

FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTARY INFORMATION,  
AND SUPPLEMENTARY INFORMATION

South Broward Hospital District  
d/b/a Memorial Healthcare System  
Years Ended April 30, 2015 and 2014  
With Report of Independent Certified Public Accountants

Ernst & Young LLP



Building a better  
working world

South Broward Hospital District  
d/b/a Memorial Healthcare System

Financial Statements, Required Supplementary Information,  
and Supplementary Information

Years Ended April 30, 2015 and 2014

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## Report of Independent Certified Public Accountants

The Management and the Board of Commissioners  
South Broward Hospital District  
d/b/a Memorial Healthcare System

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the South Broward Hospital District d/b/a Memorial Healthcare System (the System), as of and for the years ended April 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the South Broward Hospital District d/b/a Memorial Healthcare System as of April 30, 2015 and 2014, 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.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during the year ended April 30, 2015, the System implemented Government Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to this matter.

### ***Required Supplementary Information***

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 4 – 15 and the required pension supplementary information on pages 67 – 70 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, which 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, 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.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The combining detail information on pages 71 – 73 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining detail is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the combining detail information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we also have issued our report dated July 10, 2015 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the System's internal control over financial reporting and compliance.

*Ernst + Young LLP*

July 10, 2015

South Broward Hospital District  
d/b/a Memorial Healthcare System

Management's Discussion and Analysis

April 30, 2015

**Required Financial Statements**

The South Broward Hospital District d/b/a Memorial Healthcare System (the System) operates Memorial Regional Hospital and Joe DiMaggio Children's Hospital at Memorial Regional Hospital, both located in Hollywood, Florida; Memorial Regional Hospital South (a campus of Memorial Regional Hospital) located in Hollywood, Florida; Memorial Hospital Pembroke, located in Pembroke Pines, Florida; Memorial Hospital West, located in Pembroke Pines, Florida; and Memorial Hospital Miramar, located in Miramar, Florida. The System also operates the Urgent Care Center and Memorial Manor Nursing Home, both located in Pembroke Pines, Florida. Other components of the System include the Memorial Home Health Services; Memorial Home Infusion Services; Memorial Health Network; multiple primary care and school health centers located throughout south Broward County; the Memorial Cancer Institute, with locations on the campus of Memorial Regional Hospital and the campus of Memorial Hospital West; the Memorial Cardiac and Vascular Institute, with locations on the campus of Memorial Regional Hospital and the campus of Memorial Hospital West; and the Memorial Adult Day Care Center, located within the Memorial Outpatient Center – Hallandale. At April 30, 2015, the System operates a total of 1,900 licensed hospital beds and 120 licensed nursing home beds.

The Memorial Hospital Pembroke facility is leased from Hospital Realty, LLC. The initial ten-year lease of the facility expired June 30, 2005. The System entered into a second ten-year term beginning July 1, 2005, which was extended to 2025 in May 2007.

The System utilizes two different funds to account for its activities: an enterprise fund, which combines the business-type activities of the operating fund of the System, and a pension trust fund, which reports information about the plan net position and changes in plan net position of the System's employees' pension plan. The pension trust fund does not issue separate financial statements.

The financial statements of the System's enterprise fund report information about the System's business-type activities using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statements of net position include all of the System's assets, deferred outflows, and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the System's creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

**Required Financial Statements (continued)**

All of the current and prior year's revenue and expenses are accounted for in the statements of revenue and expenses and changes in net position. These statements communicate the performance of the System's operations over the past two years. These statements also provide the basis for computing rate of return, evaluating the capital structure of the System, and assessing the liquidity and financial flexibility of the System.

The final required statements are the statements of cash flows. The primary purpose of these statements is to provide information about the System's cash receipts and cash payments during the reporting periods. These statements report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating, noncapital financing, capital and related financing, and investing activities.

**Summary of Financial Information**

The financial statements consist of two parts: a) management's discussion and analysis and b) the audited financial statements. The audited financial statements also include notes that explain in more detail some of the information in the financial statements. The financial statements are intended to describe the results of operations, the changes in net position, the sources and uses of cash and cash equivalents, and the capital structure of the System. The following selected financial data as of April 30, 2013, 2014, and 2015, and for the three years then ended, for the System's business-type activities are derived from the audited financial statements of the System. The data should be read in conjunction with the financial statements, related notes, and supplementary information contained therein.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

**Summary of Financial Information (continued)**

*As of and for the Years Ended April 30, 2015 and 2014*

	<b>Condensed Statements of Net Position</b>			
	<b>April 30</b>		<b>Dollar</b>	<b>Percentage</b>
	<b>2015</b>	<b>2014</b>	<b>Increase (Decrease)</b>	<b>Increase (Decrease)</b>
	<i>(In Thousands of Dollars)</i>			
Other non-capital assets	<b>\$ 2,002,334</b>	\$ 1,688,500	\$ 313,834	18.6%
Capital assets, net	<b>750,965</b>	785,387	(34,422)	(4.4)
Total assets	<b>2,753,299</b>	2,473,887	279,412	11.3
Deferred outflows	<b>15,026</b>	11,697	3,329	28.5
Total current liabilities	<b>267,848</b>	234,444	33,404	14.2
Long-term debt, net of current portion	<b>614,396</b>	544,099	70,297	12.9
Total liabilities	<b>956,281</b>	865,107	91,175	10.5
Unrestricted net position	<b>1,559,543</b>	1,311,787	247,756	18.9
Net investment in capital assets	<b>135,716</b>	239,282	(103,566)	(43.3)
Restricted net position	<b>116,785</b>	69,606	47,179	67.8

South Broward Hospital District  
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

**Summary of Financial Information (continued)**

	<b>Summary of Revenue and Expenses and Changes in Net Position</b>			
	<b>Year Ended April 30 2015</b>	<b>2014</b>	<b>Dollar Increase (Decrease)</b>	<b>Percentage Increase (Decrease)</b>
	<i>(In Thousands of Dollars)</i>			
Operating revenue:				
Net patient service revenue	<b>\$ 1,630,804</b>	\$ 1,461,023	\$ 169,781	11.6%
Disproportionate share distributions	<b>83,420</b>	52,877	30,543	57.8
Other revenue	<b>49,983</b>	60,144	(10,161)	(16.9)
Total operating revenue	<b>1,764,207</b>	1,574,044	190,163	12.1
Operating expenses:				
Salaries and wages	<b>756,247</b>	708,039	48,208	6.8
Employee benefits	<b>151,129</b>	142,329	8,800	6.2
Professional fees	<b>38,204</b>	31,083	7,121	22.9
Supplies	<b>272,959</b>	239,463	33,496	14.0
Purchased services	<b>99,791</b>	94,299	5,492	5.8
Facilities	<b>73,586</b>	66,282	7,304	11.0
Depreciation and amortization	<b>111,208</b>	117,917	(6,709)	(5.7)
Other	<b>68,749</b>	57,606	11,143	19.3
Total operating expenses	<b>1,571,873</b>	1,457,018	114,855	7.9
Operating income	<b>192,334</b>	117,026	75,308	64.4
Nonoperating revenues (expenses), net (including depreciation of \$2,165 and \$2,198 in 2015 and 2014, respectively)	<b>(2,583)</b>	(17,435)	14,852	85.2
Income before capital contributions and grants	<b>189,751</b>	99,591	90,160	90.5
Capital contributions and grants	<b>1,618</b>	1,869	(251)	(13.4)
Increase in net position	<b>191,369</b>	101,460	89,909	88.6
Net position at the beginning of the year	<b>1,620,675</b>	1,519,215	101,460	6.7
Net position at the end of the year	<b>\$ 1,812,044</b>	\$ 1,620,675	\$ 191,369	11.8%

South Broward Hospital District  
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

**Management's Discussion of Financial Performance**

The System's operating income improved over the prior year. The improved operating results are due to management's ongoing efforts to manage operating expenses in response to increasing volumes and in anticipation of the changing reimbursement environment at both federal and state levels. For fiscal year 2015, total revenue increased by 12.1%, while operating expenses increased by 7.9%, resulting in operating income increasing by 64.4% from the prior year of \$117 million to approximately \$192 million. The System's excess of revenues and net nonoperating losses over expenses increased from \$99.6 million for the fiscal years ended April 30, 2014, to \$189.8 million for the fiscal years ended April 30, 2015, respectively.

Net patient service revenue increased by 11.6% from \$1.461 billion for fiscal year ended April 30, 2014, to \$1.631 billion for the fiscal year ended April 30, 2015. Total admissions, which include both inpatient admissions, as well as observation admissions, were 110,482 and 117,333, respectively, while the acuity of patients as measured by case-mix index remained constant at 1.39 for the fiscal years ended April 30, 2014 and 2015. Total surgical volume increased from 36,238 cases to 38,280, cases while hospital outpatient visits decreased from 474,804 to 466,639, or 1.7%, which was offset by an increase in emergency visits from 426,308 to 459,981, or 7.9%, for these periods. Medicare sequestration reduced net patient service revenue by approximately \$4.0 million for the fiscal year ended April 30, 2015.

The System pursues qualification of indigent patients for available Medicaid and other reimbursement programs. The System has also established effective protocols that enable early identification of denials and short pays from managed care organizations. As a result, the denial rates for managed care claims as a percentage of managed care claims was 1.1% for fiscal year 2014 and 1.3% for fiscal year 2015.

Other operating revenue decreased, as the System recognized \$60.1 million and \$50.0 million for the years ended April 30, 2014 and 2015, respectively. The decrease is primarily attributable to a decrease in meaningful use incentive payment revenue. Disproportionate share distributions increased, as the System recognized \$52.9 million and \$83.4 million for the years ended April 30, 2014 and 2015, respectively. The increase is due to state reallocation of dollars and increased patient volumes, partially offset by a decrease in net patient revenue also due to state reallocation of dollars.

Total expenses increased from \$1.457 billion for the fiscal years ended April 30, 2014, to \$1.572 billion, or 7.9%, for the fiscal years ended April 30, 2015, respectively, as a result of the

South Broward Hospital District  
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

**Management's Discussion of Financial Performance (continued)**

System's increased volumes, while maintaining focused cost reduction efforts. The increase in salaries and wages, as well as employee benefits, is primarily attributable to the additional staffing needed due to growth in net patient service revenue. The increase in professional fees is due to implementing a new hospitalist program with an outside vendor. The increase in supplies expense is directly correlated to the increase in patient volume, as well as increasing drug costs. The moderate increase in purchased services is due to increased surgery volumes and the new cardiovascular institute. Facilities expenses increased when compared to the prior year due to routine repairs and maintenance of clinical equipment, as well as routine facility maintenance, and depreciation and amortization decreased due to winding down depreciation expense of certain large information technology equipment, partially offset by new capital equipment purchased. The increase in other operating expenses is due to an increased Florida Agency for Health Care Administration assessment, which is driven by patient revenues, combined with an increase in professional liability expenses.

Nonoperating gains (losses), net, decreased from a \$17.4 million loss for the fiscal years ended April 30, 2014, to a \$2.6 million loss, or by \$14.8 million, for the fiscal years ended April 30, 2015. The System's conservative investment policy, which is further described in Note 5, was impacted favorably by declining interest rates. This resulted in a change of \$25.0 million in unrealized gains (losses) from a \$17.3 million loss in fiscal year 2014 to a \$7.7 million gain in fiscal year 2015. In addition, net tax revenue decreased by \$9.2 million from \$9.2 million to \$0 due to the change in the millage rate. The System's Board of Commissioners adopted a millage rate of 0.1863, which is less than the prior year millage rate of 0.4000. In fiscal year 2015, the System used the gross tax proceeds solely to offset the cost of the county's Medicaid match and tax collector fees. No tax dollars were used for the operations of the System's facilities.

Income available for debt service was \$276.1 million and \$331.1 million for the fiscal years ended April 30, 2014 and 2015, respectively. The long-term debt service coverage ratio was 6.17 and 6.95 for the fiscal years ended April 30, 2014 and 2015, respectively.

The investment policy of the System is consistent with Section 218.415 of the Florida Statutes, which is designed to ensure the prudent management of financial assets. Other than for certain investments of the pension trust fund, the System does not invest in equity securities. Cash, cash equivalents, and investments, excluding restricted assets, increased from \$1.321 billion at April 30, 2014, to \$1.560 billion at April 30, 2015. Cash, cash equivalents, and investments, including restricted assets, increased from \$1.416 billion at April 30, 2014, to \$1.705 billion

South Broward Hospital District  
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

**Management's Discussion of Financial Performance (continued)**

at April 30, 2015, as a result of excess of revenues and net nonoperating losses over expenses and a decrease in capital expenditures. Net patient accounts receivable increased from \$168.6 million at April 30, 2014, to \$195.1 million at April 30, 2015, due to increased volumes. Additions to capital assets increased from \$78.8 million in fiscal year 2014 to \$79.9 million in fiscal year 2015. The estimated cost to complete all construction projects in process at April 30, 2015, is \$80.5 million. Refer to Note 6 and Note 8 for further discussion of capital asset and long-term debt activity, respectively. On April 14, 2015, the Series 2015 Hospital Revenue and Revenue Refunding Bonds were issued in the amount of \$154,905,000 to provide funds to (1) refund and redeem a portion of the Series 2006 Hospital Refunding Revenue Bonds; (2) acquire, construct, renovate, and equip certain of its health care facilities, including reimbursement of certain moneys advanced prior to issuance; and (3) pay certain costs of issuance. The Series 2015 Hospital Revenue Refunding Bonds were issued as fixed rate bonds and are callable on or after May 1, 2025, at par, without premium.

