

BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
AND OTHER FINANCIAL INFORMATION

University Health System
Bexar County, Texas
Years Ended December 31, 2011 and 2010
With Report of Independent Auditors

Ernst & Young LLP

 **ERNST & YOUNG**

University Health System
Bexar County, Texas

Basic Financial Statements, Management’s Discussion and Analysis, Required
Supplementary Information, and Other Financial Information

Years Ended December 31, 2011 and 2010

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Report of Independent Auditors

The Board of Managers
University Health System

We have audited the accompanying basic financial statements of the Bexar County Hospital District d/b/a University Health System (the System), a component unit of Bexar County, Texas, and its discretely presented component units, as of December 31, 2011 and 2010, and for the years then ended, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University Health System Pension Plan (the Pension Plan), a discretely presented component unit of the System. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Pension Plan, is based on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in 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. We were not engaged to perform an audit of the System's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Bexar County Hospital District d/b/a University Health System and its discretely presented component units as of December 31, 2011 and 2010, and the respective changes in financial position and, where applicable, cash flows, thereof for the years then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2012, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's discussion and analysis on pages iii through xv and the schedule of funding progress for the University Health System Retiree Health Trust on page 45 are not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

The accompanying schedule of expenditures of federal and state awards on pages 46 through 49 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads 'Ernst & Young LLP'.

June 14, 2012

Required Financial Statements

The basic financial statements report information using Governmental Accounting Standards Board (GASB) accounting principles. The basic financial statements include the financial statements of the Bexar County Hospital District d/b/a University Health System (the System), the University Health System Pension Plan (the Plan), and the University Health System Retiree Health Trust (the OPEB Trust). The Plan's audited financial statements are available at the System's offices in San Antonio, Texas. The System's basic financial statements offer short-term and long-term financial information about its activities. The balance sheet includes all of the System's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to System creditors and bond holders (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the System, and assessing the liquidity and financial flexibility of the System. All of the current year's revenues and expenses are accounted for in the statement of revenue, expenses, and changes in net assets. This statement measures changes in the System's operations over the past two years and can be used to determine whether the System has been able to recover all of its costs through its ad valorem taxes (property taxes) provided, patient service revenue, and other revenue sources. The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the System's cash from operations, investing, and financing activities and to provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

Management's Discussion and Analysis

The 2011 Year in Review

The overall performance of the System was positive in 2011 as evidenced by the following:

- Increased market share in key service lines (NICU and transplant)
- Touched more lives through System ambulatory services (33,071 or 6.5% growth in visits)
- Implemented a successful Heart Station at the Medical Arts and Research Center (MARC) with UT Medicine Sant Antonio (UT Medicine)
- Collected more net patient revenue (\$29.9 million or 8.3% increase) than in 2010
- Increased grant funding by \$9.0 million, of which \$4.5 million was for six cancer prevention CPRIT grants
- Met or exceeded most clinical and health plan management initiatives
- Initiated a partnership with *CommuniCare Health Centers* for a new Northwest clinic

- Increased patient experience scores
- Absorbed \$4.5 million in legislative cuts that began on September 1, 2011
- Funded \$33.5 million in enhancements to the Capital Improvement Program (CIP) from operations
- The System’s AAA rating from Fitch was affirmed
- Received \$4.8 million in electronic health record (EHR) incentive payments and was the first health system in South Texas to meet meaningful use targets

Financial Highlights

- The System’s net assets increased by \$75.9 million (10.4%) and \$58.9 million (8.8%) in 2011 and 2010, respectively, given the results of operating and nonoperating activities.
- During 2011, the System’s total operating revenue increased by \$23.7 million or 3.5%, while expenses increased by \$10.6 million or 1.2%.
- During 2010, the System’s total operating revenue increased by \$9.4 million or 1.4%, while expenses increased by \$25.2 million or 2.8%.
- During 2011 and 2010, the System made the following significant capital acquisitions:

2011	2010
<ul style="list-style-type: none"> • Mobile mammography unit • Da Vinci robotic surgical system • Cranial Navigation System • Ultrasound, anesthesia, and dialysis machines • Cardiovascular Hybrid suite • Endoscopic equipment and high- definition video system • Critical Care Mobile Patient vital sign monitors 	<ul style="list-style-type: none"> • Purchase and remodeling of Diagnostic Pavilion building and relocation of University Hospital (UH) ExpressMed Clinic to the Diagnostic Pavilion • Relocation and remodeling costs for the UH Outpatient Dialysis Unit move to 7540 Louis Pasteur • Northwest clinic relocation and remodeling at 7726 Louis Pasteur • Information systems virtualization project and consolidation of servers

2011**2010**

-
- Tier III Data Center infrastructure and replication of core applications, storage, and server expansion
 - Par Excellence expansion
 - Cafeteria serving area renovations
 - Phone switch (VOIP) for UH Business Center and Robert B. Green
 - Automated medication dispensing integration and interface
 - Electronic Record Assessment Form (e-RAF), picture archive and communication system, and three chart release license upgrades
 - Wireless vital sign machines
 - Heart station project with UT Medicine
 - Ambulatory clinic renovations and relocation
- Operating room equipment, surgical tables, endoscopic/laparoscopic units/scopes
 - Interim staff parking lot
 - Phone switch (VOIP) for CMA clinics
 - Par Excellence UH Inventory System and Central Supply renovations
 - Server storage, upgrades, data integration, wireless technology, and patient portal
 - Radiology equipment, voice recognition software system, and X-Ray and ultrasound machines

The source of the funding for these projects was derived from operations and from funds designated for capital acquisitions and improvements.

In 2011, progress continued on the CIP. Achievements at the UH campus included completion of a new heliport and site utilities and demolition of the 1987 building; near completion of the new 3,300-space parking garage; basement-level foundations have been prepared for the trauma tower and central utility plant projects; emergency center platform piers and pier caps are in place; and bronchoscopy, trauma, and eye clinic enabling projects have been occupied. Achievements at the Robert B. Green campus include completion of the structure, as well as the rough-in of mechanical, electrical, and plumbing systems, and installation of metal studs on the first through fifth and the seventh floors for the new Clinical Services Building.

In 2010, significant progress was made on the CIP. Achievements at the UH campus include completion of a temporary remote parking lot for employees and commencement of construction for a new parking garage; relocation of the MRI Department and Express Med Clinic; commencement of construction for a new heliport and enhanced site utilities; and partial demolition of the 1987 building. Achievements at the Robert B. Green campus include completion of a new parking lot; upgrades to the existing employee parking lot; and groundbreaking for the new Clinical Services Building.

The primary source of the funding for the CIP projects was from bond proceeds.

Financial Analysis of the System

The balance sheets and the statements of revenue, expenses, and changes in net assets report information about the System's financial activities. These two statements report the net assets of the System and changes in them. Increases or decreases in the System'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, growth in the number of uninsured and working poor, taxable property values and tax rates, and new or changed state and federal government funding, should also be considered.

Net Assets

A summary of the System's balance sheets is presented in Table 1 as follows:

TABLE 1
Condensed Balance Sheets
(In Millions)

	December 31		
	2011	2010	2009
Current and other assets	\$ 1,421	\$ 1,545	\$ 1,401
Capital assets	569	366	250
Total assets	<u>\$ 1,990</u>	<u>\$ 1,911</u>	<u>\$ 1,651</u>
Long-term debt outstanding	\$ 733	\$ 745	\$ 553
Other liabilities	452	437	428
Total liabilities	<u>\$ 1,185</u>	<u>\$ 1,182</u>	<u>\$ 981</u>
Invested in capital assets, net of related debt	\$ 280	\$ 223	\$ 218
Restricted	2	2	1
Unrestricted	523	504	451
Total net assets	<u>\$ 805</u>	<u>\$ 729</u>	<u>\$ 670</u>

As can be seen in Table 1, net assets increased by \$76 million to \$805 million in fiscal year 2011, up from \$729 million in fiscal year 2010. Net assets increased by \$59 million to \$729 million in fiscal year 2010, up from \$670 million in fiscal year 2009. The change in net

assets results primarily from positive increases in nonoperating revenue over losses from operations.

During 2011, the System was reviewed by Fitch Ratings, which affirmed the AAA rating obtained in 2010.

During 2010, the System obtained approval from the Bexar County Commissioners Court for the third and final debt issuance, which consisted of a Series B Certificate of Obligation, Taxable Direct Subsidy Build America Bonds (BABs) in the amount of \$204.9 million, as detailed in Note 7 to the financial statements. The System obtained credit ratings from three rating services. Fitch Ratings increased the rating to AAA from AA+, Moody's Investor Services, Inc. increased the rating to Aaa from Aa2, and Standard & Poor's Ratings Services remained the same at AA+.

Summary of Revenue, Expenses, and Changes in Net Assets

The following table presents a summary of the System's historical revenues and expenses for each of the fiscal years ended December 31, 2011, 2010, and 2009:

TABLE 2
Condensed Statements of Revenue, Expenses, and Changes in Net Assets
(In Thousands)

	Year Ended December 31		
	2011	2010	2009
Net patient service revenue	\$ 386,160	\$ 360,380	\$ 366,257
Premium revenue	265,307	268,562	258,007
Other operating revenue	48,712	47,606	42,828
Total operating revenue	700,179	676,548	667,092
Maintenance and operation expenses	668,786	641,085	616,160
Medical claims expense	217,483	236,282	239,552
Depreciation expense	39,100	37,208	33,705
Total operating expenses	925,369	914,575	889,417
Operating loss	(225,190)	(238,027)	(222,325)
Nonoperating revenue	300,475	296,350	280,030
Income before contributions	75,285	58,323	57,705
Capital contributions received, net	427	549	516
Change in net assets	75,712	58,872	58,221
Total net assets – beginning of year	729,060	670,188	611,967
Total net assets – end of year	\$ 804,772	\$ 729,060	\$ 670,188

Sources of Revenue

Table 3 presents a summary of the System's historical sources of revenue:

TABLE 3
Sources of Revenue by Percentage

	Year Ended December 31		
	2011	2010	2009
Operating revenue:			
Net patient service revenue	38.6%	37.0%	38.6%
Premium revenue	26.5	27.6	27.3
Other operating revenue	4.9	4.9	4.5
Total operating revenue	70.0	69.5	70.4
Nonoperating revenue (expense):			
Property taxes	28.3	28.3	28.1
Investment income	.3	.5	.5
Proceeds from tobacco settlement	.6	.6	1.0
Build America Bond interest subsidy	.9	.9	–
Interest expense	(.1)	–	–
Electronic health record incentive payments	.4	–	–
Premium deficiency reserve	(.4)	.2	–
Total nonoperating revenue	30.0	30.5	29.6
Total revenue	100.0%	100.0%	100.0%

Operating Revenue

During fiscal year 2011, the System derived approximately 70.0% of its total revenue from operating revenue, compared to 69.5% in fiscal year 2010. Operating revenue increased as a percentage of total revenue due to an increase in net patient revenue related to an increase in census for NICU babies funded by Medicaid and increases in services for Medicare and higher activity related to CMA, the System's physician practice, and AirLife, the System's air ambulance joint venture. Operating revenue includes, among other items, patient service revenue provided under the Medicare and Medicaid programs, patients or their third-party carriers who pay for care in the System's facilities, health maintenance organization (HMO) premium revenue, Disproportionate Share (DSH)/Upper Payment Limit (UPL) revenue, cafeteria sales, parking fees, grants, research, reimbursement for physician practice and resident expenses, and funds for uncompensated trauma care.

