CONCHO COUNTY HOSPITAL DISTRICT
EDEN, TEXAS

For the Years Ended
September 30, 2015 and 2014

DURBIN & COMPANY, L.L.P.
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INDEPENDENT AUDITOR'S REPORT

Management and the Board of Directors
Concho County Hospital District
Eden, Texas

We have audited the accompanying statements of net position of Concho County Hospital District, (the "District") as of September 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Concho County Hospital District, as of September 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 14 to the financial statements, in 2015 the District adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 and GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68.* Our opinion is not modified with respect to this matter.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and defined benefit plan information on pages A-1 through A-5 and paged 25 and 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Durbin & Company, L.L.P.

Durbin & Company, L. L. P.
Lubbock, Texas
June 14, 2016

CONCHO COUNTY HOSPITAL DISTRICT
EDEN, TEXAS

Management's Discussion and Analysis

For the Years Ended
September 30, 2015 and 2014

CONCHO COUNTY HOSPITAL DISTRICT

UNAUDITED
MANAGEMENT DISCUSSION AND ANALYSIS
AND FINANCIAL STATEMENTS
SEPTEMBER 2015 AND 2014

Our discussion and analysis of Concho County Hospital District's financial performance provides an overview of the District's financial activities for the fiscal years ended September 30, 2015 and 2014. Please read it in conjunction with the District's financial statements, which begin on page 1.

FINANCIAL HIGHLIGHTS

- The District's net position increased in 2015 by $959,483 or 9.8%. Net position increased in 2014 by $292,564 or 3.1%.

- The District reported an operating loss in 2015 and 2014 of ($62,481) and ($772,794), respectively. The operating loss in 2015 decreased $710,313 or 91.9% over the loss reported in 2014.

- Nonoperating revenues and expenses decreased ($43,394) or 4.1% and increased 15,785 or 1.5% in 2015 and 2014, respectively.

USING THIS ANNUAL REPORT

The District's financial statements consist of three statements, a Statement of Net Position; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors, and enabling legislation.

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

Our analysis of the District's finances begins on page A-2. One of the most important questions asked about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. You can think of the District's net position—the difference between assets and liabilities—as one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the District's patient base and measures of the quality of service it provides to the community, as well as local economic factors to access the overall health of the District.

The Statement of Cash Flows

The final required statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from? "What was cash used for?" and "What was the change in cash balance during the reporting period?"

THE DISTRICT'S NET POSITION

The District's net position is the difference between its assets and liabilities reported in the Statement of Net Position on page 1. The District's net position increased by or in 2015 and increased by or in 2014, as you can see from **Table 1**.

Table 1: Assets, Liabilities, and Net Position

	2015	2014	2013
Assets:			
Current Assets	$ 6,064,770	$ 6,182,677	$ 6,821,378
Capital Assets (net)	5,875,529	4,194,188	3,980,197
Deferred Outflows of Resources	108,722	-	-
Total Assets and Deferred Outflows of Resources	$ 12,049,021	$ 10,376,865	$ 10,801,575
Liabilities:			
Long-Term Debt Outstanding	$ 869,290	$ 328,796	$ 91,909
Other Current and Non-Current	400,588	303,393	1,257,554
Deferred Inflows of Resources	1,085	-	-
Total Liabilities and Deferred Inflows of Resources	1,270,963	632,189	1,349,463
Total Net Position	10,778,058	9,744,676	9,452,112
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 12,049,021	$ 10,376,865	$ 10,801,575

A significant component of the change in total current assets is the decrease in cash and cash equivalents by $762,275 and an increase in Estimated Third Party Payor Settlements which increased by $441,108. A significant change in the change in total liabilities is the increase in accrued payroll, benefits and related liabilities of $59,606 over 2014, and the increase in long-term debt of $540,494.

CONCHO COUNTY HOSPITAL DISTRICT
UNAUDITED – MANAGEMENT DISCUSSION AND ANALYSIS
AND FINACIAL STATEMENTS (CONTINUED)
FOR THE FISCAL YEARS ENDED SEPTEMBER 2015 AND 2014

OPERATING RESULTS AND CHANGES IN THE DISTRICT'S NET POSITION

The District's net position increased by $959,483 and $292,564 in 2015 and 2014, respectively. This change is made up of very different components, as you can see from **Table 2**.

Table 2: Operating Results and Changes in Net Position

	2015	2014	2013
Operating Revenues:			
Net Patient Service Revenue	$ 6,635,002	$ 5,093,793	$ 3,753,888
Delivery System Reform Incentive Program	290,984	-	-
Electronic Medical Record Stimulus	-	-	47,800
Other Operating Revenue	105,924	49,005	295,288
Total Operating Revenue	7,031,910	5,142,798	4,096,976
Operating Expenses:			
Salaries, Benefits and Payroll Taxes	3,207,137	2,838,973	2,173,747
Other Operating Expenses	3,487,079	2,679,067	2,355,447
Depreciation / Amortization	400,175	397,552	345,735
Total Operating Expenses	7,094,391	5,915,592	4,874,929
Operating Income (Loss)	(62,481)	(772,794)	(777,953)
Nonoperating Revenues and Expenses:			
Property Tax Revenue	722,640	690,914	700,075
Noncapital Grants and Contributions	-	18,101	3,053
Community Benefit Support	941,232	935,719	912,047
Intergovernmental Transfer	(667,262)	(602,767)	(572,007)
Investment Income	12,380	12,935	14,040
Interest Expense	(2,450)	(3,420)	(7,858)
Other	15,424	13,876	15,437
Gain (Loss) on Disposal of Assets	-	-	(15,214)
Total Nonoperating Revenues (Expenses)	1,021,964	1,065,358	1,049,573
Excess (Deficiency) of Revenues over Expenses Before Capital Grants and Contributions	959,483	292,564	271,620
Capital Grants and Contributions	-	-	50,000
Increase (Decrease) in Net Position	959,483	292,564	321,620
Net Position, Beginning of Year, as Originally Reported	9,744,676	9,452,112	9,130,492
Adjustment for Change in Accounting Principle	73,899	-	-
Net Position, Beginning of Year, as Restated	9,818,575	9,452,112	9,130,492
Net Position, End of Year	$ 10,778,058	$ 9,744,676	$ 9,452,112

Operating Income (Loss)

The first component of the overall change in the District's net position is its operating income (loss) generally, the difference between net patient service revenues and the expenses incurred to perform those services. The District reported an operating loss in 2015 and 2014 of ($62,481) and ($772,794), respectively.

