Basic Financial Statements

University Medical Center of Southern Nevada

Years Ended June 30, 2008 and 2007

University Medical Center of Southern Nevada

Basic Financial Statements

Contents

Independent Auditors' Report on Financial Statements and Required Supplementary Information

To the Board of Trustees
University Medical Center of Southern Nevada
Las Vegas, Nevada

We have audited the accompanying basic financial statements of the University Medical Center of Southern Nevada (the Hospital), a component unit of Clark County, Nevada, as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of June 30, 2008 and 2007, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards,* we have also issued our report dated December 1, 2008, on our consideration of the Hospital'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* and should be considered in assessing the results of our audits.

The Management's Discussion and Analysis on pages 2 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Piercy Bowler Taylor & Kern

December 1, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of 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, 2008 and 2007, 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 financial statements and the related notes included in this report. Financial information relating to the fiscal year ended June 30, 2006, is not covered by the auditors' report.

FINANCIAL HIGHLIGHTS

- Overall activity at the Hospital as measured by patient days adjusted for outpatient services were 235,754 in 2008 or a decrease of 2.8% from 242,655 in 2007. Adjusted patient days decreased by 1.8% in 2007 from 247,020 in 2006. The reduction in 2008 was due primarily to a decrease in inpatient patient days of 6.3%

- The Hospital experienced a loss from operations of $55.0 million due to continued high levels of care for uninsured and underinsured patients and an increase in operating expenses. Similarly, the Hospital experienced an operating loss of $56.3 million in 2007, an increase from the $34.3 million loss for 2006.

- During fiscal 2008, the Hospital's total operating revenues increased by 5.3% to $529 million due to a small increase in size of the Burn Care Unit, increased ancillary revenue, primarily in Pharmacy, CT Scan and Respiratory Therapy, due partially to volume and partially to the rate increase in January of 2007. Other factors included a small increase in insured patients, a small rate increase in Medicare, Medicaid, and managed care contracts and an increase in Clark County Social Services accepted claims of $7.6 million. During fiscal 2007, the Hospital's total operating revenues increased by 5.4% to $502.6 million due to a rate increase in January 2007 of approximately 20% as well as increased outpatient volumes, primarily in the care centers, including a small increase in insured patients, a small rate increase in Medicare, Medicaid, and managed care contracts which were offset by a decrease in Clark County Social Services accepted claims of $7.6 million.

- Operating expenses increased by 4.5% to $584.0 million in fiscal 2008 as compared to fiscal 2007. Operating expenses increased by 9.3% to $558.9 million in fiscal 2007 as compared to fiscal 2006. Salaries and benefits increased by 9.1% but were offset by a 95.7% decrease in contract personnel. Other areas of increase were professional fees (11.9%), purchased services (5.6%), depreciation (9.5%) rentals (19.1%) and utilities (8.0%). These increases in fiscal 2008 were offset by decreases in other expense (10.0%), and supplies (5.1%).

- During fiscal 2008 and 2007, the Hospital invested $4.3 million and $7.8 million, respectively, in the following capital acquisitions:
  - Surgical equipment
  - Patient monitors, Lab equipment, ventilators and other patient related equipment

- In 2007 the hospital completed Phase I of the northeast tower and transferred $51.3 million to building and $2.8 million to equipment and furnishings from construction-in-progress. Phases II-IV are in the process of completion. The funding for these projects came from operations, grants, and from funds reserved for capital acquisitions.

- The Hospital also invested $4.1 million and $22.1 million, respectively, in 2008 and 2007 in construction of the northeast tower project. Phase I was technically complete in 2007, Phases II-IV are scheduled to be complete by the end of Fiscal 2010.

REQUIRED FINANCIAL STATEMENTS

The basic financial statements report information about the Hospital using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Hospital's activities. The balance sheets include all of the Hospital's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities). They also provide the basis for computing rate of return, evaluating the capital structure of the Hospital, and assessing the liquidity and financial flexibility of the Hospital. All of the current year's revenues and expenses are accounted for in the statements of revenues, expenses, and changes in net assets. These statements measure the Hospital's operations and can be used to determine whether the Hospital has been able to recover all of its costs through its patient service revenue and other revenue sources. The statements of cash flows provide information about the Hospital's cash from operating, investing, and financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

FINANCIAL ANALYSIS OF THE HOSPITAL

The balance sheets and the statements of revenues, expenses, and changes in net assets report information about the Hospital's resources, obligations and activities. These two statements report the net assets of the Hospital and changes therein. Increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating; however, other nonfinancial factors such as changes in economic conditions, population growth (including uninsured and underinsured), and new or changed government legislation should also be considered.

Net Assets

A summary of the Hospital's balance sheets for the years ended June 30, 2008, 2007 and 2006 is presented in Table 1 below:

Table 1
Condensed Statements of Net Assets
(In Thousands)

	At June 30		
	2008	**2007**	**2006**
Current assets	$ 182,440	$ 185,501	$ 193,203
Restricted and other assets	46,968	37,746	59,601
Capital assets	155,217	161,337	145,701
Total assets	$ 384,625	$ 384,584	$ 398,505
Current liabilities	$ 134,334	$ 128,311	$ 143,084
Long-term debt outstanding (a)	99,309	97,401	102,355
Other liabilities (b)	22,841	19,091	21,489
Total liabilities	256,483	244,802	266,928
Invested in capital assets, net of related debt	$ 86,741	$ 79,767	$ 75,871
Restricted	6,445	3,867	2,993
Unrestricted	34,955	56,147	52,713
Total net assets	128,142	139,782	131,577
Total liabilities and net assets	$ 384,625	$ 384,584	$ 398,505

(a) Long-term debt includes current portion of $5,273, $5,254 and $5,022, respectively.

(b) Other liabilities includes current, $5,240, $5,077 and $4,979, respectively and the long-term portion of due to related party.

In fiscal 2008, net assets decreased $11.6 million to $128.1 million, down from $139.8 million in fiscal 2007, primarily due to the operating loss offset by contributions from Clark County. In fiscal year 2007, net assets increased $8.2 million to $139.8 million. This increase in net assets is primarily due to contributions from Clark County in excess of the operating loss.

Summary of Revenues, Expenses, and Changes in Net Assets

The following table presents a summary of the Hospital's historical revenues and expenses for the years ended June 30, 2008, 2007 and 2006.

Table 2
Condensed Statements of Revenues, Expenses, and Changes in Net Assets
(InThousands)

	Year Ended June 30 2008	2007	2006
Net patient revenues	$ 501,855	$ 479,697	$ 457,244
Other operating revenues	27,161	22,919	19,431
Total operating revenues	529,016	502,616	476,675
Operating expenses	569,966	546,070	497,396
Depreciation and amortization	14,050	12,832	13,525
Total operating expenses	584,016	558,902	510,921
Operating loss	(55,000)	(56,286)	(34,246)
Nonoperating revenues, net	43,359	64,491	13,998
Change in net assets	(11,641)	8,205	(20,248)
Total net assets - beginning of year	139,782	131,577	151,826
Total net assets - end of year	$ 128,141	$ 139,782	$ 131,578

During fiscal 2008, 2007 and 2006, the Hospital derived approximately 92.4%, 88.0%, and 96.0%, 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 who pay for their care in the Hospital's facilities, and grant revenue.

