internally Designated Assets

The Hospital's internally designated assets consist of the following as of June 30:

	2014	2013
Self-insurance funds	$ 3,292,743	$ 1,994,843
Debt service funds	11,994,314	11,148,147
Capital acquisition funds	1,240,003	14,010,306
	$ 16,527,060	$ 27,153,296

6. Capital Assets

Capital asset additions, retirements, and balances for the fiscal years ended June 30, 2014 and 2013, were as follows:

2014	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Nondepreciable capital assets:				
Land	$ 10,218,247	$ -	$ -	$ 10,218,247
Construction in progress	15,305,270	7,729,786	-	23,035,056
Total nondepreciable capital assets	25,523,517	7,729,786	-	33,253,303
Depreciable capital assets:				
Land improvements	4,685,610	-	-	4,685,610
Buildings and building improvements	202,485,829	191,483	-	202,677,312
Equipment	126,968,411	8,931,111	(2,046,499)	133,853,023
Furnitures and fixtures	1,774,874	67,976	-	1,842,850
Infrastructure	176,367	-	-	176,367
LVA-IT Hardware	-	143,391	-	143,391
Total depreciable capital assets	336,091,091	9,333,961	(2,046,499)	343,378,553
Less accumulated depreciation and amortization:				
Land improvements	(2,219,927)	(161,057)	-	(2,380,984)
Buildings and building improvements	(81,485,589)	(5,539,743)	-	(87,025,332)
Equipment	(89,802,800)	(10,112,750)	2,046,499	(97,869,051)
Furnitures and fixtures	(1,277,571)	(101,658)	-	(1,379,229)
Infrastructure	(5,064)	(8,358)	-	(13,422)
LVA-IT Hardware	-	(143,391)	-	(143,391)
	(174,790,951)	(16,066,957)	2,046,499	(188,811,409)
Total depreciable capital assets, net	161,300,140	(6,732,996)	-	154,567,144
Total capital assets, net	$186,823,657	$ 996,790	$ -	$187,820,447

6. Capital Assets (continued)

2013	Beginning Balance	Additions	Retirements/ Transfers	Ending Balance
Nondepreciable capital assets:				
Land	$ 10,218,247	$ -	$ -	$ 10,218,247
Construction in progress	23,047,463	2,847,100	(10,589,293)	15,305,270
Total nondepreciable capital assets	33,265,710	2,847,100	(10,589,293)	25,523,517
Depreciable capital assets:				
Land improvements	4,685,610	-	-	4,685,610
Buildings and building improvements	195,704,145	4,838,289	1,943,395	202,485,829
Equipment	98,514,787	19,807,726	8,645,898	126,968,411
Furnitures and fixtures	1,433,787	341,087	-	1,774,874
Infrastructure	-	176,367	-	176,367
Total depreciable capital assets	300,338,329	25,163,469	10,589,293	336,091,091
Less accumulated depreciation and amortization:				
Land improvements	(2,058,870)	(161,057)	-	(2,219,927)
Buildings and building improvements	(76,266,599)	(5,218,990)	-	(81,485,589)
Equipment	(84,118,073)	(5,684,727)	-	(89,802,800)
Furnitures and fixtures	(1,185,280)	(92,291)	-	(1,277,571)
Infrastructure	-	(5,064)	-	(5,064)
	(163,628,822)	(11,162,129)	-	(174,790,951)
Total depreciable capital assets, net	136,709,507	14,001,340	10,589,293	161,300,140
Total capital assets, net	$169,975,217	$ 16,848,440	$ -	$186,823,657

Capitalized interest is part of the cost of buildings and building improvements and construction in progress. No capitalized interest was recorded for fiscal 2014 and 2013.

7. Long-term Debt

The Hospital's long-term debt consists of the following as of June 30:

	2014				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Clark County, Nevada General Improvement and Refunding Bonds, Series 2003	$ 8,585,000	$ -	$ (8,585,000)	$ -	$ -
Clark County, Nevada General Obligation Hospital Refunding Bonds, Series 2005	38,635,000	-	(4,725,000)	33,910,000	5,000,000
Clark County, Nevada General Obligation Hospital Refunding Bonds, Series 2007	17,920,000	-	(17,920,000)	-	-
Clark County, Nevada General Obligation Hospital Refunding Bonds, Series 2013	-	26,065,000	-	26,065,000	150,000
Clark County, Nevada General Obligation Medium-Term Hospital Refunding Bonds, Series 2009	5,600,000	-	(705,000)	4,895,000	1,145,000
	70,740,000	26,065,000	(31,935,000)	64,870,000	6,295,000
Unamortized premium and loss on refunding, net	(553,537)	-	(9,699)	(563,236)	-
Long-term debt	$70,186,463	$26,065,000	$(31,944,699)	$64,306,764	$ 6,295,000