The primary components of the decreased operating loss in 2015 are:

- Increase in net patient service revenue of $1,541,209 or 30.3%.
- Increase in other operating revenue of $347,903 or 709.9%.

The primary components of the increased operating loss in 2014 are:

- Decrease in other operating revenue of ($294,083) or (85.7%).
- Increase in salaries and benefits of $665,226 or 30.6%.
- Increase in other operating expense of $323,620 or 13.7%.

Nonoperating Revenues and Expenses

Nonoperating revenues consist primarily of tax district revenue and community benefit support.

Grants, Contributions, and Endowments

The District receives both capital and non-capital grants from various state and federal agencies for specific programs. Capital and non-capital grants received in 2015 were $-0- and $18,101 in 2014.

THE DISTRICT'S CASH FLOWS

Changes in the District's cash flows are consistent with changes in operating income (loss) and nonoperating revenues and expenses, discussed earlier.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015 and 2014, the District had $5,875,529 and $4,194,188, respectively, invested in capital asset, net of accumulated depreciation, as detailed in Note 7 of the financial statements. In 2015 the District acquired $2,081,516 in capital assets as compared with in the amount of $611,543 in 2014. Depreciation expense totaled $400,175 and $397,552 in 2015 and 2014, respectively.

Debt

At the end of September 30, 2015 the District had $850,947 and $328,796, respectively, in notes payable and capital leases outstanding, as detailed in Note 8 of the financial statements. During fiscal year 2015 and 2014, the District made payments of $52,796 and $54,653, respectively, on outstanding debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact, Brian Lady, Administrator/CEO at Concho County Hospital District, 614 Eaker St., Eden, TX 76837.

CONCHO COUNTY HOSPITAL DISTRICT
EDEN, TEXAS

Financial Statements

For the Years Ended
September 30, 2015 and 2014

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2015 AND 2014

ASSETS:	2015	2014
CURRENT ASSETS		
Cash and Cash Equivalents	$ 1,683,194	$ 2,445,469
Short-Term Investments	2,584,797	2,579,831
Patient Accounts Receivable, Net of Allowance	638,450	708,934
Estimated Third-Party Payor Settlements	469,542	28,434
Other Receivables	327,682	190,083
Inventory of Supplies	129,664	127,723
Prepaid and Other Current Assets	223,931	86,159
Property Taxes Receivable	7,510	16,044
Total Current Assets	6,064,770	6,182,677
NONCURRENT ASSETS		
Land	3,180	3,180
Construction-in-Progress	-	486,314
Depreciable Capital Assets, Net	5,872,349	3,704,694
Total Noncurrent Assets	5,875,529	4,194,188
Total Assets	11,940,299	10,376,865
DEFERRED OUTFLOWS OF RESOURCES		
Difference Between Projected and Actual Earnings	26,417	-
Contributions Made Subsequent to Measurement Date	82,305	-
Total Deferred Outflows of Resources	108,722	-
Total Assets and Deferred Outflows of Resources	$ 12,049,021	$ 10,376,865

The accompanying notes are an integral part of these financial statements.

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF NET POSITION

SEPTEMBER 30, 2015 AND 2014

LIABILITIES AND NET POSITION:	2015	2014
CURRENT LIABILITIES		
Current Portion of Long-Term Debt	$ 181,251	$ 44,453
Accounts Payable	126,185	90,546
Accrued Payroll, Benefits, and Related Liabilities	259,312	199,706
Estimated Third-Party Payor Settlements	2,302	317
Other Accrued Liabilities	12,789	12,824
Total Current Liabilities	581,839	347,846
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	669,696	284,343
Net Pension Liability	18,343	-
Total Noncurrent Liabilities	688,039	284,343
Total Liabilities	1,269,878	632,189
DEFERRED INFLOWS OF RESOURCES		
Differences Between Expected and Actual Experience	1,085	-
NET POSITION		
Net Investment in Capital Assets	5,024,582	3,865,392
Unrestricted	5,753,476	5,879,284
Total Net Position	10,778,058	9,744,676
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 12,049,021	$ 10,376,865

The accompanying notes are an integral part of these financial statements.

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
OPERATING REVENUES:		
Net Patient Service Revenue	$ 6,635,002	$ 5,093,793
Delivery System Reform Incentive Program	290,984	-
Other Revenue	105,924	49,005
Total Operating Revenues	7,031,910	5,142,798
OPERATING EXPENSES:		
Salaries	2,671,876	2,333,598
Employee Benefits and Payroll Taxes	535,261	505,375
Professional Fees and Purchased Services	1,071,779	1,019,988
Supplies	2,002,745	1,302,103
Other Operating	412,555	356,976
Depreciation and Amortization	400,175	397,552
Total Operating Expenses	7,094,391	5,915,592
Operating Income (Loss)	(62,481)	(772,794)
NONOPERATING REVENUES (EXPENSES):		
Property Tax Revenue	722,640	690,914
Noncapital Grants and Contributions	-	18,101
Community Benefit Support	941,232	935,719
Intergovernmental Transfer	(667,262)	(602,767)
Investment Income	12,380	12,935
Interest Expense	(2,450)	(3,420)
Other Non Operating Revenue	15,424	13,876
Total Nonoperating Revenues (Expenses)	1,021,964	1,065,358
Excess (Deficit) of Revenues Over Expenses Before Capital Grants and Contributions	959,483	292,564
Increase (Decrease) in Net Position	959,483	292,564
Net Position, Beginning of Year, as Originally Reported	9,744,676	9,452,112
Adjustment for Change in Accounting Principle	73,899	-
Net Position, Beginning of Year, as Restated	9,818,575	9,452,112
Net Position, End of Year	$ 10,778,058	$ 9,744,676

The accompanying notes are an integral part of these financial statements.