Table 3 presents the relative percentages of gross charges billed for patient services by payor for the years ended June 30, 2008, 2007 and 2006.

Table 3
Payor Mix by Percentage

	Year Ended June 30 2008	2007	2006
Medicare	20 %	19 %	20 %
Medicaid, Clark County, self-pay	48	47	48
Commercial, HMO, PPO	26	27	25
Other	6	6	7
Total patient revenue	100 %	100 %	100 %

During fiscal 2008, 2007 and 2006, the Hospital derived less than 1% of its total revenues from interest income on its capital acquisition and malpractice funds. The Hospital's cash is deposited with the Clark County Treasurer and funds in the custody of the Treasurer are invested as a pool. Other nonoperating revenues in fiscal 2008 include $44.8 million in contributions from Clark County used primarily to defray operating, capital and debt service costs. This amount includes $13.8 million designated for the completion of the Northeast Tower Project.

OPERATING AND FINANCIAL PERFORMANCE

The following summarizes the Hospital's statements of revenues, expenses, and changes in net assets for the fiscal years ended June 30, 2008 and 2007:

In fiscal 2008, overall activity at the Hospital as measured by patient days adjusted for outpatient services decreased by 2.8% to 235,754 compared to 242,655 in fiscal 2007. This decrease was due primarily to a decrease in patient days and length of stay. In fiscal 2007, overall activity decreased by 1.8% due to a decrease in patient days offset by an increase in emergency room revenues.

In fiscal 2008, the Hospital had patient days and discharges of 165,880 and 30,286, respectively. This is a decrease of 6.3% and 1.2%, respectively, as compared to fiscal 2007. The decrease in patient days is due to a decrease in the average length of stay from 5.8 in 2007 to 5.5 in 2008. In fiscal 2007, the Hospital had patient days and discharges of 177,051 and 30,653, respectively. This is a decrease of 2.1% and 0.5%, respectively, as compared to fiscal 2006. Outpatient and emergency visits were 687,922 or 5.4% above 2007 levels of 665,544. The increase in outpatient volume occurred primarily due to an increase in primary care registrations of 10.2% and other clinic registrations of 15.8%.

In fiscal 2008, net patient service revenue increased $22.2 million due to a rate increase of approximately 20% in January of 2007, higher volumes and contractual increases in reimbursement rates. Compared to fiscal year 2006, net patient service revenue in 2007 increased $22.5 million due to the rate increase mentioned above. This increase is offset by a slight decline in the State Medicaid plan's upper payment limit reimbursement.

Excluded from net patient service revenue are charges foregone for charity care patient services. Based on established rates, gross charges of $181.8 million were foregone during fiscal 2008, a 51.1% decrease over fiscal 2007 due to a change in method as a result of the establishment of a new charity care program which is more aligned with the accounting policy published by the Healthcare Financial Management Association (HFMA). In prior years, bad debt with no insurance payment, including non-charity bad debt, was used as a basis for determining charity care. 2008 charity care is a blend of the two methods as the changed happened in mid year. In fiscal year 2007, gross charges of $371.7 million were foregone, a 92% increase over fiscal 2006.

In fiscal 2008, total operating expenses increased by $25.1 million or 4.5%. The increase in operating expenses was due to an increase in salaries and benefits, purchased service, equipment rentals, utilities and professional fees. In fiscal 2007, operating expenses increased by $47.9 million or 9.4%.

In fiscal 2008, employee compensation and benefits increased $27.9 million or 9.1% due to cost of living and merit increases, retiree benefit accrual as well as market adjustments in some hard to fill positions and other position adjustments which were offset by a decrease in the number of FTE (full-time equivalent). The number of paid FTE decreased by 1.0% to 3,895 in 2008 from 3,933 in 2007. A cost of living increase of 3.0% was granted in July of 2008. In fiscal 2007, employee compensation and benefits increased $21.1 million or 7.2%.

In fiscal 2008, the cost of supplies decreased by 5.1% due primarily to the change in inventory valuation in Surgery, Cath Lab and Blood Bank ($4.9 million). This was offset by increased expense due to the write down of the Plant Operations inventory of $227,000 and adjustments to the Central Stores inventory of $645,000. Other changes were due to corrections in the value class and material group completed in December of 2007 which resulted in a very small change in overall expenses. In fiscal 2007, the cost of supplies increased by 15.4% due primarily to the increase in pharmaceutical and implantable costs.

Professional fees for contracted physician services to provide coverage for emergency room and trauma services, in addition to providing coverage for indigent patients, increased $4.1 million or 11.9% during fiscal 2008. In 2008 the Hospital entered into new contracts with Ronald Casey to provide hospitalist services to enhance throughput. This contract has resulted in a reduction in the length of stay and resulting patient days. Other increases were due to increases in contract rates. In fiscal 2007, professional fees increased by 13.9%.

Purchased service expenses increased by $2.9 million or 5.6% in fiscal 2008 due primarily to an increase in the contract with the School of Medicine ($2.7 million), increased collection fees ($1.7 million) and an increase in dialysis fees ($500,000); these increases were offset by savings in maintenance fees ($400,000), audit fees ($300,000), software support and maintenance ($700,000) and advertising of ($1.3 million). Purchased service expenses increased 10.8% in fiscal 2007, primarily due an increase in the cost for software and maintenance contracts and for management fees for environmental services, food services, and materials management.

Other expense decreased $1.4 million or 10.0% due to a change in overhead charged by Clark County of $1.7 million. This saving was offset by an increase in the cost of professional liability insurance due to an increase in reserves required by the 2008 actuary report of $0.5 million. In 2007 other expense increased 14.5% due to increased cost of professional liability and other insurance of 33% and an increase of 14% in overhead costs mainly as a result of additional overhead for SAP, the Hospital's accounting software.

Non-operating revenue consists of rental income, interest income, and contributions from Clark County. The County contributed $44.8 million to the Hospital in fiscal 2008 to defray operating, capital and debt service costs. Included in this amount was $13.8 million designated for the completion of the Northeast Tower Project. During fiscal 2007, Clark County contributed $65.6 million to the Hospital, which was used primarily to defray operating, capital and debt service costs.

Net assets decreased $11.6 million to $128.1 million in fiscal 2008 primarily due to increases in operating costs and expenses offset by the contributions from the County. In fiscal 2007, net assets increased $8.2 million to $139.7 million. The increase in net assets in 2007 was primarily due to an increase in contributions from the County offset by increases in operating costs and expenses.

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.

CAPITAL ASSETS

During fiscal 2008 and 2007, the Hospital invested $7.9 million and $28.6 million, respectively, in a broad range of capital assets included in Table 4 below.