7. Long-term Debt (continued)

	2013				
	Beginning Balance	Additions	Payments/ Reductions	Ending Balance	Due Within One Year
Clark County, Nevada General Improvement and Refunding Bonds, Series 2003	$ 9,055,000	$ -	$ (470,000)	$ 8,585,000	$ 490,000
Clark County, Nevada General Obligation Hospital Refunding Bonds, Series 2005	43,140,000	-	(4,505,000)	38,635,000	4,725,000
Clark County, Nevada General Obligation Hospital Refunding Bonds, Series 2007	17,990,000	-	(70,000)	17,920,000	75,000
Clark County, Nevada General Obligation Medium-Term Hospital Refunding Bonds, Series 2009	6,285,000	-	(685,000)	5,600,000	705,000
	76,470,000	-	(5,730,000)	70,740,000	5,995,000
Unamortized premium and loss on refunding, net	(609,411)	-	55,874	(553,537)	-
Long-term debt	$75,860,589	$ -	$ (5,674,126)	$70,186,463	$ 5,995,000

7. Long-term Debt (continued)

On November 1, 2003, Clark County, Nevada issued $36,765,000 in General Obligation (Limited Tax) Hospital Improvement and Refunding (Multiple Series) Bonds (the 2003 Bonds) with interest rates of 2.25% to 5.0%, which are collateralized with pledged gross revenues. The proceeds of the bonds were used to finance the Northeast Tower, to advance refund $11,400,000 in Hospital Bonds, and to pay costs of the issuance of the 2003 Bonds. On May 1, 2007, $17,205,000 aggregate principal was refunded by the 2007 Bonds leaving $14,090,000 as the outstanding principal balance. Principal and interest for the 2003 Bonds is due semiannually on March 1st and September 1st. This Bond was refunded completely on September 9, 2013 by the Clark County, Nevada General Obligation Refunding Bonds, Series 2013.

On July 28, 2005, Clark County, Nevada issued $48,390,000 in General Obligation (Limited Tax) Hospital Refunding Bonds (the 2005 Bonds) with interest rates of 4.0% to 5.0%, which are collateralized with pledged gross revenues. The proceeds of the bonds were used to: (i) refund $47,875,000 aggregate principal amount of the County's General Obligation (Limited Tax) Hospital Bonds, Series 2000; and (ii) pay the costs of issuing the 2005 Bonds. As a result, the previously outstanding refunded bonds are considered to be defeased and the liabilities for those bonds have been extinguished with the exception of $8,750,000 left outstanding. The aggregate difference in debt service between the refunded debt and the refunding debt was $3,867,842. The economic gain on the transaction was $2,883,595. The 2005 Bonds were sold at a premium of $4,338,966. In addition, the issuance of the 2005 Bonds resulted in a loss on defeasance of $4,738,038. Both the loss on defeasance and the premium are being amortized over the life of the new bonds. Principal and interest for the 2005 Bonds is due semiannually on March 1st and September 1st. All required payments on the bonds are guaranteed by Clark County, Nevada in the event that the Hospital is unable to make required payments. The 2005 Bonds mature in fiscal 2020.

On May 1, 2007, Clark County, Nevada issued $18,095,000 in General Obligation (Limited Tax) Hospital Refunding Bonds (the 2007 Bonds) with an interest rate of 4.19%, which are collateralized with pledged gross revenues. The proceeds of the bonds were used to: (i) refund $17,205,000 aggregate principal amount of the County's General Obligation (Limited Tax) Hospital Bonds, Series 2003; and (ii) pay the cost of issuing the 2007 Bonds. As a result, the previously outstanding refunded bonds are considered to be defeased and the liabilities for those bonds have been extinguished with the exception of $13,925,229 left outstanding. The aggregate difference in debt service between the refunded debt and the refunding debt was $892,899. The economic gain on the transaction was $688,931. The issuance of the 2007 Bonds resulted in a deferred loss of $726,024, which will be amortized over the life of the new bonds. Principal and interest for the 2007 Bonds are due semiannually on March 1st and September 1st. This Bond was refunded completely on September 9, 2013 by the Clark County, Nevada General Obligation Refunding Bonds, Series 2013.