**Summary of Financial Information**

*As of and for the Years Ended April 30, 2014 and 2013*

	<b>Condensed Statements of Net Position</b>			
	April 30		Dollar	Percentage
	2014	2013	Increase (Decrease)	Increase (Decrease)
	<i>(In Thousands of Dollars)</i>			
Other non-capital assets	<b>\$ 1,688,500</b>	\$ 1,571,918	\$ 116,582	7.4%
Capital assets, net	<b>785,387</b>	827,864	(42,477)	(5.1)
Total assets	<b>2,473,887</b>	2,399,782	74,105	3.1
Deferred outflows	<b>11,697</b>	14,742	(3,045)	(20.7)
Total current liabilities	<b>234,444</b>	261,147	(26,703)	(10.2)
Long-term debt, net of current portion	<b>544,099</b>	554,297	(10,198)	(1.8)
Total liabilities	<b>866,854</b>	895,309	(28,455)	(3.2)
Unrestricted net position	<b>1,311,787</b>	1,167,547	144,240	12.4
Net investment in capital assets	<b>239,282</b>	279,976	(40,694)	(14.5)
Restricted net position	<b>69,606</b>	71,692	(2,086)	(2.9)

South Broward Hospital District  
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

**Summary of Financial Information (continued)**

	<b>Summary of Revenue and Expenses and Changes in Net Position</b>			
	<b>Year Ended April 30 2014</b>	<b>2013</b>	<b>Dollar Increase (Decrease)</b>	<b>Percentage Increase (Decrease)</b>
	<i>(In Thousands of Dollars)</i>			
Operating revenue:				
Net patient service revenue	\$ 1,461,023	\$ 1,378,510	\$ 82,513	6.0%
Disproportionate share distributions	52,877	58,439	(5,562)	(9.5)
Other revenue	60,144	43,982	16,162	36.7
Total operating revenue	<u>1,574,044</u>	<u>1,480,931</u>	<u>93,113</u>	<u>6.3</u>
Operating expenses:				
Salaries and wages	708,039	659,975	48,064	7.3
Employee benefits	142,329	131,515	10,814	8.2
Professional fees	31,083	37,814	(6,731)	(17.8)
Supplies	239,463	248,301	(8,838)	(3.6)
Purchased services	94,299	96,757	(2,458)	(2.5)
Facilities	66,282	63,502	2,780	4.4
Depreciation and amortization	117,917	112,336	5,581	5.0
Other	57,606	43,156	14,450	33.5
Total operating expenses	<u>1,457,018</u>	<u>1,393,356</u>	<u>63,662</u>	<u>4.6</u>
Operating income	117,026	87,575	29,451	33.6
Nonoperating revenues (expenses), net (including depreciation of \$2,198 and \$2,451 in 2014 and 2013, respectively)	<u>(17,435)</u>	<u>13,573</u>	<u>(31,008)</u>	<u>(228.5)</u>
Income before capital contributions and grants	99,591	101,148	(1,557)	(1.5)
Capital contributions and grants	<u>1,869</u>	<u>16,018</u>	<u>(14,149)</u>	<u>(88.3)</u>
Increase in net position	101,460	117,166	(15,706)	(13.4)
Net position at the beginning of the year	1,519,215	1,402,049	117,166	8.4
Net position at the end of the year	<u>\$ 1,620,675</u>	<u>\$ 1,519,215</u>	<u>\$ 101,460</u>	<u>6.7%</u>

South Broward Hospital District  
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

**Management's Discussion of Financial Performance**

The System's operating income improved over the prior year. The improved operating results are due to management's ongoing efforts to manage operating expenses in response to increasing volumes and in anticipation of the changing reimbursement environment at both federal and state levels. For fiscal year 2014, total revenue increased by 6.3%, while operating expenses increased by 4.6%, resulting in operating income increasing by 33.6% from the prior year of \$87.6 million to approximately \$117.0 million. The System's excess of revenues and net nonoperating gains over expenses decreased from \$101.1 million for the fiscal year ended April 30, 2013, to \$99.6 million for the fiscal year ended April 30, 2014.

Net patient service revenue increased by 6.0% from \$1.379 billion for fiscal year ended April 30, 2013, to \$1.461 billion for the fiscal year ended April 30, 2014. Total admissions, which include both inpatient admissions, as well as observation admissions, were 107,680 and 110,482 while the acuity of patients as measured by case-mix index intensified from 1.35 to 1.39 for the fiscal years ended April 30, 2013 and 2014, respectively. Total surgical volume increased from 35,580 cases to 36,238 cases while hospital outpatient visits decreased from 500,469 to 474,804, or 5.1%, which was offset by an increase in emergency visits from 416,769 to 426,308, or 2.3%, for these periods. Medicare sequestration reduced net patient service revenue by approximately \$3.9 million for the fiscal year ended April 30, 2014.

The System pursues qualification of indigent patients for available Medicaid and other reimbursement programs. The System has also established effective protocols that enable early identification of denials and short pays from managed care organizations. As a result, the denial rates for managed care claims as a percentage of managed care claims was 1.2% for fiscal year 2013 and 1.1% for fiscal year 2014.

Other operating revenue increased, as the System recognized \$44.0 million and \$60.1 million for the years ended April 30, 2013 and 2014, respectively. The increase is primarily attributable to electronic health records meaningful use incentive payments due to the timing of attestations and the related revenue recognition. Disproportionate share distributions decreased, as the System recognized \$58.4 million and \$52.9 million for the years ended April 30, 2013 and 2014, respectively. The decrease is due to state reallocation of dollars.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

**Management's Discussion of Financial Performance (continued)**

Total expenses increased from \$1.393 billion for the fiscal year ended April 30, 2013, to \$1.457 billion, or 4.6%, for the fiscal year ended April 30, 2014, as a result of the System's increased volumes, while maintaining focused cost reduction efforts. The increase in salaries and wages, as well as employee benefits, is primarily attributable to the additional staffing needed due to growth in net patient service revenue combined with a bonus paid to high-performing employees. The decrease in professional fees, supplies expense, and purchased services is due to cost containment and reduction efforts. Further, the decrease in supplies expense is due to the revision of an estimate as a result of a prior year favorable pricing resolution. Facilities expenses increased moderately when compared to the prior year due to routine repairs and maintenance of clinical equipment, and depreciation and amortization also increased moderately due to new capital equipment purchased, as well as the first full year of depreciation for the electronic health records system. The increase in other operating expenses is due to an increased Florida Agency for Health Care Administration assessment, which is driven by patient revenues, increased windstorm insurance expense, and increased professional liability expense.

Nonoperating gains (losses), net, decreased from a \$13.6 million gain for the fiscal year ended April 30, 2013, to a \$17.4 million loss, or by \$31.0 million, for the fiscal year ended April 30, 2014, respectively. The System's conservative investment policy, which is further described in Note 5, was impacted negatively by rising interest rates. This resulted in a change of \$15.3 million in unrealized losses from \$2.0 million in fiscal year 2013 to \$17.3 million in fiscal year 2014. In addition, tax revenue decreased by \$15.3 million from \$24.5 million due to a prior year change in estimate amount payable for the Medicaid match and the change in the millage rate. The System's Board of Commissioners adopted a millage rate of 0.4000, which is less than the prior year millage rate of 0.6000. The System uses the net tax proceeds solely to offset the cost of uncompensated care in its primary care operations.

Income available for debt service was \$263.9 million and \$276.1 million for the fiscal years ended April 30, 2013 and 2014, respectively. The long-term debt service coverage ratio was 6.03 and 6.17 for the fiscal years ended April 30, 2013 and 2014, respectively.

The investment policy of the System is consistent with Section 218.415 of the Florida Statutes, which is designed to ensure the prudent management of financial assets. Other than for certain investments of the pension trust fund, the System does not invest in equity securities. Cash, cash equivalents, and investments, excluding restricted assets, increased from \$1.230 billion at April 30, 2013, to \$1.321 billion at April 30, 2014. Cash, cash equivalents, and investments,

South Broward Hospital District  
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

**Management's Discussion of Financial Performance (continued)**

including restricted assets, increased from \$1.327 billion at April 30, 2013, to \$1.416 billion at April 30, 2014, as a result of the excess of revenue and net nonoperating losses over expenses and a decrease in capital expenditures. Net patient accounts receivable increased from \$160.7 million at April 30, 2013, to \$168.6 million at April 30, 2014, due to increased volumes and conversion to Medicaid Diagnostic Related Group (DRG) reimbursement. Additions to capital assets decreased from \$104.3 million in fiscal year 2013 to \$78.8 million in fiscal year 2014. The estimated cost to complete all construction projects in process at April 30, 2014, is \$55.8 million. There was no debt issued in either fiscal year, as the System anticipates financing these projects through a combination of currently available cash, cash equivalents, investments, and future cash flows from operations. Refer to Note 6 and Note 8 for further discussion of capital asset and long-term debt activity, respectively.

**Taxes and Uncompensated Care**

The Board of Commissioners of the System is authorized to levy a tax annually upon real and personal taxable property located within the boundaries of the System at a millage rate not to exceed 2.5 mills. The taxes collected pursuant to this levy can be used for the purposes and needs of the System, such as operations, debt service, and construction. Such ad valorem taxes cannot be pledged directly or indirectly to pay revenue bonds; however, there is no prohibition on the use of such taxes once collected. Beginning in fiscal year 2015, the System used the gross tax proceeds solely to pay the county's Medicaid match and the tax collectors' fee.

The financial strength of the System minimizes the tax burden in south Broward County. In fiscal years 2013, 2014, and 2015, net tax revenues accounted for approximately 1.7%, 0.6%, and 0%, respectively, of total net revenues. In September 2014, the System's Board of Commissioners voted to reduce the tax millage rate to 0.1863 mills.

The System's financial strength enables the System to absorb the financial burden of providing an increasing level of uncompensated care and also enables the System to develop and support state-of-the-art facilities.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Management's Discussion and Analysis (continued)

**Source of Patient Charges**

A substantial amount of the gross charges of the System are provided to patients insured by third-party payors. The table below lists the approximate percentages of gross charges by payor.

	<b>Year Ended April 30</b>		
	<b>2015</b>	<b>2014</b>	<b>2013</b>
Medicare	<b>17.9%</b>	17.7%	18.9%
Medicaid	<b>8.4</b>	14.9	14.8
Managed care	<b>59.1</b>	49.5	48.5
Other	<b>14.6</b>	17.9	17.8
Total	<b>100.0%</b>	100.0%	100.0%

South Broward Hospital District  
d/b/a Memorial Healthcare System

Statements of Net Position – System

	<b>April 30</b>	
	<b>2015</b>	<b>2014</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 449,070	\$ 372,099
Investments	1,111,094	948,404
Designated investments for capital improvements	1,452	1,473
Designated investments for employee disability	17,985	17,738
Patient accounts receivable, net of estimated uncollectibles of \$322,817 and \$364,084 at April 30, 2015 and 2014, respectively	195,152	168,613
Ad valorem taxes receivable	123	265
Inventories	29,439	28,026
Other current assets	61,892	72,006
Total current assets	<b>1,866,207</b>	1,608,624
<b>Noncurrent assets</b>		
Restricted assets, net of current portion:		
Under indenture agreements	14,676	21,377
Under indenture – project funds	54,943	–
Under self-insurance trust agreements	47,118	47,687
Externally restricted by donors	48	542
Total restricted assets	<b>116,785</b>	69,606
Capital assets, net	750,965	785,387
Other assets	19,342	10,270
Total assets	<b>2,753,299</b>	2,473,887
<b>Deferred outflows</b>		
Loss on defeasance, net	15,026	11,697

South Broward Hospital District  
d/b/a Memorial Healthcare System

Statements of Net Position – System (continued)

	<b>April 30</b>	
	<b>2015</b>	<b>2014</b>
	<i>(In Thousands)</i>	
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 73,983	\$ 73,534
Accrued compensation and payroll taxes	115,726	107,475
Estimated third-party payor settlements	13,767	8,849
Current installments of long-term debt	9,265	7,880
Current portion of capital lease obligations	2,300	1,458
Current portion of estimated claims liability	15,480	14,270
Other current liabilities	37,327	20,978
Total current liabilities	<u>267,848</u>	<u>234,444</u>
Long-term portion of estimated claims liability	22,784	20,244
Other noncurrent liabilities	46,939	61,757
Long-term portion of capital lease obligations	4,314	4,365
Long-term debt	614,396	544,099
Total liabilities	<u>\$ 956,281</u>	<u>\$ 864,909</u>
<b>Net position</b>		
Net investment in capital assets	135,716	239,282
Restricted:		
For debt service	69,619	21,377
By donors	48	542
Under self-insurance trust agreements	47,118	47,687
Unrestricted	1,559,543	1,311,787
Total net position	<u>\$ 1,812,044</u>	<u>\$ 1,620,675</u>

*See accompanying notes.*

South Broward Hospital District  
d/b/a Memorial Healthcare System

Statements of Revenue and Expenses and Changes in Net Position – System

	<b>Year Ended April 30</b>	
	<b>2015</b>	<b>2014</b>
	<i>(In Thousands)</i>	
Operating revenue:		
Net patient service revenue	\$ 1,630,804	\$ 1,461,023
Disproportionate share distributions	83,420	52,877
Other operating revenues	49,983	60,144
Total operating revenue	<b>1,764,207</b>	1,574,044
Operating expenses:		
Salaries and wages	756,247	708,039
Employee benefits	151,129	142,329
Professional fees	38,204	31,083
Supplies	272,959	239,463
Purchased services	99,791	94,299
Facilities	73,586	66,282
Depreciation and amortization	111,208	117,917
Other	68,749	57,606
Total operating expenses	<b>1,571,873</b>	1,457,018
Operating income	<b>192,334</b>	117,026
Nonoperating revenues (expenses), net (including depreciation of \$2,165 and \$2,198 in 2015 and 2014, respectively)	<b>(2,583)</b>	(17,435)
Income before capital contributions and grants	<b>189,751</b>	99,591
Capital contributions and grants	<b>1,618</b>	1,869
Increase in net position	<b>191,369</b>	101,460
Net position at the beginning of the year	<b>1,620,675</b>	1,519,215
Net position at the end of the year	<b>\$ 1,812,044</b>	\$ 1,620,675

