



**NORTH BROWARD HOSPITAL DISTRICT**

Basic Financial Statements, Required Supplementary Information, and  
Supplemental Combining Information

June 30, 2015

(With Report of Independent Auditors' Thereon)

# NORTH BROWARD HOSPITAL DISTRICT

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**KPMG LLP**  
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Fort Lauderdale, FL 33301

## **Independent Auditors' Report**

The Board of Commissioners  
North Broward Hospital District:

We have audited the accompanying financial statements of the North Broward Hospital District (the District) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Broward Hospital District as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended, in accordance with U.S. generally accepted in accounting principles.

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

As discussed in note 3 to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* effective July 1, 2014. Our opinion is not modified with respect to this matter.



**Other Matters**

**Required Supplementary Information**

U.S. generally accepted accounting principles require that the management’s discussion and analysis on pages 3 to 11, and the schedule of changes in net pension liability and related ratios, the schedule of employer contributions, and the schedule of plan funding progress – OPEB on pages 55 to 57, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary and Other Information**

Our audit was conducted for the purpose of forming an opinion on the District’s basic financial statements. The combining information on pages 58 to 60 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 of America. In our opinion, the combining 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 have also issued our report dated October 15, 2015 on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District’s internal control over financial reporting and compliance.

**KPMG LLP**

Fort Lauderdale, Florida  
October 15, 2015  
Certified Public Accountants

## **NORTH BROWARD HOSPITAL DISTRICT**

### **Management's Discussion and Analysis (Unaudited)**

June 30, 2015

This section of the North Broward Hospital District's (the District) annual financial report presents the District's analysis of its financial performance as of June 30, 2015 and for the fiscal year then ended. Please read this analysis in conjunction with the financial statements, which follow this section.

North Broward Hospital District (the District) d/b/a Broward Health, is a special independent taxing district created pursuant to Chapter 27438, Laws of Florida, Special Acts of 1951, as amended (the Act), for the purpose of establishing and operating the necessary health facilities for the preservation of the public health and well-being of the citizens of the District. Governance and management of the District are independent of metropolitan county and city governments. The governing body of the District is the Board of Commissioners (the Board), composed of seven members appointed by the Governor of Florida.

#### **Overview of the Financial Statements**

This annual financial report includes the management's discussion and analysis report, the independent auditors' report, and the financial statements of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

#### **Required Financial Statements**

The District's financial statements report offer short-term and long-term financial information about its activities. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). The statement of net position also provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the District.

All of the revenue and expenses for the fiscal year 2015 are accounted for in the statement of revenues, expenses, and changes in net position. The statement measures the annual financial performance the District's operations and can be used to determine whether the District has recovered all of its costs through its net patient service revenue, ad valorem taxes, and other sources of revenue.

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing (capital and noncapital) activities. The statement highlights the key sources and uses of the District's cash and what the change in the cash balance was during the reporting period.

#### **Financial Analysis of the North Broward Hospital District**

The District's net position, the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, is a way to measure financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, the financial statement user should consider other nonfinancial factors, such as changes in economic conditions, population growth, taxable property values and tax rates, and new or changed governmental legislation, when analyzing the District's financial position.

**NORTH BROWARD HOSPITAL DISTRICT**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2015

A comparative summary of the District's statements of net position at June 30, 2015 and 2014 is presented below:

	<u>2015</u>	<u>2014(*)</u>
	(In thousands of dollars)	
Assets:		
Current assets	\$ 815,712	743,143
Asset whose use is limited, net of current obligations	31,293	31,539
Investments	169,778	166,640
Capital assets, net	476,487	461,913
Other assets	<u>16,507</u>	<u>10,155</u>
Total assets	<u>\$ 1,509,777</u>	<u>1,413,390</u>
Deferred outflows of resources:		
Accumulated decrease in fair value of hedging derivatives	\$ 24,722	21,062
Deferred amount on debt refund	13,393	14,384
Pension	<u>7,841</u>	<u>—</u>
Total deferred outflows of resources	<u>\$ 45,956</u>	<u>35,446</u>
Liabilities:		
Current liabilities	\$ 276,871	170,165
Long-term debt	234,125	245,415
Other liabilities	<u>147,119</u>	<u>150,646</u>
Total liabilities	<u>\$ 658,115</u>	<u>566,226</u>
Deferred inflows of resources:		
Pension	<u>\$ 4,186</u>	<u>—</u>
Total deferred inflows of resources	<u>\$ 4,186</u>	<u>—</u>
Net position:		
Net investment in capital assets	\$ 230,270	205,445
Restricted for donor restrictions	18,685	15,923
Unrestricted	<u>644,477</u>	<u>661,242</u>
Total net position	<u>\$ 893,432</u>	<u>882,610</u>

(\*) 2014 amounts do not reflect the adoption of GASB No. 68 or correction of the error.