7. Long-term Debt (continued)

On September 9, 2013, Clark County, Nevada issued $26,065,000 in General Obligation (Limited Tax) Hospital Refunding Bonds (the 2013 Bonds) with an interest rate of 3.10%, which are collateralized with pledge gross revenues. The proceeds of the bonds were used to: (i) refund $8,585,000 aggregate principle amount of the County's General Obligation Hospital Improvement and Refunding Bonds, Series 2003; (ii) refund $17,920,000 aggregate principle amount of the County's General Obligation Hospital Refunding Bonds, Series 2007; (iii) pay the cost of issuing the 2013 Bonds. As a result, the previously outstanding refunded bonds are considered to be defeased and the liabilities for those bonds have been extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt was $125,000. The economic gain on the transaction was $2,455,999. The issuance of the 2013 Bonds resulted in a deferred loss of $513,998, which will be amortized over the life of the new bonds. Principal and interest of the 2013 Bonds are due semiannually on March 1st and September 1st. All required payments on the bonds are guaranteed by Clark County, Nevada in the event that the Hospital is unable to make required payments. The Bonds mature in fiscal 2023.

On March 10, 2009, Clark County, Nevada issued $6,950,000 in General Obligation (Limited Tax) Medium-Term Bonds (the 2009 Bonds) with an interest rate of 3.00%, which are collateralized with pledged gross revenues. The proceeds of the bonds were used to: (i) refund $6,990,000 aggregate principal amount of the County's General Obligation (Limited Tax) Medium-Term, Series 2007 bonds; and (ii) pay the cost of issuing the 2009 Bonds. As a result, the previously outstanding refunded bonds are considered to be defeased and the liabilities for those bonds have been extinguished. The aggregate difference in debt service between the refunded debt and the refunding debt was $322,255. The economic gain on the transaction was $301,798. The 2009 Bonds were sold at a premium of $137,371. In addition, the issuance of the 2009 Bonds resulted in a deferred loss of $45,733. Both the loss on defeasance and the premium are being amortized over the life of the new bonds. Principal and interest for the 2009 Bonds are due semiannually on May 1st and November 1st. All required payments on the bonds are guaranteed by Clark County, Nevada in the event that the Hospital is unable to make required payments. The 2009 Bonds mature in fiscal 2018.

The Hospital's general obligation bond ordinances contain the usual and customary covenants associated with such bonds. Management believes it is in compliance with all such covenants.

The Tax Reform Act of 1986 imposes an arbitrage rebate requirement with respect to bonds issued by the County. Under this act, an amount may be required to be rebated to the United States Treasury, so that all interest on the bonds qualifies for exclusion from gross income for federal income tax purposes. The Hospital is current on all required arbitrage payments. As of

7. Long-term Debt (continued)

June 30, 2014 and 2013, there is no estimated potential arbitrage liability.

Scheduled principal and interest payments required to maturity on long-term debt at June 30, 2014, were as follows:

	Principal	Interest	Total
2015	$ 6,295,000	$ 2,643,540	$ 8,938,540
2016	6,585,000	2,353,413	8,938,413
2017	6,890,000	2,047,680	8,937,680
2018	7,215,000	1,724,280	8,939,280
2019	6,235,000	1,408,350	7,643,350
2020-2024	31,650,000	2,685,404	34,335,404
	64,870,000	$ 12,862,667	$ 77,732,667
Unamortized premium	1,729,253		
Total long-term debt, net	$ 66,599,253		

8. Other Long-term Liabilities

Leases

The Hospital has operating leases primarily consisting of real property leases for off-campus outpatient clinic and business office facilities as well as medical and office equipment used in Hospital operations. Certain property leases contain initial and renewal terms providing for predetermined inflation factors for fixed rents. In addition, several property leases require the Hospital to pay other occupancy costs such as common area maintenance and utilities.

Total rent expense under all leases was $8,802,473 and $9,189,301 in fiscal 2014 and 2013, respectively. Subject to the following paragraph, minimum rental commitments under operating leases extending beyond June 30, 2014, were as follows:

2015	$ 4,553,824
2016	2,934,043
2017	2,273,324
2018	1,511,698
2019-2020	919,943
Total	$ 12,192,832

In the Hospital's lease agreements, there is a "fiscal fund out clause." Under the "fiscal fund out clause," the respective agreement shall terminate and the Hospital's obligations under it shall be extinguished at the end of any of the Hospital's fiscal years in which the Hospital's governing body fails to appropriate monies for the ensuing fiscal year sufficient for the payment of all amounts which could then become due under the agreement. The Hospital agrees that the "fiscal fund out clause" shall not be utilized as a subterfuge or in a discriminatory fashion as it relates to lease agreements. In the event this section is invoked, the lease agreements will expire on June 30 of the then current fiscal year. Termination under this section shall not relieve the Hospital of its obligations incurred through June 30 of the fiscal year for which monies were appropriated.