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from and on Behalf of Patients	$ 6,266,363	$ 4,095,608
Other Receipts and Payments, net	259,274	178,570
Payments to Suppliers and Contractors	(2,516,994)	(1,889,348)
Payments to Employees	(3,182,354)	(2,808,729)
Net cash provided by (used by) operating activities	826,289	(423,899)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Earnings	12,380	12,935
Purchase of Investments	(4,966)	(266,855)
Net Cash Provided by (Used by) Investing Activities	7,414	(253,920)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt and Notes Payable	(52,796)	(25,721)
Interest Payments on Long-Term Debt and Notes Payable	(143,596)	(25,047)
Purchase of Capital Assets	(1,365,423)	(327,308)
Net Cash Used by Capital and Related Financing Activities	(1,561,815)	(378,076)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES		
Property Taxes	731,174	702,019
Noncapital Grants and Contributions	-	18,101
Payments for Intergovernmental Transfers	(780,761)	(460,313)
Other	15,424	13,876
Net Cash Provided by (Used in) Noncapital Financing Activities	(34,163)	273,683
Net Increase (Decrease) in Cash and Cash Equivalents	(762,275)	(782,212)
Cash and Cash Equivalents, Beginning of Year	2,445,469	3,227,681
Cash and Cash Equivalents, End of Year	$ 1,683,194	$ 2,445,469

The accompanying notes are an integral part of these financial statements.

CONCHO COUNTY HOSPITAL DISTRICT

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
RECONCILIATION OF CASH AND EQUIVALENTS TO STATEMENTS OF NET POSITION:		
Cash and equivalents presented under the following titles:		
Cash and Cash Equivalents	$ 1,683,194	$ 2,445,469
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income (Loss)	$ (62,481)	$ (772,794)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:		
Provision for Bad Debt	899,422	539,583
Depreciation and Amortization	400,175	397,552
Community Benefit Support	941,232	935,719
(Increase) Decrease in:		
Accounts Receivable	(828,938)	(640,949)
Prepaid Expenses and Other Current Assets	(163,813)	99,585
Estimated Third-Party Payor Settlements	(439,123)	(896,819)
Deferred Outflows of Resources	5,107	-
Increase (Decrease) in:		
Accounts Payable	35,639	(120,632)
Accrued Salaries and Benefits Payable	59,606	30,244
Other Accrued Liabilities	(35)	4,612
Net Pension Liability	(20,285)	-
Deferred Inflows of Resources	(217)	-
Net Cash Provided By (Used in) Operating Activities	$ 826,289	$ (423,899)
Supplemental disclosure of noncash investing and financing activities		
Cost of New Equipment Under Capital Lease	$ 574,947	$ 262,608

The accompanying notes are an integral part of these financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – Concho County Hospital District (the "*District*") is an acute care hospital located in Eden, Texas. The District was created by and operates under the laws of the State of Texas. Operations consist of a 20 bed hospital, administered through a seven-member Board of Directors elected by the citizens of the county.

Enterprise Fund Accounting - The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. The District has elected to apply the provisions based on Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncement.* The District has also elected to apply the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Governmental Accounting Standards Board (GASB) Statement No. 65, *Items previously Reported as Assets and Liabilities*.

Newly Adopted Accounting Pronouncements:

GASB Statement No. 67 - The District has implemented the provisions of Governmental Accounting Standards Baord (GASB) Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25.* This Statement improves the financial reporting by state and local governmental pension plans. GASB 67 is effective for fiscal years beginning after June 15, 2013.

GASB Statement No. 68 – The District has implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27.* The Statement objective is to improve accounting and financial reporting by pension plan sponsors. The Statement requires recognition of the entire net pension asset and a more comprehensive measure of pension expense and new footnote disclosures and required supplementary information. The cumulative effect of the implementation of this Statement has been applied to the District's financial statements.

GASB Statement No. 71 - The District has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68.* The Statement requires employer contributions made between the measurement date, which is the date used to determine an employer's net pension asset or liability, and the employer's fiscal year-end be reported as a deferred outflow of resources. The cumulative effect of the implementation of this Statement has been applied to the District's financial statements.

GASB Statement No. 82 - The District has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73.* This Statement improves the consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised with respect to GASB statements No. 67, No. 68, and No. 73. GASB 82 is effective for fiscal years beginning after June 15, 2016, with early implementation encouraged.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and Cash Equivalents – The District considers highly liquid investments with an original maturity of three months or less to be cash equivalents.

Patient Accounts Receivable - The allowance for estimated uncollectible patient accounts receivable is maintained at a level which, in management's judgment, is adequate to absorb patient account balance write-offs inherent in the billing process. The amount of the allowance is based on management's evaluation of the collectability of patient accounts receivable, including the nature of the accounts, credit concentrations, trends in historical write-off experience, specific impaired accounts, and economic conditions. Allowances for uncollectibles and contractuals are generally determined by applying historical percentages to financial classes within accounts receivable. The allowances are increased by a provision for bad debt expenses and contractual adjustments, and reduced by write-offs, net of recoveries.

Inventory of Supplies - Inventory is stated at the lower of cost or market on the First-In, First-Out (FIFO) method.

Short-Term Investments - The District's short-term investments are stated at fair value and are comprised of certificates of deposits, which mature within the next fiscal year.