The net position of the District totaled \$893.4, and \$882.6 million as of June 30, 2015 and 2014, respectively. The increase in net position of \$10.8 million in fiscal year 2015 was due to multiple factors, included among them, improvements in payor mix, a settlement in a legal matter, the adoption of GASB 68, and an immaterial correction of an error, the latter two of which were incorporated through a restatement and an adjustment to the prior year net position balance, respectively. Gain on investments of \$22.2 million increased the overall improvement in performance in addition to earnings related to the provision of patient care, in addition to the \$139.7 million of ad valorem tax revenue for fiscal year 2015.

## **NORTH BROWARD HOSPITAL DISTRICT**

### **Management's Discussion and Analysis (Unaudited)**

June 30, 2015

As discussed in Note 21 to the financial statements, the District settled claims relating to an investigation by the Office of Inspector General (OIG), U.S. Department of Health and Human Services concerning certain claims that were submitted to Medicare and Medicaid, that arose from a qui tam action (the Settlement). The amount of the settlement and other related expenses totaled \$70.7 million.

#### **Budgetary Highlights**

Overall, the District performed below budget by \$15.4 million, in fiscal year 2015 inclusive of the Settlement. Operationally, the District performed below budget by approximately \$23.3 million. Exclusive of the Settlement, total results were favorable to budget by \$53.3 million and operations were favorable to budget by \$47.4 million. Factors affecting these results include compensated patient revenue in excess of budget of \$29.3 million, Investment earnings in excess of budget of \$8.1 million, and retail pharmacy revenue in excess of budget by \$2.3 million. The District was favorably impacted with the Affordable Care Act. Due to the new law, net revenue generated from this program totaled approximately \$89 million, or \$56 million greater than budget. While Gross Patient revenue exceeded budget by \$221 million, or 5.9%, bad debt and charity care write-offs exceeded budget by only \$16.7 million, or 3.0%, an indication of shifting payor mix. Patient days were over budget by 3.0% and admissions were under budget by 3.3%. Outpatient volumes were under budget by 4.4%, due to a reduction in primary care clinic visits as well as a reduction in the physician office visits. The District monitors salaries and benefits as a percentage of net operating revenue. Fiscal year 2015 results were 4.2% favorable compared to budget. Benefits were below budget by \$1.8 million or 1.3%, while full-time equivalents (FTEs) were over budget by 64 or 0.8%. Supplies exceeded budget by 7.8% due mainly to an overall increase in the use of implants and the escalating costs of drugs. The District also continued its strategy of employing physicians across numerous selected specialties, as well as internal medicine. In fiscal 2015, Broward Health Medical Center (BHMC) received designation as a statutory teaching hospital by the State of Florida Agency for Health Care Administration. The District saw an increase from budget of the Low-Income Pool (LIP) and Disproportionate Share Hospital (DSH) programs of \$22.5 million.

#### **Capital Assets and Debt Administration**

As of June 30, 2015 and 2014, the District had capital assets of \$476.5 and \$461.9 million, respectively, an increase of \$14.6 million from 2014 to 2015. The changes are a result of purchases of capital assets, net of disposals in the ordinary course of business, depreciation, and amortization expense.

Capital asset acquisitions during fiscal year 2015 consisted of the continuation of the \$70 million approved project at Broward Health North (BHN) including \$4.2 million spent on a central energy plant, emergency room expansion and expansion and improvements to their surgery suites. BHN also spent \$1.3 million in a hyperbaric wound care program and \$657 thousand for an on campus medical office building renovation. BHMC continues with its plans for improvements and expansion of their Children's Hospital project and pediatric programs including \$2.7 million on their neo-natal intensive care units, and \$4.2 million in design and construction for Children's Hospital facility improvements, \$2.4 million in CT technology for the trauma program, and \$1.0 million for internal communicative device replacement. Broward Health Coral Springs (BHCS) spent \$1.2 million on diagnostic technology and surgical equipment. Additionally, the District received approval for a \$64 million inpatient expansion, scheduled for completion in 2018. The District purchased two office buildings bordering Commercial Boulevard during fiscal year 2014, at a cost of \$13.4 million to relocate the Corporate Office staff from the existing building. In fiscal year 2015, \$3.4 million was spent in renovations and improvements to prepare it for occupancy.