Liability Insurance

The Hospital is exposed to various risks of loss related to theft of, damage to and destruction of assets, errors and omissions, injuries to employees and patients, and natural disasters. These risks are covered by the Hospital's self-insured professional and general liability insurance policy, commercial insurance purchased from independent third parties, and the County's worker's compensation program. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

8. Other Long-term Liabilities (continued)

On January 20, 1987, the Board approved self-insured professional and general liability and workers' compensation insurance programs. In lieu of maintaining insurance coverage, the Board created the professional and general liability fund and the workers' compensation fund. The Hospital has accrued an undiscounted liability for estimated future settlements and claims losses for professional liability, general liability, and workers' compensation using its best estimate of these losses in accordance with actuarially determined amounts. Included in internally designated restricted assets, the Hospital has funded $3,292,743 and $1,994,843 at June 30, 2014 and 2013, of the accrued liability of $7,359,342 and $7,284,631, respectively. In the opinion of management, there are no claims or lawsuits asserted or unasserted that would not be adequately covered by insurance and/or the professional and general liability accrual.

A summary of changes in the self-insurance liability during fiscal 2014 and 2013 were as follows:

2014

	Beginning Balance	Claims Incurred/ Changes in Estimates	Claims Paid	Ending Balance	Due Within One Year
Professional liability	$ 7,284,631	$ 790,036	$ (715,325)	$ 7,359,342	$ 1,472,952
Workers' compensation	2,589,000	1,471,983	(1,191,048)	2,869,935	1,457,935
	$ 9,873,631	$ 2,262,019	$ (1,906,373)	$10,229,277	$ 2,930,887

2013

	Beginning Balance	Claims Incurred/ Changes in Estimates	Claims Paid	Ending Balance	Due Within One Year
Professional liability	$ 6,919,881	$ 2,802,397	$ (2,437,647)	$ 7,284,631	$ 2,437,647
Workers' compensation	2,589,000	1,169,518	(1,169,518)	2,589,000	1,177,000
	$ 9,508,881	$ 3,971,915	$ (3,607,165)	$ 9,873,631	$ 3,614,647

9. Related Party Transactions

The Hospital receives payments from the County under a contractual arrangement to provide care for qualifying indigent and emergency care. For the years ended June 30, 2014 and 2013, the Hospital received $30,748,556 and $48,595,975, respectively, for such care. Amounts received for qualifying indigent and emergency care are included in net patient revenues in the fiscal year the services are rendered.

The County charges for legal and financial services provided to the Hospital. The Hospital recorded costs of $1,543,903 and $1,533,844 for these services during fiscal 2014 and 2013, respectively. At June 30, 2014 and 2013, non-interest bearing amounts due to the County for such services were $9,246,928 and $28,758,723. At June 30, 2014 and 2013, the County agreed not to demand payment for these services prior to July 1, 2014 and 2013, respectively, and accordingly, these amounts owed to the County have been classified as a long-term liability in the accompanying balance sheets.

The Hospital is billed by the County for its portion of self-insurance premiums for health, dental, and vision insurance. Since the Hospital is affiliated with the County, this liability is reported in the due to related party line on the balance sheet.

A summary of changes in related party liability balances during fiscal 2014 and 2013 follows:

2014	Beginning Balance	Additions	Reductions	Ending Balance
Current liabilities				
Clark County Worker's Compensation	$ 5,794,391	$ -	$ (500,488)	$ 5,293,903
Clark County Automotive	14,341	119,076	(114,273)	19,144
Clark County Enterprise	3,083	38,677	(23,530)	18,230
Clark County Treasurer	-	32,474	(32,474)	-
Clark County Overhead	-	3,024,391	(3,024,391)	-
Clark County Self -Funded	3,927,267	24,720,319	(23,503,951)	5,143,635
Clark County - Loan	-	25,500,000	-	25,500,000
	9,739,082	53,434,937	(27,199,107)	35,974,912
Long-term liabilities				
Clark County Legal and Financial Services	28,758,723	-	(19,511,795)	9,246,928
	$ 38,497,805	$ 53,434,937	$(46,710,902)	$ 45,221,840

9. Related Party Transactions (continued)

2013	Beginning Balance	Additions	Reductions	Ending Balance
Current liabilities				
Clark County Worker's Compensation	$ 5,197,215	$ 1,797,176	$ (1,200,000)	$ 5,794,391
Clark County Automotive	18,163	99,996	(103,818)	14,341
Clark County Enterprise	12,022	37,736	(46,675)	3,083
Clark County Treasurer	-	107,423	(107,423)	-
Clark County Overhead	-	2,627,163	(2,627,163)	-
Clark County Self -Funded	8,776,927	27,021,328	(31,870,988)	3,927,267
	14,004,327	31,690,822	(35,956,067)	9,739,082
Long-term liabilities				
Clark County Legal and Financial Services	28,758,723	-	-	28,758,723
	$ 42,763,050	$ 31,690,822	$(35,956,067)	$ 38,497,805

10. Employee Benefits Plans

Retirement Plan

Substantially all of the Hospital's employees are participants in a retirement plan (the Plan) that is part of the Public Employees' Retirement System (PERS) for public employees in the State. The Plan was established on July 1, 1948, by the Legislature and is governed by the Public Employees' Retirement Board whose seven members are appointed by the Governor. All public employees who meet certain eligibility requirements may participate in the Plan. The Plan is a cost sharing, multiple-employer, defined benefit plan of PERS.