Capital Assets – Capital Assets are carried at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. The District provides for depreciation of capital assets by the straight-line method and at rates promulgated by the American Hospital Association, which are designed to amortize the cost of such equipment over its useful life. Equipment under capital lease obligations is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the equipment life. Such amortization is included in depreciation and amortization in the financial statements. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The District's capitalization policy states that assets with a value greater than $5,000 and a useful life described below will be capitalized. The following are a range of useful lives used by asset class:

Land Improvements	15 to 20 years
Building (Components)	5 to 50 years
Fixed Equipment	7 to 25 years
Major Moveable Equipment	3 to 20 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined Benefit Pension Plan - For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension income/expense related to the defined benefit pension plan, information about the fiduciary net position of the Texas County and District Retirement System ("TCDRS") defined benefit pension plan and additions to/deductions from the TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources - Transactions not meeting the definition of an asset or liability that result in the consumption or acquisition of net position in one period that applicable to future periods are reported as deferred outflows of resources and deferred inflows of resources, respectively.

Net Position – Net position of the District is classified in two components. Net position invested in capital assets consists of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net position is remaining net position that does not meet the definition of net invested in capital assets or restricted.

Operating Revenues and Expenses – For purposes of display, the District's statements of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the District's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Federal Income Taxes - The District is a tax-exempt organization; therefore, no expense has been provided for income taxes in the accompanying financial statements.

Property Taxes – The District levies taxes as provided under state law on properties within the District. These taxes are collected by the Concho County Appraisal District and are remitted to the District when received. The District's taxes are levied and become collectible from October 1 to January 31 of the succeeding year. The taxes are based on the assessed values listed as of the prior January 1, which is the due date a lien attaches to the taxable property. Property tax revenues are recognized when they become available. Allowances are provided for delinquent taxes.

Charity Care - The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Management's policy for the provision of charity care is to request proof of income and personal property values, proof of Concho, County residency, number of household members, other benefits received, and other pertinent information. The District applies Federal Poverty Guidelines to determine patient eligibility and performs an application review every six months after approval. Because the District does not pursue the collection of amounts determined to qualify as charity care, charity care is excluded from net patient revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contributions - From time to time, the District receives grants from the state as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Risk Management - The District is exposed to various risks of loss from torts: theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disaster; and employee health, dental and accidental benefits. The District has commercial insurance coverage for claims arising from such matters other than employee health claims. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Reclassifications – Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 financial statements presentation. These reclassifications had no effect on the change in net position.

NOTE 2 - NET PATIENT SERVICE REVENUE

The District has agreements with third-party payors that provide for payments to the District at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows:

Medicare and Medicaid – The District is a Critical Access Hospital. Thus, inpatient acute care services, certain inpatient non-acute care services, and outpatient services rendered to Medicare program beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary.

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

NOTE 2 - NET PATIENT SERVICE REVENUE (CONTINUED)

Net patient service revenue is comprised as follows:

	2015	2014
Routine Patient Services	$ 248,526	$ 302,994
Ancillary Patient Services		
Inpatient	477,415	629,195
Outpatient	7,093,527	4,995,264
Gross Patient Service Revenue	7,819,468	5,927,453
Charity	(17,991)	(83,390)
Third-Party Contractual Adjustments	(506,520)	(436,898)
Provision for Bad Debts	(899,422)	(539,583)
Medicaid Supplemental Payments & Other Credits	239,467	226,211
Net Patient Service Revenue	$ 6,635,002	$ 5,093,793

Estimated Third-Party Payor Settlements - Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Anticipated final settlement amounts from current and prior years' cost reports are recorded in the financial statements as they are determined by the District. Estimated third-party payor settlements recorded in the statements of net position at September 30, 2015 and 2014 are $467,240 and $28,117, respectively.

Charity Care - The value of charity care provided by the District based upon its established rates, was $17,991 in 2015 and $83,390 in 2014. ASU 2010-23 requires charity care to be disclosed on a cost basis. The District utilizes the cost to charge ratios, as calculated based on its most recent cost reports, to determine the total cost. The District's cost of providing charity care was $19,760 and $98,871 for the years ended September 30, 2015 and 2014, respectively.

NOTE 3 – SHORT – TERM INVESTMENTS

The District's investments are reported at fair value, and consist of certificates of deposit. The certificates of deposit mature within the next fiscal year. The District's investments are subject to the following risks:

Interest Rate Risk – Interest rate risk is the risk that market value of investments will change based on changes in market interest rates.

Credit Risk – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer.

Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in value of investments will occur in the near-term and that such change could materially affect the amounts reported in the accompanying statements of net position.

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS

At September 30, 2015 and 2014, the carrying amount of the District's deposits with financial institutions was $4,263,639 and $5,025,300, respectively.

	2015	2014
Amount insured by the FDIC - Demand Deposits	$ 500,000	$ 500,000
Amount insured by the FDIC -Time and Savings	500,000	500,000
Amount collateralized with securities held by the pledging financial institution in the Hospital's name	3,474,127	4,238,664
Total bank balance	$ 4,474,127	$ 5,238,664

NOTE 5 - PATIENT ACCOUNTS RECEIVABLE

Patient accounts receivable consist of the following at September 30:

	2015	2014
Gross Accounts Receivable	$ 1,564,632	$ 1,299,637
Less: Allowance for Bad Debts	(403,699)	(458,220)
Allowance for Contractuals	(522,483)	(132,483)
Accounts Receivable, Net of Allowance	$ 638,450	$ 708,934

Concentration of Credit Risk - The District grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30 is as follows:

	2015	2014
Medicare	33%	48%
Medicaid	5%	3%
Other Third-Party Payors	30%	24%
Patients	32%	25%
Total	100%	100%

NOTE 6 – TAXES RECEIVABLE

Property taxes are levied on October 1 of each year and become delinquent as of February 1 of the following year. Property taxes are recognized as revenues in the year for which taxes have been levied. Total tax revenue for 2015 and 2014 was $722,640 and $690,914, respectively. As of September 30, 2015 and 2014, the balance of property taxes receivable, and its related allowance for uncollectible taxes are as follows:

	2015	2014
Property Taxes Receivable	$ 46,788	$ 119,085
Less: Allowance for Uncollectible Taxes	(39,278)	(103,041)
Taxes Receivable, Net of Allowance	$ 7,510	$ 16,044

NOTE 7 – CAPITAL ASSETS

Capital asset additions, retirements, and balances for the years ended September 30, 2015 and 2014 were as follows:

	Balance 09/30/14	Additions	Reclass/ Retirements	Balance 09/30/15
Land	$ 3,180	$ -	$ -	$ 3,180
Land improvements	13,918	-	-	13,918
Building and improvements	3,757,209	683,975	1,549,287	5,990,471
Equipment	2,449,355	334,568	-	2,783,923
Construction in progress	486,314	1,062,973	(1,549,287)	-
Totals at Historical Cost	6,709,976	2,081,516	-	8,791,492
Less Accumulated Depreciation for:				
Building and improvements	(820,868)	(62,824)	-	(883,692)
Equipment	(1,694,920)	(337,351)	-	(2,032,271)
Total Accumulated Depreciation	(2,515,788)	(400,175)	-	(2,915,963)
Capital Assets, Net	$ 4,194,188	$ 1,681,341	$ -	$ 5,875,529

NOTE 7 – CAPITAL ASSETS-(CONTINUED)

	Balance 09/30/13	Additions	Reclass/ Retirements	Balance 09/30/14
Land	$ 3,180	$ -	$ -	$ 3,180
Land improvements	13,918	-	-	13,918
Building and improvements	3,641,692	6,590	108,927	3,757,209
Equipment	2,330,716	118,639	-	2,449,355
Construction in progress	108,927	486,314	(108,927)	486,314
Totals at Historical Cost	6,098,433	611,543	-	6,709,976
Less Accumulated Depreciation for:				
Building and improvements	(710,800)	(110,068)	-	(820,868)
Equipment	(1,407,436)	(287,484)	-	(1,694,920)
Total Accumulated Depreciation	(2,118,236)	(397,552)	-	(2,515,788)
Capital Assets, Net	$ 3,980,197	$ 213,991	$ -	$ 4,194,188

Total depreciation expense for 2015 and 2014, was $400,175 and $397,552, respectively.

NOTE 8 – LONG-TERM DEBT

A schedule of changes in the District's long-term debt consists of the following at September 30:

	Balance 09/30/14	Additions	Reductions	Balance 09/30/15	Due Within One Year
Notes Payable:					
Note #1	$ 66,188	$ -	$ (22,569)	$ 43,619	$ 23,358
Capital Lease:					
Kingsbridge	$ 262,608	574,947	$ (30,227)	807,328	157,893
Total Long-Term Debt	$ 328,796	$ 574,947	$ (52,796)	$ 850,947	$ 181,251

	Balance 09/30/13	Additions	Reductions	Balance 09/30/14	Due Within One Year
Notes Payable:					
Note #1	$ 91,909	$ -	$ (25,721)	$ 66,188	$ 22,569
Capital Lease:					
Kingsbridge	$ -	262,608	-	$ 262,608	21,884
Total Long-Term Debt	$ 91,909	$ 262,608	$ (25,721)	$ 328,796	$ 44,453

The terms and due dates of the District's long-term debt, including note payable obligations, at September 30, 2015 are as follows:

- Note #1 payable to Government Capital, in yearly installments of $25,020 with an effective interest rate of 3.5%, collateralized by equipment. Final payment due April 2017.
- Kingsbridge: Capital lease payable to vendor for patient room renovations, payable in 60 monthly installments of $15,114 until July 2020, with an effective interest rate of 3.173%. Collateralized by real and personal property, with amortized value of $838,851 at September 30, 2015.

NOTE 8 – LONG-TERM DEBT (CONTINUED)

The following is a schedule of the future minimum payments on the note payable obligations and principal and interest payments on long term debt for each of the next five years:

	Long-Term Debt			Capital Lease Obligations	
For the Year Ending September 30,	Principal	Interest	Total	Principal	Interest
2016	$ 23,358	$ 1,662	$ 25,020	$ 157,893	$ 23,472
2017	20,261	845	21,106	162,976	18,388
2018	-	-	168,223	168,223	13,141
2019	-	-	-	173,639	7,725
2020	-	-	-	144,597	2,175
Total	$ 43,619	$ 2,507	$ 214,349	$ 807,328	$ 64,901

The District follows the policy of capitalizing interest as a component of the cost of capital assets constructed for its own use. In 2015 and 2014, total interest incurred was $143,596 and $25,047, respectively, of which $2,450 and $3,420 was charged to interest expense, respectively.

NOTE 9 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM

Uncompensated Care - The District participated in the Section 1115 Demonstration Waiver Program, a program designed to benefit rural community hospitals. This program is facilitated through the District providing an intergovernmental transfer whereby federal matching funds are provided to supplement the Hospital for the shortfall in Medicaid funding. In connection with this program, the Hospital provided intergovernmental transfers of $74,149 and $21,679, and received $174,654 and $53,785 for the years ended September 30, 2015 and 2014, respectively. The Hospital recognized net revenue of $86,050 and $162,106 for the years ended September 30, 2015 and 2014, respectively. The 2015 and 2014 net revenue is included within net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position. Additionally, the District has recorded a net receivable in the amount of $113,546 and $130,000 for the years ended September 30, 2015 and 2014, respectively, which are included in other receivables on the statements of net position.