*See accompanying notes.*

South Broward Hospital District  
d/b/a Memorial Healthcare System

Statements of Cash Flows – System

	<b>Year Ended April 30</b>	
	<b>2015</b>	<b>2014</b>
	<i>(In Thousands)</i>	
<b>Operating activities</b>		
Receipts from third-party payors and patients	\$ 1,609,183	\$ 1,450,497
Payments to vendors	(556,480)	(531,579)
Other receipts	142,788	97,925
Payments to employees	(862,089)	(804,132)
Claims and self-insurance payments	(41,044)	(38,317)
Net cash provided by operating activities	<u>292,358</u>	<u>174,394</u>
<b>Noncapital financing activities</b>		
Contribution and grant receipts	1,618	1,869
Contribution payments	(10,000)	(10,000)
Ad valorem tax receipts	7,853	16,606
Net cash (used in) provided by noncapital financing activities	<u>(529)</u>	<u>8,475</u>
<b>Capital and related financing activities</b>		
Acquisition and construction of capital assets	(76,477)	(72,147)
Principal payments on long-term debt	(90,324)	(9,530)
Principal payments and additions under capital lease obligation	(1,380)	(1,373)
Gross proceeds from issuance of long-term debt	154,905	–
Interest payments on long-term debt	(28,125)	(27,567)
Net cash used in capital and related financing activities	<u>(41,401)</u>	<u>(110,617)</u>
<b>Investing activities</b>		
Proceeds from sales, maturities, or repayment of investments	1,238,982	50,800
Cost of investments acquired	(1,449,077)	(65,736)
Investment income received	36,638	33,476
Net cash (used in) provided by investing activities	<u>(173,457)</u>	<u>18,540</u>
Net change in cash and cash equivalents	76,971	90,792
Cash and cash equivalents at beginning of year	372,099	281,307
Cash and cash equivalents at end of year	<u>\$ 449,070</u>	<u>\$ 372,099</u>

South Broward Hospital District  
d/b/a Memorial Healthcare System

Statements of Cash Flows – System (continued)

	<b>Year Ended April 30</b>	
	<b>2015</b>	<b>2014</b>
	<i>(In Thousands)</i>	
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 192,334	\$ 117,026
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	111,208	117,917
Provision for doubtful accounts	483,502	443,526
Loss on disposal of capital assets	343	958
Decrease in:		
Patient accounts receivable	(510,041)	(451,416)
Other current assets and inventories	9,155	(17,018)
Other assets	(9,072)	(3,276)
Increase (decrease) in:		
Accounts payable and accrued expenses	(3,521)	(42,992)
Accrued compensation and payroll taxes	8,251	11,039
Estimated third-party payor settlements	4,918	(2,636)
Other current liabilities	16,349	(2,301)
Other liabilities	(14,818)	1,557
Estimated claims liability	3,750	2,010
Net cash provided by operating activities	\$ 292,358	\$ 174,394

*See accompanying notes.*

South Broward Hospital District  
d/b/a Memorial Healthcare System

Statements of Fiduciary Net Position – Pension Trust Fund

	<b>April 30</b>	
	<b>2015</b>	<b>2014</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Investments:		
Equities	\$ 80,436	\$ 110,876
U.S. government and agency obligations	50,264	46,829
Corporate debt	24,307	21,025
Commercial mortgage securities	8,078	5,262
Collateralized mortgage obligations	713	742
Asset-backed securities	4,293	3,523
Municipal bonds	5,438	4,217
SEC-registered money market funds	23,613	45,312
Preferred securities	131	256
International investments	191,507	149,061
Alternative investments	92,138	50,593
Other	–	276
Total investments	<u>480,918</u>	<u>437,972</u>
Receivables:		
Due from broker for investment sold	797	1,232
Total receivables	<u>797</u>	<u>1,232</u>
Total assets	<u>481,715</u>	<u>439,204</u>
<b>Liabilities and net position restricted for pensions</b>		
Payables:		
Due to broker for investment sold	3,032	–
Total liabilities	<u>3,032</u>	<u>–</u>
Net position restricted for pensions	<u>\$ 478,683</u>	<u>\$ 439,204</u>

*See accompanying notes.*

South Broward Hospital District  
d/b/a Memorial Healthcare System

Statements of Changes in Fiduciary Net Position – Pension Trust Fund

	<b>Year Ended April 30</b>	
	<b>2015</b>	<b>2014</b>
	<i>(In Thousands)</i>	
<b>Additions</b>		
Contributions:		
Employer pension contributions	\$ 33,764	\$ 34,988
Investment income:		
Net appreciation in fair value of investments	12,878	37,855
Interest and dividends	9,469	–
Other income	–	–
Less investment expense	(1,616)	–
Net investment income	20,731	37,855
Total additions	54,495	72,843
 Deductions:		
Benefit payments	14,800	11,116
Administrative expenses	216	1,985
Other	–	–
Total deductions	15,016	13,101
Net increase in net position	39,479	59,742
 Net position restricted for pensions:		
Beginning of year	439,204	379,462
End of year	\$ 478,683	\$ 439,204

*See accompanying notes.*

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements

April 30, 2015

**1. Organization and Summary of Significant Accounting Policies**

**Organization**

The South Broward Hospital District d/b/a Memorial Healthcare System (the System) operates Memorial Regional Hospital and Joe DiMaggio Children's Hospital at Memorial Regional Hospital, both located in Hollywood, Florida; Memorial Regional Hospital South (a campus of Memorial Regional Hospital) located in Hollywood, Florida; Memorial Hospital Pembroke, located in Pembroke Pines, Florida; Memorial Hospital West, located in Pembroke Pines, Florida; and Memorial Hospital Miramar, located in Miramar, Florida. The System also operates the Urgent Care Center and Memorial Manor Nursing Home, both located in Pembroke Pines, Florida. Other components of the System include the Memorial Home Health Services; Memorial Home Infusion Services; Memorial Health Network; multiple primary care and school health centers located throughout south Broward County; the Memorial Cancer Institute, with locations on the campus of Memorial Regional Hospital and on the campus of Memorial Hospital West; the Memorial Cardiac and Vascular Institute, with locations on the campus of Memorial Regional Hospital and the campus of Memorial Hospital West; and the Memorial Adult Day Care Center, which provides activities, meals, and select health-related services for its elderly participants, located within the Memorial Outpatient Center – Hallandale. At April 30, 2015, the System operates a total of 1,900 licensed hospital beds and 120 licensed nursing home beds.

**Basis of Presentation**

The accounts of the System are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, net position, revenue, and expenses, as appropriate.

The System is accounted for in an enterprise fund that consists of unrestricted net position, restricted net position, and net investment in capital assets. The enterprise fund is used to account for the System's ongoing business-type activities. Significant intercompany accounts and transactions have been eliminated in the combination of these funds.

The pension trust fund is a fiduciary fund used to account for the assets held in trust by Wells Fargo Bank, N.A. for the benefit of the employees of the System who participate in the Retirement Plan for Employees of the South Broward Hospital District (the Plan). Pursuant

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

to Statement No. 27, certain employers that participate in defined benefit pension plans are required to measure and disclose an amount for annual pension cost equal to the employer's annual required contributions to the plan, unless the employer has a net pension obligation (NPO) for past under- or over contributions.

**Basis of Accounting**

The System utilizes the accrual basis of accounting, whereby revenues are recognized as they are earned and expenses are recognized when the related obligation is incurred.

**Cash and Cash Equivalents**

The System considers all highly liquid investments with a maturity of three months or less when purchased, except those classified as restricted assets or those included in the System's investment program, to be cash equivalents.

**Investments**

The System records its investments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, which amended GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Purchase Agreements*.

All investments have been recorded at fair value in the financial statements based on quoted market prices. Alternative investments under the Pension Plan are stated at fair value based on the quoted market prices of underlying securities comprising the individual investments (Fair values are in thousands and effective durations are in years).

**Restricted Assets**

Restricted assets includes restricted resources limited by donors to a specific period or purpose.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

Descriptions of the various funds are as follows:

*Under indenture agreements* – represents the principal and interest amount due for debt service payment on the 2003A, 2003B, 2006, 2007, 2008, and 2009 outstanding bonds.

*Under indenture project funds* – restricted for construction additions and improvements on the 2015 outstanding bond.

*Under self-insurance trust agreements* – represents the assets invested to fund the workers' compensation, professional liability, and health and dental self-insurance.

*External restricted by donors* – restricted for specific use by contributor.

**Inventories**

Inventories, consisting primarily of medical, surgical, and other supplies, are stated at the lower of cost (principally determined by the first-in, first-out method) or market.

**Capital Assets**

Capital assets, including improvements to existing facilities, are recorded at cost, except for donated items, which are recorded at fair value at the date of the contribution. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for buildings and improvements range from 20 to 40 years and for equipment range from 3 to 10 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the respective lease or the life of the related asset. Routine maintenance and repairs that do not extend the life of the assets are charged to expense as incurred, and major renovations or improvements are capitalized. The System capitalizes all assets with an initial cost of \$1,000 or greater.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**Costs of Borrowing**

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of those assets.

**Income Taxes**

The System is exempt from income taxes as it is a political subdivision of the State of Florida (the State). It also has dual status as a tax-exempt entity under Internal Revenue Code Section 501(a) as an entity described in Section 501(c)(3).

**Restricted Net Position**

Restricted net position has been limited by donors to a specific time period or purpose or has been limited under self-insurance trust fund arrangements.

**Statements of Revenue and Expenses and Changes in Net Position**

For purposes of presentation, transactions determined to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral, incidental, or transactions not considered to be central to the provision of health care services are reported as nonoperating gains and losses and include investment income, interest expense, and ad valorem tax revenue.

**Charity Care**

The System provides care, without charge, to patients who meet certain financial criteria based upon the Federal Income Poverty Guidelines. The System does not pursue collection of amounts due from patients who meet the System's criteria for charity care, and therefore, such amounts are not reported as revenue.

**Net Patient Service Revenue**

Net patient service revenue is reported at net realizable amounts due from patients, third-party payors, and others for services rendered.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

Settlements with certain third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

**Disproportionate Share Distributions**

The Agency for Health Care Administration (AHCA) distributes low-income pool (LIP) and disproportionate share (DSH) payments to the System based in part on the System's indigent care service level. The System's policy is to recognize these distributions as revenue when amounts are due and collection is reasonably assured. The receipt of any additional distributions is contingent upon the continued support by the State Legislature.

**EHR Incentive Payments**

The System has accounted for electronic health record (EHR) meaningful use incentive payments under the grant accounting model. For the years ended April 30, 2015 and 2014, approximately \$6,697,000 and \$14,466,000, respectively, were recognized as other revenue in the accompanying statements of revenue and expenses and changes in net position.

**Accounting for Pensions by State and Local Governmental Employers**

The System conforms to the requirements of GASB Statement No. 27 (Statement No. 27), *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 67 (Statement No. 67), *Financial Reporting for Pension Plans*. Pursuant to Statement No. 27, certain employers that participate in defined benefit pension plans are required to measure and disclose an amount for annual pension cost on the accrual basis of accounting, and pursuant to Statement No. 67, the appropriate financial disclosures are made in Note 9.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

**New Accounting Pronouncements**

In June 2012, the GASB issued Statement No. 67, which revises existing guidance for the financial reports of most pension plans, and Statement No. 68, *Accounting and Financial Reporting for Pensions*, which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which addresses an issue regarding application of the transition provisions in Statement No. 68. Among other provisions, Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information. This statement calls for immediate recognition of more pension expense than is currently required. The provisions in Statement No. 67 are effective for financial statements for periods beginning after June 15, 2013, and therefore have been implemented this year. Refer to Note 9 for additional information. The provisions in Statement No. 68 and Statement No. 71 are effective for fiscal years beginning after June 15, 2014. The System has not elected to implement these statements early; however, management is currently evaluating the effect of these statements on the System's financial statements when implemented.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which provides accounting and disclosure guidance for mergers, acquisitions, transfers of operations, and disposals. Statement No. 69 is effective for financial statements for periods beginning after December 15, 2013, with early adoption encouraged. The adoption of Statement No. 69 did not have a material effect on the System's financial statements.

In June 2015, the GASB issued Statement No. 73, which improves and amends, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Statement No. 73 establishes requirements for pensions and pension plans not administered through a trust with specified criteria, those requirements not covered by Statement No. 67 and Statement No. 68. Statement No. 73 is effective for fiscal years beginning after June 15, 2015, except for provisions outlining employers and governmental non-employers contributing for pensions not within the scope of Statement No. 68, which are effective after June 15, 2016. The System has not elected to implement this statement early; however, the adoption of this statement is not expected to have a material impact on the financial statements.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**1. Organization and Summary of Significant Accounting Policies (continued)**

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which replaces GASB Statement No. 43. Statement No. 74 outlines the financial reports of defined benefit OPEB plan administered through trusts with specified criteria. The statement requires a statement of fiduciary net position, a statement of changes in fiduciary net position, more detailed note disclosures, and required supplementary information related to the measurement of OPEB liabilities. Statement No. 74 is effective for fiscal years beginning after June 15, 2016. The adoption of this statement is not applicable to the financial statements.

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, replaced the requirements of GASB Statement No. 45. Statement No. 75 requires governmental agencies to report a liability on the financial statements for OPEB. Statement No. 75 provides additional requirements for note disclosures and required supplementary information. Among the new required supplementary information is a schedule comparing a government's actual OPEB contributions to its contribution requirements. Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The adoption of this statement is not applicable to the financial statements.

In June 2015, GASB Statement No. 76, *The Hierarchy of generally accepted accounting principles (GAAP) for State and Local Governments*, reduced the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category involves GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants. These changes are intended to improve financial reporting for governments by establishing a framework for the evaluation of accounting guidance that will result in governments applying that guidance with less variation. The requirements of the new pronouncements are effective for reporting periods beginning after June 15, 2015. The adoption of this statement is not expected to have a material impact on the financial statements.