Table 4 presents the relative percentages of gross charges billed for patient services by payor for the fiscal years ended December 31, 2011, 2010, and 2009:

TABLE 4
Payor Mix by Percentage

	Year Ended December 31		
	2011	2010	2009
Medicare	20%	19%	19%
Medicaid	22	19	21
Self-pay	40	43	41
Commercial insurance	17	18	18
Other	1	1	1
Total	100%	100%	100%

Nonoperating Revenue

In each of fiscal years 2011 and 2010, the System derived 28.3% of its total revenue from ad valorem taxes (property taxes). The ratio of property tax revenue to total revenue remained the same for 2011 and 2010. The Commissioners Court is authorized to levy taxes on property within Bexar County to provide for the maintenance and operations of the System’s facilities and for debt service on approved debt issuances.

For the years ended December 31, 2011 and 2010, investment income comprised 0.3% and 0.5%, respectively, of total revenue and was made up of interest income, net realized gains/losses, and net unrealized market gains/losses. Investment income continued to be a lower percentage of total income due to lower interest rates caused by national declines in economic and market conditions.

For each of the years ended December 31, 2011 and 2010, tobacco revenue comprised 0.6% of total revenue and represented the System’s allocation of earnings on the state’s permanent trust funds from a settlement with tobacco companies in 1998.

For the year ended December 31, 2011, the BABs interest subsidy comprised 0.9% of total revenue and was made up of the \$8.9 million in funds paid by the U.S. Treasury to subsidize interest costs on the BABs bond issuances.

Operating and Financial Performance

The following summarizes the System’s statements of revenue, expenses, and changes in net assets for the years ended December 31, 2011 and 2010:

Overall activity at the System, as measured by patient discharges adjusted for outpatient activity, decreased 1.5% to 37,816 in 2011 from 38,408 in 2010. The slight decrease in adjusted

discharges in 2011 was due to a concerted effort to focus on reducing denials for the medical necessity of one-day stays.

The System had patient days of 127,289 in 2011, an increase of 0.6% from patient days of 126,484 in 2010, and discharges of 19,799, a 1% decrease from discharges in 2010 of 20,004.

Hospital outpatient activity in 2011, which includes hospital-based outpatient services, urgent care and other clinics, and emergency visits, was 147,631, an increase of 0.7% above the 2010 level of 146,540. During 2010, hospital outpatient activity increased 5.8% over the 2009 level of 138,456. Clinic visits at the System's community-based clinics were 394,146 in 2011, which represented an 8.8% increase from 362,390 in 2010. In 2011, the preventive health clinics had 49,090 visits, an increase of 7.3% from 45,752 in 2010.

Net patient service revenue increased by \$25.8 million to \$386.2 million in 2011 or 7.2%. Increases were due to a significant increase in NICU utilization, resulting in improvements in collections from Medicaid; higher activity related to CMA, the System's physician practice; and improved collection related to AirLife, the System's air ambulance business. Revenue received under the DSH and UPL programs increased in 2011 due to the temporary increase in the Federal Medical Assistance Percentage (FMAP) rate under the American Recovery and Reinvestment Act increase.

Net patient service revenue decreased by \$5.9 million to \$360.4 million in 2010 or 1.6%. Decreases were due to lower revenue from the DSH and UPL programs and lower adjusted discharges. Revenue received under the DSH and UPL programs decreased in 2010 due to the recording in 2009 of a \$14.5 million reconciliation for 2008. Without this one-time adjustment, DSH and UPL revenue would have reflected an increase due to a temporary rise in the FMAP rate.

Excluded from net patient service revenue are charges forgone for patient services falling under the System's charity care policy. Based on established rates, gross charges of \$365.4 million were forgone during 2011, an 11.4% decrease over the prior fiscal year. There was an increase of 8.1% to \$412.8 million for charges forgone during 2010. The System diligently pursues payment for medical and hospital services it provides or arranges and actively pursues available funding for patients who present without insurance or other sources of funding. Contributing to the decrease in 2011 was a change in the criteria to distinguish between charity and bad debt.

The System recognized premium revenue through its not-for-profit HMO subsidiary, Community First Health Plans (CFHP). During 2011, premium revenue decreased by \$3.3 million to \$265.3 million or 1.2%. The decrease in premium revenue resulted from reduced premiums for Medicaid products that became effective September 1, 2011, and for a transition to lower premium members that occurred in 2011.

Premium revenue increased in 2010 by \$10.6 million to \$268.6 million or 4.1%. The increase in premium revenue resulted from increased membership in STAR Medicaid, CHIP, and ERS (state employees) products, offset by lower PPO, commercial, and CHIP Perinate products.

Other operating revenue of \$48.7 million increased by \$1.1 million or 2.3% in 2011 from \$47.6 million in 2010 due to higher revenue for grant programs and foundation revenue.

In 2010, other operating revenue of \$47.6 million increased by \$4.8 million or 11.2% due to higher revenue for residents serving other providers, grant revenue, and research revenue.

Overall, total operating revenue of \$700.2 million increased by \$23.7 million or 3.5% in 2011, compared to the total of \$676.6 million increased by \$9.4 million or 1.4% in 2010.

Maintenance and operation expenses consist of employee compensation, supplies, purchased services, medical services, and other expense. Overall maintenance and operation expenses of \$668.8 million increased by \$27.7 million or 4.3% in 2011, compared to the total of \$641.1 million in 2010. A discussion of significant variances of each expense category is as follows:

- Employee compensation increased by \$9.8 million or 3.3% in 2011 and \$10.4 million or 3.6% in 2010. The System increased salaries to employees by \$8.6 million in 2011 and \$6.3 million in 2010.
 - In 2011, increases were attributed to an increase in staffing for the emergency center, inpatient care areas, Northwest Clinic, housekeeping support, materials management, medical records, neonatology services, and the transplant program. These staffing increases were supported by management initiatives for productivity, revenue, and cost enhancements, which offset some of these increases. Also contributing were competitive pay and annual merit increases. Employee benefits increased due to the required contributions to the OPEB and pension plans.
 - Increases in 2010 were attributed to an increase in staffing for new grants, such as the Methodist Health Care After-Hours Program at the Northwest Clinic, which opened in August 2010; additional staffing for ambulatory clinics; and staff to support hospital patient care. Management initiatives of improving productivity were expanded to ambulatory areas in addition to inpatient clinical areas, which offset some of these increases. Also contributing were annual merit increases. Employee benefits increased due to higher utilization of the health plan and higher required contributions to the OPEB and pension plans.
- Supplies decreased by \$1.0 million or 0.9% in 2011 and increased \$6.0 million or 5.5% in 2010. Supply costs decreased in 2011 due to management initiatives to reduce the cost of blood and blood products through an employee and community donation program, and lower negotiated contracts for supply and pharmaceutical costs. In 2010, due to the implementation of an interventional radiology program, the System encountered higher costs of surgical implants and medical supplies used in operating rooms, and higher costs of blood and blood products. Management negotiated an agreement to lower blood costs and continues to work with physicians to standardize preference items.

- Purchased services increased by \$8.9 million or 8.4% in 2011 due primarily to higher transplant organ acquisition costs resulting from an increase in the number of transplants, equipment repairs, temporary personnel, and professional services. In 2010, purchased services increased by \$5.2 million or 5.2%, due primarily to higher transplant organ acquisition costs resulting from an increase in the number of transplants, equipment repairs, temporary personnel, and professional services.
- Medical services increased by \$10.0 million or 8.4% in 2011 and by \$3.3 million or 2.9% in 2010. The increase in 2011 resulted from higher physician costs at CMA to increase the number of primary care physicians and expand specialty services such as neonatology, endocrinology, and behavioral health, and for higher Medicaid Supplemental Services costs under the Regional UPL program. These increases were offset by lower costs to The University of Texas Health Science Center at San Antonio (UTHSCSA) physicians for indigent care services that were transferred to affiliated entities under the Regional UPL program. The increase in 2010 resulted from higher physician costs at CMA to increase the number of primary care physicians and expand specialty services such as neonatology, endocrinology, and behavioral health, and increases for House Staff. These increases were offset by lower costs to the UTHSCSA physicians for indigent care services that were transferred to affiliated entities under the Regional UPL program.
- Other expenses increased by \$4,000 in 2011 or 0.2% and by \$62,000 in 2010 or 4.0% due to changes in property taxes levied in the respective years that are used as the basis in determining fees paid to the Bexar County Appraisal District to support its operating budget.

Medical claims expense at CFHP decreased by \$18.8 million or 8.0% in 2011 and by \$3.3 million or 1.4% in 2010. The decrease in 2011 and 2010 resulted from lower at-risk membership and significant initiatives implemented by management to reduce medical care costs.

Depreciation and amortization expense increased by \$1.9 million or 5.1% in 2011 and by \$3.7 million or 10.4% in 2010 due to a higher level of capital investment and the depreciation of long-term projects placed in service.

Overall, total operating expenses increased by \$10.8 million to \$925.4 million or 1.2% in 2011 and by \$25.2 million to \$914.6 million or 2.8% in 2010.

Overall, nonoperating revenue (expense) of \$300.5 million increased by \$4.1 million or 1.4% from 2010. Nonoperating revenue consists of property tax revenue, investment income, proceeds from the tobacco settlement (the settlement of litigation between the State Attorney General and various tobacco companies), BABs subsidy, and a premium deficiency reserve for CFHP.

- In 2011, property taxes were levied to support maintenance and operations (M&O) and debt service (DS). Overall property taxes increased by \$7.9 million to \$283.3 million compared to the 2010 taxes of \$275.4 million. Of the \$283.3 million, \$240.7 million was

to support maintenance and operations. This was a \$1.2 million decrease from 2010 and was due to decreases in the value of new properties. The remaining \$42.6 million in property tax revenue is a debt service property tax to fund the payment of principal and interest (debt service) on the Certificates of Obligation issued in 2008, 2009, and 2010.

- Investment income decreased by \$2.0 million or 38.3% in 2011 and increased by \$400,000 or 7.0% in 2010. Investment income in 2011 decreased as long-term investments matured and were reinvested at lower yields. Investment income in 2010 increased marginally due to higher interest rates.
- In each of fiscal years 2011 and 2010, the System received payments totaling \$5.6 million, in proceeds from the tobacco settlement distribution. BABs of \$8.9 million increased by \$349,000 in 2011 due to principal payments made on the bonds. In 2010, the BABs subsidy was \$8.6 million.
- The Premium Deficiency Reserve of \$4.2 million in 2011 was the result of an expense required by the Texas Department of Insurance for CFHP for projected losses under the CHIP contract in 2010.

Capital contributions in 2011 and 2010 consist of the net of amounts donated to the System for specific programs or projects offset by amounts disbursed in satisfaction of donations made in prior years.