Table 4
Capital Assets
(In Thousands)

	At June 30		
	2008	**2007**	**2006**
Land	$ 10,573	$ 10,573	$ 10,573
Land improvements	5,650	5,650	5,650
Buildings and building improvements	166,547	165,657	115,581
Equipment	98,867	95,161	85,704
Furnitures and fixtures	1,089	975	
Subtotal	282,726	278,016	217,508
Less accumulated depreciation	(136,131)	(122,081)	(109,249)
Construction-in-progress	8,622	5,403	37,442
Property, plant, and equipment, net	$ 155,217	$ 161,338	$ 145,701

Gross capital assets increased in 2008 primarily due to the acquisition of equipment, furniture and fixtures.

Gross capital assets increased in 2007 primarily due to the capitalization of Phase I of the northeast tower project, which began in November 2004.

In Table 5, the Hospital's fiscal year 2009 capital budget projects spending up to $15 million for capital projects of which $5.9 million is for the completion of construction on the northeast tower. These projects will be financed from operations, grants, capital acquisition funds, and bonds.

Table 5
Fiscal Year 2009 Capital Budget
(In Millions)

Northeast Tower construction	$	5.9
Replacement equipment		5.7
Operation equipment fund		3.4
Total	$	15.0

LONG-TERM DEBT

At June 30, 2008 and 2007, the Hospital had $99.3 million and $97.4 million, respectively, in long-term debt, including the current portion thereof. This represented an increase of $1.9 million and a decrease of $4.9 million, respectively, from the outstanding balances at June 30, 2007 and 2006, and was the amount of principal payments on outstanding debt for fiscal 2008 and 2007 offset by the new debt issue in fiscal 2008. Total outstanding debt represents 40.2% and 41.4% of the Hospital's total liabilities as of June 30, 2008 and 2007, respectively. There was one new debt issue in November 2007 to finance costs of acquiring and improving hospital equipment.

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.

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

Balance Sheets

	June 30	
	2008	**2007**
Assets		
Current assets:		
Cash and cash equivalents	**$ 7,186,871**	$ 1,477,122
Assets limited as to use, current portion	**11,316,590**	14,838,221
Patients' receivables, net of allowance for uncollectible accounts of $96,180,480 and $34,420,996	**132,687,968**	151,320,047
Other receivables, net	**16,632,939**	18,189,735
Inventories	**13,817,058**	9,069,183
Prepaid expenses and other	**798,590**	811,159
Total current assets	**182,440,015**	195,705,467
Assets limited as to use, net of current portion:		
Contributor or grantor restricted:		
Cash and cash equivalents	**4,083,292**	2,160,185
Grants receivable	**1,721,224**	2,213,484
Internally designated cash and cash equivalents	**42,816,172**	27,334,400
Securities lending	**9,205,055**	10,204,382
	57,825,743	41,912,451
Less amount required to meet current obligations	**(11,316,590)**	(14,838,221)
Total assets limited as to use, net of current portion	**46,509,153**	27,074,230
Other assets:		
Land	**10,573,113**	10,573,113
Property and equipment, net	**144,643,601**	150,764,058
Deferred bond and debt issue costs (less accumulated amortization of $998,295 and $945,266)	**458,537**	467,067
Total assets	**$ 384,624,419**	$384,583,935

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

Balance Sheets (continued)

	June 30	
	2008	2007
Liabilities and net assets		
Current liabilities:		
Accounts payable	**$ 65,659,929**	$ 69,373,535
Accrued compensation and benefits	**44,029,556**	34,214,180
Other accrued expenses	**1,688,139**	1,547,629
Current portion of long-term debt	**5,272,521**	5,253,795
Due to related party	**5,239,684**	5,076,591
Current portion of self-insurance	**3,189,808**	2,640,433
Securities lending	**9,253,582**	10,204,382
Total current liabilities	**134,333,219**	128,310,546
Long-term portion of self-insured liability	**5,122,933**	4,832,567
Long-term debt, less current portion	**94,036,943**	92,146,893
Due to related party	**22,990,223**	19,511,795
Total liabilities	**256,483,318**	244,801,801
Commitments and contingencies		
Net assets:		
Invested in capital assets, net of related debt	**86,741,233**	79,767,361
Restricted net assets:		
Hospital and administrative programs	**4,110,338**	2,383,885
Donations, various programs	**1,542,861**	758,864
Research programs	**523,204**	506,303
Educational programs	**268,533**	218,437
	6,444,936	3,867,489
Unrestricted net assets	**34,954,932**	56,147,283
Total net assets	**128,141,101**	139,782,134
Total liabilities and net assets	**$ 384,624,419**	$ 384,583,935

See accompanying notes.

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

Statements of Revenues, Expenses, and Changes in Net Assets

	Years Ended June 30	
	2008	**2007**
Operating revenues:		
Net patient revenues (net of provisions for bad debts of $200,968,657 and $42,594,073)	**$ 501,854,545**	$ 479,697,464
Other operating revenues	**27,161,153**	22,919,086
Total operating revenues	**529,015,698**	502,616,550
Operating expenses:		
Nursing and other professional services	**431,856,946**	413,288,840
Administrative and fiscal services	**76,257,475**	78,013,383
General services	**52,394,984**	54,768,924
Depreciation and amortization	**14,050,009**	12,831,539
	574,559,414	558,902,686
Loss from operations before provision for post retirement benefit other than pensions (OPEB)	**(45,543,716)**	(56,286,137)
Provision for OPEB	**9,456,276**	
Loss from operations	**(54,999,992)**	(56,286,137)
Nonoperating revenues (expenses):		
Contributions from Clark County	**44,800,000**	65,646,853
Interest income	**3,154,252**	2,345,868
Rental income	**611,761**	394,008
Interest expense	**(5,207,053)**	(3,895,463)
Total nonoperating revenues (expenses)	**43,358,960**	64,491,266
Change in net assets	**(11,641,032)**	8,205,129
Total net assets, beginning of year	**139,782,134**	131,577,005
Total net assets, end of year	**$ 128,141,101**	$ 139,782,134

See accompanying notes.

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

Statements of Cash Flows

	Years Ended June 30	
	2008	**2007**
Cash flows from operating activities		
Cash received from patients and third-party payors	**$ 520,486,625**	$ 488,434,108
Cash payments to suppliers for goods and services	**(233,907,057)**	(263,601,071)
Cash payments to employees for services and benefits	**(325,921,004)**	(301,237,721)
Other operating receipts	**27,161,153**	22,919,086
Net cash used in operating activities	**(12,180,283)**	(53,485,598)
Cash flows from noncapital financing activities		
Contributions from Clark County	**44,800,000**	65,646,853
Proceeds from Clark County loan		9,000,000
Repayment of Clark County loan	**(1,000,000)**	(10,000,000)
Net cash provided by noncapital financing activities	**43,800,000**	64,646,853
Cash flows from capital and related financing activities		
Proceeds from debt issuance	**7,000,000**	17,163,936
Repayments of bonds		(17,205,000)
Principal paid on other long-term debt	**(5,253,795)**	(5,022,459)
Purchase of property and equipment	**(8,865,680)**	(22,422,870)
Interest paid	**(5,151,627)**	(5,680,882)
Other	**611,761**	394,008
Net cash used in capital and related financing activities	**(11,659,341)**	(32,773,268)
Cash flows from investing activities		
Interest received	**3,154,252**	2,772,777
Increase (decrease) in cash and cash equivalents	**23,114,628**	(18,839,236)
Cash and cash equivalents, beginning of year	**30,971,707**	49,810,943
Cash and cash equivalents, end of year	**$ 54,086,335**	$ 30,971,707
Unrestricted cash and cash equivalent	**$ 7,186,871**	$ 1,477,122
Contributor or grantor restricted	**4,083,292**	2,160,185
Internally designated cash and cash equivalents	**42,816,172**	27,334,400
Total cash and cash equivalents	**$ 54,086,335**	$ 30,971,707