**Reclassifications**

Certain 2014 amounts have been reclassified to conform to the 2015 financial statement presentation.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**2. Uncompensated Care**

The System maintains records to identify and monitor the level of uncompensated care it provides. These records include the amount of charges forgone for services provided under the System’s charity care policy, as well as a provision for uncollectible accounts included in the accompanying statements of revenue and expenses and changes in net position. The following information measures the level of uncompensated care provided during the years ended April 30, 2015 and 2014 (in thousands).

	<b>2015</b>	<b>2014</b>
Uncompensated care, based on established rates	\$ 784,135	\$ 898,927
Percentage of uncompensated care patients to all patients served based upon total charges	<b>9.0%</b>	11.7%

For the years ended April 30, 2015 and 2014, uncompensated care includes approximately \$300,633,000 and \$455,402,000, respectively, of charges forgone for services provided under the System’s charity care policy. Using the System’s average ratio of cost to charges, the cost of charity care provided was approximately \$54,434,000 and \$86,142,000 for the years ended April 30, 2015 and 2014, respectively.

**3. Net Patient Service Revenue**

The System has contractual agreements with third-party payors (Medicare, Medicaid, and commercial insurance payors) that provide for prospective reimbursement at contractually established rates. A summary of the payment arrangements with major third-party payors follows.

**Medicare and Medicaid**

Most of the System’s Medicare patients are covered under the Medicare Prospective Payment System, which establishes predetermined rates for diagnosis-related groups, resource utilization groups, home health resource groups, case mix groups, and inpatient psychiatric per diems.

Reimbursement for certain services subject to special reimbursement formulas under the Medicare program is subject to audit and settlement by a Medicare Administrative Contractor. Such audits and final settlements have been completed for all years through 2011 for all

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**3. Net Patient Service Revenue (continued)**

facilities. Audit fieldwork has been completed for 2012, and final settlement amounts have been determined based on audit adjustments received. Medicare program beneficiaries accounted for approximately 18% of the System's gross patient charges in fiscal years 2015 and 2014.

Inpatient and outpatient services rendered to Medicaid program beneficiaries were reimbursed under a cost-based prospective payment formula through June 30, 2013. Effective July 1, 2013, Medicaid inpatient services are reimbursed under a DRG based method. The System's Medicaid cost reports have been audited by the Medicaid Administrative Contractor through 2009 for all facilities. Medicaid program beneficiaries accounted for approximately 16% of the System's gross patient charges in fiscal year 2015 and 15% in fiscal year 2014.

There were no material differences between original estimates and subsequent revisions, including final settlements, in fiscal years 2015 and 2014.

**Insurance and Other**

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

The difference between gross patient charges and the contractually established rates, for the above programs, is accounted for as contractual adjustments. The System's gross patient charges, charity care write-offs, provision for doubtful accounts, and contractual adjustments for the years ended April 30 are as follows (in thousands):

	<b>2015</b>	<b>2014</b>
Gross patient charges	<b>\$ 8,681,344</b>	\$ 7,702,725
Charity care	<b>(300,633)</b>	(455,402)
Provision for doubtful accounts	<b>(483,502)</b>	(443,526)
Contractual adjustments	<b>(6,266,405)</b>	(5,342,774)
Net patient service revenue	<b><u>\$ 1,630,804</u></b>	<u>\$ 1,461,023</u>

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**4. Other Funding Sources**

The System receives funding from various components of the State Medicaid program, including the LIP and Medicaid rate enhancements. The State's LIP distributes funding to the System in support of programs that provide coverage for uninsured and underinsured patients. The LIP is a federal matching program that provides the State with the opportunity to receive additional distributions based upon a fixed annual pool of approximately \$1 billion distributed by the State based on the types and amount of programs provided by participating health care providers and for meeting specified quality metrics.

Total revenue recognized by the System from LIP and DSH funding was approximately \$83,420,000 and \$52,877,000 for the years ended April 30, 2015 and 2014, respectively, and is reported as disproportionate share distributions in the accompanying statements of revenue and expenses and changes in net position.

**5. Cash, Cash Equivalents, and Investments**

The book value of the System's unrestricted bank accounts is approximately \$228,772,000 and \$161,300,000 at April 30, 2015 and 2014, respectively. The book value of the System's bank accounts restricted by donors, included in restricted assets, is approximately \$48,000 and \$542,000 at April 30, 2015 and 2014, respectively. These bank accounts are insured by a combination of federal depository insurance and a collateral pool pledged to the State Treasurer by financial institutions, which comply with the requirements of Florida Statutes and have been designated as qualified public deposits by the State Treasurer.

The current portion of restricted assets of approximately \$8,298,000 and \$7,009,000 at April 30, 2015 and 2014, respectively, is included in other current assets in the accompanying statements of net position.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**5. Cash, Cash Equivalents, and Investments (continued)**

**Cash Equivalents and Investments**

At April 30, 2015 and 2014, the System's cash equivalents and investments, including restricted assets, are as follows (in thousands):

	<b>Fair Value</b>	
	<b>2015</b>	<b>2014</b>
Unrestricted cash equivalents	\$ 139,670	\$ 249,213
Unrestricted investments	1,191,723	909,990
Designated investments	19,437	19,211
Restricted assets:		
Under self-insurance trust agreements	55,416	54,696
Under bond indentures	69,619	21,377
Externally restricted by donors	48	542
	<b>\$ 1,475,913</b>	<b>\$ 1,255,029</b>

**Interest Rate Risk**

To the extent possible, the System attempts to match investment maturities with known cash needs and anticipated cash flow requirements. The System's investment policy segments its investment portfolio into pools with identified asset allocation percentages that attempt to match its liquidity requirements. Investments of bond reserves, construction funds, and other indenture-restricted funds have maturities set in accordance with the relevant documents.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**5. Cash, Cash Equivalents, and Investments (continued)**

At April 30, 2015, the System had the following investments with the respective effective durations. (Fair value is in thousands and effective duration is in years.)

	<b>2015</b>	
	<b>Fair Value</b>	<b>Effective Duration</b>
Cash and SEC-registered money market funds	\$ 78,974	N/A
U.S. Treasuries	270,789	0.53
U.S. agencies	369,678	0.34
U.S. agency mortgage bonds	241,174	0.41
Asset-backed securities	130,736	0.17
Commercial paper	40,758	0.00
Corporate debt	278,413	0.52
Municipal securities	65,391	0.15
	\$ 1,475,913	2.12

**Credit Risk**

The System has adopted an investment policy that authorizes the following instruments for investment: (1) the trust fund known as the Local Government Surplus Funds Trust Fund as created by Florida Statutes; (2) bankers' acceptances; (3) commercial paper of prime quality rated by at least two nationally recognized debt rating agencies in the following manner: Moody's Investor Services (Moody's); Standard & Poor's (S&P); A1+ or A1; Fitch, F1+ or F1 or secured by a letter of credit provided by a commercial bank that carries a credit rating in one of the two highest ratings; (4) interest-bearing time deposits or savings accounts at institutions that are Qualified Public Depositories; (5) negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States government; (6) obligations of federal agencies and instrumentalities; (7) interest-bearing notes, bonds, debentures, and other such evidence of indebtedness with a fixed maturity of any domestic listed corporation within the United States that when purchased carry ratings in one of the three highest classifications of at least two nationally recognized debt rating agencies or be secured by a letter of credit provided by a commercial bank rated as described above; not withstanding each investment manager will maintain an average portfolio credit quality of AA; (8) repurchase

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**5. Cash, Cash Equivalents, and Investments (continued)**

agreements and reverse repurchase agreements entered into with a member bank of the Federal Reserve System or a primary dealer in U.S. Government securities, provided such repurchase agreements and reverse repurchase agreements are fully collateralized by the types of securities disclosed in sections (5) and (6) above; (9) SEC-registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and (10) municipal bond investments that carry ratings in one of the top two classifications of at least two nationally recognized rating agencies or secured by bond insurance or a letter of credit by a commercial bank in one of the top two classifications.

The System's bond indentures stipulate permitted "Eligible Investments" for related bond funds. To the extent permitted by law, the System must invest bond funds in (1) U.S. Treasury obligations; (2) certain direct or guaranteed obligations of federal agencies; (3) certificates of deposit as described in the relevant Indentures; (4) registered money market funds rated in the two highest rating categories by S&P and Moody's; (5) commercial paper rated Prime-1 by Moody's and A-1 or better by S&P; (6) municipal securities rated in the two highest rating categories by S&P and Moody's; (7) repurchase agreements; (8) investment agreements, including Guaranteed Investment Certificates acceptable to any credit facility provider, forward purchase agreements, and reserve fund put agreements; and (9) federal funds and bankers' acceptances from banks rated Prime-1 or A3 by Moody's and A-1 or A by S&P.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**5. Cash, Cash Equivalents, and Investments (continued)**

At April 30, 2015, the System's investment securities have the following credit ratings as shown below (in thousands):

	<u>Fair Value</u>	<u>Credit Rating*</u>
Cash and SEC-registered money market funds	\$ 78,974	AAA
U.S. Treasuries	270,789	AA+
U.S. agency discount notes	5,174	AA+
U.S. agencies	364,504	AA+
U.S. agency mortgage bonds	241,174	AA+
Asset-backed securities	100,415	AAA
Asset-backed securities	18,860	AA+
Asset-backed securities	3,778	AA
Asset-backed securities	1,302	A
Asset-backed securities	1,500	A-1
Asset-backed securities	4,881	A-
Commercial paper	40,758	A-1
Corporate debt	17,968	AAA
Corporate debt	1,496	A-1+
Corporate debt	36,917	AA+
Corporate debt	36,786	AA
Corporate debt	26,325	AA-
Corporate debt	38,687	A+
Corporate debt	73,381	A
Corporate debt	42,046	A-
Corporate debt	4,807	BBB+
Municipal securities	37,209	AAA
Municipal securities	15,033	AA+
Municipal securities	9,461	AA
Municipal securities	3,688	AA-
	<u>\$ 1,475,913</u>	

*\*Standard & Poor's ratings or comparable*

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**5. Cash, Cash Equivalents, and Investments (continued)**

**Concentration of Credit Risk**

The System's investment policy has established asset allocation and issuer limitations on the following investments, which are designated to reduce concentration of credit risk of the System's investments.

*Local Government Surplus Funds Trust Fund.* A maximum of 50% of the portfolio.

*Bankers' acceptances.* A maximum of 20% of the investment portfolio. Further limitations include original maturity of 210 days or less, maximum maturity of 180 days from date of purchase, and no more than 5% in a single issuer.

*Commercial paper.* Maximum of 30% of the portfolio. Further limitations include maximum maturity of 270 days from date of purchase and no more than 5% in a single issuer.

*Interest-bearing time deposits.* A maximum of 30% of the portfolio further subject to total of the lesser of 15% of the financial institution's capital or net worth or \$20 million and maximum maturity of one year. The financial institution must be a Qualified Public Depository.

*Government securities.* A maximum of 100% of the portfolio and minimum of 50% will be invested in government securities that include direct obligations of the U.S. Treasury, obligations guaranteed by the U.S. Government, bonds, notes, debentures, and callable debt instruments issued or guaranteed by U.S. agencies. Further limitations include a 25% maximum limitation on the adjustable interest rate and collateralized mortgage obligations and a 30-year maximum term.

*Corporate debt.* A maximum of 30% of the portfolio. Further limitations include no more than 10% in AAA-rated asset-backed securities, single industry concentration of 15%, no more than 5% to a single issuer, and maximum maturity of ten years. The maximum amount of corporate investments (total of commercial paper and corporate debt) will not exceed 50% of the investment portfolio. The maximum maturity of any corporate issue will not exceed ten years.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**5. Cash, Cash Equivalents, and Investments (continued)**

*Repurchase/reverse repurchase agreements.* Maximum term of six months and subject to Public Securities Association documentation requirements. A maximum of 50% of the portfolio may be in repurchase agreements.

*SEC-registered money market funds.* A maximum of 50% of the portfolio.

*Municipal securities.* A maximum of 30% of the portfolio. Further limitations include no more than 5% in any one issuer and a maximum maturity of ten years.

The System’s bond indentures stipulate permitted “eligible investments” for related bond funds. Asset allocation and issuer limitations are not stipulated in the related bond documents.

The following table shows the composition of the System’s investments at April 30, 2015 and 2014 (in thousands):

	2015		2014	
	Fair Value	Percentage of Portfolio	Fair Value	Percentage of Portfolio
Cash and SEC-registered money market funds	\$ 78,974	5%	\$ 161,447	13%
U.S. Treasuries	270,789	18	149,125	12
U.S. agencies	369,678	25	262,497	21
U.S. agency mortgage bonds	241,174	16	247,852	20
Asset-backed securities	130,736	9	102,335	8
Commercial paper	40,758	3	40,618	3
Corporate debt	278,413	19	231,350	18
Municipal securities	65,391	5	59,805	5
	\$ 1,475,913	100%	\$ 1,255,029	100%

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**5. Cash, Cash Equivalents, and Investments (continued)**

At April 30, 2015, investments in any one issuer representing 5.0% or more of the System's total investments are as follows: \$212,910,634 (14.4%) invested in issues of the Federal National Mortgage Association; \$94,971,153 (6.4%) invested in issues of the Government National Mortgage Corporation; \$144,778,991 (9.8%) invested in issues of the Federal Home Loan Mortgage Corporation. The System's investment policy does not have an issuer limitation for U.S. Treasury securities.

**Custodial Credit Risk**

Pursuant to Florida Statute 218.415, securities, with the exception of certificates of deposit, are held with a third-party custodian; and all securities purchased by, and all collateral obtained by the System, are properly designated as an asset of the System. The securities are held in an account separate and apart from the assets of the financial institution. At April 30, 2015 and 2014, the System's investment securities were held by U.S. Bank, a third-party custodian, as required by the System's investment policy.