Capital Assets

During fiscal years 2011 and 2010, the System invested \$237.3 million and \$153.3 million, respectively, in a broad range of capital assets. Table 5 presents an analysis of capital asset balances for 2009, 2010, and 2011:

TABLE 5
Capital Assets
(In Thousands)

	December 31		
	2011	2010	2009
Land and land improvements	\$ 16,492	\$ 9,578	\$ 8,329
Building and leasehold improvements	330,471	303,759	277,052
Equipment	219,436	278,828	253,005
	566,399	592,165	538,386
Less accumulated depreciation	(304,001)	(377,133)	(339,913)
Construction-in-progress	306,793	151,190	51,684
Net capital assets	\$ 569,191	\$ 366,222	\$ 250,157

Construction-in-progress increased by \$155.6 million in 2011 due to and implementation of the CIP including capitalized interest, architectural and engineering costs, and construction costs of the west parking garage and clinical services building. Other capital assets increased \$47.4 million given management's ongoing focus on replacing and upgrading existing equipment and facilities.

In 2010, net capital assets increased due to the acquisition of new medical equipment, clinical information systems, and a new information technology building purchased to free up needed clinical long-term space and parking at the hospital campus.

Economic Factors and Next Year's Budget

The System's Board and management established the strategic foundation for success over the next three to five years by implementing a strategy referred to as the "Triple Aim Plus." The objectives of this strategy are to: improve the patient experience; improve efficiency through cost and revenue management; improve quality and outcomes; and improve access across the continuum of care.

New Challenge

On December 12, 2011, Texas received approval from the Centers for Medicare & Medicaid Services (CMS) for the Texas Health Care Transformation and Quality Improvement Program (the Waiver) that allows the state to expand Medicaid managed care while preserving hospital funding, provides incentive payments for health care improvements, and directs more funding to hospitals that serve large numbers of uninsured patients. The Waiver became effective on October 1, 2011 and will extend through September 30, 2016. Transition payments will be made in the first waiver year to hospitals and physicians based on supplemental UPL payments they received in 2011. In years 2 through 5, the Waiver replaces the UPL program with two pools, an Uncompensated Care (UC) pool to offset the cost of uncompensated care and a *Delivery System Reform Initiative Payment* (DSRIP) pool as incentive payments for developing programs and strategies supporting hospitals' efforts to enhance access to health care; increase the quality of care; increase the cost-effectiveness of care provided; and manage the health of the patients and families served. DSRIP payments will be made for system improvements identified in Regional Healthcare Partnerships (RHP) delivery system reform and improvement plans led by public hospitals such as the System or governmental entities that will provide the state share of waiver pool funds.

The System's 2012 operating and capital budget is focused on strategic and operational initiatives to mitigate the impact of legislated revenue cuts and realize cost savings; to strategically position the System in a leadership role in the implementation of the Waiver program; to address priorities in the Emergency Services product line; and to address a comprehensive network of children's services. The primary objective of these initiatives is to ensure that strategic issues identified are addressed to advance the System's financial and operational position in the future so that it can successfully carry out its important mission.

Contacting the System's Financial Manager

This financial report is designed to provide our citizens, customers, bond holders, and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. The report is available at www.UniversityHealthSystem.com. If you have questions about this report or need additional financial information, contact the University Health System's Financial Offices, 4502 Medical Drive, San Antonio, Texas 78229.

University Hospital

Report of Management Responsibility

University Health
Center – Downtown

University Center for
Community Health /
Texas Diabetes Institute

University Family
Health Centers:

North
Northwest
Southeast
Southwest

University Health System
Clinics:

Eastside
Good Health Clinic
Kenwood
Naco Perrin
Old Hwy 90
Salinas
South Flores
Westend
Zarzamora

University Health System
Business Center

The management of University Health System (the System) is responsible for the preparation and integrity of the financial information presented in this report. The basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States as promulgated by the Governmental Accounting Standards Board, and include amounts based on judgments and estimates made by management. Management also prepares the management's discussion and analysis, discreetly presented component units, required supplementary information and other financial information included in the report and is responsible for its accuracy and consistency with the financial statements.

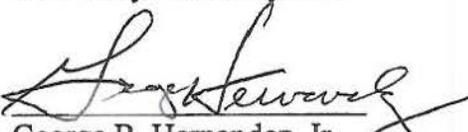
The basic financial statements have been audited by the independent accounting firm of Ernst & Young LLP, who was given unrestricted access to all financial records and related data, including the minutes of all meetings of the Board of Managers. Pursuant to the Bylaws, the Budget and Finance Committee provides oversight by reviewing and recommending annual budgets; fiscal policies and procedures; monthly financial statements and external auditors to the Board of Managers.

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

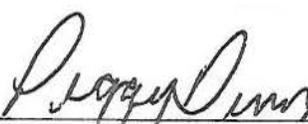
- A documented organizational structure and division of responsibility;
- Established policies and procedures which are routinely reviewed by management, regularly communicated to staff and that demand highly ethical conduct from all employees.

The System's Integrity Services Department monitors the operation of the internal control system and reports findings and recommendations to the management and the Board of Managers as appropriate. Corrective actions are taken to address control deficiencies and other opportunities for improvement as they are identified.

University Health System



George B. Hernandez, Jr.
President/Chief Executive Officer



Peggy Deming
Executive Vice President /
Chief Financial Officer



University Health System
Bexar County, Texas

University Health System – Balance Sheets

	December 31	
	2011	2010
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 174,300	\$ 141,941
Short-term investments	39,294	39,202
Patient receivables, less allowance for charity and doubtful accounts, and discounts (2011 – \$192,830; 2010 – \$167,125)	62,801	63,466
Property taxes receivable	180,452	165,121
Prepaid assets and other current assets	49,267	51,742
Total current assets	506,114	461,472
Noncurrent cash and investments:		
Noncurrent investments	25,366	35,455
Internally designated for capital acquisitions and improvements	155,503	166,701
Internally designated for contingencies	153,399	147,868
Held by trustee for professional self-insurance	10,662	10,157
Restricted accounts:		
Project Fund series 2008 Certificates of Obligation	74,137	198,032
Project Fund series 2009 Certificates of Obligation	252,924	281,732
Project Fund series 2010 Certificates of Obligation Certificate Fund	203,750	202,408
	17,888	19,408
Total noncurrent cash and investments	893,629	1,061,761
Long-term patient receivables, less allowance for charity and doubtful accounts (2011 – \$32,508; 2010 – \$31,768)	14,238	14,238
Capital assets, net of accumulated depreciation	569,191	366,222
Other assets	7,149	7,534
Total assets	\$ 1,990,321	\$ 1,911,227

	December 31	
	2011	2010
	<i>(In Thousands)</i>	
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 63,948	\$ 50,898
Compensated absences	15,788	14,711
Estimated third-party payor settlements	18,190	15,908
Accrued liabilities	33,812	27,969
Medical claims payable	27,327	35,338
Deferred tax revenue	280,263	278,816
Deferred other revenue	295	–
Current maturities of long-term debt	11,485	11,960
Total current liabilities	<u>451,108</u>	435,600
Long-term debt, less current maturities	733,184	745,239
Estimated self-insurance reserves	1,257	1,263
Long-term deferred revenue	–	65
Total liabilities	<u>1,185,549</u>	1,182,167
Net assets:		
Invested in capital assets, net of related debt	279,860	223,449
Restricted	2,009	1,582
Unrestricted	522,903	504,029
Total net assets	<u>804,772</u>	729,060
Total liabilities and net assets	<u><u>\$ 1,990,321</u></u>	<u><u>\$ 1,911,227</u></u>

See accompanying notes.

University Health System
Bexar County, Texas

University Health System – Statements of Revenue, Expenses,
and Changes in Net Assets

	Year Ended December 31	
	2011	2010
	<i>(In Thousands)</i>	
Operating revenue:		
Net patient service revenue, net of provision for bad debt (2011 – \$63,810; 2010 – \$35,967)	\$ 386,160	\$ 360,380
Premium revenue	265,307	268,562
Other revenue	48,712	47,606
Total operating revenue	700,179	676,548
Operating expenses:		
Employee compensation	309,490	299,738
Supplies	113,979	114,988
Purchased services	115,129	106,181
Medical services	128,589	118,575
Medical claims expense	217,483	236,282
Depreciation and amortization	39,100	37,208
Other	1,599	1,603
Total operating expenses	925,369	914,575
Operating loss	(225,190)	(238,027)
Nonoperating revenue (expense):		
Property taxes	283,324	275,419
Investment income	3,204	5,194
Proceeds from tobacco settlement	5,639	5,577
Build America Bond interest subsidy	8,927	8,578
Interest expense	(1,254)	–
Premium (deficiency) excess reserve	(4,168)	1,582
Electronic health record incentive payments	4,803	–
Total nonoperating revenue	300,475	296,350
Excess of revenues over expenses before contributions	75,285	58,323
Capital contributions received, net	427	549
Increase in net assets	75,712	58,872
Total net assets – beginning of year	729,060	670,188
Total net assets – end of year	\$ 804,772	\$ 729,060

University Health System
Bexar County, Texas

University Health System – Statements of Cash Flows

	Year Ended December 31	
	2011	2010
	<i>(In Thousands)</i>	
Operating activities		
Receipts from and on behalf of patients and contractors	\$ 703,428	\$ 659,144
Payments to suppliers	(573,236)	(571,840)
Payments to employees	(304,708)	(299,149)
Net cash used in operating activities	(174,516)	(211,845)
Noncapital financing activities		
Receipt of property taxes	228,771	260,684
Proceeds from tobacco settlement	5,639	5,577
Proceeds received from restricted contributions	–	549
Net cash provided by noncapital financing activities	234,410	266,810
Capital and related financing activities		
Receipt of property taxes for debt service	40,669	37,476
Purchase of capital assets, net	(237,324)	(153,273)
Reduction in restricted assets	153,366	–
Issuance of long-term debt	–	204,191
Payment of debt issuance costs	385	(1,669)
Repayment of long-term debt	(11,960)	(7,790)
Interest on long-term debt	39	1,968
Receipt of Build America Bond interest subsidy	8,927	8,578
Net cash (used in) provided by capital and related financing activities	(45,898)	89,481
Investing activities		
Interest income and realized gains and losses on investments	3,204	6,294
Purchases of investments	(793,822)	(1,117,514)
Proceeds from sales of investments	803,819	1,074,585
Decrease (increase) in designated assets	5,162	(141,335)
Net cash provided by (used in) investing activities	18,363	(177,970)
Net increase (decrease) in cash and cash equivalents	32,359	(33,524)
Cash and cash equivalents, beginning of year	141,941	175,465
Cash and cash equivalents, end of year	\$ 174,300	\$ 141,941

University Health System
Bexar County, Texas

University Health System – Statements of Cash Flows (continued)

	Year Ended December 31	
	2011	2010
	<i>(In Thousands)</i>	
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (225,190)	\$ (238,027)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization expense	39,100	37,208
Provision for bad debts	35,967	35,967
Changes in operating assets and liabilities:		
Patient receivables	(35,302)	(37,004)
Prepaid assets and other current assets	2475	(4,867)
Accounts payable	13,050	4,769
Compensated absences	1,077	627
Estimated third-party payor settlements	2,282	2,789
Accrued liabilities	3,981	263
Medical claims payable	(8,011)	(762)
Estimated self-insurance reserves	(7)	(90)
Deferred other revenue	230	(14,300)
Premium deficiency reserve	(4,168)	1,582
Net cash used in operating activities	\$ (174,516)	\$ (211,845)

See accompanying notes.