(Continued)

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

Statements of Cash Flows (continued)

	Year Ended June 30	
	2008	**2007**
Reconciliation of loss from operations to net cash used in operating activities		
Loss from operations	**$ (54,999,992)**	$ (56,286,137)
Adjustments to reconcile loss from operations to net cash used in operating activities:		
Depreciation and amortization	**14,050,009**	12,831,539
Provision for uncollectible accounts	**200,968,657**	42,594,073
Changes in operating assets and liabilities:		
Increase in patient receivables	**(182,336,578)**	(33,857,428)
Increase in inventories	**(4,747,875)**	(384,321)
Decrease (increase) in prepaid expenses and other	**2,110,152**	(1,859,938)
Increase (decrease) in accounts payable	**7,294,081**	(15,714,920)
Increase in self-insured liability	**839,741**	176,434
Increase (decrease) in due to related party	**4,641,521**	(984,900)
Net cash used in operating activities	**$ (12,180,284)**	$ (53,485,598)

See accompanying notes.

1. Summary of Significant Accounting Policies

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 Hospital's Board of Trustees (the Board) consists of the seven Clark County Board of Commissioners. 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. A summary of the Hospital's significant accounting policies follows:

Reporting Requirements of GASB No. 34

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.

The Hospital is subject to the accounting and reporting requirements of the Governmental Accounting Standards Board (GASB) including the reporting requirements of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB 34). GASB 34 requires the classification of net assets into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – This component of net assets 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 assets results from restrictions placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – This component of net assets consists of all net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As permitted under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected not to be bound to follow any FASB Statements and Interpretations issued after November 30, 1989.

Cash Equivalents

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. 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.

1. Summary of Significant Accounting Policies (continued)

Securities Lending Transactions

The Hospital and other County agencies are required to record their allocated shares of collateral assets and liabilities under securities lending transactions in the stand-alone financial statements of the Hospital and other County agencies as the County had made certain investment transactions covered under GASB No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*. GASB No. 28 requires that, when a government invests cash received as collateral for the transfer of existing investments to a broker-dealer or other entity, an asset be recognized for the subsequent investment and a corresponding liability be recognized for the obligation to return the cash to the broker-dealer or other entity. In addition, when an investment pool, such as the pool the Hospital and other County agencies participate in with the County, enters into these types of transactions, the amounts must be allocated to the individual funds of the pool. The County engages in such transactions with the pooled funds, including funds pooled by the Hospital and other County agencies. Accordingly the Hospital reports its proportionate shares of collateral assets held and liabilities under secured lending transactions in the financial statements of the Hospital in restricted assets and securities lending liabilities, respectively.

Restricted Assets

Restricted assets include the Hospital's proportionate share of collateral assets held under securities lending transactions and those whose purpose was limited by the donor.

Inventories

Inventories of supplies, medications, and food are carried at the lower of cost or market, generally determined on the first-in, first-out method.

Capital Assets

Capital assets are carried at cost or, if donated, at estimated fair value at the date of donation. The threshold to capitalize assets is $3,000. Depreciation and amortization are computed using the straight-line method over the estimated service lives of the respective assets. Outlays for improvements and betterments are capitalized. 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 operations.

Deferred Bond and Debt Issue Costs

Deferred bond and debt issue costs are amortized over a period of five to twenty-one years based upon the term of the related bonds using a method that approximates the effective interest method.

1. Summary of Significant Accounting Policies (continued)

Self-Insured Liability

The self-insured liability represents the provision for estimated self-insured medical malpractice claims as well as 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.

Postemployment Benefits Other than Pensions (OPEB)

Effective July 1, 2007, the Hospital implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In accordance with the transition rules of the statement, the Hospital has elected to apply its measurement and recognition requirements on a prospective basis and has set its beginning net OPEB obligation at zero for the year ended June 30, 2008. The annual OPEB cost reported in the accompanying financial statements is equal to the annual required contributions (ARC) of the Hospital, calculated by using an actuarial valuation based upon the same methods and assumptions applied in determining the plan's funding requirements. The OPEB obligation at June 30, 2008, is determined by adding the annual OPEB cost to the OPEB obligation at the beginning of the year and deducting any contributions to the plan during the year.

Statements of Revenues, Expenses, and Changes in Net Assets

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 assets. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from non-exchange transactions or investment income. When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Hospital's policy to use restricted net assets to satisfy those expenses to the extent such are available and then to use unrestricted net assets.

Net Patient Revenues

The Hospital provides care to all patients who meet certain criteria under its charity care policy and indigent patients, and community services without charge or at amounts less than established rates or actual costs. A patient is classified as a charity patient by reference to certain policies established by the Hospital as to the ability of the patient to pay. 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 service revenue. Because the Hospital does not pursue collection of amounts predetermined to qualify as charity care, these amounts are not recorded as revenue. Charges forgone based upon established rates for services provided to charity care and indigent patients, and for educational and selected community service programs amounted to approximately $181,756,000 in 2008 and $371,745,000 in 2007.

1. Summary of Significant Accounting Policies (continued)

Net patient revenues are reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Adjustments are accrued on an estimated basis in the period the related services are rendered and estimates are retroactively revised in future periods, as necessary, including where 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. The Hospital regularly reviews accounts and contracts and provides appropriate contractual adjustments and allowances for uncollectible accounts and charity care.

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

	2008		2007	
Medicare	**20**	%	19	%
Medicaid, Clark County, self-pay	**48**		47	
Commercial, HMO, PPO	**26**		27	
Other	**6**		7	
Total	**100**	%	100	%

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. The significant accounting estimates that are subject to material change in the next fiscal year include contractual adjustments, allowances for uncollectible accounts, and estimates of self-insurance reserves.

Reclassifications

Certain minor reclassifications have been made to the 2007 financial statements to conform to the 2008 presentation.

2. Cash, Cash Equivalents, and Investments

Substantially all cash (including cash equivalents) and investments of the Hospital are under control of the Treasurer of Clark County, Nevada (the County Treasurer). The majority of all cash and investments of the Hospital are included in the investment pool of the County Treasurer.

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

As of June 30, 2008, these amounts are as follows:

		2008
Clark County investment pool	$	54,074,335
Cash on hand		12,000
Collateral on loaned securities		9,205,055
Total cash and investments	$	63,291,390

The County 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 County 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 in which the investments mature.