The System's bond indentures stipulate that all bond and trustee held funds be maintained in separate accounts with a bond trustee. U.S. Bank is the trustee for all the System's outstanding bonds and revenue certificate indebtedness. All bond and trustee held investments are held in accounts separate and apart from the assets of the financial institution.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**6. Capital Assets**

A summary of the activity in the capital assets and the related accumulated depreciation accounts is as follows (in thousands):

	<b>Balance at May 1, 2014</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deletions</b>	<b>Balance at April 30, 2015</b>
Land improvements	\$ 26,463	\$ –	\$ –	\$ (16)	\$ 26,447
Buildings and improvements	1,054,392	2,163	23,012	(922)	1,078,645
Equipment	604,481	24,991	19,323	(22,721)	626,074
Depreciable assets	1,685,336	27,154	42,335	(23,659)	1,731,166
Accumulated depreciation	(950,299)	(113,288)	–	22,631	(1,040,956)
Net depreciable assets	735,037	(86,134)	42,335	(1,028)	690,210
Land	34,985	50	–	–	35,035
Construction in progress	15,365	52,701	(42,335)	(12)	25,719
Capital assets, net	<b>\$ 785,387</b>	<b>\$ (33,383)</b>	<b>\$ –</b>	<b>\$ (1,040)</b>	<b>\$ 750,964</b>

	<b>Balance at May 1, 2013</b>	<b>Additions</b>	<b>Transfers</b>	<b>Deletions</b>	<b>Balance at April 30, 2014</b>
Land improvements	\$ 26,463	\$ –	\$ –	\$ –	\$ 26,463
Buildings and improvements	1,030,433	8,907	16,387	(1,335)	1,054,392
Equipment	543,335	31,529	59,681	(30,064)	604,481
Depreciable assets	1,600,231	40,436	76,068	(31,399)	1,685,336
Accumulated depreciation	(860,493)	(120,079)	–	30,273	(950,299)
Net depreciable assets	739,738	(79,643)	76,068	(1,126)	735,037
Land	33,439	1,546	–	–	34,985
Construction in progress	54,687	36,768	(76,068)	(22)	15,365
Capital assets, net	<b>\$ 827,864</b>	<b>\$ (41,329)</b>	<b>\$ –</b>	<b>\$ (1,148)</b>	<b>\$ 785,387</b>

The System is currently engaged in expansion projects at its facilities. The estimated cost to complete all construction projects in process at April 30, 2015, is approximately \$80,474,270.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**7. Self-Insurance**

The System is exposed to various risks of loss related to professional liability, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and certain employee health plan costs; and natural disasters. The System believes it is more economical to manage its risks internally and set aside assets for claim settlement. Commercial insurance is carried on property, directors and officers, accidents, and vehicles. The System's commercial property insurance program excludes windstorm coverage.

The System, as a subdivision of the State, has sovereign immunity in tort actions. Therefore, in accordance with Chapter 768.28 of the Florida Statutes, for claims with occurrence dates subsequent to October 1, 2011, the System is not liable to pay a claim or judgment by any one person that exceeds the sum of \$200,000 or any claim or judgment, or portions thereof, that when totaled with all other claims or judgments paid by the State or its agencies or subdivisions arising out of the same incident or occurrence exceeds the sum of \$300,000.

Chapter 768.28 of the Florida Statutes also provides that judgments may be claimed or rendered in excess of these limits; however, these amounts must be reported to, and approved by, the State Legislature. In addition, the System has \$18 million in excess insurance coverage, with a \$2 million self-insured retention, to cover any damages rendered against it as a result of the passage of a claims bill.

The System's management estimates and accrues for the cost of unreported claims based on historical data and actuarial projections. The estimated claims liability has been discounted based on an interest rate of 1.5% at April 30, 2015 and 2014. The System has established a trust fund for the purpose of setting aside assets to fund future self-insurance losses. The trust assets can only be used for payment of losses and administrative expenses. Earnings on investments in the self-insurance trust are reported as nonoperating gains, net, in the statements of revenue and expenses and changes in net position and are retained as part of the fund. A rollforward of the System's claims liability for self-insurance claims is as follows (in thousands):

Year Ended April 30	Liability at Beginning of Year	New Claims and Changes in Estimates	Claim Payments	Liability at End of Year	Estimated Amount Due Within One Year
2013	\$ 37,185	\$ 28,405	\$ (33,086)	\$ 32,504	\$ 12,839
2014	32,504	40,327	(38,317)	34,514	14,270
2015	<b>34,514</b>	<b>44,794</b>	<b>(41,044)</b>	<b>38,264</b>	<b>15,480</b>

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**8. Long-Term Debt**

The following is a summary of long-term debt as of April 30 (in thousands):

	<b>2015</b>	<b>2014</b>
Series 2015 Hospital Revenue and Refunding Revenue Bonds – \$154,905 authorized and issued: Serial Bonds, interest rates of 3.00% to 5.00%, maturing in amounts ranging from \$1,195 to \$7,915 through May 1, 2037	<b>\$ 126,610</b>	<b>\$ –</b>
4.00% Term Bond due May 1, 2040	<b>9,560</b>	–
4.00% Term Bond due May 1, 2045	<b>18,735</b>	–
	<b>154,905</b>	–
Unamortized premium, net	<b>10,817</b>	–
	<b>165,722</b>	–
Series 2009 Hospital Revenue Bonds – \$150,000 authorized and issued:		
6.978% Term Bond due May 1, 2039	<b>40,000</b>	40,000
7.278% Term Bond due May 1, 2044	<b>110,000</b>	110,000
	<b>150,000</b>	150,000
Series 2008 Hospital Refunding Revenue Bonds – \$156,575 authorized and issued: Serial Bonds, interest rates of 4.00% to 5.25%, maturing in amounts ranging from \$1,400 to \$4,000 through May 1, 2017	<b>2,855</b>	6,854
5.25% Term Bond due May 1, 2022	<b>8,180</b>	8,180
5.00% Term Bond due May 1, 2028	<b>30,270</b>	30,270
5.00% Term Bond due May 1, 2036	<b>102,885</b>	102,885
	<b>144,190</b>	148,189
Unamortized discount, net	<b>(1,856)</b>	(1,945)
	<b>142,334</b>	146,244

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**8. Long-Term Debt (continued)**

Series 2007 Hospital Refunding Revenue Bonds –		
\$112,745 authorized and issued: Serial Bonds, interest		
rate of 4.75%, maturing in amounts ranging from		
\$4,695 to \$6,595 through May 1, 2024	\$	16,200
4.75% Term Bond due May 1, 2028	<b>34,215</b>	34,215
4.75% Term Bond due May 1, 2032	<b>62,330</b>	62,330
	<hr/>	
	<b>112,745</b>	112,745
Unamortized premium, net	<b>2,205</b>	2,336
	<hr/>	
	<b>114,950</b>	115,081
Series 2006 Hospital Revenue and Refunding Revenue		
Bonds – \$120,000 authorized and issued: Serial Bonds,		
interest rates of 4.000% to 5.000%, maturing in amounts		
ranging from \$930 to \$8,735 through May 1, 2023		
4.375% Term Bond due May 1, 2025	<b>15,355</b>	50,150
4.500% Term Bond due May 1, 2030	<b>1,995</b>	7,440
4.500% Term Bond due May 1, 2030	<b>5,600</b>	20,865
5.000% Term Bond due May 1, 2035	<b>7,415</b>	27,595
4.500% Term Bond due May 1, 2037	<b>3,755</b>	13,950
	<hr/>	
	<b>34,120</b>	120,000
Unamortized premium, net	<b>600</b>	2,220
	<hr/>	
	<b>34,720</b>	122,220
Series 2003A Refunding Revenue Bonds – \$39,945, and		
Series 2003B Revenue Bonds – \$5,065 authorized and		
issued: Serial Bonds, interest rates of 2.75% to 5.25%,		
maturing in amounts ranging from \$380 to \$4,155		
through May 1, 2015		
	<b>1,235</b>	2,425
Unamortized premium, net	<b>–</b>	109
	<hr/>	
	<b>1,235</b>	2,534

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**8. Long-Term Debt (continued)**

	<b>2015</b>	<b>2014</b>
Series 2001 Revenue Certificate – \$10,000 authorized and issued: Payable in annual installments of \$400 commencing May 1, 2002, through and including May 1, 2016, and a balloon payment of \$4,000 due on November 1, 2016. Interest is payable semiannually based on the following formula [(one month LIBOR + 0.550%)/1.5037]. The LIBOR rate at April 30, 2015, was 0.486%.	<b>\$ 4,800</b>	<b>\$ 5,200</b>
Series 2000 Revenue Certificate – \$10,000 authorized and issued: Payable in annual installments ranging from approximately \$206 to \$400 commencing May 1, 2002, through and including May 1, 2015, and a balloon payment of approximately \$6,300 due on November 1, 2015. The interest rate is fixed at 5.155%.	<b>6,300</b>	<b>6,700</b>
Series 1998 Revenue Certificate – \$10,000 authorized and issued: Payable in annual installments of \$400 through and including May 1, 2017, and a balloon payment of \$2,400 due May 1, 2018. The interest rate is fixed at 4.374%.	<b>3,600</b>	<b>4,000</b>
Total debt	<b>623,661</b>	<b>551,979</b>
Less current portion	<b>(9,265)</b>	<b>(7,880)</b>
Long-term portion	<b>\$ 614,396</b>	<b>\$ 544,099</b>

During 2015 and 2014, interest cost of approximately \$646,000 and \$574,000, respectively, was capitalized. During 2015 and 2014, interest earned on invested Revenue Certificates and bond proceeds was \$1,000 and is netted against capitalized interest. Capitalized interest is included in capital assets.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**8. Long-Term Debt (continued)**

The Revenue Bonds are secured by gross patient charges and certain pledge funds and have been issued as parity debt under the Master Trust Indenture dated as of September 1, 2003 (the Master Indenture).

On September 12, 2003, the System executed and delivered the Master Indenture. Upon execution and delivery of the Master Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, and the Fifth Supplemental Indenture, and together with certain amended and unamended portions of the Trust Indenture, became what is referred to in the Master Indenture as the Bond Indentures for the respective series of Revenue Bonds that were issued thereunder. After the execution and delivery of the Master Indenture, the System, pursuant to the Master Indenture, issued obligations to the trustee under the Trust Indenture, as bond trustee for each of the series of Revenue Bonds issued thereunder and to each of the Revenue Certificate holders to evidence their security under the Master Indenture. The Master Indenture provides that the System becomes part of an obligated group. The System is the only member of the obligated group. The obligations issued under the Master Indenture are payable solely from and are secured by a pledge of and a lien on the gross patient charges of the obligated group and any future member of the obligated group and certain accounts created under the Master Indenture, provided, however, the lien and pledge of the accounts under the Master Indenture does not extend to obligations issued for the benefit of the Revenue Certificate holders.

The Series 2003A Refunding Revenue Bonds were issued to provide funds and to refund the Series 1993 Refunding and Revenue Bonds, and the Series 2003B Revenue Bonds were issued to provide funds, together with other available funds, to pay the costs of acquisition, construction, and equipping of certain improvements to the hospital facilities, including the reimbursement of certain funds advanced by the System. The computations performed in accordance with GASB Statement No. 23 for the refunding of the 1993 Refunding and Revenue Bonds resulted in a loss on defeasance of approximately \$1,559,000, which is reported in the accompanying statements of net position as a deferred outflow. At April 30, 2015 and 2014, the unamortized value of the deferred amount was approximately \$0 and \$59,000, respectively. The deferred amount is being charged to operations through the year 2016 using a straight-line interest amortization method. The Series 2003A Refunding Revenue Bonds and the Series 2003B Revenue Bonds maturing after May 1, 2013, are callable at par and in such proportion within maturities as may be directed by the System.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**8. Long-Term Debt (continued)**

The Series 2006 Hospital Revenue and Revenue Refunding Bonds were issued in the amount of \$120,000,000. The Series 2006 Hospital Revenue and Revenue Refunding Bonds were issued to (1) reimburse the System for prior capital expenditures for the acquisition, construction, and equipping of certain facilities and routine equipment purchased by the System; (2) refund all the Series 1996 Revenue Refunding Bonds; and (3) pay certain costs of issuance. The Series 2006 Hospital Revenue and Revenue Refunding Bonds were issued as fixed rate bonds and are callable after May 2, 2016, at par, without premium.

The System completed the refunding of its Series 1996 Hospital Refunding Revenue Bonds as a part of the Series 2006 Hospital Refunding Revenue Bonds to reduce its total debt service payments and to extend the maturity of the debt. On a matched-maturity basis, the cash flow savings, not including the funds held in related bond debt service accounts, were approximately \$7,056,000. The economic gain (the difference between the present values of the old and new debt service payments taken together with the return of certain bond fund monies) of the refunding on a matched-maturity basis was approximately \$2,652,000.

The computations performed in accordance with GASB Statement No. 23 for the refunding of the Series 1996 Revenue Refunding Bonds resulted in a loss on defeasance of approximately \$5,246,000, which is reported in the accompanying statements of net position as a deferred outflow. At April 30, 2015 and 2014, the unamortized value of the deferred amount was approximately \$536,000 and \$2,554,000, respectively. The deferred amount is being charged to operations through the year 2022 using a straight-line interest amortization method.