Delivery System Reform Incentive Program - As part of the Section 1115 Demonstration Waiver Program, the District is eligible to receive incentive payments through the Delivery System Reform Incentive Payment Program (DSRIP). This incentive program is designed to improve the experience of care, improve the health of populations, and containing costs. By participating in the DSRIP program, the District provides an intergovernmental transfer to finance the non-federal share of the incentive payments. In connection with this program, the District provided intergovernmental transfers of $102,435 and received $244,184 for the year ended September 30, 2015. Additionally, the District has recorded a net receivable of $149,235 for funding related to the fiscal year 2015. The District recognized net revenue of $290,984 for the year ended September 30, 2015. The respective revenue is included within other revenue in the statements of revenues, expenses, and changes in net position.

NOTE 9 – SECTION 1115 DEMONSTRATION WAIVER PROGRAM (CONTINUED)

Indigent Care Affiliation - Under the demonstration wavier, the District is part of two indigent care affiliation agreements with the Service Organization of Concho Valley and the Service Organization of Big Country, both non-profit corporations, and affiliated hospitals. This agreement is intended to increase funding for the Medicaid population and to access federal funding for the indigent population.

Under this program, the District contributes certain governmental funds to the State of Texas. The Service Organization of Concho Valley then provides care to the Medicaid and non-Medicaid indigent in the region and surrounding communities. These services were valued at $941,232 and $935,719 as of September 30, 2015 and 2014, respectively. As part of the affiliation agreement, the District provided $772,361 and $460,313 in funding to the program for the years ended September 30, 2015 and 2014, respectively. Additionally, the District has funded $113,499 which have been recorded as prepaid expenses and other current assets in the accompanying statement of net position at September 30, 2015.

NOTE 10 – MEDICAID DISPROPORTIONATE SHARE FUNDS

The Indigent Health Care and Treatment Act, passed by the 69th Texas Legislature in 1985, first apportioned funds to the Texas Department of Human Services (DHS) to provide assistance to hospitals providing a disproportionate share of inpatient indigent health care. The State of Texas created a mechanism whereby intergovernmental transfers were made between selected district and county hospitals to generate additional federal matching funds. Hospitals participating in the Medicaid program that meet the conditions of participation and that serve a disproportionate share of low-income patients as defined by state law are eligible for additional reimbursement from the disproportionate share hospital fund. There are direct and indirect implied expectations regarding purposes of this funding. The focus of the funds is to benefit the health care needs of the medically indigent, including recipients of Medicaid benefits, those eligible for Medicaid benefits, the uninsured, and others for whom the cost of medical and hospital care has exceeded their ability to pay. However, state and federal law offer considerable flexibility to recipient hospitals regarding specific use of funds. In connection with this program, the District provided intergovernmental transfers of $63,017 and $126,047 and received $224,669 and $309,698 at September 30, 2015 and 2014, respectively. Additionally, the District recorded a net receivable in the amount of $28,765 and $37,000 at September 30, 2015 and 2014, respectively. The District recognized net revenue of $153,417 and $64,105 for the years ended September 30, 2015 and 2014, respectively. The 2015 and 2014 net revenue is included within net patient service revenue in the accompanying statements of revenues, expenses, and changes in net position.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation – The District is a unit of government covered by the Texas Tort Claims Act, which by statute, limits its liability to $100,000 per person/$300,000 per occurrence. These limits coincide with the malpractice insurance coverage maintained by the District. The District is, from time-to-time, may be subject to claims and suits for damages as well. In the opinion of management, the ultimate resolution of pending legal proceedings will not have a material effect on the District's financial position or results of operations.

Leases – The District leases various equipment and facilities under operating leases expiring at various dates. Total rental expense, including operating leases, in September 30, 2015 and 2014 was $27,079 and $22,631, respectively.

NOTE 12 – EMPLOYEE BENEFITS

Retirement Plan –

A. Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 677 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS. Members can retire at ages 60 and above with 10 or more years, with 30 years regardless of age, or when the sum of their age and years of service equals 80 or more. A member is vested after 10 years but must leave his accumulated contributions in the plan to receive any employer-financed benefit. If a member withdraws his personal contributions in a lump sum, he is not entitled to any amounts contributed by the employer.

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

NOTE 12 – EMPLOYEE BENEFITS (CONTINUED)

A. Plan Description (Continued)

Employees Covered by Benefit Terms – At December 31, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	15
Inactive Employees Entitled to but not Yet Receiving Benefits	0
Active Employees	41
Total	56

Contributions - The TCDRS Board has the authority to establish and amend the contribution requirements of the District as established by state law and administrative rule. The TCDRS Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the years ended June 30, 2015 and 2014, the average active employee contribution rate was 5.0% of annual pay, and the District's average contribution rate was 4.48% and 5.11%, respectively, of annual payroll.

B. Net Pension Liability

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

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

Inflation	3.0%
Salary Increases	4.9%
Investment Rate of Return	8.0%, net of pension plan investment expense, including inflation

NOTE 12 – EMPLOYEE BENEFITS (CONTINUED)

Mortality rates were based as follows:

Depositing Members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.
Service Retirees, Beneficiaries and Non-deposting Members	The RP-2000 Combined Mortality Table with the projection scale AA, with a one-year set-forward for males and no age adjustment for females.
Disabled Retirees	RP-2000 Disabled Mortality Table for males with no age adjustment and RP-2000 Disabled Mortality Table for females with a two-year set-forward, both with the projection scale AA.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except were required to be different by GASB 68.