University Health System
Bexar County, Texas

University Health System Pension Plan – Statements of Plan Net Assets

	December 31	
	2011	2010
	<i>(In Thousands)</i>	
Assets		
Current assets	\$ 2,688	\$ 4,458
Noncurrent investments:		
Mutual funds – common stocks	65,418	61,466
Mutual funds – U.S. government	39,440	33,117
Mutual funds – international common stock	21,024	22,178
Investment in limited partnership	15,700	16,446
Common stocks	16,051	17,487
Other assets	7,068	1,681
Total assets	167,389	156,833
Liabilities		
Accounts payable and accrued expenses	100	40
Net assets held in trust for pension benefits	\$ 167,289	\$ 156,793

See accompanying notes.

University Health System
Bexar County, Texas

University Health System Pension Plan –
Statements of Changes in Plan Net Assets

	Year Ended December 31	
	2011	2010
	<i>(In Thousands)</i>	
Additions:		
Contributions	\$ 21,050	\$ 18,313
Net investment income:		
Interest income	2,005	1,430
Dividend income	1,533	1,148
Net (depreciation) appreciation in fair value of investments	(4,977)	15,409
Investment expense	(553)	(447)
	(1,992)	17,540
Total additions	19,058	35,853
Deductions:		
Benefit payments	8,442	8,361
Administrative expenses	120	127
Total deductions	8,562	8,488
Changes in net assets held in trust for pension benefits	10,496	27,365
Net assets – beginning of year	156,793	129,428
Net assets – end of year	\$ 167,289	\$ 156,793

See accompanying notes.

University Health System
Bexar County, Texas

University Health System Retiree Health Trust – Statements of Plan Net Assets

	December 31	
	2011	2010
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Money market	\$ 198	\$ 145
Noncurrent assets:		
U.S. government securities	4,116	3,176
Mutual funds – equities	12,711	10,344
Other assets	34	26
Total assets	17,059	13,691
Liabilities		
Accounts payable and accrued expenses	3	4
Net assets held in trust for other postemployment benefits	\$ 17,056	\$ 13,687
	17,056	13,687

See accompanying notes.

University Health System
Bexar County, Texas

University Health System Retiree Health Trust –
Statements of Changes in Plan Net Assets

	Year Ended December 31	
	2011	2010
	<i>(In Thousands)</i>	
Additions:		
Contributions	\$ 2,848	\$ 3,060
Net investment income:		
Interest income		–
Dividend income	442	325
Net appreciation in fair value of investments	89	1,041
Investment expense	(7)	(9)
Total additions	3,372	4,417
Deductions:		
Administrative expenses	3	–
Total deductions	3	–
Changes in net assets held in trust for other pension benefits	3,369	4,417
Net assets – beginning of year	13,687	9,270
Net assets – end of year	\$ 17,056	\$ 13,687

See accompanying notes.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements

December 31, 2011

1. Organization

University Health System and Reporting Entity

The Bexar County Hospital District d/b/a University Health System is a hospital district established under Article IX, Section 4 of the Texas Constitution and Chapter 281 of the Texas Health and Safety Code. It is a political subdivision of the state of Texas, created to provide medical and hospital care to the needy and indigent of Bexar County, and is a discrete component unit of Bexar County (legally separate from Bexar County, Texas). Its Board is composed of seven members appointed by the Commissioners Court for staggered terms of two years (or until a successor is appointed and qualified). Board members are “public officers” under the Texas Constitution who, as a body, exercise sovereign functions of government largely independent of the control of others, and serve without pay.

The accompanying basic financial statements include the financial statements of Bexar County Hospital District d/b/a University Health System (the System), the University Health System Pension Plan (the Plan), and the University Health System Retiree Health Trust (the OPEB Trust).

The System is the fourth-largest public health system in the state of Texas. Its staff of just over 5,470 health care employees operates University Hospital, San Antonio’s only civilian Level 1 Trauma Center; the University Center for Community Health, devoted to the prevention and treatment of diabetes; the University Health Center – Downtown; four University Family Health Centers; University Dialysis – Southeast; South Dialysis; nine preventive health clinics; and a health care program at Bexar County’s correctional facilities. Its network of community outpatient and inpatient facilities provides primary care, preventive care, and specialty outpatient care throughout Bexar County. Additionally, the System has had a long-standing affiliation with The University of Texas Health Science Center at San Antonio (UTHSCSA). The System’s facilities serve as the major teaching facilities for many of UTHSCSA’s health care programs, including the graduate medical education (GME) program. The System is exempt from federal income tax under Section 115(a) of the Internal Revenue Code.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

1. Organization (continued)

The System has established various affiliated nonprofit, tax-exempt organizations to facilitate the funding, delivery, and management of its health care mission, as described below.

The University Health System Foundation (the Foundation) (formerly the University Health System Development Corporation) was created in 1984 to raise funds for the System. The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is a legally separate entity from the System. The Board of Managers of the System appoints a voting majority of the Board of the Foundation, and the Foundation provides services exclusively to the System. The Foundation is included as a blended component unit of University Health System.

Community First Health Plans, Inc. (CFHP) was established in 1994 to assist the System with providing and arranging health care services in accordance with the Texas Health Maintenance Organization Act (Chapter 20A, Vernon's Texas Insurance Code). CFHP received a notice from the IRS during the year that indicated the IRS had automatically revoked its tax-exempt status for failure to file a Form 990 in the past three years. CFHP does not believe the filing requirement applies to the organization under IRS guidelines. CHFP is working with the IRS to resolve this issue. While there is no guarantee of the outcome of these discussions, CFHP believes it is more likely than not that the tax-exempt status of CFHP will be retroactively reinstated and that it is appropriate for the organization to continue to operate as a Section 501(c)(4) entity exempt from federal income tax.

Community First Group Hospital Service Corporation (the PPO) was incorporated in 2001 and licensed by the state of Texas on August 3, 2001, to operate as a group hospital services corporation under Chapter 20 of the Texas Insurance Code. The PPO is a nonprofit, taxable company and is a subsidiary of CFHP. The PPO provides hospital accident coverage and preferred provider organization medical insurance to policyholders through their employer. The services provided by CFHP and its subsidiary, the PPO, benefit the System; therefore, CFHP and its subsidiary are included as a blended component unit of University Health System. In March 2010, the PPO filed a withdrawal plan with the Texas Department of Insurance.

In June 1996, the System established Community Medicine Associates (CMA), a Texas nonprofit health organization certified by the Texas State Board of Medical Examiners pursuant to Section 501(a) of the Texas Medical Practice Act, now codified at Section 162.001 of the Texas Occupations Code. CMA was activated by the System on April 1, 2000, to provide

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

1. Organization (continued)

primary care physician services at the System's University Family Health Centers. CMA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The services provided by CMA benefit the System; therefore, CMA is included as a blended component unit of University Health System.

Management of the System believes the basic financial statements of University Health System presented on a comparative basis to be the most reflective of the System's activities. Patient service revenue and medical claims expense for CFHP members amounting to \$10,222,000 and \$10,345,000 in 2011 and 2010, respectively, are not eliminated in the basic financial statements. Additionally, other revenue of \$1,832,000 and \$1,631,000 in 2011 and 2010, respectively, for payments made from the System to CFHP are not eliminated in the basic financial statements. All other significant intercompany accounts and transactions have been eliminated in the basic financial statements.

The basic financial statement presentation also includes the discrete presentation of the Plan. The Plan is a legally separate component unit. It is fiscally dependent on the System and performs services exclusively for employees of the System. A board appointed by the System governs the Plan. Separate financial statements of the Plan are available at the System's administrative offices.

The basic financial statement presentation also includes the discrete presentation of the OPEB Trust. The OPEB Trust is a legally separate component unit. It is fiscally dependent on the System and performs services exclusively for employees of the System. A board appointed by the System governs the OPEB Trust.

Other Significant Relationships

The System and Vanguard Health System (VHS) (as the successor organization to Baptist Health System) mutually control Texas AirLife, Inc. d/b/a San Antonio AirLife, Inc. (AirLife), a Texas nonprofit corporation, which provides air ambulance services to Bexar County and South Texas. The System and VHS retain control over AirLife through the retention of specific reserve powers, including the appointment of AirLife board members. AirLife is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

1. Organization (continued)

The System is a member of the Hospital Laundry Cooperative Association (HLCA), an organization established under Chapter 301, Subchapter B of the Texas Health and Safety Code. The System's economic interest in HLCA is determined by "units of interest" under the terms of a Membership Agreement executed by the System on August 17, 1995. HLCA is a taxable cooperative under the Internal Revenue Code.

The System's ownership in AirLife and HLCA is recorded using the equity method of accounting in the accompanying basic financial statements.

In 1994, UTHSCSA established University Physicians Group (UPG), a Texas nonprofit corporation organized under Section 501(a) of Article 4495b of the Texas Medical Practice Act, now codified at Section 162.001 of the Texas Occupations Code. Effective May 1, 2006, UPG legally changed its name to UT Medicine San Antonio (UT Medicine). UT Medicine serves as a contracting vehicle for physician services with the System and other payors, including managed care organizations.

Effective June 6, 2000, the System and Bexar County became the sole sponsors for the Center for Health Care Services (CHCS). The terms of the relationship are governed by a Sponsorship Agreement with Bexar County dated May 2, 2000. CHCS is a community center established under Chapter 534 of the Texas Health and Safety Code to provide a comprehensive array of mental health, mental retardation, and drug and alcohol abuse services throughout Bexar County. CHCS was originally established by a coalition of 17 local taxing authorities in 1966.

The Department of Aging and Disability Services (DADS) required CHCS to divest its dual roles as a local authority and provider of mental retardation services, which it did by transferring its responsibility for mental retardation authority to the Alamo Area Council of Governments (AACOG) effective September 1, 2006. The System entered into a memorandum of understanding with AACOG to connect the sponsorship obligations for mental retardation from CHCS to AACOG.

The balances and transactions of UT Medicine, CHCS, and AACOG are not combined or otherwise included in the accompanying basic financial statements, but the System's transactions with these organizations are included.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

2. Significant Accounting Policies

Method of Accounting

The System's basic financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, which established standards for external financial reporting for all state and local governmental entities. These standards require presentation of a balance sheet; a statement of revenue, expenses, and changes in net assets; and a direct method statement of cash flows. Additionally, 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 related borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – This component of net assets consists of constraints placed on net asset 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 net assets – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Additionally, the financial statements of the System are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. Pursuant to GASB 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the System has elected to apply all standards of the GASB, as well as all relevant pronouncements of the Financial Accounting Standards Board (FASB), issued on or before November 30, 1989.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

2. Significant Accounting Policies (continued)

The accompanying basic financial statements also reflect the financial position and changes in financial position of the Plan and the OPEB Trust. The Plan is used to account for assets held in trust for the benefit of the employees of the System for the defined benefit pension plan. The OPEB Trust is used to account for assets held in trust related to the postretirement benefit program for employees of the System. In accordance with GASB 34, the assets and net assets of the Plan and the OPEB Trust are presented separately from those of University Health System. The financial statements of the Plan and the OPEB Trust are prepared using the accrual basis of accounting. Employer contributions to the Plan and the OPEB Trust are recognized when due. Benefits are recognized when due and payable in accordance with the terms of the Plan.