According to Nevada statutes, County monies must be deposited with federally insured banks and savings and loan associations within the County. The County Treasurer is authorized to use demand accounts, time accounts, and certificates of deposit.

Nevada 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 under Nevada statues. Permissible investments are similar to allowable County investments described below except that some permissible investments are longer term and include securities issued by municipalities outside Nevada.

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.

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

As of June 30, 2008, the $54,074,335 of Hospital investments held in the investment pool is categorized as follows:

Investment Type	Percentage of Investment Type to the Total Pool		Duration in Years
U.S. Agencies	57.14	%	1.93
Money Market Mutual Funds	16.69		0.00
U.S. Treasury Obligations	10.01		1.72
Collateralized Investment Agreement	7.79		0.00
Corporate Notes	5.48		1.13
State Investment Pool	1.84		0.00
Certificates of Deposit	1.05		0.05
Total	100.00	%	
	Average Portfolio Duration		1.34

Credit Risk

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." The County's investments in U.S. agency obligations were rated AAA by Standard and Poor's, Fitch Ratings, and Moody's Investors Service. The County investments in U.S. Treasury obligations carry no measurable credit risk because they are backed by the U.S. government. The County's investment in commercial paper is rated A-1 by Moody's Investor Service, P-1 by Standard and Poor's, and F-1 by Fitch Ratings. The Hospital's money market mutual fund investments are made only with those funds rated as AAA or its equivalent by a nationally recognized rating service and invested only in securities issued by the U.S. federal government, U.S. agencies, or in repurchase agreements fully collateralized by such securities. The State Investment Pool does not have a credit rating.

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

Concentration of Credit Risk

To limit exposure to concentrations of credit risk, the County's investment policy limits investments in bankers' acceptance notes, commercial paper, corporate notes and bonds, collateralized mortgage obligations, and asset-backed securities to 20% of the entire portfolio on the day of purchase. At June 30, 2008, the following investments exceeded 5% of the Clark County Investment Pool:

Federal Home Loan Banks (FHLB)	29.10	%
Federal Home Loan Mortgage Corporation (FHLMC)	13.78	
United States Treasury Notes	12.72	
Federal National Mortgage Association (FNMA)	17.42	
Federal Farm Credit Bank (FFCB)	10.13	

Interest Rate Risk

Through its investment policy, the County manages its exposure to fair value losses arising from increasing interest rates (referred to as interest rate risk) by limiting the weighted average duration of its investment portfolio to less than 2.5 years. 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

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

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 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.

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

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

At June 30, 2008, U.S. agency obligations that were highly sensitive to changes in interest rates represented 26% of total investment securities.

Securities Lending Transactions

Nevada Revised Statutes (NRS 355.178) and the County's investment policy permit the County Treasurer to participate in securities lending transactions, where the County's U.S. government securities are loaned to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The County's securities lending agent administers the securities lending program and receives cash or other securities equal to at least 102% of the fair value of the loaned securities plus accrued interest as collateral for securities of the type on loan at year end. The collateral for the loans is maintained at 102%, and the value of the securities borrowed must be determined on a daily basis. At June 30, 2008, the County had no credit risk exposure to borrowers because the amount the County owed to borrowers exceeded the amounts the borrowers owed to the County. The contract with the securities lending agent requires it to indemnify the County for all losses relating to securities lending transactions. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the County's securities lending policy, $9,205,055 of Hospital collateral on loaned securities at June 30, 2008, was held by the counterparty that was acting as the County's agent in securities lending transactions.

There are no restrictions on the amount of securities that can be loaned. Either the County or the borrower can terminate all open securities loans on demand. Cash collateral is invested in accordance with the investment guidelines stated in NRS 355.178. The maturities of the investments made with cash collateral match the maturities of the securities loaned.

The Hospital has recorded restricted investments related to securities lending transactions of $9,205,055 and $10,204,382 as of June 30, 2008 and 2007 respectively, with a corresponding securities lending liability of $9,253,582 and $10,204,382 as of June 30, 2008 and 2007.

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

These investments are categorized at June 30, 2008, as follows:

Investments Loaned	**Percentage of Investment Type to the Total Pool**
U.S. Treasury obligations	38.41 %
U.S. agency obligations	61.59
	100.00 %

Investment Type of Collateral Held	**Percentage of Investment Type to Total Collateral Held**
Corporate notes	64.29 %
Repurchase agreements	29.20
Asset backed securities	6.51
	100.00 %

3. Other Receivables, Net

A summary of other receivables, net at June 30 follows:

	2008	2007
Third-party settlements	**$ 15,940,273**	$ 16,871,367
Clark County contribution receivable		952,302
Other	**692,666**	366,066
	$ 16,632,939	$ 18,189,735

4. Internally Designated Assets

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

	2008	2007
Self insurance funds	$ 920,608	$ 1,162,061
Debt service funds	11,061,579	10,341,460
Capital acquisition funds	30,833,984	15,830,879
	$ 42,816,172	$ 27,334,400

5. 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, 2008 and 2007, the Hospital received $69,914,741 and $59,166,436 for such care, respectively. Amounts received for qualifying indigent and emergency care are included in net patient revenues in the fiscal years the services are rendered.

Prior to September 2006, the Hospital executed a $2,000,000 line of credit with the County for the purpose of funding payroll, which, when used, must be repaid in full upon receipt of the next monthly state of Nevada disproportionate share hospital payment. The amount outstanding related to this line of credit as of June 30, 2008 and 2007 was $0 and $1,000,000, respectively. The amount is reflected in the current portion of the due to related party in the accompanying balance sheets.

The County charges for legal and financial services provided to the Hospital. The Hospital recorded costs of $1,355,486 and $3,564,710 for these services during 2008 and 2007, respectively. At June 30, 2008 and 2007, non-interest bearing amounts due to the County for such services were $22,990,223 and $19,511,795, respectively. At June 30, 2008 and 2007, the County agreed not to demand payment for these services prior to July 1, 2009 and 2008, respectively, and accordingly, this amount owed to the County has been classified as a long-term liability in the accompanying balance sheets. In June 2007, the County forgave the charge for services for both 2001 and 2002 totaling $5,646,853. This amount is reflected as contributions from Clark County in the year ended June 30, 2007.