The Series 2007 Hospital Refunding Revenue Bonds were issued in the amount of \$112,745,000. The Series 2007 Hospital Refunding Revenue Bonds were issued to (1) advance refund all the outstanding Series 2002 Revenue Bonds; (2) pay an issuer settlement amount to the provider of a rate lock agreement dated February 8, 2007; and (3) pay certain costs of issuance. The Series 2007 Hospital Refunding Revenue Bonds were issued as fixed rate bonds and are callable after May 1, 2017, at par, without premium. The computations performed in accordance with GASB Statement No. 23 for the advance refunding of the Series 2002 Hospital Revenue Bonds resulted in a loss on defeasance of approximately \$7,197,000, which is reported in the accompanying statements of net position as a deferred outflow. At April 30, 2015 and 2014, the unamortized value of the deferred amount was approximately \$4,862,000 and \$5,151,000, respectively. The deferred amount is being charged to operations through the year 2033 using a straight-line interest amortization method.

South Broward Hospital District  
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Notes to Financial Statements (continued)

**8. Long-Term Debt (continued)**

On May 27, 2008, the Series 2008 Hospital Refunding Revenue Bonds were issued in the amount of \$156,575,000 to (1) pay prior to maturity the principal of and accrued interest on the Bank of America Loan Agreement, and (2) pay certain costs of issuance. On March 1, 2008, the System entered into a loan agreement with Bank of America, National Association and executed a promissory note as of March 24, 2008, to evidence debt incurred under the Bank of America Loan Agreement, which debt was incurred for the purpose of refunding its (i) Series 2003C Refunding Revenue Bonds, (ii) Series 2004A Hospital Revenue Bonds, and (iii) Series 2004B Hospital Revenue Bonds. These prior bonds were issued as auction rate certificates, all of which experienced failed auctions during the 2008 fiscal year. The loan agreement temporarily refunded the bonds until a permanent financing could be completed. The Series 2008 Hospital Refunding Revenue Bonds were issued as fixed rate bonds and are callable after May 1, 2018, at par, without premium. The computations performed in accordance with GASB Statement No. 23 for the advance refunding of the Series 2003 and 2004 Hospital Revenue Bonds resulted in a loss on defeasance of approximately \$4,829,000, which is reported in the accompanying statements of net position as a deferred outflow. At April 30, 2015 and 2014, the unamortized value of the deferred amount was approximately \$3,653,000 and \$3,934,000, respectively. The deferred amount is being charged to operations through the year 2037 using a straight-line interest amortization method.

On October 28, 2009, Series 2009 Hospital Revenue Bonds were issued in the amount of \$150,000,000 to provide funds to (1) acquire, construct, renovate, and equip certain of its health care facilities, including reimbursement of certain moneys advanced prior to issuance, and (2) pay certain costs of issuance. The Series 2009 Hospital Revenue Bonds were issued as fixed rate bonds and are callable on or after May 1, 2019, at par, without premium. The 2009 Hospital Revenue Bonds are issued as Build America Bonds pursuant to the American Recovery and Reinvestment Act of 2009. The System will be eligible, subject to certain conditions, to receive cash subsidy payments from the U.S. Department of the Treasury equal to 35% of the interest payable on the Series 2009 Hospital Revenue Bonds.

On April 14, 2015, the Series 2015 Hospital Revenue and Revenue Refunding Bonds were issued in the amount of \$154,905,000 to provide funds to (1) refund and redeem a portion of the Series 2006 Hospital Refunding Revenue Bonds; (2) acquire, construct, renovate, and equip certain of its health care facilities, including reimbursement of certain moneys advanced prior to issuance; and (3) pay certain costs of issuance. The Series 2015 Hospital Revenue and Revenue Refunding Bonds were issued as fixed rate bonds and are callable on or after May 1, 2025, at par, without premium.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**8. Long-Term Debt (continued)**

The System completed the advance refunding of a portion of its Series 2006 Hospital Refunding Revenue Bonds as a part of the Series 2015 Hospital Revenue and Refunding Revenue Bonds to reduce its total debt service payments. On a matched-maturity basis, the cash flow savings, not including the funds held in related bond debt service accounts, was approximately \$8,169,000.

The computations performed in accordance with GASB Statement No. 23 for the refunding of the Series 2006 Revenue Refunding Bonds resulted in a loss on defeasance of approximately \$5,975,000, which is reported in the accompanying statements of net position as a deferred outflow. The deferred amount is being charged to operations through the year 2038 using a straight-line interest amortization method.

The fair value of the System's long-term debt, as calculated by an independent third party, was approximately \$642,655,000 and \$570,952,000 at April 30, 2015 and 2014, respectively. The fair value of the System's long-term debt was based primarily on quoted market prices and excludes the variable rate 2001 Revenue Certificate, which is priced at par, and includes principal payments due May 1, 2015.

Maturities of long-term debt for the next five years and thereafter are (in thousands):

	<b>Principal</b>	<b>Estimated Interest Payments</b>	<b>Estimated Total Debt Service</b>
Years ending April 30:			
2016	\$ 9,265	\$ 26,193	\$ 35,458
2017	9,650	28,665	38,315
2018	10,050	28,291	38,341
2019	10,840	27,784	38,624
2020	10,945	27,245	38,190
2021–2025	62,450	127,315	189,765
2026–2030	108,700	106,951	215,651
2031–2035	137,455	79,114	216,569
2036–2040	125,520	46,173	171,693
2041–2046	127,020	17,357	144,377
	<u>\$ 611,895</u>	<u>\$ 515,087</u>	<u>\$ 1,162,983</u>

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**8. Long-Term Debt (continued)**

For purposes of determining estimated future interest payments for the System's variable interest rate debt, estimated future interest payments were calculated using the rates in effect at April 30, 2015.

Activity related to long-term debt is summarized as follows (in thousands):

	<b>Year Ended April 30</b>	
	<b>2015</b>	<b>2014</b>
Balance at beginning of year	\$ 551,979	\$ 559,848
Issuance of long-term debt, including premium	165,722	—
Principal payments on long-term debt	(92,270)	(7,585)
Amortization of premiums or discounts	(1,771)	(284)
Balance at end of year	\$ 623,660	\$ 551,979

**9. Pension Plan**

The following are the required disclosures under Statement No. 27 and Statement No. 67. The System reports pension related measures in accordance with Statement No. 27 in the statement of net position and in the statement of revenue and expenses and changes in net position. Statement No. 27 provides for different actuarial assumptions, different measurements of total pension liabilities and a measurement of a net pension obligation/asset that differs from the provisions of Statement No. 67.

The System administers the Retirement Plan for Employees of the South Broward Hospital District. The Plan is a single employer, noncontributory defined benefit pension plan covering substantially all full-time regular employees that were hired on or before October 31, 2011. Effective November 1, 2011, the Plan was closed to new hires and rehires. The Plan does not issue a stand-alone financial report.

The Board of the South Broward Hospital District has the authority to establish and amend the benefit provisions of the Plan. The Board consists of seven members appointed by the Governor of the State of Florida.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**9. Pension Plan (continued)**

Retirement benefits are based on employees' completed months of continuous service from date of employment to date of termination and average compensation during the specific service period. Employees become eligible for normal retirement based on the attainment of a specified age ranging from 55 to 65 years and years of credited service ranging from 5 to 30 years. Early and late retirement options are available subject to certain conditions.

Effective May 1, 2014, the Plan was amended to: (1) permit lump-sum distributions to participants when the actuarial equivalent present value of the retirement benefit is not greater than \$50,000 and the participant has not begun receiving a monthly retirement benefit; (2) permit the Plan to distribute to the participant (if elected) or into an eligible retirement plan (if the participant does not make an election) the actuarial equivalent present value of a participant's benefit when it exceeds \$1,000 but does not exceed \$5,000; and (3) distribute the actuarial equivalent present value of a participant's benefit that is \$1,000 or less as soon as administratively practical following the participant's date of termination.

Listed below is information regarding payroll and participant data used in the calculation of current year actuarial information:

Participant data as of May 1, 2014:

Inactive employees or beneficiaries currently receiving benefits	1,458
Inactive employees entitled to but not yet receiving benefits	2,792
Active employees	<u>6,484</u>
Total	<u><u>10,734</u></u>

The Plan's funding policy provides for actuarially determined amounts, which, together with investment earnings, are sufficient to fund the Plan. There are no employee contributions. The Plan's funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the projected unit credit actuarial funding method with proration based on service. The actuary uses the level dollar method to amortize the unfunded liability over the average future working lifetime of active participants, which is 11 years as of May 1, 2014. The same amortization method is used for experience gains or losses, changes in benefits, or changes in actuarial assumptions. The actuarial value of assets uses a five-year smoothing for investment gains and losses.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**9. Pension Plan (continued)**

The annual required contributions to the Plan were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of May 1, 2014. The System's annual pension cost under Statement No. 27 for the years ended April 30, 2015, 2014, and 2013, was approximately \$33,764,000, \$34,988,000, and \$33,031,000, respectively. The actuarial value of the Plan's assets at April 30, 2015 and 2014, was \$484,827,000 and \$434,247,000, respectively. The System's contributions to the Plan during the years ended April 30, 2015, 2014, and 2013, were equal to 100% of annual pension cost for all three years. As of April 30, 2015, 2014, and 2013, the System's net pension obligation was zero.

The Plan has adopted an investment policy that adheres to the investment guidelines and permissible investments outlined in Florida Statutes, Title XIV, Chapters 215.44 and 215.47. The policy has target percentages for certain asset classes and permits variances of +/- 5% as an allowable range.

At April 30, 2015 and 2014, the authorized asset allocation, target percentages, and long-term expected rate of return by asset class were:

<b>Asset Class</b>	<b>Authorized April 30, 2015</b>	<b>Authorized April 30, 2014</b>	<b>Target Percent</b>	<b>Long-Term Expected Rate of Return</b>
Global equity:			55.00%	7.80%
Value	<b>27.5%</b>	27.5%		
Growth	<b>27.5</b>	27.5		
Fixed income:			35.00	3.17
U.S. fixed income – core	<b>25.0</b>	35.0		
Global bonds – U.S. dollar	<b>5.0</b>			
Global bonds – non-U.S. dollar	<b>5.0</b>			
Alternative investments:			10.00	5.56
Long/short equity hedge funds	<b>10.0</b>	10.0		
Total Plan			<u>100.00%</u>	

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**9. Pension Plan (continued)**

The Plan provides the following guidelines and restrictions for the asset classes authorized:

(1) *Global equity (including dedicated emerging markets)*: The following list of investments may be purchased in a global equity portfolio: common and preferred stocks of issuers whose primary stock exchange listing, registration, or headquarters are located in the United States, or countries comprising the Morgan Stanley Capital International All Country World Index (MSCI ACQI Index). The exceptions to this are stocks in emerging markets, subject to certain limitations. Other permissible investments include: securities convertible into common stock, including offerings under Securities Act Rule 144, limited to 20% of the portfolio at market value; warrants; ADRs listed on a major U.S. exchange; forward contracts for foreign currency to be used in defensive hedging only; World Equity Benchmarks (WEBs); exchange traded funds; initial public offerings (only after notification to the System's Finance Committee and its Investment Consultant; no-load mutual funds; bank, trust, or insurance company pooled funds; and cash or cash equivalents,

(2) *Fixed income*: The following list of investments may be purchased in the fixed-income portfolios: U.S. Treasury obligations, Treasury inflation protected bonds, government agencies and government sponsored agency debentures and mortgage pass-through; mortgage-backed To-Be-Announced (TBA) notes; collateralized mortgage obligations, limited to 25% of the portfolio; non-agency issued mortgages originated in Florida per Statute 215.47(2)(b)(c)(d); commercial mortgage-backed securities; corporate bonds and other corporate obligations, including equipment trust certificates; asset-backed securities; indexed notes, floaters, and other variable rate obligations; pooled accounts or other collective investment funds; certificates of deposit, bankers' acceptances, and commercial paper rated at least A-1 by S&P or P-1 by Moody's; mutual funds; municipal bonds; complex tranches of collateralized mortgage obligations, asset-backed securities, and commercial mortgage-backed securities (including interest only, principal only, super floaters, inverse floaters, and support bonds), limited to 10% of the portfolio at market value; and U.S. dollar global bonds and non-U.S. dollar global bonds, limited to 5% each (10% total) of the portfolio at market value. Investments not listed above may be purchased only if the investment manager receives written approval from the System's Finance Committee.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**9. Pension Plan (continued)**

(3) *Alternative investments – long/short equity hedge fund*: A hedge fund refers to an investment or strategy that is not a long-only portfolio of traditional equity. The Plan will generally invest in strategies that have at least yearly liquidity and reasonable levels of transparency.

(4) *Alternative investments – commingled funds*: The Plan invests in U.S. and global bonds through a commingled fund that is considered an alternative investment vehicle under Chapter 215.44, Florida Statutes. The Plan considers this investment a component of its fixed income allocation.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**9. Pension Plan (continued)**

**Interest Rate Risk**

At April 30, 2015, the Plan had the following investments with the respective effective durations. Fair values are determined primarily using quoted market prices or absent such, by other customary pricing methods by the custodian. For alternative investments, the quoted market prices of underlying securities comprising the individual investments are used to determine fair value. (Fair value is in thousands and effective duration is in years).