Statements of Revenue, Expenses, and Changes in Net Assets

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Operating revenues include those generated from direct patient care and related support services. Nonoperating revenue consists of those revenues 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 System's practice to apply those expenses to restricted net assets to the extent such are available, and then to unrestricted net assets.

Cash and Cash Equivalents

The System considers all highly liquid investments with original maturities of less than 90 days to be cash equivalents. Cash and cash equivalents at year-end include demand deposits, as well as direct and indirect obligations of the U.S. government, and money market mutual funds. All demand deposits are collateralized with securities held in safekeeping at the Federal Reserve Bank in the name of the System.

Investments

Investments of the System are valued at fair value. Statutes and the Board of Managers authorize the System to invest in obligations, as further described in Note 15.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

2. Significant Accounting Policies (continued)

Additionally, in order to comply with various statutory requirements under the Texas Department of Insurance, investments of approximately \$75,993,000 and \$59,943,000 at December 31, 2011 and 2010, respectively, are held in the name of CFHP.

Investments of the Plan are described in the statements of plan net assets. Current assets consist of money market funds, which are valued at fair value. Mutual funds consisting of common stocks, U.S. government securities, and international common stocks are valued based on net asset values at year-end. The Plan invested in Advisory Research Value Equity Fund II, L.P. (the Partnership), a Delaware limited partnership that invests in small-capitalization to mid-capitalization companies. The Partnership's net assets were substantially invested in common stocks, which were recorded at quoted market prices. The Plan's allocable portion of these net assets was \$15,700,000 and \$16,446,000 at December 31, 2011 and 2010, respectively. The fair values of common stocks of the Plan were based on quoted market prices.

Designated Net Assets

Designated net assets include assets set aside by the Board of Managers for future capital acquisitions and improvements, future contingencies (reserve fund), and assets held by trustees under self-insurance trust arrangements.

Capital Assets and Depreciation

The System records capital assets at cost and provides for depreciation of capital assets by charging against current operations amounts sufficient to amortize the cost of properties over their estimated useful lives. The System's policy is to capitalize assets greater than \$5,000.

Depreciation is computed using the straight-line method. The System uses American Hospital Association guidelines in establishing useful lives, which generally fall within the following ranges:

Land improvements	5–15 years
Buildings and improvements	10–30 years
Equipment	5–15 years

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

2. Significant Accounting Policies (continued)

Amounts that materially extend useful lives or increase values or capabilities are capitalized, whereas routine maintenance, repair, and replacement costs are charged against current income.

Self-Insurance Cost

The System is self-insured for employee health insurance costs. The self-insured plan is administered by CFHP, which determines the cost of claims paid to community health care providers and estimates a reserve for medical claims incurred but not yet reported. The System also recognizes the incremental cost of services provided by the System to plan participants. The System maintains a stop-loss insurance contract to cover 90% of certain medical costs in excess of \$175,000, up to a maximum of \$2,000,000 per contract year and \$5,000,000 per member lifetime maximum. As of December 31, 2011 and 2010, reserves of \$1,349,000 and \$1,518,000, respectively, were recorded.

The System funds a revocable self-insurance trust to provide for the payment of medical malpractice and general liabilities. The funding is based on management's recommendations for settlement of claims to limits of \$100,000 per claim and \$300,000 per occurrence, in accordance with the limited liability provisions of the Texas Tort Claims Act. The amounts provided for funding and the estimated liability are based on management's estimates. The amounts include estimates of the ultimate cost for both reported claims and incurred but not yet reported claims.

During 2003, the System began self-insuring "tail coverage" for certain employed physicians. This coverage has a limited time exposure and also is subject to claims limits. Amounts are provided for funding, and estimated liabilities for incurred but not yet reported claims are based on management estimates.

The System participates in a self-insurance program that provides for the payment of workers' compensation claims. The funding for this program is based on third-party recommendations for settlement in accordance with Texas workers' compensation laws.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

2. Significant Accounting Policies (continued)

Net Patient Service Revenue

Net patient service revenue is 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 and estimated allowances for uncollectible accounts. The allowances are estimated using historical experience and established billing 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.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The System believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, 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.

Premium Revenue

CFHP has agreements with plan sponsors to arrange health service benefits for subscribing participants. Under these agreements, CFHP receives monthly premium payments based on the number of each plan sponsor's participants. In addition, CFHP receives supplementary delivery payments under the Medicaid program.

Compensated Absences

The System's employees earn paid time off (PTO) at varying rates depending on years of service. Employees may accumulate PTO up to a specified maximum. Employees are paid for accumulated PTO upon voluntary termination, including retirement, as employees who retire from the System may convert accumulated PTO to termination payments at a rate of 50% of their accumulated PTO balances. The estimated amount of PTO payable as termination payments is reported as a current liability in both 2011 and 2010.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

2. Significant Accounting Policies (continued)

Medical Claims Expense

CFHP arranges for the provision of comprehensive health care services to its members principally through its contractual relationships with physician groups, ancillary providers, and hospitals, including the System. Physicians, ancillary providers, and hospitals are paid a contracted fee for service or a capitation rate, and CFHP is responsible for any related payments to those providers.

The cost of health care services provided is accrued in the period it is rendered to the enrolled members, based in part on estimates for hospital services and other specialist or out-of-area costs that have been incurred but not yet reported. For the period from January 1, 2010 through December 31, 2011, CFHP has reinsurance contracts to cover 90% of certain medical costs in excess of defined deductibles, up to a per-member maximum of \$2,000,000 per contract year and a \$5,000,000 per-member lifetime maximum.

Medical claims expense reserves represent the estimated ultimate net cost of all reported and unreported losses incurred through December 31. The reserves for unpaid medical claims expenses are actuarially determined using individual case-basis valuations and statistical analyses. Those estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, management believes the reserves for medical claims expenses are adequate. The estimates are continually reviewed and adjusted as necessary, as experience develops or new information becomes known; such adjustments are included in current operations.

Changes in the System's aggregate liability for medical claims in fiscal years 2011 and 2010 were as follows:

Year Ended December 31	Beginning of Fiscal Year Liability	Current-Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
	<i>(In Thousands)</i>			
2011	\$ 35,338	\$ 217,483	\$ 225,494	\$ 27,327
2010	\$ 36,100	\$ 236,282	\$ 237,044	\$ 35,338

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

2. Significant Accounting Policies (continued)

Charity Care

The System provides charity care to residents of Bexar County who qualify on a financial basis for the *CareLink* Program and to all others who qualify based on the System's charity policy. The System does not pursue collection of amounts in excess of the established guidelines for those patients who meet the charity criteria. Such excess is considered charity care and is not reported as revenue.

The System's *CareLink* Program is used to discount gross charges for medical services received in the System's facilities. Under this program, residents of Bexar County have an established maximum family liability rather than a discount of total gross charges. Key factors in establishing a family's maximum liability levels are: number of dependents, income, and the relationship of these factors to the current Poverty Index. The System does not pursue collection of amounts in excess of the maximum family liability. Such excess amounts are considered charity care and are not reported as revenue.

Arrangements are made with residents of Bexar County to pay their reduced medical costs in installments. Any amounts designated as not being due prior to December 31, 2012, are classified as long-term patient receivables and are presented net of applicable allowances.

Non-*CareLink* patients meeting the financial and medical indigency criteria established in the charity policy receive a discount from gross charges for emergency and catastrophic medical services received in the System's facilities. Charges for financial indigency are discounted based on family income compared to the Poverty Index. Charges for medical indigency are discounted when charges exceed a certain income and asset level.

The System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. The following presents the level of charity care provided during the years ended December 31:

	<u>2011</u>	<u>2010</u>
Charges forgone, based on established rates	<u>\$ 365,353,000</u>	<u>\$ 412,759,000</u>

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

2. Significant Accounting Policies (continued)

Property Taxes

The Commissioners Court of Bexar County levies for the System an ad valorem tax as provided under state law on properties within the county. These taxes are collected by the Bexar County Tax Assessor-Collector and are remitted to the System when received. The System's tax rate is levied and becomes collectible in October of each year based on the certified assessed value as of the previous January 1. Taxes levied on October 1 are designated to support the System's operations for the following calendar year. The System records the levy, net of an assessment fee and allowance for uncollectible amounts, as a current receivable and deferred tax revenue in the year levied. The deferred tax revenue is accreted to revenue on a straight-line basis in the following year.

Build America Bond Interest Subsidy

The System issued taxable Build America Bonds (BABs) in August 2010 and August 2009. Under the BABs program, the U.S. Treasury pays 35% of the interest as a subsidy to the issuer. The System records the interest subsidy received or receivable from the U.S. Treasury as nonoperating revenue when the System has met all of the eligibility criteria to receive the subsidy. The System recorded \$8,927,000 and \$8,578,000 of nonoperating revenue in 2011 and 2010 for the BABs interest subsidy.

Electronic Health Record Incentive

As part of the American Recovery and Reinvestment Act (ARRA) of 2009, the Health Information Technology for Economic and Clinical Health (HITECH) Act was created to fund and support a paperless national health information network through the adoption of electronic health records (EHR). Under this Act, the Medicare and Medicaid EHR Incentive Programs were created to provide incentive payments to eligible physicians and hospitals as they adopt, implement, upgrade, or demonstrate meaningful use of certified EHR technology. Incentives are available over five years (or six years for Medicare if certain were met criteria in 2011) years. For 2015 and later, Medicare-eligible physicians and hospitals that do not successfully demonstrate meaningful use will have a payment adjustment in their Medicare reimbursement.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

2. Significant Accounting Policies (continued)

Donor-Restricted Funds

Donor-restricted funds are used to differentiate resources, the uses of which are restricted by donors or grantors, from resources or general funds on which donors or grantors place no restrictions or those funds that arise as a result of the operations of the System for its stated purpose. Restricted gifts and other restricted resources are recorded as additions to the appropriate restricted fund.

Resources restricted by donors or grantors for specific operating purposes are reported in other revenue to the extent used in the period.