5. Related Party Transactions (continued)

A summary of changes in due to related party balances during 2008 and 2007 follows:

2008	Beginning Balance	Additions	Reductions	Ending Balance
Current portion				
Clark County Interfund	**$ 1,000,000**		**$ (1,000,000)**	
Clark County- Worker's Compensation	**3,920,187**	**$ 1,417,261**	**(1,529,971)**	**$ 3,807,477**
Clark County Tr- Auto	**6,668**	**114,760**	**(74,110)**	**47,318**
Clark County Enterprise	**9,736**	**88,536**	**(68,870)**	**29,401**
Clark County Advertising TV	**140,000**		**(140,000)**	
Clark County Overhead		**1,355,486**		**1,355,486**
	5,076,591	**2,976,043**	**(2,812,951)**	**5,239,683**
Long-term portion				
Clark County Overhead	**19,511,795**	**3,478,428**		**22,990,223**
	$ 24,588,386	**$ 6,454,471**	**$ (2,812,951)**	**$ 28,229,906**

2007	Beginning Balance	Additions	Reductions	Ending Balance
Current portion				
Clark County Interfund	$ 2,000,000	$ 9,000,000	$ (10,000,000)	$ 1,000,000
Clark County- Worker's Compensation	2,928,659	5,502,388	(4,510,859)	3,920,187
Clark County Tr- Auto	31,209	135,010	(159,551)	6,668
Clark County Enterprise	19,480	90,212	(99,956)	9,736
Clark County Advertising TV		140,000		140,000
	4,979,348	14,867,609	(14,770,366)	5,076,591
Long-term portion				
Clark County Overhead	21,593,938	4,007,739	(6,089,882)	19,511,795
	$ 26,573,286	$ 18,875,348	$ (20,860,248)	$ 24,588,386

6. Medicare and Medicaid Programs

The Hospital renders services to patients under contractual arrangements with the U.S. Federal Medicare and the State of Nevada Medicaid programs. Revenues received under the Medicare program are subject to audit and retroactive adjustment. Medicare cost reports have been finalized through the 2006 fiscal year. Provisions for estimated retroactive adjustments for cost report years that have not been finalized have been provided, where applicable. During 2008 and 2007, approximately $931,000 and $662,000, respectively, of retroactive adjustments for prior years were reported as a decrease and an increase to net patient revenues, respectively.

6. Medicare and Medicaid Programs (continued)

The State of Nevada Medicaid program provides for additional funding for indigent and Medicaid care through a disproportionate share program. Funding for the disproportionate share program is generated through intergovernmental transfers and matching funds from the federal government. The amount of gross disproportionate share payments received by the Hospital was $72,286,799 and $70,675,093 in fiscal 2008 and 2007, respectively.

The State of Nevada Medicaid program revised its plan effective January 1, 2003, to allow for supplemental Medicaid payments as provided under federal regulations referred to as the Upper Payment Limit (UPL). The amendment to the State of Nevada Medicaid program was approved by its Center for Medicare and Medicaid Services on September 22, 2002, allowing the State to reimburse county-owned hospitals 100% of the amount that Medicare would pay in the aggregate for the services reimbursed by the Medicaid program. These funds are distributed prospectively on a quarterly basis. Funding for the UPL program is generated through intergovernmental transfers from Clark County and matching funds from the federal government. The amount of gross UPL payments received by the Hospital was $29,966,960 and $28,664,080 in fiscal 2008 and 2007, respectively.

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. Government activity continues with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. 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 significant repayments for patient services previously billed. Management believes that the Hospital is in compliance with fraud and abuse statutes as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

7. Capital Assets

The Hospital's investment in capital assets consists of the following as of June 30:

2008	**Beginning Balance**	**Additions/ Transfers**	**Retirements/ Transfers**	**Ending Balance**
Land	**$ 10,573,113**			**$ 10,573,113**
Land improvements	**5,650,266**			**5,650,266**
Buildings and building improvements	**165,655,520**	**$ 2,160,876**	**$ (1,269,569)**	**166,546,827**
Equipment	**95,161,028**	**3,954,539**	**(248,683)**	**98,866,884**
Furnitures and fixtures	**975,394**	**113,419**		**1,088,813**
Total at historical cost	**278,015,321**	**6,228,834**	**(1,518,252)**	**282,725,903**
Less: Accumulated depreciation and amortization				
Land improvements	**(1,312,161)**	**(209,365)**		**(1,521,526)**
Buildings and building improvements	**(57,665,836)**	**(4,644,446)**		**(62,310,282)**
Equipment	**(63,058,085)**	**(8,982,999)**		**(72,041,084)**
Furnitures and fixtures	**(44,620)**	**(213,199)**		**(257,819)**
	(122,080,702)	**(14,050,009)**		**(136,130,711)**
Construction in progress	**5,402,552**	**1,949,400**	**1,269,569**	**8,621,521**
Property, plant and equipment, net	**$ 161,337,171**	**$ (5,871,775)**	**$ (248,683)**	**$ 155,216,713**

7. Capital Assets (continued)

2007	Beginning Balance	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Land	$ 10,573,113			$ 10,573,113
Land improvements	5,650,266			5,650,266
Buildings and building improvements	115,580,283	$14,848,868	$35,226,369	165,655,520
Equipment	85,703,917	9,457,111		95,161,028
Furnitures and fixtures		975,394		975,394
Total at historical cost	217,507,579	25,281,373	35,226,369	278,015,321
Less: Accumulated depreciation and amortization				
Land improvements	(1,102,026)	(210,135)		(1,312,161)
Buildings and building improvements	(53,765,209)	(3,900,627)		(57,665,836)
Equipment	(54,381,927)	(8,676,158)		(63,058,085)
Furnitures and fixtures		(44,620)		(44,620)
	(109,249,162)	(12,831,540)		(122,080,702)
Construction in progress	37,442,416	3,381,337	(35,421,201)	5,402,552
Property, plant and equipment, net	$ 145,700,833	$15,831,170	$ (194,832)	$ 161,337,171

8. Long-Term Debt

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

	2008	2007
Clark County, Nevada General Obligation (Limited Tax) Hospital Bonds, Series 2000	**$ 8,550,000**	$ 8,650,000
Clark County, Nevada General Obligation (Limited Tax) Hospital Improvement and Refunding (Multiple Series) Bonds, Series 2003 (Net of unamortized deferred refunding loss of $82,387 in 2008 and $164,772 in 2007)	**11,847,614**	13,925,229
Clark County, Nevada General Obligation (Limited Tax) Hospital Refunding Bonds (Additionally Secured by Pledged Revenues), Series 2004 (Net of unamortized deferred refunding loss of $51,722 in 2008 and $82,755 in 2007)	**3,158,278**	4,807,245
Clark County, Nevada General Obligation (Limited Tax) Hospital Refunding Bonds (Additionally Secured with Pledged Gross Revenues), Series 2005 (Net of unamortized deferred refunding loss of $3,705,419 in 2008 and $4,023,027 in 2007)	**44,184,580**	44,016,973
Clark County, Nevada General Obligation (Limited Tax) Hospital Refunding Bonds (Additionally Secured with Pledged Gross Revenues), Series 2007 (Net of unamortized deferred refunding loss of $677,622 in 2008 and $722,301 in 2007)	**17,407,377**	17,372,699
Clark County, Nevada General Obligation (Limited Tax) Medium-Term Hospital Bonds, Series 2007	**7,000,000**	
LaSalle Bank Note (5th, 3rd), collateralized by equipment 7 year note at 4.56% interest, matures June 2011	**3,681,338**	4,835,133
	95,829,188	93,607,279
Plus - Unamortized premium on Series 2003 and 2004	**3,480,275**	3,793,409
Less - Current maturities (net of unamortized deferred refunding loss of $475,704 in both 2008 and 2007)	**(5,272,521)**	(5,253,795)
	$ 94,036,942	$ 92,146,893

8. Long-Term Debt (continued)

On March 1, 2000, Clark County, Nevada issued $56,825,000 in General Obligation (Limited Tax) Hospital Bonds (the 2000 Bonds) with interest rates of 5.0% to 5.75%, which are collateralized with pledged gross revenues. On July 28, 2005, $47,875,000 of the principal amount was refunded by the 2005 bonds leaving $8,750,000 as the outstanding principal balance. Principal and interest on the 2000 Bonds is due semiannually on March 1st and September 1st. The 2000 Bonds mature in 2011.