The Hospital does not exercise any control over the Plan and NRS 286.110 states, "Respective participating public employers are not liable for any obligation of the system." Benefits, as required by State Statute, are determined by the number of years of credited service at the time of retirement and the participants' highest average compensation in any 36 consecutive months. Benefit payments to which participants may be entitled under the Plan include pension benefits, disability benefits, and death benefits.

Monthly benefit allowances for regular participants are computed at 2.67% (2.5% prior to July 1, 2001) of average compensation (average of 36 consecutive months of highest compensation) for each credited year of service prior to retirement up to a maximum of 90% of the average compensation for employees entering the system prior to July 1, 1985, and 75% for those entering after that date. The Plan offers several alternatives to the unmodified service retirement benefit which, in general, allows the retired employee to accept a reduced service retirement benefit payable monthly during the employee's life and various optional monthly payments to a named beneficiary after the employee's death. Regular members are eligible for retirement benefits at age 65 with 5 years of service, at age 60 with 10 years of service or at any age with 30 years of service.

NRS 286.410 establishes the required contribution rates and provides for yearly increases until such time as the actuarially determined unfunded liability of the Plan is reduced to zero. The Hospital is obligated to contribute all amounts due under the Plan. The contribution rate, based on covered payroll, was 25.75%, 23.75%, and 23.75% for the years ended June 30, 2014, 2013, and 2012, respectively.

The Hospital's contributions to the Plan for the years ended June 30, 2014, 2013, and 2012, were \$53,930,802, \$52,419,919, and \$47,380,204, respectively, and were equal to the required

10. Employee Benefits Plans (continued)

contributions for each fiscal year. At June 30, 2014, 2013, and 2012, accrued expenses include $5,921,515, $4,984,896, and $7,202,897, respectively, due to PERS.

An annual report containing financial statements and required information for the Plan may be obtained by writing to PERS, 693 West Nye Lane, Carson City, Nevada 89703-1599 or by calling (775) 687-4200.

Deferred Compensation Plan

The Hospital offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Hospital does not exercise any control over the assets of the deferred compensation plan. The deferred compensation plan, available to all Hospital employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Other Postemployment Benefits (OPEB)

In accordance with Statutes, retirees of the Hospital may continue insurance through the Clark County Retiree Health program (County Plan), an agent multiple-employer defined benefit plan, if enrolled as an active employee at the time of retirement. Within the County Plan, retirees may choose between the Clark County Self-Funded Group Medical and Dental Benefits Plan (Self-Funded Plan) and Health Plan of Nevada (HPN), a fully-insured, health maintenance organization (HMO) plan.

Some employees are enrolled in the State's program of insurance. This program, the Public Employee Benefit Program (PEBP), is an agent multiple-employer, defined benefit plan.

Each plan provides medical, dental and vision benefits to eligible active and retired employees and beneficiaries. Except for the PEBP, benefit provisions are established and amended through negotiations between the Hospital and the employee unions. PEBP benefit provisions are established by the State Legislature.

The Self-Funded Plan is not administered as a qualifying trust or equivalent arrangement and is included in the County CAFR as an internal service fund (the Self-Funded Group Insurance Fund), as required by Statutes.

10. Employee Benefits Plans (continued)

The PEBP issues a publicly available financial report that includes financial statements and required supplementary information. The Self-Funded Plan and PEBP reports may be obtained by writing or calling the plans at the following addresses or numbers:

Clark County, Nevada
PO Box 551210
500 S. Grand Central Parkway
Las Vegas, NV 89155-1210
(702) 455-3269

Public Employee Benefit Plan
901 South Stewart Street
Suite 1001
Carson City, Nevada 89701
(800) 326-5496

Funding Policy and Annual OPEB Cost

For the Self-Funded Plan and HPN programs, contribution requirements of plan members and the Hospital are established and may be amended through negotiations between the Board and the employee unions.