3. Property Taxes

Property Taxes Receivable

Property taxes receivable are composed of the following as of December 31:

	2011	2010
	<i>(In Thousands)</i>	
Current taxes, net of allowance for uncollectible amounts of \$2,838 in 2011 and \$2,840 in 2010	\$ 165,845	\$ 152,916
Delinquent taxes, net of allowance for uncollectible amounts of \$4,069 in 2011 and \$4,182 in 2010	9,598	8,128
Penalty and interest, net of allowance for uncollectible amounts of \$4,703 in 2011 and \$4,758 in 2010	5,009	4,077
	\$ 180,452	\$ 165,121

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

3. Property Taxes (continued)

Property Taxes Revenue

As indicated in Note 2, the Bexar County Commissioners Court levies an ad valorem tax on the value of property in Bexar County to support the provision of care to indigent residents of Bexar County. In 2011 and 2010, the Commissioners Court levied a tax rate for maintenance and operations (M&O) and debt service (DS) to support the System's operations and long-term debt, described in Note 7. The revenues received for 2011 and 2010 were classified as follows:

	<u>2011</u>	<u>2010</u>
	<i>(In Thousands)</i>	
Maintenance and operations	\$ 240,655	\$ 241,872
Debt service	<u>42,669</u>	<u>33,547</u>
	<u>\$ 283,324</u>	<u>\$ 275,419</u>

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

4. Designated Net Assets

Of the \$523,060,000 and \$504,029,000 of unrestricted net assets reported as of December 31, 2011 and 2010, respectively, certain amounts have been designated by the System's Board of Managers for various purposes. Designated funds remain under the control of the Board of Managers, which may, at its discretion, later use the funds for other purposes. The composition of designated net assets is set forth in the following table:

	2011	2010
	<i>(In Thousands)</i>	
Designated by the Board:		
Capital acquisitions and improvements:		
Cash and short-term investments	\$ 7,819	\$ 51,056
U.S. government agencies	137,664	113,126
U.S. Treasury notes	10,020	2,519
	\$ 155,503	\$ 166,701
Contingency fund:		
Cash and short-term investments	\$ 4,348	\$ 9,294
U.S. government agencies	135,440	134,983
U.S. Treasury notes	13,611	3,591
	\$ 153,399	\$ 147,868
Professional self-insurance held in trust:		
Cash and short-term investments	\$ 203	\$ 371
U.S. government agencies	4,373	4,563
U.S. Treasury notes	6,086	5,223
	\$ 10,662	\$ 10,157

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

5. Property, Plant, and Equipment

The System's investment in property, plant, and equipment consists of the following:

	January 1 2011	Additions/ Transfers	Retirements/ Transfers	December 31 2011
<i>(In Thousands)</i>				
Capital assets:				
Land and land improvements	\$ 9,578	\$ 8,568	\$ (1,654)	\$ 16,492
Buildings and improvements	303,759	48,581	(21,869)	330,471
Equipment	278,828	28,219	(87,611)	219,436
Total at historical cost	<u>592,165</u>	<u>85,368</u>	<u>(111,134)</u>	<u>566,399</u>
Less:				
Accumulated depreciation – buildings and improvements	(161,987)	(15,264)	23,508	(153,743)
Accumulated depreciation – equipment	(215,146)	(22,693)	87,581	(150,258)
Total accumulated depreciation	<u>(377,133)</u>	<u>(37,957)</u>	<u>111,089</u>	<u>(304,001)</u>
Construction-in-progress	151,190	155,603	–	306,793
Total capital assets, net of accumulated depreciation	<u>\$ 366,222</u>	<u>\$ 203,014</u>	<u>\$ (45)</u>	<u>\$ 569,191</u>
	January 1 2010	Additions/ Transfers	Retirements/ Transfers	December 31 2010
<i>(In Thousands)</i>				
Capital assets:				
Land and land improvements	\$ 8,329	\$ 1,249	\$ –	\$ 9,578
Buildings and improvements	277,052	26,707	–	303,759
Equipment	253,005	25,823	–	278,828
Total at historical cost	<u>538,386</u>	<u>53,779</u>	<u>–</u>	<u>592,165</u>
Less:				
Accumulated depreciation – buildings and improvements	(149,354)	(12,633)	–	(161,987)
Accumulated depreciation – equipment	(190,559)	(24,587)	–	(215,146)
Total accumulated depreciation	<u>(339,913)</u>	<u>(37,220)</u>	<u>–</u>	<u>(377,133)</u>
Construction-in-progress	51,684	99,506	–	151,190
Total capital assets, net of accumulated depreciation	<u>\$ 250,157</u>	<u>\$ 116,065</u>	<u>\$ –</u>	<u>\$ 366,222</u>

As of December 31, 2011 and 2010, included in construction-in-progress is capitalized interest of \$85,960,000 and \$50,214,000, respectively.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

6. Leases

Rental expense pursuant to noncancelable operating leases amounted to \$7,407,000 and \$7,140,000 for the years ended December 31, 2011 and 2010, respectively. Minimum annual lease obligations relating to noncancelable leasing arrangements are as follows (in thousands):

2012	\$	4,158
2013		2,830
2014		1,489
2015		819
2016		633
2017–2020		1,585
Total	\$	<u>11,514</u>

7. Long-Term Debt

A schedule of changes in the System’s long-term debt for 2011 and 2010 follows:

	Balance at January 1 2011	Additions	Reductions	Balance at December 31 2011	Amounts Due Within One Year
<i>(In Thousands)</i>					
Bonds payable:					
Certificates of Obligation, series 2008, net	\$ 271,741	\$ –	\$ 4,977	\$ 266,764	\$ 4,120
Certificates of Obligation, series 2009A, net	34,178	–	3,508	30,670	950
Certificates of Obligation, series 2009B, net	246,395	–	–	246,395	–
Certificates of Obligation, series 2010B, net	204,885	–	4,045	200,840	6,415
Total long-term debt	<u>\$ 757,199</u>	<u>\$ –</u>	<u>\$ 12,530</u>	<u>\$ 744,669</u>	<u>\$ 11,485</u>

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

7. Long-Term Debt (continued)

	Balance at January 1, 2010	Additions	Reductions	Balance at December 31, 2010	Amounts Due Within One Year
	<i>(In Thousands)</i>				
Bonds payable:					
Certificates of Obligation, series 2008, net	\$ 276,098	\$ —	\$ 4,357	\$ 271,741	\$ 4,770
Certificates of Obligation, series 2009A, net	38,305	—	4,127	34,178	3,145
Certificates of Obligation, series 2009B, net	246,395	—	—	246,395	—
Certificates of Obligation, series 2010B, net	—	204,885	—	204,885	4,045
Total long-term debt	<u>\$ 560,798</u>	<u>\$ 204,885</u>	<u>\$ 8,484</u>	<u>\$ 757,199</u>	<u>\$ 11,960</u>

The combination tax and revenue Certificates of Obligation, series 2008 (the 2008 Certificates) were issued in 2008, and mature in various amounts annually on February 15, from 2009 through 2038. These have stated coupon rates ranging from 3.25% to 5.00%, and are collateralized by a levy of ad valorem tax revenue and lien on and pledge of surplus revenues. The tax Certificates of Obligation, series 2009A (the 2009A Certificates) were issued in 2009, and mature in various amounts annually on February 15, from 2010 through 2017, with stated coupon rates ranging from 1.00% to 5.00%. The tax Certificates of Obligation, series 2009B (the 2009B Certificates) were issued in 2009, and mature in various amounts annually on February 15, from 2018 through 2039, with stated coupon rates ranging from 5.269% to 6.904%. The tax Certificates of Obligations, series 2010B (the 2010B Certificates) were issued in 2010, and mature in various amounts annually on February 15, from 2011 through 2040, with stated coupon rates ranging from 0.300% to 5.413%. The 2009B Certificates and 2010B Certificates are designated under the American Recovery and Reinvestment Act of 2009 as “Qualified Build America Bonds” debt. The series 2009A Certificates and 2009B Certificates are collateralized by a levy of ad valorem tax revenue. Proceeds of the issuances of debt are maintained in Project Funds for each individual issuance until expended for their designated purpose, and as required by the terms of the 2008 Certificates, 2009A Certificates, 2009B Certificates, and 2010B Certificates. DS

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

7. Long-Term Debt (continued)

ad valorem tax receipts levied annually by the Commissioners Court are maintained in a Certificate Fund account collectively for all issuances. The Project Funds and Certificate Fund are included within noncurrent cash and investments as restricted accounts on the balance sheets, and their composition is set forth in the following table:

	2011	2010
	<i>(In Thousands)</i>	
Project Fund series 2008 Certificates of Obligation:		
Cash and short-term investments	\$ 74,137	\$ 72,387
U.S. government agencies	-	125,645
	\$ 74,137	\$ 198,032
Project Fund series 2009 Certificates of Obligation:		
Cash and short-term investments	\$ 66,211	\$ 24,171
U.S. government agencies	176,682	257,561
U.S. Treasury notes	10,031	-
	\$ 252,924	\$ 281,732
Project Fund series 2010B Certificates of Obligation:		
Cash and short-term investments	\$ 7,390	\$ 11,024
U.S. government agencies	196,360	191,384
	\$ 203,750	\$ 202,408
Certificate Fund:		
Cash and short-term investments	\$ 17,888	\$ 19,408

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

7. Long-Term Debt (continued)

Scheduled principal and interest repayments on long-term debt obligations are as follows (in thousands):

	Principal	Interest	Interest Credit (BABs)	Net Interest
Year ending December 31:				
2012	\$ 11,485	\$ 39,673	\$ (8,954)	\$ 30,719
2013	11,735	39,400	(8,933)	30,467
2014	12,495	39,043	(8,913)	30,130
2015	13,560	38,600	(8,894)	29,706
2016–2020	89,575	182,895	(43,357)	139,538
2021–2025	116,225	157,618	(37,966)	119,652
2026–2030	143,535	122,173	(29,639)	92,534
2031–2035	179,085	75,836	(18,855)	56,981
2036–2040	167,140	20,227	(5,701)	14,526
Total	\$ 744,835	\$ 715,465	\$ (171,212)	\$ 544,253

The System is a discrete component unit of Bexar County, and the Commissioners Court levies for the System an ad valorem tax on the property values in Bexar County to support the M&O of the System and a DS ad valorem tax to support approved debt service payments. The ad valorem tax rate is adopted annually by the Bexar County Commissioners Court as a designated M&O rate and DS rate. The Commissioners Court passed an order on August 19, 2008, approving and providing for the payment of the 2008 Certificates to finance the construction of permanent public improvements at the System. The 2008 Certificates are payable through February 15, 2038, from the DS ad valorem property tax levy and lien on and pledge of surplus revenues. Principal on the 2008 Certificates has been paid through February 15, 2011, and interest on the 2008 Certificates has been paid through August 15, 2011.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

7. Long-Term Debt (continued)

The Commissioners Court passed an order on July 28, 2009, approving and providing for the payment of the 2009A Certificates and 2009B Certificates to finance the construction of permanent public improvements at the System. The 2009A Certificates are payable through February 15, 2017, and the 2009B Certificates are payable through February 15, 2039, from the DS ad valorem property tax levy. Principal on the 2009A and 2009B Certificates has been paid through February 15, 2011, and interest on the 2009A and 2009B Certificates has been paid through August 15, 2011.

The Commissioners Court passed an order on August 17, 2010, approving and providing for the payment of the 2010B Certificates to finance the construction of permanent public improvements at the System. The 2010B Certificates are payable through February 15, 2040, from the DS ad valorem property tax levy and lien on and pledge of surplus revenues. Principal on the 2010B Certificates has been paid through February 15, 2011 and interest on the 2010B Certificates has been paid through August 15, 2011.