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. Principal and interest for the unrefunded 2003 Bonds is due semiannually on March 1st and September 1st. The 2003 Bonds mature in 2024.

On May 1, 2004, Clark County, Nevada issued $8,085,000 in General Obligation (Limited Tax) Hospital Refunding Bonds (the 2004 Bonds) with interest rates of 2.25% to 3.5%, which are collateralized with pledged gross revenues. Principal and interest for the 2004 Bonds is due semiannually on March 1st and September 1st. The 2004 Bonds mature in 2010.

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. The 2005 Bonds mature in 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. The 2007 Bonds mature in 2023.

8. Long-Term Debt (continued)

On November 29, 2007, Clark County, Nevada issued $7,000,000 General Obligation (Limited Tax) Medium-Term Hospital Bonds with interest rates of 3.89% which are collateralized with pledged gross revenues. The purpose of the bond issue was to finance costs of acquiring and improving hospital equipment. Principal and interest for the 2007 Medium-Term Bonds are due semiannually on November 1st and May 1st. The 2007 Medium-Term Bonds mature in 2018.

On May 20, 2004, Clark County, Nevada issued an $8,079,363 General Obligation (Limited Tax) Medium-Term Note (the LaSalle Note) with an interest rate of 4.56%. The LaSalle Note is collateralized with equipment. Principal and interest are due monthly on the 20th. The LaSalle Note matures in 2011

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

A summary of changes in long-term debt during 2008 and 2007 follows:

2008	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**
Hospital bonds	**$ 93,765,000**	**$ 7,000,000**	**$ (4,100,000)**	**$ 96,665,000**
Long-term financing	**4,835,133**		**(1,153,795)**	**3,681,339**
	98,600,133	**7,000,000**	**(5,253,795)**	**100,346,339**
Less deferred refunding loss	**(4,992,855)**		**475,704**	**(4,517,150)**
Total bonds and long-term financing	**$ 93,607,279**	**$ 7,000,000**	**$ (4,778,090)**	**$ 95,829,188**

2007	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**
Hospital bonds	$ 96,795,000	$ 18,095,000	$ (21,125,000)	$ 93,765,000
Long-term financing	5,937,592		(1,102,458)	4,835,133
	102,732,592	18,095,000	(22,227,458)	98,600,133
Less deferred refunding loss	(4,938,606)	(726,024)	671,776	(4,992,855)
Total bonds and long-term financing	$ 97,793,986	$ 17,368,976	$ (21,555,683)	$ 93,607,279

8. Long-Term Debt (continued)

Principal and interest payments required to maturity on long-term debt at June 30, 2008 follow:

Year ended June 30	Principal	Interest
2009	**$ 5,272,521**	$ 4,596,296
2010	**7,298,750**	4,395,865
2011	**5,900,067**	4,103,429
2012	**5,445,000**	3,830,030
2013	**5,705,000**	3,570,993
2014-2018	**32,660,000**	13,509,899
2019-2023	**31,280,000**	5,386,167
2024	**6,785,000**	150,975
	100,346,338	39,543,654
Less unamortized deferred refunding loss	**(4,517,150)**	
Plus unamortized bond premium	**3,480,276**	
Total	**$ 99,309,464**	$ 39,543,654

A summary of interest expense and interest income for the years ended June 30 follows:

	2008	2007
Interest cost:		
Capitalized	**$ 265,450**	$ 1,754,972
Charged to operations	**5,207,054**	3,895,463
Total	**$ 5,472,503**	$ 5,650,435
Interest income:		
Capitalized		$ 426,909
Credited to investment income	**$ 3,154,252**	2,345,868
Total	**$ 3,154,252**	$ 2,772,777

9. 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 Clark County's Worker's Compensation program.

9. Liability Insurance (continued)

On January 20, 1987, the Board approved self-insured malpractice and general liability and workers' compensation insurance programs. In lieu of maintaining insurance coverage, the Board of Trustees created the malpractice and general liability fund and the workers' compensation fund. The Hospital has accrued, at an undiscounted rate, a liability for estimated future settlements and claims losses on medical malpractice, 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 $920,608 and $1,162,061 at June 30, 2008 and 2007, of the accrued liability of $8,312,741 and $7,473,000, respectively in its malpractice and general liability fund. 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 malpractice and general liability accrual.

A summary of changes in self-insurance liability during 2008 and 2007 follows:

2008	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**
Current portion				
Self-insured malpractice	**$ 1,284,335**	**$ 218,375**		**$ 1,502,710**
Self-insured workers' compensation	**1,356,098**	**1,704,156**	**$(1,373,156)**	**1,687,098**
	2,640,433	**1,922,531**	**(1,373,156)**	**3,189,808**
Long-term portion				
Self-insured malpractice	**3,718,665**	**1,298,134**	**(1,007,768)**	**4,009,031**
Self-insured workers' compensation	**1,113,902**			**1,113,902**
	4,832,567	**1,298,134**	**(1,007,768)**	**5,122,933**
	$ 7,473,000	**$ 3,220,665**	**$(2,380,925)**	**$ 8,312,741**

2007	**Beginning Balance**	**Additions**	**Reductions**	**Ending Balance**
Current portion				
Self-insured malpractice	$ 1,023,275	$ 261,060		$ 1,284,335
Self-insured workers' compensation	1,356,098	1,594,528	$ (1,594,528)	1,356,098
	2,379,373	1,855,588	(1,594,528)	2,640,433
Long-term portion				
Self-insured malpractice	3,803,291	1,729,242	(1,813,868)	3,718,665
Self-insured workers' compensation	1,113,902			1,113,902
	4,917,193	1,729,242	(1,813,868)	4,832,567
	$ 7,296,566	$ 3,584,830	$ (3,408,396)	$ 7,473,000

10. Employee Benefit 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 of Nevada. The Plan was established on July 1, 1948, by the Nevada 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 Nevada Revised Statute 286.110 states, "Respective participating public employers are not liable for any obligation of the system." Benefits, as required by statute, are determined by the number of years of credited service at the time of retirement and the member's 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 members 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 allowance which, in general, allows the retired employee to accept a reduced service retirement allowance 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.

Nevada Revised Statute 286.410 establishes contribution rates. This statute provides for yearly increases of up to 1% 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, for the years ended June 30, 2008, 2007 and 2006 were 20.50%, 20.50% and 19.75%, respectively.

The Hospital's contributions to the Plan for the years ended June 30, 2008, 2007 and 2006 were $44,494,423, $38,347,071, and $35,858,626, respectively, and were equal to the required contributions for each fiscal year. At June 30, 2008 and 2007, accrued expenses include $6,260,801, and $6,755,302, respectively, due to PERS.