The Hospital is required to pay the PEBP an explicit subsidy, based on years of service, for retirees who are enrolled in this plan. In 2014, retirees were eligible for a $114 per month subsidy after five years of service with a Nevada state or local government entity. The maximum subsidy of $627 per month is earned after 20 years of combined service with any eligible entity. The subsidy is set by the State Legislature.

The annual OPEB cost for each plan is calculated based on the annual required contribution (ARC) to the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The Hospital's annual OPEB cost for the current year and related information for each plan are as follows:

10. Employee Benefits Plans (continued)

	Self-Funded Plan/HPN (1)	PEBP (2)	Total
Contribution Rates			
Annual required contribution (ARC)	$ 25,908,221	$ 1,965,306	$ 27,873,527
Interest on net OPEB obligations	2,979,067	225,981	3,205,048
Adjustment to ARC	(4,306,994)	(326,713)	(4,633,707)
Annual OPEB cost	24,580,294	1,864,574	26,444,868
Contributions made	(2,248,732)	(1,204,896)	(3,453,628)
Increase in net OPEB obligation	22,331,562	659,678	22,991,240
Net OPEB obligation, beginning of year	99,803,048	3,314,425	103,117,473
Net OPEB obligation, end of year	$122,134,610	$ 3,974,103	$ 126,108,713

(1) Actuarially determined, premium sharing determined by union contracts

(2) Set by State Legislature

10. Employee Benefits Plans (continued)

The Hospital's annual OPEB cost, the percentage of annual cost contributed to the plan and the net OPEB obligation for 2014, 2013 and 2012, were as follows:

Plan	Year Ended	Annual OPEB Cost	Percent of OPEB Cost Contributed	Net OPEB Obligation
Self-Funded Plan/HPN	6/30/2012	$ 23,064,704	6.6%	$ 77,471,486
Self-Funded Plan/HPN	6/30/2013	24,580,294	6.2%	99,803,048
Self-Funded Plan/HPN	6/30/2014	24,580,294	6.2%	122,134,609
PEBP	6/30/2012	2,690,759	55.3%	2,654,747
PEBP	6/30/2013	1,864,574	79.8%	3,314,425
PEBP	6/30/2014	1,864,574	79.8%	3,974,104
Total	6/30/2012	25,755,463	10.8%	80,126,233
Total	6/30/2013	26,444,868	11.4%	103,117,473
Total	6/30/2014	26,444,868	11.4%	126,108,713

Funded Status and Funding Progress

The funded status of the plans as of the most recent actuarial valuation date, July 1, 2013, was as follows:

	Self-Funded Plan/HPN	PEBP*	Total
Actuarial accrued liability (a)	$ 213,943,548	$ 35,343,502	$ 249,287,050
Actuarial value of plan assets (b)	-	-	-
Unfunded actuarial accrued liability/(funding excess) (a) - (b)	$ 213,943,548	$ 35,343,502	$ 249,287,050
Funded ratio (b)/(a)	0.0%	0.0%	0.0%
Covered payroll (c)	$ 212,655,157	N/A	$ 212,655,157
Unfunded actuarial accrued liability/(funding excess) as a percentage of covered payroll (a) - (b)/(c)	100.6%	N/A	117.2%

*PEBP is a closed plan; therefore, there are no current employees covered by PEBP.

10. Employee Benefits Plans (continued)

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations. The schedule of funding progress, presented as required supplementary information, provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plans (the plans as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Hospital and the plan members at this point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions are as follows:

	Self-Funded Plan/HPN and PEBP
Actuarial valuation date	July 1, 2012
Actuarial cost method	Entry age normal
Amortization method	30 years, open, level dollar amount
Remaining amortization period	30 years remaining as of July 1, 2012
Asset valuation method	N/A, no assets in trust
Actuarial assumptions:	
Investment rate of return	4.00%
Projected salary increases	N/A; unfunded actuarial accrued liabilities amortized as a level dollar amount
Healthcare inflation rate	8.5% initial; 5% ultimate

Internal Service Fund Assets

The County utilizes the Other Postemployment Benefit Reserve internal service fund to allocate OPEB costs to each participating fund based on employee count. Each fund incurs a charge for services from the Other Postemployment Benefit Reserve fund for their portion of the annual OPEB cost. As of June 30, 2014, the Other Postemployment Benefit Reserve fund has

10. Employee Benefits Plans (continued)

$3,731,900 in cash, investments, and interest receivable held on behalf of the Hospital that the County intends to use for future OPEB costs for the net OPEB obligations of the Hospital. These assets cannot be included in the plan assets in the OPEB funding schedules because they are not held in trust.