8. Net Patient Service Revenue

The System provides services under contract to patients covered under the Medicare and Medicaid programs. The System is reimbursed based on cost or at a predetermined rate based upon diagnosis, plus certain adjustments. Net revenues from these programs are included in patient service revenues at net amounts reflecting customary charges reduced to estimated reimbursement payments. The amounts due to or from these programs are subject to final review and settlement by the respective program's fiscal intermediary. Currently, the System's statements of reimbursable cost have been audited by and settled with the fiscal intermediary through 2006 for Medicare and Medicaid.

At December 31, 2011 and 2010, the System estimated net amounts due to the programs of \$18,190,000 and \$15,908,000, respectively. Included in net patient service revenue is an increase of \$2,600,000 and \$-0- for the years ended December 31, 2011 and 2010, respectively, to adjust balances previously estimated as a result of final and tentative settlements and for years that are no longer subject to audits, reviews, or investigations.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

8. Net Patient Service Revenue (continued)

The System has also entered into payment agreements with certain commercial insurance carriers, employers, and other third-party administrators. The basis for payment to the System under these arrangements includes prospectively determined daily or per-stay rates and discounts from established charges. Total discounts were \$583,959,000 and \$544,369,000 for the years ended December 31, 2011 and 2010, respectively.

9. Disproportionate Share Revenue

During 1991, the Texas Legislature issued Senate Bill 82, levying an assessment against certain hospitals and hospital systems. The funds collected via this assessment are pooled by the state in order to receive federal matching funds under the Medicaid Disproportionate Share Program. The state then allocates the federal monies received to hospitals and hospital systems that serve a large disproportionate volume of Medicaid and uninsured patients, the purpose being to increase access to health care for Texas' indigent patients. The amounts received under this program were \$16,181,000 and \$12,092,000 for 2011 and 2010, respectively, and are included in net patient service revenue. The amounts receivable included in prepaid assets and other current assets at December 31, 2011 and 2010, were \$3,498,000 and \$-0-, respectively.

10. Upper Payment Limit (UPL)

In May 2002, the federal government approved the Upper Payment Limit (UPL) program for the state of Texas, with an effective date of August 31, 2001. The UPL program is a state program that uses federal matching funds to raise state Medicaid reimbursement rates to 100% of equivalent Medicare rates for certain public hospital systems. The amounts received under the UPL program were \$69,198,000 and \$71,851,000 for 2011 and 2010, respectively, and are included in net patient service revenue. The amounts receivable included in prepaid assets and other current assets at December 31, 2011 and 2010, were \$15,426,000 and \$17,240,000, respectively.

11. Tobacco Settlement

Allocations of the state of Texas' 1998 tobacco settlement for the System were \$5,639,000 in 2010 and \$5,577,000 in 2010, and are included in nonoperating revenue.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

12. Affiliation Agreement

The System and UTHSCSA entered into a 20-year agreement in 1992 that provides that the System will be available to UTHSCSA for teaching and research. Under the agreement and other sub-agreements, UTHSCSA supervises and directs professional services to patients of the System. The System recorded expenses of approximately \$14,244,000 and \$14,284,000 in 2011 and 2010, respectively, under the terms of the agreements.

13. Pension and Other Postretirement Benefits

Pension Plan

The Plan is a single-employer defined benefit pension plan covering substantially all of the System's employees who work at least 20 hours per week or at least 1,000 hours annually. Employer contributions to the Plan amounted to \$15,688,000 and \$13,111,000 for the years ended December 31, 2011 and 2010, respectively.

Benefits

Participants are eligible for normal retirement benefits after attaining the age of 65 and completing five years of vesting service, or after the age of 55 when years of service plus age are equal to 85 (Rule of 85). Annual normal retirement benefits are equal to 1.5% of the average of participants' five highest consecutive years' pay times the number of years of credited service. The Plan's audited financial statements are available at the System's offices in San Antonio, Texas.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

13. Pension and Other Postretirement Benefits (continued)

At January 1, 2011, the date of the most recent actuarial valuation, Plan membership consisted of:

Inactive participants:	
Retirees and beneficiaries currently receiving benefits	607
Terminated employees with deferred benefits	984
Total inactive participants	1,591
Active participants:	
Fully vested	2,786
Nonvested	1,606
Total active participants	4,392
Total participants	5,983

Annual Pension Cost and Net Pension Obligation

For fiscal year 2011, the System's annual pension cost and contribution was \$15,688, resulting in no net pension obligation.

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
<i>(In Thousands)</i>			
December 31, 2011	\$ 15,688	100%	\$ —
December 31, 2010	13,111	100	—
December 31, 2009	10,993	100	—

The January 1, 2011, 2010, and 2009 pension benefit obligations were determined as a part of actuarial valuations using the projected unit cost method. Significant actuarial assumptions used include: (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 5.5% per year compounded annually, and (c) an inflation rate of 4.0%.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

13. Pension and Other Postretirement Benefits (continued)

Contributions Required

The System makes contributions that are actuarially determined to pay the Plan's normal cost plus amortization of unfunded liability. The System amortizes the Plan's unfunded liability over a period ranging from one to 30 years, and the underfunded liability is determined, in part, based on the System's level of contributions. The System's normal cost was approximately \$10,770,000, \$10,607,000, and \$8,596,000 in 2011, 2010, and 2009, respectively, which was 4.82% of covered payroll as of January 1, 2011 (the date of the most recent actuarial report), 4.68% of covered payroll as of January 1, 2010, and 4.16% of covered payroll as of January 1, 2009. The annual covered payroll as of January 1, 2011, 2010, and 2009, was approximately \$231,094,000, \$234,739,000, and \$214,950,000, respectively. Participants are required to contribute 2.00% of annual compensation to the Plan. The System made contributions of \$15,688,000, \$13,111,000, and \$10,993,000 in 2011, 2010, and 2009, respectively.

Other Postretirement Benefits

Description

In 2007, the System adopted GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)*. This statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities footnote disclosures. During 2007, the System approved the OPEB Trust to receive contributions and accumulate assets to fund the cost of retiree medical benefits as a single-employer defined benefit health care plan in accordance with the adoption of GASB 45. Employees eligible to retire from the System may elect to continue medical benefits, currently at the same contribution rates and schedule of benefits as active employees. The financial statements of the OPEB Trust are included as a discretely presented component unit of the System.

Funding Policy

The contribution requirements of plan members and the System are established and may be amended by the Investment Committee of the OPEB Trust. The required contribution is based on projected pay-as-you-go financing requirements. Plan members receiving benefits contributed

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

13. Pension and Other Postretirement Benefits (continued)

\$356,633 through their required contribution of \$58.66 per month for retiree-only coverage, \$111.45 for retiree and spouse coverage, \$109.69 for retiree and children coverage, and \$205.88 for retiree and family coverage.

Annual OPEB Cost and Net OPEB Obligation

The System's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The adjustment to the ARC shown in the following table is for the portion of the benefits paid to beneficiaries by the System and is recorded in employee compensation expense on a pay-as-you-go basis. The following table shows the components of the System's annual OPEB cost for the year, the amount actually contributed to the OPEB Trust, and changes in the System's net OPEB obligation to the OPEB Trust:

	Year Ended December 31 2011 <i>(In Thousands)</i>
Annual required contribution	\$ 3,772
Interest on net OPEB obligation	-
Adjustment to annual required contribution	(924)
Annual OPEB cost	2,848
Contributions made	(2,848)
Decrease in net OPEB obligation	-
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	\$ -

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

13. Pension and Other Postretirement Benefits (continued)

The System's annual OPEB cost, the percentage of annual OPEB cost contributed to the OPEB Trust, and the net OPEB obligation for 2011 and 2010 are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
	<i>(In Thousands)</i>		
December 31, 2011	\$ 3,772	100%	\$ -
December 31, 2010	3,782	100%	-

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the actuarial accrued liability for benefits was approximately \$35,123,000, and the actuarial value of assets was \$14,031,000, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$21,092,000. The actuarial value of assets as a percentage of the actuarial accrued liability, or funded ratio, was 39.9%. The covered payroll (annual payroll of active employees covered by the OPEB Trust) was \$231,094,000, and the ratio of the UAAL to the covered payroll was 10%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the actuarial accrued liabilities for benefits.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

13. Pension and Other Postretirement Benefits (continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members up to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an 8% investment rate of return and an annual health care cost trend and inflation rate of 5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization period at December 31, 2011, was 30 years.

14. Commitments and Contingencies

The System's Board has approved various facility improvements and renovation projects. As of December 31, 2011, the System had outstanding contractual arrangements totaling \$7,179,000 for architectural and construction services.

In 2010 and 2011, the System issued long-term debt, as described in Note 7, to fund the construction of capital projects at two of the System's locations. In connection with the construction program, the System entered into agreements for design, program management, and construction of those projects. The System had outstanding contracts totaling \$735,723,000 at December 31, 2011.

At December 31, 2011 and 2010, the System was a defendant in certain pending civil litigation, and the System has notice of certain claims that have been asserted against it. In addition, unasserted possible claims exist for known and unknown incidents. The System covers its exposure for asserted and unasserted claims through a program of self-insurance. The System has accrued its best estimate of these contingent losses. The reserves for these contingent losses include estimates of the ultimate cost for both reported claims and claims incurred but not yet

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

14. Commitments and Contingencies (continued)

reported. In addition, the System has established a reserve in the amount of \$1,200,000 to cover potential System exposure for medical malpractice claims arising from a limited number of System-employed physicians. The reserve will provide “tail coverage” for a physician’s medical malpractice claim occurring prior to October 1, 2003, the period when such physicians were covered under a “claims made” medical malpractice policy.

The System also self-insures workers’ compensation claims. The program provides for specific excess of loss reinsurance for the excess of \$500,000 up to a maximum limit of \$1,000,000 for any one accident or occurrence. The amounts provided for funding and the estimated liability are based on claims made and claims incurred but not yet reported. During the years ended December 31, 2011 and 2010, the System recognized expense of \$2,012,000 and \$2,275,000, respectively, associated with the workers’ compensation program.

In 2006, the System affiliated with Bexar County’s largest providers of health care services to the poor and indigent in a program called the Bexar Regional Upper Payment Limit Program (Bexar Regional UPL Program). The program was approved by the Centers for Medicare & Medicaid Services (CMS) in July 2006 and further reviewed and approved in April 2008. Through participation in the program, the affiliated hospitals increased the medical care and other services they provide to the poor and indigent. Some of these services are provided in System facilities. As a result of participating in the Bexar Regional UPL Program, the System has realized benefits of lower medical service costs amounting to \$85,264,000 and \$61,478,000 in 2011 and 2010, respectively. The System also incurred increased costs to supplement the state’s funding for the affiliated providers in the amounts of \$58,359,000 and \$34,528,000 in 2011 and 2010, respectively.

15. Investment Risk

The disclosures required under GASB 40, *Deposit and Investment Risk Disclosures* (GASB 40) for University Health System are reflected below. Separate financial statements of the Plan include applicable investment disclosures.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

15. Investment Risk (continued)

Credit Risk and Concentration of Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The System and CFHP, its affiliated nonprofit health maintenance organization (HMO), each have formal investment policies adopted by the Board of Managers and Board of Directors, respectively, that limit investment in securities based on an NRSRO credit rating. The System's investments are also subject to the Public Funds Investment Act (the Act), at Government Code Chapter 2256, and CFHP's investments are also subject to regulations enumerated in Title 28, Chapter 11 of the Texas Administrative Code (TAC) and Chapter 20A of the Texas Insurance Code (TIC).