The long-term expected rate of return on pension investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net or pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return (Expected minus Inflation)
U.S Equities	16.50%	5.35%
Private Equity	12.00%	8.35%
Global Equities	1.50%	5.65%
International Equities-Developed	11.00%	5.35%
International Equities-Emerging	9.00%	6.35%
Investment-Grade Bonds	3.00%	0.55%
High-Yield Bonds	3.00%	3.75%
Opportunistic Credit	5.00%	5.54%
Direct Lending	2.00%	5.80%
Distressed Debt	3.00%	6.75%
REIT Equities	2.00%	4.00%
Commodities	2.00%	-0.20%
Master Limited Partnerships (MLP's)	2.00%	5.30%
Private Real Estate Partnerships	3.00%	7.20%
Hedge Funds	25.00%	5.15%

NOTE 12 – EMPLOYEE BENEFITS (CONTINUED)

B. Net Pension Liability (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table summarizes the changes in the net pension liability as of December 31, 2014, the valuation date:

	Increase (Decrease)		
Changes in Net Pension Liability / (Asset)	Total Pension Liability	Fiduciary Net Position	Net Pension Liability / (Asset)
Balances as of December 31, 2013	$ 2,222,315	$ 2,183,687	$ 38,628
Changes for the Year:			
Service Cost	148,554	-	$ 148,554
Interest on Total Pension Liability	183,274	-	$ 183,274
Effect of Economic/Demographic Gains or Losses	(1,302)		$ (1,302)
Benefit Payments	(66,310)	(66,310)	$ -
Administrative Expenses	-	(1,798)	$ 1,798
Member Contributions	-	112,367	$ (112,367)
Net Investment Income	-	150,962	$ (150,962)
Employer Contributions	-	114,839	$ (114,839)
Other	-	(25,559)	$ 25,559
Balances as of December 31, 2014	$ 2,486,531	$ 2,468,188	$ 18,343

Sensitivity to the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (7.10%) or 1-percentage-point higher (9.10%) than the current rate:

NOTE 12 – EMPLOYEE BENEFITS (CONTINUED)

B. Net Pension Liability (Continued)

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total Pension Liability	$ 2,810,307	$ 2,486,531	$ 2,219,043
Fiduciary Net Position	2,468,188	2,468,188	2,468,188
Net Pension (Asset)/Liability	$ 342,119	$ 18,343	$ (249,145)

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued TCDRS financial report.

C. Pension (Income)/Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the years ended September 30, 2015 and 2014, the District recognized pension (income)/expense of $94,054 and $101,550, respectively. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to the TCDRS defined benefit pension plan from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference Between Expected and Actual Experience	$ 1,805	$ -
Change of Assumptions	-	-
Net Difference Between Projected and Actual Earnings	-	$ 26,417
Contributions Made Subsequent to Measurement Date	N/A	$ 82,305

NOTE 12 – EMPLOYEE BENEFITS (CONTINUED)

C. Pension (Income)/Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the TCDRS defined benefit pension plan will be recognized in pension expense as follows:

Year Ended December 31:	
2016	6,387
2017	6,387
2018	6,387
2019	6,387
2020	(936)

NOTE 13 – SLEEP STUDIES PROGRAM

The District operates sleep studies centers and has sleep clinics in Austin, Dallas, El Paso, Houston, Lawton, San Antonio, San Angelo, and Wichita Falls. Contracts for Austin, Houston and San Antonio began in fiscal year 2015 and contracts for Dallas, Lawton, and Wichita Falls began during fiscal year end 2013. El Paso and San Angelo contracts began in May of 2011. Contracts renew annually unless either party exercises the option to terminate. Net patient service revenue for all locations in 2015 and 2014 was $1,158,525 and $455,204 ,respectively. The related expenses were $598,940 and $249,350 , respectively, for the years ended September 30, 2015 and 2014.

2015	Austin	Dallas	El Paso	Houston	Lawton	San Antonio	Wichita Falls
Gross Patient Revenue	$ 438,000	$ 6,000	$ 12,000	$618,600	$ 8,000	$ 475,200	$ 28,000
Contractual Adjustments	(104,835)	(900)	(2,340)	(158,323)	(1,540)	(121,137)	(4,200)
Provision for Bad Debt	(9,180)	(170)	(340)	(13,260)	(170)	(10,200)	(680)
Net Patient Service Revenue	323,985	4,930	9,320	447,017	6,290	343,863	23,120
Total Expenses	(175,400)	(9,850)	(340)	(189,250)	(4,500)	(201,600)	(18,000)
Income (Loss) from Operations	$ 148,585	$ (4,920)	$ 8,980	$257,767	$ 1,790	$ 142,263	$ 5,120

2014	Austin	Dallas	El Paso	Lawton	San Angelo	San Antonio	Wichita Falls
Gross Patient Revenue	$ -	$ 116,800	$ 166,400	$ 90,800	$ 4,800	$ -	$ 227,200
Contractual Adjustments	-	(21,868)	(34,731)	(23,155)	(1,286)	-	(47,595)
Provision for Bad Debt	-	(3,767)	(5,983)	(3,989)	(222)	-	(8,200)
Net Patient Service Revenue	-	91,165	125,686	63,656	3,292	-	171,405
Total Expenses	-	(42,800)	(62,350)	(45,500)	(2,000)	-	(96,700)
Income (Loss) from Operations	$ -	$ 48,365	$ 63,336	$ 18,156	$ 1,292	$ -	$ 74,705

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

During 2015, the District implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, and amendment of GASB Statement No. 68.* The Statements improve accounting for defined benefit pension plans and contributions made subsequent to the actuarial valuation measurement date. In addition to making changes to how annual pension expense is to be calculated for defined benefit pension plans, the standard also requires that governmental entities record an asset or liability in their financial statements that is equal to the net pension asset or liability. Historically, governmental entities have only been required to record a liability, if any, for the difference between annual pension cost (APC) and the amount of APC contributed to the plan. Restatement of the 2014 financial statements is not practical because prior year information calculated under the provision of GASB 68 is not available; accordingly, the District has reported the cumulative effect of applying GASB 68 as a restatement of net position as of January 1, 2015. This restatement increased previously reported net position by $73,899.