	<b>2015</b>	
	<b>Fair Value</b>	<b>Effective Duration</b>
<b>Investments</b>		
Domestic investments:		
Equities	\$ 80,436	N/A
U.S. government and agency obligations	50,264	2.29
Corporate debt	24,307	1.74
Commercial mortgage securities	8,078	0.31
Collateralized mortgage obligations	713	0.02
Asset-backed securities	4,293	0.09
Municipal bonds	5,438	0.50
SEC-registered money market funds	23,613	N/A
Preferred securities	131	N/A
International investments:		
Equities	109,331	N/A
Dodge & Cox Global Stock Fund	82,176	N/A
Alternative investments		
Long/short equity hedge fund	43,360	N/A
U.S. and global bonds in a commingled fund	48,778	N/A
Other:		
Cash	-	N/A
Due (to)/from brokers	(2,235)	N/A
Advance contribution	-	N/A
	478,683	

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**9. Pension Plan (continued)**

At April 30, 2015, the Plan's investment securities have the following credit ratings as shown below (in thousands):

<b>Investments</b>	<b>Fair Value</b>	<b>Credit Rating<sup>*</sup></b>
Domestic investments:		
Equities	\$ 80,436	Not Rated
U.S. Treasuries	27,871	AA+
U.S. agencies	492	AA+
U.S. agencies	652	AA-
U.S. agency mortgage bonds	21,249	AA+
Corporate debt	505	AA+
Corporate debt	281	AA
Corporate debt	700	AA-
Corporate debt	292	A+
Corporate debt	2,934	A
Corporate debt	3,567	A-
Corporate debt	6,154	BBB+
Corporate debt	5,271	BBB
Corporate debt	4,368	BBB-
Corporate debt	224	BB+
Corporate debt	11	Not Rated
Commercial mortgage securities	5,898	AAA
Commercial mortgage securities	1,321	AA
Commercial mortgage securities	296	A+
Commercial mortgage securities	563	A
Collateralized mortgage obligations	47	AA+
Collateralized mortgage obligations	-	BB+
Collateralized mortgage obligations	71	B-
Collateralized mortgage obligations	47	CCC

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**9. Pension Plan (continued)**

	<b>Fair Value</b>	<b>Credit Rating*</b>
<b>Investments (continued)</b>		
Domestic investments (continued):		
Collateralized mortgage obligations	\$ 22	CC
Collateralized mortgage obligations	357	D
Collateralized mortgage obligations	169	Not Rated
Asset-backed securities	3,658	AAA
Asset-backed securities	44	AA
Asset-backed securities	66	B
Asset-backed securities	128	CCC
Asset-backed securities	389	D
Asset-backed securities	9	Not Rated
Municipal bonds	541	AA
Municipal bonds	2,702	AA-
Municipal bonds	1,211	A+
Municipal bonds	984	A-
Municipal bonds	—	A
SEC-registered money market funds	23,613	AAA
Preferred securities	131	D
International investments:		
Equities	109,331	N/A
Dodge & Cox Global Stock Fund	82,176	N/A
Alternative investments:		
Long/short equity hedge fund	43,360	N/A
U.S. and global bonds in a commingled fund	48,778	N/A
Other:		
Cash	—	N/A
Due (to)/from brokers	(2,235)	N/A
Advance contribution	—	N/A
	\$ 478,683	N/A

*\*Standard & Poor's rating, or equivalent*

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**9. Pension Plan (continued)**

**Concentration of Credit Risk**

The Plan's investment policy has established asset allocation and issuer limitations on the following investments, which are designated to reduce concentration of credit risk of the Plan's investments.

Global equity investments in any individual company may not represent more than 5% at cost and 8% at the market value. Investment in any individual company on a "Total Plan" basis shall not exceed 3%. The maximum exposure to emerging markets equity from global and dedicated emerging markets is 20% of total Plan assets.

No more than 10% of the bond portfolio at market value shall be invested in the securities of any one issuer, with the exception of the U.S. Government. No more than 3% of the portfolio may be invested in one bond, with the exception being securities issued or guaranteed by the U.S. Government. No more than 50% of the portfolio shall have exposure to non-government guaranteed agency obligations (at market value). Fixed-income securities should be rated BBB- (or its equivalent) or higher at time of purchase by a nationally recognized statistical rating agency. The minimum dollar-weighted average quality rating of the portfolio is A. Asset-backed securities, mortgage-backed securities, and collateralized mortgage obligations should be rated AAA (or its equivalent) at the time of purchase by a nationally recognized statistical rating agency. For split ratings, the higher rating will be used to determine compliance with these guidelines. If issues are downgraded to non-investment grade, the investment manager will determine the appropriate action based on the perceived risk and expected return of the position and will inform the System's Systems management and the Investment Consultant in writing of the action that was taken. The duration of the portfolio must be within +/- 10% of the indicated index. The maximum effective maturity of any single security should not exceed 40 years.

Investments in long/short equity hedge strategies require the manager to use a prime broker relationship when shorting stocks. The Plan will generally invest in strategies that provide liquidity such that a significant withdrawal is available (>75% of the investment) at least once per year. Reasonable levels of transparency are expected in order to monitor underlying investments. Strategies that cause total leverage to exceed 2.5:1 and fund of funds managers that employ leverage at the fund of funds level shall be avoided. At no time will the Plan invest in a fund where the amount of dollars at risk exceeds the initial investment amount.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**9. Pension Plan (continued)**

At April 30, 2015, there was no single investment representing 5% or more of the Plan's fiduciary net position.

**Custodial Risk**

GASB Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, requires disclosure of deposits and investments exposed to custodial credit risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of April 30, 2015 and 2014, the Plan's investment portfolio was held by a single third-party custodian.

**Foreign Currency Risk**

Statement No. 40 requires disclosure of deposits or investments exposed to foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Plan's exposure to foreign currency derives from its positions in foreign currency denominated bonds and equities. Global equities have a target percentage of 55% of the Plan's assets. Global bonds are limited to 10% of the Plan's assets with non-U.S. dollar global bonds further limited to 5% of the Plan's assets. The following table shows the Plan's exposure to foreign currencies as of April 30, 2015 (in thousands).

Australian dollar	\$ 3,150
British sterling pound	15,690
Canadian dollar	2,964
Danish krone	4,037
EMU (euro)	24,158
Hong Kong dollar	12,609
Japanese yen	14,264
Singapore dollar	5,404
Swedish krona	2,610
Swiss franc	23,707
Thailand baht	738
Global bonds in commingled fund	27,931
Total pension investments subject to foreign currency risk	<u>\$ 137,262</u>

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**9. Pension Plan (continued)**

The components of the net pension liability of the Plan as of April 30, 2015, were as follows (in thousands):

<b>Net pension liability</b>	
Total pension liability	\$ 637,968
Plan fiduciary net position	478,683
Net pension liability	<u>\$ 159,285</u>
 Plan fiduciary net position as a percentage of the total pension liability	 <u>75.03%</u>

**Sensitivity of the net pension liability to changes in the discount rate**

The following table presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.5%) of one-percentage point higher (8.50%) than the current rate (in thousands):

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Net pension liability	\$ 253,820	\$ 159,285	\$ 81,469

**Funded Status and Funding Progress**

The funded status of the Plan as of May 1, 2014, the most recent actuarial valuation date, is as follows (in thousands):

<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll</b>
484,827	552,559	67,732	87.7%	430,322	15.7%

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**9. Pension Plan (continued)**

**Actuarial Assumptions and Methods**

Significant assumptions used in the May 1, 2014, valuation under Statement No. 27 and Statement No. 67 were based on the results of various actuarial experience studies performed over the last five years.

Valuation date	May 1, 2014; Liabilities were projected from May 1, 2014 to April 30, 2015
Actuarial cost method	Projected Unit Credit Cost Method for actuarially determined contributions under Statement No. 27 and Entry Age Normal Actuarial Cost Method for the total pension liability under Statement No. 67
Amortization method	Level dollars amount, closed
Remaining amortization period	Various ranging from 10 to 11 years depending on items being amortized
Asset valuation method	Five-year smoothing of market value for actuarially determined contributions under Statement No. 27 and market value for fiduciary net position used to determine net pension liability under Statement No. 67
Long-term expected rate of return*	7.5%
Projected salary increases*	Age-based rates based on plan experience starting with the rates below and increasing 0.25% per year until 2022, where they remain constant thereafter. All increases in rates through 2022 are reflected in the May 1, 2014, valuation.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**9. Pension Plan (continued)**

Attained Age	Percentage Increase
Less than 35	4.00%
35–39	3.75
40–44	3.50
45–49	3.25
50–54	3.00
55–59	2.75
60 or older	2.50

Cost of living adjustments      Not applicable

*\*Includes inflation at 2.5%*

**Expected Rate of Return**

The long-term expected rate of return on assets assumptions is based on a model of current U.S. capital market simulations. It is designed to simulate a wide range of plausible scenarios of future capital market performance over a 20-year time period. It reflects the capital market conditions prevailing at the start date of the simulation. The transition from these initial conditions to assumed long-term levels is a significant factor underlying the simulation results. The long-term average, or normative, levels incorporate a blend of historical capital market data and future expectations. The model produces expected returns for each major asset class, which are weighted by the target asset allocation percentage. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized above.

**Discount Rate**

The System funds the actuarially determined contribution each year as required by the State of Florida. Thus, the projection of cash flows used to determine the discount rate assume that the System will continue to fund the plan. Based on this assumption, the pension plan’s fiduciary net position was projected to be available to pay all projected benefit payments of current plan participants. 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.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**9. Pension Plan (continued)**

**Money-Weighted Rate of Return**

For the year ended April 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.62%. The money-weighted rate of return is used to express investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Mortality Rates**

Mortality rates were based on the RP-2014 Employee/Annuitant tables for males and females with the Scale MP-2014 backed out to 2006 and projected forward from 2006 generationally using Scale BB (male).

**10. Regulatory Matters**

In May 1984, the State Legislature enacted the Health Care Consumer Protection and Awareness Act (the Act). The Act empowered the State Health Care Board to levy assessments on all hospitals in the State. In 1992, the State Legislature transferred the authority to levy assessments to AHCA. The amount of the assessment is 1.5% of adjusted inpatient operating revenue and 1.0% of adjusted outpatient operating revenue.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. 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. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

**11. Other Noncurrent Liabilities**

Other noncurrent liabilities primarily consist of accrued disability expenses, AHCA and other assessments, and retirement benefits.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**11. Other Noncurrent Liabilities (continued)**

Activity related to other noncurrent liabilities is summarized as follows (in thousands):

	<b>Year Ended April 30</b>	
	<b>2015</b>	<b>2014</b>
Balance at beginning of year	\$ 86,366	\$ 79,865
AHCA assessments	1,266	18,915
Disability income	(2,983)	(580)
Physician guarantee	117	24
Retirement benefits	501	1,020
FAS 13	4,532	-
Payments	(18,251)	(17,822)
Long-term portion of estimated claims liability	2,540	579
Long-term portion of capital lease obligations	(51)	4,365
Balance at end of year	\$ 74,037	\$ 86,366

**12. Leases**

Effective July 1, 1995, the System entered into a lease (the Lease) of Pembroke Pines Hospital from HCA Inc. and affiliates. During 2006, HCA Inc. sold the facility to Hospital Realty, LLC.

The System operates the facility under the name of Memorial Hospital Pembroke. The Lease is for a period of ten years with two successive optional ten-year terms. Either party may elect not to renew the Lease at the end of the first and second ten-year term. During fiscal year 2005, the System exercised its option to renew the Lease for the first of the two successive optional ten-year terms. In May 2007, the System and Hospital Realty, LLC renegotiated the lease and extended the lease term through June 30, 2025.

The Lease, as renegotiated, calls for base rent of \$4,300,000 annually through June 30, 2008. Thereafter, the base rent increased by the prior year's base rent multiplied by 101.5%.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**12. Leases (continued)**

The System has operating lease commitments, including the Memorial Hospital Pembroke lease, for office space, medical equipment, data processing equipment, and system support services, the expense for which was approximately \$16,470,000 and \$20,376,000 for the years ended April 30, 2015 and 2014, respectively. At April 30, 2015, future minimum lease payments by year under the noncancelable operating leases are as follows (in thousands):

Years ending April 30:	
2016	\$ 15,916
2017	13,149
2018	10,435
2019	9,699
2020	9,457
2021–2026	28,780

**13. Nonoperating Gains (Losses), Net**

Nonoperating gains (losses) consist of activities that are peripheral, incidental, or not considered to be central to the provision of health care services and are as follows (in thousands):

	<b>Year Ended April 30</b>	
	<b>2015</b>	<b>2014</b>
Ad valorem tax revenue, net	\$ —	\$ 9,208
Investment income and other, net	<b>24,164</b>	27,958
Unrealized gains (losses) on investments	<b>7,687</b>	(17,306)
Interest	<b>(28,156)</b>	(30,774)
Interest subsidy	<b>3,722</b>	3,479
Contribution	<b>(10,000)</b>	(10,000)
	<b>\$ (2,583)</b>	<b>\$ (17,435)</b>

Ad valorem tax revenue is unrestricted as to use, and is recorded on an accrual basis in the year that taxes are levied, and is net of tax expenses.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Notes to Financial Statements (continued)

**14. Net Position**

A summary of the activity in the net position accounts is as follows (in thousands):

	Net Investment in Capital Assets	Restricted for Debt Service	Restricted by Donors	Restricted Under Self- Insurance Trust Agreements	Unrestricted	Total Net Position
Balance at April 30, 2014	\$ 239,282	\$ 21,377	\$ 542	\$ 47,687	\$1,311,787	\$ 1,620,675
Excess of revenue and net nonoperating losses over expenses	-	-	-	-	189,751	189,751
Net (decrease) increase in capital assets, net	(103,566)	-	-	-	103,566	-
Net transfers to and from unrestricted	-	48,242	-	(569)	(47,673)	-
Capital contributions and grants	-	-	(494)	-	2,113	1,619
Balance at April 30, 2015	<u>\$ 135,716</u>	<u>\$ 69,619</u>	<u>\$ 48</u>	<u>\$ 47,118</u>	<u>\$1,559,544</u>	<u>\$ 1,812,045</u>
Balance at April 30, 2013	\$ 279,976	\$ 21,245	\$ 1,896	\$ 48,551	\$1,167,547	\$ 1,519,215
Excess of revenue and net nonoperating gains over expenses	-	-	-	-	99,591	99,591
Net decrease in capital assets, net	(40,694)	-	-	-	40,694	-
Net transfers to and from unrestricted	-	132	-	(864)	732	-
Capital contributions and grants	-	-	(1,354)	-	3,223	1,869
Balance at April 30, 2014	<u>\$ 239,282</u>	<u>\$ 21,377</u>	<u>\$ 542</u>	<u>\$ 47,687</u>	<u>\$1,311,787</u>	<u>\$ 1,620,675</u>