Investments authorized by the Act and the System's investment policy are limited to: obligations of the United States government or its agencies; repurchase agreements collateralized by obligations of the United States government or its agencies; investment pools with at least an AA-m or better rating by one nationally recognized rating service; commercial paper with a stated maturity of 270 days or less, and a credit rating of A-1 or P-1 or its equivalent by at least two nationally recognized credit rating agencies; certificates of deposit issued by a state bank, national bank, or a savings and loan association domiciled in Texas, with Federal Deposit Insurance Corporation (FDIC) insurance and collateralized by obligations of the U.S. government or its agencies, with market value of 102% of the insured principal amount; bankers' acceptances of a bank organized and existing under the laws of the United States, whose short-term obligations are rated not less than A-1 or P-1 or its equivalent by at least one nationally recognized rating agency, and with a stated maturity of 270 days or less; and no-load money market mutual funds registered by the Securities and Exchange Commission with a dollar-weighted-average stated maturity of 90 days or less, and an investment objective of a stable net asset value of one dollar.

Investments authorized by the TAC, TIC, and CFHP's investment policy are limited to obligations of the United States government or its agencies; certificates of deposit with a credit rating of Moody's A2 or S&P A; corporate obligations with a credit rating of Moody's A1 or S&P A+; municipal notes and bonds with a credit rating of Moody's Aaa or S&P AAA; auction-rate securities with a credit rating of Moody's A2 or S&P A; and asset-backed securities with a credit rating of Moody's Aaa or S&P AAA.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

15. Investment Risk (continued)

Per GASB 40, unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. GASB 40 also provides that securities with split ratings, or a different rating assignment between NRSROs, are disclosed using the rating indicative of the greatest degree of risk.

The following table presents each applicable investment type grouped by rating as of December 31, 2011:

Investment Type	Fair Value	Rating
	<i>(In Thousands)</i>	
U.S. government, Treasury	\$ 40,216	Exempt from disclosure
U.S. government, Treasury strips	1,696	AAA
Total U.S. government, guaranteed	<u>41,912</u>	
U.S. government, non-guaranteed:		
Federal Home Loan Bank notes	410,476	AAA
Federal National Mortgage Association notes	177,334	AAA
Federal Farm Credit Bank notes	125,204	AAA
Government National Mortgage Association mortgage-backed securities	<u>2</u>	AAA
Total U.S. government, non-guaranteed	<u>713,016</u>	
Cash and cash equivalents – money market funds	<u>352,295</u>	AAA
Total cash and investments	<u><u>\$ 1,107,223</u></u>	

Securities comprise greater than 5% of the total.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

15. Investment Risk (continued)

In accordance with the System's investment policy, the System has no limit on the amount of investments with a single authorized issuer, other than a 15% limit on repurchase agreements with a single issuer. As of December 31, 2011, the System was in compliance with this policy. According to GASB 40, concentration of credit risk is defined as more than 5% of the market value of the total portfolio invested in securities issued by one issuer. Investments with an explicit guarantee by the U.S. government are exempt from the disclosure requirement.

The System maintained no investments in derivatives at December 31, 2011 and 2010.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the System will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System's policy does not contain specific requirements to limit its exposure to custodial credit risk for deposits or investments. As of December 31, 2011, all investments are registered in the System's name.

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

15. Investment Risk (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair market value to changes in market interest rates. Interest rate risk inherent in the portfolio is measured by monitoring the segmented time distribution of the investments in the portfolio. The System's investment policy limits the maturity periods of its investments by type. The table below summarizes the System's segmented time distribution investment maturities in years and by investment type as of December 31, 2011:

	Fair Value	Years		
		< 1	1 to 5	6 to 10
<i>(In Thousands)</i>				
2011				
Money market	\$ 352,295	\$ 352,295	\$ -	\$ -
U.S. government, Treasury	40,216	33,256	5,849	1,111
U.S. government, Treasury strips	1,696		1,696	
U.S. government, Federal Farm Credit Bank notes	125,204	62,389	62,226	589
U.S. government, Federal Home Loan Bank notes and Federal National Mortgage Association notes	587,810	353,237	234,001	572
U.S. government, mortgage-backed securities	2	2	-	-
Total	\$ 1,107,223	\$ 801,179	\$ 303,772	\$ 2,272

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

15. Investment Risk (continued)

Reconciliation of Investments by Type to Balance Sheet Presentation

The following table presents each applicable investment grouped by type and balance sheet presentation at December 31, 2011:

Investment Type	Fair Value	Balance Sheet Line
	<i>(In Thousands)</i>	
Investments, at fair value:		
Money market	\$ 175,347	
Cash	<u>(1,047)</u>	Cash and cash equivalents
	174,300	
U.S. government, guaranteed	2,164	Short-term investments
U.S. government, non-guaranteed	<u>37,130</u>	
	39,294	
U.S. government, non-guaranteed	25,366	Noncurrent investments
Cash	(2,252)	
Money market	10,071	
U.S. government, guaranteed	10,020	
U.S. government, non-guaranteed	<u>137,664</u>	Internally designated for capital acquisitions and improvements
	155,503	

University Health System
Bexar County, Texas

Notes to Basic Financial Statements (continued)

15. Investment Risk (continued)

Investment Type	Fair Value	Balance Sheet Line
	<i>(In Thousands)</i>	
Money market	\$ 4,348	
U.S. government, guaranteed	13,611	
U.S. government, non-guaranteed	135,438	
U.S. government, non-guaranteed asset-backed	2	Internally designated for contingencies
	<u>153,399</u>	
Money market	203	
U.S. government, guaranteed	6,086	
U.S. government, non-guaranteed	4,373	Held by trustee for professional selfinsurance
	<u>10,662</u>	
Cash	(10,702)	
Money market	84,839	Project Fund series 2008 Certificates of Obligation
	<u>74,137</u>	
Money market	66,211	
U.S. government, guaranteed	10,031	
U.S. government, non-guaranteed	176,682	Project Fund series 2009 A and B Certificates of Obligation
	<u>252,924</u>	
Money market	7,390	
U.S. government, non-guaranteed	196,360	Project Fund series 2010 Certificates of Obligation
	<u>203,750</u>	
Money market	17,888	Certificate Fund
Total	<u><u>\$ 1,107,223</u></u>	

Required Supplementary Information

University Health System
Bexar County, Texas

Schedule of Funding Progress –
University Health System Retiree Health Trust
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)
January 1, 2011	\$ 14,031	\$ 35,123	\$ 21,092
January 1, 2010	10,072	33,227	23,155
January 1, 2009	6,783	32,303	25,520

Other Financial Information

University Health System
Bexar County, Texas

Schedule of Expenditures of Federal and State Awards

Year Ended December 31, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Federal Programs			
U.S. Department of Health and Human Services			
Direct Awards			
Family Planning Service Delivery Improvement Research Grants:			
UHS Male Health Program	93.974		\$ 146,193
UHS Male Health Program	93.974		<u>82,566</u>
			228,759
State and Territorial and Technical Assistance: Capacity Development Minority HIV/AIDS Demonstration Program: The Latino AIDS Advocacy Project of South Texas			
	93.006		134,857
Special Projects of National Significance: Hepatitis C			
	93.238		<u>10,458</u>
Total Direct Awards			<u>374,074</u>
Indirect Awards			
Passed Through the Department of State Health Services:			
Family Planning Services:			
Title X Family Planning	93.217		145,307
Title X Family Planning	93.217		<u>6,477</u>
			151,784
Medical Assistance Programs:			
Title XIX Family Planning	93.778		522,675
Title XIX Family Planning	93.778		<u>182,081</u>
			704,756
Social Services Block Grant:			
Title XX Family Planning Services	93.667		1,082,726
Title XX Family Planning Services	93.667		<u>166,390</u>
			1,249,116

University Health System
Bexar County, Texas

Schedule of Expenditures of Federal and State Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Federal programs (continued)			
Refugee and Entrant Assistance State-Administered Program:			
Refugee Program	93.556		\$ 759,115
Refugee Program	93.556		215,559
			<u>974,674</u>
Maternal and Child Health Services Block Grant to the States:			
Title V Prenatal	93.994		64,045
Title V Prenatal	93.994		31,627
			<u>95,672</u>
Centers for Disease Control and Prevention Investigations and Technical Assistance:			
Breast and Cervical Cancer	93,283		7,226
Breast and Cervical Cancer	93,283		5,984
Breast and Cervical Cancer Patient Navigation	93,283		45,593
			<u>58,803</u>
HIV Prevention Activities, Health Department Based			
HIV Rapid Testing to Clients Accessing Emergency Services	93.40		107,037
Passed Through Bexar County:		74-1557491	
HIV Emergency Relief Project Grants A	93.914		317,215
HIV Emergency Relief Project Grants A	93.914		1,115,968
HIV Emergency Relief Project Grants B (Service Delivery)	93.914		134,584
HIV Emergency Relief Project Grants B (Service Delivery)	93.914		277,216
HIV Emergency Relief Project Grants B (State Services)	93.914		274,593
HIV Emergency Relief Project Grants B (State Services)	93.914		23,956

University Health System
Bexar County, Texas

Schedule of Expenditures of Federal and State Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Federal programs (continued)			
Passed Through the University of Texas Health Science Center SA:		74-1586031	
Coordinated Services and Access to Research for Women, Infants, Children, and Youth:			
South Texas Family AIDS Network (Part D)	93.153		\$ 337,006
South Texas Family AIDS Network (Part D)	93.153		<u>151,882</u>
			488,888
Special Projects of National Significance:			
Women’s HIV Entry, Access, and Retention in Treatment Initiative	93.928		58,866
Women’s HIV Entry, Access, and Retention in Treatment Initiative	93.928		<u>23,171</u>
			82,037
Passed Through the City of San Antonio:			
Head Start	93.600		99
Head Start	93.600		<u>90,104</u>
			90,203
Affordable Care Act Health Profession Opportunity Grants: Healthcare Professions Training Initiative	93.093		104,554
Total Indirect Awards			
Total Federal Awards			<u>6,251,056</u>
			6,625,130
State Programs			
Texas Health & Human Services Commission:			
Texas Nurse-Family Partnership Program			509,041
Texas Nurse-Family Partnership Program			259,458
HIV Rapid Testing to Clients Accessing Emergency Services			-
Title V Family Planning			106,203
Title V Family Planning			67,486
Title V Primary Health Care			-

University Health System
Bexar County, Texas

Schedule of Expenditures of Federal and State Awards (continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Alamo Area Resource:			
HIV/AIDS Health Improvement for Re- Entering Ex-Offenders			\$ 38,699
HIV/AIDS Health Improvement for Re- Entering Ex-Offenders			16,758
Cancer Prevention & Research Institute of Texas:			
A Su Salud			28,951
A Su Salud			149,234
Mammography Utilization Project			60,440
Mammography Utilization Project			50,972
Colorectal Cancer Navigation Program			128,160
Colorectal Cancer Screening Promotion			73,158
Total State Awards			<u>1,488,560</u>
Total Federal and State Awards			<u><u>\$ 8,113,690</u></u>

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