Contributions and Reserves

Premium rates for the Self-Funded Plan and HPN programs are established through the previously mentioned union agreements. The Hospital pays approximately 84% of premiums for active employee coverage, an average of $7,811 per active employee for the year ended June 30, 2014. Retirees in the Self-Funded Plan and HPN programs receive no direct subsidy from the Hospital and pay the entire cost of their premium. Active and retiree loss experience is combined to create a single, blended premium for each level of coverage (member only, member plus spouse, member plus children, or family), as required by State Statute. This combining of loss experience creates an implicit subsidy to the retirees who would otherwise pay higher premiums if their loss experience were rated separately. Premiums for retirees in the PEBP plan are from $0 to $2,674, depending on the level of coverage and subsidy earned.

11. Commitments and Contingencies

Litigation

The Hospital is involved in litigation and regulatory investigations arising in the ordinary course of business. The Hospital does not accrue for estimated future legal and defense costs, if any, to be incurred in connection with outstanding or threatened litigation and other disputed matters, but rather records such as period costs when services are rendered.

In 2008, a lawsuit was filed against the Hospital seeking compensatory damages up to $17 million for lost wages, loss of employment opportunities, reputational harm and emotional distress. The plaintiff also seeks recovery of all attorney fees and costs expended in this litigation and through trial which is likely between $2 and $4 million. In the prior year, legal counsel advised the Hospital that the plaintiff's counsel has already tried a very similar case and obtained a verdict of multi-million dollars. Currently, discovery is suspended and there is a reasonable possibility that the Hospital could incur a loss in connection with this case in the event of an adverse verdict. However, the amount of the loss in connection with such verdict cannot be estimated at this time. The Hospital intends to continue defending the case vigorously.

11. Commitments and Contingencies (continued)

In 2012, a lawsuit was filed against the Hospital where the plaintiffs were alleging that the Hospital did not pay staff for lunch periods worked. The plaintiffs are petitioning to have the case certified as a class action case, but it has not been granted as of November 12, 2014. Currently, discovery is continuing and the Hospital is cooperating and intends to continue defending itself against the case vigorously. No offer of settlement has been tendered by either plaintiffs or defendant and because discovery is currently ongoing, the loss in connection with a settlement or adverse verdict cannot be estimated at this time.

Affordable Care Act

The Patient Protection and Affordable Care Act ("PPACA") will substantially reform the United States health care system. The legislation impacts multiple aspects of the health care system, including many provisions that change payments from Medicare, Medicaid and insurance companies. Starting in 2014, the legislation requires the establishment of health insurance exchanges, which will provide individuals without employer provided health care coverage the opportunity to purchase insurance. It is anticipated that some employers currently offering insurance to employees will opt to have employees seek insurance coverage through the insurance exchanges. It is possible that the reimbursement rates paid by insurers participating in the insurance exchanges may be substantially different than rates paid under current health insurance products. Another significant component of the PPACA is the expansion of the Medicaid program to a wide range of newly eligible individuals. In anticipation of this expansion, payments under certain existing programs, such as Medicare disproportionate share, will be substantially decreased. Each state's participation in an expanded Medicaid program is optional.

HIPAA

The Health Insurance Portability and Accountability Act ("HIPAA") was enacted on August 21, 1996, to assure health insurance portability, reduce healthcare fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations are required to be in compliance with HIPAA provisions by April 2005. Effective August 2009, the Health Information Technology for Economic and Clinical Health Act ("HITECH Act") was introduced imposing notification requirements in the event of certain security breaches relating to protected health information. Organizations are subject to significant fines and penalties if found not to be compliant with the provisions outlined in the regulations.

12. Implementation of New Pronouncement

In 2014, the Hospital implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. One of the effects of Statement No. 65 was to change the reporting of amounts deferred on refunding of bonds. In prior years, these amounts were reflected in the financial statements as part of noncurrent assets. GASB Statement No. 65 requires these amounts to be presented as deferred outflows of resources in the statement of net position. Also in prior years, costs of bond issuance were amortized over the term of the bonds in the statements. GASB Statement No. 65 eliminated this treatment by requiring the costs of bond issuance to be recorded as an expense in the fiscal year during which the bonds are issued. This change would have resulted in a restatement of net position as reported at June 30, 2013, but it was managements decision to forego the restatement since the amount of the adjustment of $294,726 was considered to be immaterial and would not material misrepresent the June 30, 2013 net position. The adjustment was expensed in the current fiscal year and is reflected in the net position for June 30, 2014.