# Required Supplementary Information

South Broward Hospital District  
d/b/a Memorial Healthcare System

Schedules of Required Supplementary Information

Schedule of Changes in the Retirement Plan for Employees of the  
South Broward Hospital District Net Pension Liability and Related Ratios  
*(In Thousands)*

	<b>2015</b>
<b>Total pension liability</b>	
Service cost	\$ 17,980
Interest	43,771
Changes of benefit terms	–
Differences between expected and actual experience	–
Changes in assumptions	–
Benefit payments	(14,800)
Net change in total pension liability	46,951
Total pension liability – beginning	591,017
Total pension liability – ending (a)	\$ 637,968
<b>Plan fiduciary net position</b>	
Contributions – employer	\$ 33,764
Net investment income	20,731
Benefit payments	(14,800)
Administrative expense	(216)
Net change in plan fiduciary net position	39,479
Plan fiduciary net position – beginning	439,204
Plan fiduciary net position – ending (b)	\$ 478,683
Plan’s net pension liability – ending (a) – (b)	\$ 159,285
Plan fiduciary net position as a percentage of total pension liability	75.03%
Covered-employee payroll	\$ 430,332
Plan’s net pension liability as a percentage of covered employee payroll	37.01%

South Broward Hospital District  
d/b/a Memorial Healthcare System

Schedules of Required Supplementary Information  
Schedule of Plan Contributions Last 10 Fiscal Years  
*(In Thousands)*

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Actuarially determined contribution	\$ 33,764	\$ 34,988	\$ 33,031	\$ 29,899	\$ 28,924
Contributions in relation to the actuarially determined contribution	<b>33,764</b>	34,988	33,031	29,899	28,924
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	<b>\$ 430,332</b>	\$ 453,033	\$ 464,209	\$ 440,349	\$ 421,333
Contributions as a percentage of covered employee payroll	7.85%	7.72%	7.12%	6.79%	6.86%
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Actuarially determined contribution	\$ 28,260	\$ 23,615	\$ 18,914	\$ 17,096	\$ 14,838
Contributions in relation to the actuarially determined contribution	28,260	23,615	18,914	17,096	14,838
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	<b>\$ 399,400</b>	\$ 360,160	\$ 325,691	\$ 296,396	\$ 251,197
Contributions as a percentage of covered employee payroll	7.08%	6.56%	5.81%	5.77%	5.91%

South Broward Hospital District  
d/b/a Memorial Healthcare System

Schedules of Required Supplementary Information  
Schedule of Plan Contributions Last 10 Fiscal Years (continued)  
*(In Thousands)*

**Notes to Schedule**

Actuarially determined contributions are calculated as of the beginning of each fiscal year/plan year and interest adjusted to end of the year. 1/12 of this amount is paid by the System on a monthly basis.

Valuation Date Actuarially determined contributions are calculated as of the beginning of each fiscal year/plan year and interest-adjusted to end of the year. 1/12 of this amount is paid by the System on a monthly basis.

*Methods and assumptions used to determine annual required contributions*

Actuarial cost method Projected Unit Credit Cost Method

Amortization method Starting with the May 1, 2012, valuation – Level Dollar Amount, Closed; Prior to May 1, 2012 – Level Percent of Pay, Closed

Remaining amortization period Ten – 11 years, the average future work life expectancy of the active participants in the year the amortization base is established. Prior to May 1, 2012, any new assumption or plan change was amortized over 30 years and experience change was amortized over 15 years.

Asset valuation method Five-year smoothed market value

Inflation 2.50% starting with the May 1, 2010, valuation; 3.50% for May 1, 2008, and May 1, 2009 valuations; 4% for valuations prior to May 1, 2008

Salary increases Starting with the May 1, 2014, valuation, an age-graded select and ultimate table of rates was used starting with 4.0% and grading down to 2.5% in 2014 and increasing 0.25% per year to 2022 when rates are 6.0% grading down to 4.5%; for the May 1, 2009 through May 1, 2013, valuations, age-graded rates starting with 6.0% and grading down to 4.5%; prior to May 1, 2009, age-graded rates starting with 7.25% and grading down to 5.25%.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Schedules of Required Supplementary Information  
Schedule of Plan Contributions Last 10 Fiscal Years (continued)  
*(In Thousands)*

**Notes to Schedule (continued)**

Investment rate of return	7.5% as of May 1, 2008; 8.0% used in valuations prior to May 1, 2008
Mortality	May 1, 2014, valuation– RP-2014 Employee/Annuitant tables for males and females with the Scale MP-2014 backed out to 2006 and projected forward from 2006 generationally using Scale BB (male); May 1, 2013, valuations – RP-2000 sex distinct rates projected to ten years past the valuation year using Scale AA; May 1, 2009 through May 1, 2012, valuations – RP-2000 sex distinct rates projected to the valued year; May 1, 2008, valuation – RP-2000 sex distinct rates (no projection); May 1, 2007, valuation – 1983 Group Annuity Mortality Table for males and set back six years for females.
Other information	At May 1, 2010, the benefit multiplier for average compensation in excess of the 2nd integration level for physicians was increased from 1.5% to 3.0%; the benefit formula for participants hired after May 1, 2010, was changed; and the actuarial equivalence assumption changed from UP-1984 mortality and an 8% interest rate to the applicable mortality under Code Section 417(e)(3)(B) for 2010 a 7.5% interest rate. At May 1, 2011, the Plan was closed to employees hired or rehired after October 31, 2011.

South Broward Hospital District  
d/b/a Memorial Healthcare System

Schedules of Required Supplementary Information

Schedule of Investment Returns

	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	4.62%

South Broward Hospital District  
d/b/a Memorial Healthcare System

Schedules of Funding Progress (Unaudited)

*(In Thousands)*

<b>Year Ended April 30</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability*</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Unfunded Actuarial Accrued Liability as a Percent of Covered Payroll</b>
2010	\$ 276,000	\$ 344,203	\$ 68,203	80.2%	\$ 399,400	17.1%
2011	306,235	384,397	78,162	79.7	421,333	18.6
2012	335,264	413,669	78,405	81.0	440,349	17.8
2013	374,137	457,821	83,684	81.7	464,209	18.0
2014	434,247	506,475	72,228	85.7	453,033	15.9
2015	484,827	552,559	67,732	87.7	430,332	15.7

\*The Actuarial Accrued Liability for each year ended April 30 is based on a beginning of the year (May 1) valuation projected forward to year-end (April 30).

South Broward Hospital District  
d/b/a Memorial Healthcare System

Schedules of Employer Contributions (Unaudited)

	<b>Annual Required Contribution*</b>	<b>Percentage Contributed</b>
Year ended April 30:		
2010	\$ 28,260,000	100%
2011	28,924,000	100
2012	29,899,000	100
2013	33,031,000	100
2014	34,988,000	100
2015	33,764,000	100

\*Annual Required Contribution consists of Normal Cost plus amortization of Unfunded Actuarial Accrued Liability (Funding Excess) and expenses as of the end of the year (i.e., interest is incorporated).

# Supplementary Information

South Broward Hospital District  
d/b/a Memorial Healthcare System

Combining Statement of Net Position – System  
(In Thousands)

April 30, 2015

	<b>Memorial Regional Hospital and Affiliated Providers</b>	<b>Memorial Hospital West</b>	<b>Memorial Hospital Pembroke</b>	<b>Memorial Hospital Miramar</b>	<b>Other Non- Hospital Operations, Eliminations</b>	<b>Combined</b>
<b>Assets</b>						
Current assets:						
Cash and cash equivalents	\$ 48	\$ –	\$ –	\$ –	\$ 449,022	\$ 449,070
By Board for capital improvements	–	–	–	–	1,452	1,452
By Board for employee disability	–	–	–	–	17,985	17,985
Investments	–	–	–	–	1,111,094	1,111,094
Patient accounts receivable, net	102,750	58,883	12,907	19,245	1,367	195,152
Ad valorem taxes receivable	–	–	–	–	123	123
Inventories	17,470	6,693	2,576	1,961	739	29,439
Other current assets	16,722	(273)	2,067	245	43,131	61,892
<b>Total current assets</b>	<b>136,990</b>	<b>65,303</b>	<b>17,550</b>	<b>21,451</b>	<b>1,624,913</b>	<b>1,866,207</b>
Restricted assets, net of current portion:						
Under indenture agreements	–	–	–	–	69,619	69,619
Under self-insurance trust agreements	–	–	–	–	47,118	47,118
Externally restricted by donors	48	–	–	–	–	48
<b>Total restricted assets, net of current portion</b>	<b>48</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>116,737</b>	<b>116,785</b>
Due from Memorial Healthcare System	–	701,536	–	114,995	(816,531)	–
Capital assets, net	344,008	155,384	18,840	94,940	137,793	750,965
Other assets	180	7	50	–	19,105	19,342
<b>Total assets</b>	<b>\$ 481,226</b>	<b>\$ 922,230</b>	<b>\$ 36,440</b>	<b>\$ 231,386</b>	<b>\$ 1,082,017</b>	<b>\$ 2,753,299</b>
<b>Deferred outflows</b>						
Loss on defeasance, net	–	–	–	–	15,026	15,026

	<b>Memorial Regional Hospital and Affiliated Providers</b>	<b>Memorial Hospital West</b>	<b>Memorial Hospital Pembroke</b>	<b>Memorial Hospital Miramar</b>	<b>Other Non- Hospital Operations, Eliminations</b>	<b>Combined</b>
<b>Liabilities and net assets</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 27,476	\$ 9,608	\$ 3,284	\$ 2,380	\$ 31,235	\$ 73,983
Accrued compensation and payroll taxes	(2)	(50)	–	–	115,778	115,726
Estimated third-party payor settlements	7,386	2,285	1,044	3,041	11	13,767
Current installments of long-term debt	–	–	–	–	9,265	9,265
Current portion of capital lease obligations	–	–	–	–	2,300	2,300
Current portion of estimated claims liability	–	–	–	–	15,480	15,480
Other current liabilities	20,283	8,154	2,189	3,206	3,495	37,327
<b>Total current liabilities</b>	<b>55,143</b>	<b>19,997</b>	<b>6,517</b>	<b>8,627</b>	<b>177,564</b>	<b>267,848</b>
Due to Memorial Healthcare System	2,616	–	26,976	–	(29,592)	–
Long-term portion of estimated claims liability	–	–	–	–	22,784	22,784
Other noncurrent liabilities	6,081	3,203	4,255	1,063	32,337	46,939
Long-term portion of capital lease obligations	–	–	–	–	4,314	4,314
Long-term debt	–	–	–	–	614,396	614,396
<b>Total liabilities</b>	<b>\$ 63,840</b>	<b>\$ 23,200</b>	<b>\$ 37,748</b>	<b>\$ 9,690</b>	<b>\$ 821,803</b>	<b>\$ 956,281</b>
Net assets:						
Invested in capital assets, net of related debt	\$ 344,008	\$ 155,384	\$ 18,840	\$ 94,940	\$ (477,456)	\$ 135,716
Restricted:						
For debt service	–	–	–	–	69,619	69,619
By donors	48	–	–	–	–	48
Under self-insurance trust agreements	–	–	–	–	47,118	47,118
Unrestricted	73,330	743,646	(20,148)	126,756	635,959	1,559,543
<b>Total net position</b>	<b>\$ 417,386</b>	<b>\$ 899,030</b>	<b>\$ (1,308)</b>	<b>\$ 221,696</b>	<b>\$ 275,240</b>	<b>\$ 1,812,044</b>

South Broward Hospital District  
d/b/a Memorial Healthcare System

Combining Statement of Revenue and Expenses  
and Changes in Net Position – System  
(In Thousands)

Year Ended April 30, 2015

	<b>Memorial Regional Hospital and Affiliated Providers</b>	<b>Memorial Hospital West</b>	<b>Memorial Hospital Pembroke</b>	<b>Memorial Hospital Miramar</b>	<b>Other Non- Hospital Operations</b>	<b>Combined</b>
Revenue:						
Net patient service revenue	\$ 807,086	\$ 482,956	\$ 119,656	\$ 163,851	\$ 57,255	\$ 1,630,804
Disproportionate share distributions	47,751	17,028	7,690	8,760	2,191	83,420
Other operating revenues	33,430	8,906	2,684	2,482	2,481	49,983
Total revenue	888,267	508,890	130,030	175,093	61,927	1,764,207
Expenses:						
Salaries and wages	382,317	172,229	58,455	62,687	80,559	756,247
Employee benefits	80,723	35,246	12,223	12,951	9,986	151,129
Professional fees	24,519	7,345	3,234	2,654	452	38,204
Supplies	158,375	76,122	16,639	17,922	3,901	272,959
Purchased services	48,577	27,840	11,283	8,414	3,677	99,791
Facilities	37,204	13,184	10,203	5,887	7,108	73,586
Depreciation and amortization	64,579	25,960	8,083	10,029	2,557	111,208
Other	36,786	18,136	5,322	5,629	2,876	68,749
Total expenses	833,080	376,062	125,442	126,173	111,116	1,571,873
Income (loss) from operations	55,187	132,828	4,588	48,920	(49,189)	192,334
Nonoperating gains (losses), net	(53,867)	(5,700)	(427)	(4,886)	62,297	(2,583)
Excess (deficiency) of revenues and net nonoperating losses over expenses	1,320	127,128	4,161	44,034	13,108	189,751
Transfer to Memorial Foundation	–	–	–	–	–	–
Capital contributions and grants	1,460	146	8	4	–	1,618
	1,460	146	8	4	–	1,618
Increase (decrease) in net position	2,780	127,274	4,169	44,038	13,108	191,369
Net position at the beginning of the year	414,606	771,756	(5,477)	177,658	262,132	1,620,675
Net position at the end of the year	\$ 417,386	\$ 899,030	\$ (1,308)	\$ 221,696	\$ 275,240	\$ 1,812,044

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