NOTE 15 – SUBSEQUENT EVENTS

The date to which events occurring after September 30, 2015, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosure is June 14, 2016, which is the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CONCHO COUNTY HOSPITAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015 AND 2014

Schedule of Changes in the District's Net Pension Asset and Related Ratios

	Year Ended December 31,									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service Cost	$ 148,554	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on Total Pension Liability	183,274	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of Plan Changes	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of Assumption Changes or Inputs	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of Economic/Demographic (Gains) or	(1,302)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Losses		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit Payments/Refunds of Contributions	(66,310)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Change in Total Pension Liability	264,216	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Pension Liability, Beginning	2,222,315	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Pension Liability, Ending	$ 2,486,531	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer Contributions	$ 114,839	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member Contributions	112,367	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment Income Net of Investment Expenses	150,962	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit Payments/Refunds of Contributions	(66,310)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative Expenses	(1,798)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	(25,559)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Changes in Fiduciary Net Position	284,501	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position, Beginning	2,183,687	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position, Ending	$ 2,468,188	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability/(Asset), Ending	$ 18,343	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position as a % of Total Pension Liability	99.26%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable Covered Payroll	$ 2,247,336	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net Pension Liability as a % of Covered Payroll	0.82%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule of Changes in the District's Net Pension Liability and Related Ratios:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is required to present information for those years for which information is available.

Schedule of District Contributions

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2006	$ 44,612	$ 44,612	$ -	$ 833,861	5.4%
2007	50,533	50,533	-	1,033,391	4.9%
2008	46,426	46,428	-	944,185	4.7%
2009	36,775	36,775	-	947,803	3.9%
2010	52,480	52,480	-	1,116,592	4.7%
2011	57,341	57,341	-	1,204,644	4.8%
2012	70,803	70,803	-	1,430,360	5.0%
2013	87,305	87,305	-	1,760,182	5.0%
2014	114,839	114,839	-	2,247,336	5.1%

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INDEPENDENT AUDITOR'S REPORT ON OTHER FINANCIAL INFORMATION

Management and the Board of Directors
Concho County Hospital District
Eden, Texas

We have audited the financial statements of Concho County Hospital District (the "District") as of and for the years ended September 30, 2015 and 2014, and have issued our report thereon dated June 14, 2016, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The other financial information, on pages 28-31, is prepared for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Durbin & Company, L.L.P.

Durbin & Company, L. L. P.
Lubbock, TX
June 14, 2016

CONCHO COUNTY HOSPITAL DISTRICT
NET PATIENT SERVICE REVENUE
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Routine Services		
Routine services	$ 248,526	$ 302,994
Ancillary and Other Services		
Inpatient:		
Radiology and nuclear medicine	48,224	69,431
Laboratory	61,300	54,440
Respiratory therapy	50,167	117,728
Physical therapy	15,435	19,322
Electrocardiology	3,309	3,468
Central supply	59,452	132,185
Pharmacy	164,317	158,182
Emergency	35,374	24,625
Observation	39,837	49,814
Total Inpatient Ancillary Services	477,415	629,195
Outpatient:		
Radiology and nuclear medicine	675,807	460,329
Laboratory	852,536	835,283
Respiratory therapy	10,515	12,189
Physical therapy	1,585,800	606,000
Electrocardiology	47,564	41,427
Central supply	10,139	13,626
Pharmacy	69,223	63,784
Emergency room	1,457,819	1,138,528
Observation	591,013	447,149
Retail Pharmacy	1,789,073	1,376,949
Health and Wellness	4,038	-
Total Outpatient Ancillary Services	7,093,527	4,995,264
Gross Patient Revenue	$ 7,819,468	$ 5,927,453

See Independent Accountant's Report on Other Financial Information.

CONCHO COUNTY HOSPITAL DISTRICT
NET PATIENT SERVICE REVENUE (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Gross Patient Revenue	$ 7,819,468	$ 5,927,453
Deductions from Revenue:		
Charity	(17,991)	(83,390)
Third-Party Contractual Adjustments	(506,520)	(436,898)
Provision for Bad Debts	(899,422)	(539,583)
Medicaid Supplemental Payments & Other Credits	239,467	226,211
Total Deductions from Revenue	(1,184,466)	(833,660)
Net Patient Service Revenue	$ 6,635,002	$ 5,093,793
Operating Revenue		
Office Rents	$ 22,792	$ 47,413
Medical Records	$ 450	208
DSRIP Revenue	290,984	-
Miscellaneous	82,682	1,384
Total Operating Revenue	$ 396,908	$ 49,005

See Independent Accountant's Report on Other Financial Information.

CONCHO COUNTY HOSPITAL DISTRICT
OPERATING EXPENSES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
Routine Services	$ 1,471,319	$ 1,303,540
Ancillary Services		
Radiology and nuclear medicine	280,600	225,998
Laboratory	415,362	332,925
Respiratory therapy	1,857	3,168
Physical therapy	600,984	287,910
Electrocardiology	4,470	3,712
Central supply	49,910	28,150
Pharmacy	92,764	83,854
Emergency	687,955	656,168
Ambulance	76,440	73,640
Retail Pharmacy	1,309,613	1,013,472
	54,474	-
Total Ancillary Services	3,574,429	2,708,997

See Independent Accountant's Report on Other Financial Information.

CONCHO COUNTY HOSPITAL DISTRICT
OPERATING EXPENSES (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
General Services		
Operation and Plant	207,377	126,920
Laundry and Linen	9,443	12,492
Housekeeping	29,645	18,955
Dietary	62,502	56,154
Total General Services	308,967	214,521
Administrative Services		
Salaries	417,325	401,720
Other operating	136,099	162,776
Employee Benefits	521,831	491,413
Medical Records	27,122	26,105
Rental expense	20,579	17,889
Travel and Seminars	2,518	5,663
Insurance	33,473	28,651
Legal and Accounting Fees	57,345	64,091
Marketing	1,189	1,001
General Supplies	29,674	19,558
Computer Maintenance	92,346	72,115
Total Administrative Services	1,339,501	1,290,982
Depreciation	400,175	397,552
Total Operating Expenses	$ 7,094,391	$ 5,915,592

See Independent Accountant's Report on Other Financial Information.