UNIVERSITY MEDICAL CENTER OF SOUTHERN NEVADA
(A COMPONENT UNIT OF CLARK COUNTY, NEVADA)

OTHER POSTEMPLOYMENT BENEFITS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS

	Actuarial Valuation Date	Actuaria l Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a percentage o covered payroll [(b-a)/c]
Self-Funded	7/1/2008	$ -	$ 126,689,453	$ 126,689,453	0.0%	$210,113,935	60.3%
Plan/HPN	7/1/2010	-	199,788,734	199,788,734	0.0%	209,559,016	95.3%
	7/1/2012	-	213,943,548	213,943,548	0.0%	212,655,157	100.6%
PEBP*	7/1/2008	-	29,172,098	29,172,098	0.0%	N/A	N/A
	7/1/2010	-	45,027,796	45,027,796	0.0%	N/A	N/A
	7/1/2012	-	35,343,502	35,343,502	0.0%	N/A	N/A
Total	7/1/2008	-	155,861,551	155,861,551	0.0%	210,113,935	74.2%
	7/1/2010	-	244,816,530	244,816,530	0.0%	209,559,016	116.8%
	7/1/2012	-	249,287,050	249,287,050	0.0%	212,655,157	117.2%

* PEBP is a closed plan; and therefore, there are no current employees covered by the PEBP.

OTHER POSTEMPLOYMENT BENEFITS
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Presentation

For the year ended June 30, 2014, no significant events occurred that would have affected and therefore, would have changed, the benefit provision, size, or composition of those covered by the other postemployment benefit plans, or the actuarial methods and assumptions used in the actuarial valuation reports dated July 1, 2008, July 1, 2010 and July 1, 2012.

The actuarially determined accrued liability and unfunded accrued liability involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The estimates are subject to continual revision.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

UMC Governing Board
University Medical Center of Southern Nevada
Las Vegas, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University Medical Center of Southern Nevada ("UMC"), a component unit of Clark County, Nevada, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise UMC's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 10, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UMC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UMC's internal control. Accordingly, we do not express an opinion on the effectiveness of UMC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of UMC's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UMC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UMC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UMC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BDO USA, LLP

December 10, 2014

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Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

UMC Governing Board
University Medical Center of Southern Nevada
Las Vegas, Nevada

Report on Compliance for Each Major Federal Program

We have audited the University Medical Center of Southern Nevada ("UMC"), a component unit of Clark County, Nevada compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of UMC's major federal programs for the year ended June 30, 2014. UMC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of UMC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about UMC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of UMC's compliance.

Opinion on Each Major Federal Program

In our opinion, UMC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of UMC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered UMC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UMC's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of UMC as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise UMC's basic financial statements. We issued our report thereon dated December 10, 2014, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BDO USA, LLP

December 10, 2014

UNIVERSITY MEDICAL CENTER OF SOUTHERN NEVADA

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
HIV Emergency Relief Project Grants	93.914	Clark County Health District/ 2H89HA06900-05	$ 866,402
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H76HA00166-19-01	911,810
HIV Formula Care Grants	93.917	Nevada Department of Human Resources/ 2 X07HA00001-22-00	3,966,399
Health Care & Other Facilities	93.887	C76HF19546-01-07	77,036
Total U.S. Department of Health and Human Services			**5,821,647**
Total Expenditures of Federal Awards			**$ 5,821,647**

1. Reporting Entity

University Medical Center of Southern Nevada (the "Hospital") is a blended component unit (enterprise fund) of, owned and operated by, Clark County, Nevada (the County). The reporting entity is defined in Note 1 to the financial statements. The accompanying schedule includes federal financial assistance received directly from federal agencies as well as passed through other government agencies.

2. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Hospital under programs of the federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in the financial statements. Because the Schedule presents only a selected portion of the operations of the Hospital, it is not intended to and does not present the financial position, changes in net position or cash flows of the Hospital.

3. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

UNIVERSITY MEDICAL CENTER OF SOUTHERN NEVADA

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	No

Identification of major programs:

CFDA Number	*Name of Federal Program or Cluster*
93.914	HIV Emergency Relief Project Grants
93.917	HIV Formula Care Grants
93.918	Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease

Dollar threshold used to distinguish between type A and type B programs	$300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

UNIVERSITY MEDICAL CENTER OF SOUTHERN NEVADA
Summary Schedule of Prior Audit Findings

Status of Prior Year Findings of Noncompliance

Individuals Responsible for Corrective Action Plan

Brent Hilton
Fiscal Services Manager
702-383-2000

2013-001 Accounts Receivable

There were identified clerical errors to accounts that resulting in over/understated and over-debited accounts.

Current Year Status:

This finding has been corrected in the current year.

Questioned Programs: Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (CFDA#93.918)

2013-002 Schedule of Expenditures of Federal Awards

Prior Year Finding:

The schedule of expenditures of federal awards is maintained on the cash basis; however the initial draft provided included expenses related to fiscal year 2012 resulting in an overstatement of expenditures.

Current Year Status:

This finding has been corrected in the current year.