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

10. Employee Benefit Plans (continued)

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 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.

11. Postemployment Benefits Other than Pensions (OPEB)

Plan Information

In accordance with Nevada Revised Statutes, retirees of the Hospital may continue insurance through existing plans, if enrolled as an active employee at the time of retirement. The two programs available to active employees and retirees are the Clark County Self-Funded Group Medical and Dental Benefits Plan (Self-Funded Plan), a cost-sharing, multiple-employer defined benefit plan, and Health Plan of Nevada (HPN), a single-employer, defined benefit plan.

Some employees are enrolled in the state program of insurance. This program, the Public Employee Benefit Program (PEBP), is a cost-sharing 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 Nevada State Legislature.

HPN is a fully-insured health maintenance organization (HMO) plan.

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

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

11. Postemployment Benefit Plans Other than Pensions (OPEB) (continued)

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 and HPN programs, contribution requirements of plan members and the Hospital are established and may be amended through negotiations between the Hospital Board of Trustees and the SEIU employee union.

The Hospital pays approximately 17.7% percent of premiums for active employee coverage, an average of $34,950 per active employee for the year ended June 30, 2008. Retirees in the Self-Funded and HPN plans receive no direct subsidy from the Hospital. Under state law, retiree loss experience is pooled with active loss experience for the purpose of setting rates. The difference between the true claims cost and the blended premium is an implicit rate subsidy that creates an OPEB cost for the Hospital.

The Hospital is required to pay the PEBP an explicit subsidy, based on years of service, for retirees who enroll in this plan. In 2008, retirees were eligible for a $91 per month subsidy after five years of service with a Nevada state or local government entity. The maximum subsidy of $502 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) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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 thirty years.

11. Postemployment Benefit Plans Other than Pensions (OPEB) (continued)

The Hospital's annual OPEB cost for the current year and the related information for each plan are as follows:

	Self Funded / HPN	PEBP
Contribution rates:	Actuarially determined, premium sharing determined by union contracts	Set by State Legislature
The Hospital	Implicit subsidy through blending of active and retiree loss experience	$91 per month after 5 years of service up to $502 per month after 20 years
Plan members	From $382 per month for family coverage to $1,041 per month for family coverage, depending on plan	From $0 to $1,915, depending on level of coverage and subsidy earned
Annual required contribution (ARC)	$9,040,736	$1,114,548
Interest on net OPEB obligation		
Adjustment to annual required contribution	–	–
Annual OPEB cost	9,040,736	1,114,548
Contributions made	(229.476)	(783,093)
Increase in net OPEB obligation	8,811,258	331,445
Net OPEB obligation, beginning of year	–	–
Net OPEB obligation, end of year	$8,811,258	$331,455

11. Postemployment Benefit Plans Other than Pensions (OPEB) (continued)

The Hospital's annual OPEB cost, the percentage of annual cost contributed to the plan and the net OPEB obligation for 2008 were as follows:

Plan name	Year ended	Annual OPEB cost	% of OPEB cost contributed	Net OPEB cost
Self Funded / HPN	June 30, 2008	$9,040,736	2.5%	$8,811,258
PEBP plan	June 30, 2008	1,114,548	70.3%	331,455

Funded Status and Funding Progress

The funded status of the plans as of June 30, 2008, was as follows:

	Self Funded/HPN	PEBP
Actuarial accrued liability (a)	$77,742,610	$18,531,536
Actuarial value of plan assets (b)		
Unfunded actuarial accrued liability (funding excess) (a) – (b)	77,742,610	18,531,536
Funded ratio (b) / (a)	0%	0%
Covered payroll (c)	242,795,912	242,795,912
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(a) – (b)] / (c))	32.0%	7.6%

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 and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information will provide multi-year trend information that will show, in future years, 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 that point.

11. Postemployment Benefit Plans Other Than Pensions (OPEB) (continued)

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/HPN	PEBP
Actuarial valuation date	6/30/06	6/30/06
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level dollar	Level dollar
Remaining amortization period	30 years	30 years
Asset valuation method	No assets in trust	No assets in trust
Actuarial assumptions:		
Investment rate of return	4.0%	4.0%
Projected salary increases	N/A	N/A
Healthcare inflation rate	8% initial 5% ultimate	8% initial 5% ultimate

Internal Service Fund Assets

Clark County utilizes the Other Postemployment Benefit Reserve internal service fund to allocate OPEB costs to each participating fund, including some, but not all, of the County’s blended component units, based on employee count. Each participating 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, 2008, the Other Postemployment Benefit Reserve fund has $3,362,408 in cash, investments, and interest receivable held on behalf of the Hospital. The Hospital intends to use these assets for future OPEB funding. These assets cannot be included in the plan assets considered in the OPEB funding schedules because they are not held in an irrevocable trust.

12. Charity Care

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 charity care, the estimated costs of these services and supplies, and equivalent service statistics. The following information estimates the level of charity care provided during the years ended June 30:

	2008	**2007**
Charges foregone, based on established rates	**$ 181,755,885**	**$ 371,745,155**
Costs and expenses incurred to provide charity care	**54,363,185**	**113,605,319**
Equivalent percentage of cost to provide charity care to all patients served	**9.3%**	**20.4%**

Based on established rates, gross charges of $181.8 million were foregone during fiscal 2008, a 51.1% decrease over fiscal 2007 due to a change in method as a result of the establishment of a charity care program. In prior years' bad debt with no insurance payment, including non-charity bad debt was used as a basis for determining charity care. During fiscal year 2008, an actual charity program that identifies patients eligible for a charity discount was established, which results in a much small number of accounts actually being deemed as charity care. The 2008 charity care is a blend of the two methods as the change occurred during the middle of the year.

13. Commitments and Contingencies

Leases

The United States is experiencing a widespread decline in the economy, accompanied by inflationary trends, and is engaged in a war, all of which are likely to have far-reaching effects on the economic activity in the country for an indeterminate period. The near- and long-term impact of these factors on the Nevada economy and the Hospital's operations cannot be predicted at this time but may be substantial.

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.

13. Commitments and Contingencies (continued)

Subject to the following paragraph, minimum rental commitments as of June 30, 2008, for operating leases for property and equipment are as follows:

Year ended June 30		Lease Obligation
2009		$ 8,363,373
2010		7,096,764
2011		4,962,244
2012		4,696,357
2013		4,159,234
2014-2018		14,581,837
2019-2023		2,195,176
	Total	$ 46,054,985

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 agreement 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.

Total rental expense under all leases amounted to $8,798,111 and $7,386,155 in fiscal 2008 and 2007, respectively.

Litigation

Beginning July 1, 2005, the Hospital contracted with ACS, a consulting company, to provide its revenue cycle functions. In February 2007, the Hospital discontinued the services of ACS and paid them what management considered a fair settlement, including undisputed amounts. ACS returned the check and initiated legal action against the Hospital. The Hospital recorded a liability to ACS for the amount offered in settlement, and management is of the opinion that the outcome of this matter will not have a material adverse effect on the Hospital's financial statements.

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.