**NORTH BROWARD HOSPITAL DISTRICT**

Management’s Discussion and Analysis (Unaudited)

June 30, 2015

During fiscal year 2014, BHMC completed the renovations for the Infusion Center for \$1.7 million. BHMC completed renovations of the Retail Pharmacy for \$0.6 million. BHN renovated the Inpatient Rehabilitation Unit for \$0.8 million. Broward Health Imperial Point (BHIP) renovated offices in the Medical Arts Pavilion for \$0.9 million, purchased surgical trays for \$0.4 million, and renovated patient rooms for \$0.3 million. BHCS completed payments for the PACS system for \$0.8 million. Broward Health Community Health Services (BHCHS) completed renovations of the two new clinic sites at a cost of \$1.0 million. Construction was completed on the Orthopedic Building on Andrews Avenue for a total cost of \$15.3 million, including the purchase of an MRI for \$2.5 million. The District purchased two office buildings on Commercial Avenue during the year at a cost of \$13.4 million to relocate the Corporate Office staff from the existing building. In addition, \$3.4 million was approved for renovations of the building, which will be completed in fiscal year 2015. During 2014, the Medical Office Building on the BHN campus became available, which was purchased for \$2.5 million, with additional approvals for \$2.5 million for renovations. In November 2011, the District approved a renovation project at BHN for approximately \$70 million. The project will include renovations to the emergency department, operating room, patient floors, as well as infrastructure enhancements. The architects and construction company have been selected. Expenditures as of June 30, 2014 are \$6.1 million.

Capital assets at June 30, 2015 and 2014 are as follows:

	<b>2015</b>	<b>2014</b>
	(In thousands of dollars)	
Land and land improvements	\$ 50,969	50,397
Buildings and building improvements	650,424	640,454
Equipment	526,245	513,257
	1,227,638	1,204,108
Less accumulated depreciation	(797,804)	(762,878)
	429,834	441,230
Construction in progress	46,653	20,683
	\$ 476,487	461,913

More detailed information about the District’s capital assets is presented in note 5 within the accompanying financial statements.

**Revenues, Expenses, and Changes in Net Position**

While the statement of net position shows all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, the statement of revenues, expenses, and changes in net position provides answers to the nature and source of the changes of net position.

**NORTH BROWARD HOSPITAL DISTRICT**

Management’s Discussion and Analysis (Unaudited)

June 30, 2015

The following table presents the District’s condensed statements of revenues, expenses, and changes in net position for fiscal years 2015 and 2014:

	<b>2015</b>	<b>2014(*)</b>
	(In thousands of dollars)	
Operating revenues	\$ 1,038,196	971,162
Operating expenses	1,193,360	1,095,980
Operating loss	(155,164)	(124,818)
Unrestricted property tax revenue	139,726	146,135
Nonoperating revenue (expenses), net	14,030	49,263
Capital contributions	111	107
(Decrease) increase in net position	(1,297)	70,687
Net position:		
Beginning of year, as restated for 2015	894,729	811,923
End of year	\$ 893,432	882,610

(\*) 2014 amounts do not reflect the adoption of GASB No. 68 or correction of the error

**Management’s Discussion of Recent Financial Performance**

***Overview – Fiscal Year 2015 as Compared to Fiscal Year 2014***

In fiscal year 2015, the District experienced an increase in net position of \$10.8 million. The increase in net position was attributable to multiple factors, included among them, improvements in payor mix, a settlement in a legal matter, the adoption of GASB 68, and an immaterial correction to an error related to a benefit liability, the latter two of which were incorporated through a restatement and an adjustment to the prior year net position balance, respectively. Gain on investments of \$22.2 million increased the overall improvements in performance, in addition to earnings related to the provision of patient care, and additionally from the \$139.7 million of ad valorem tax revenue for fiscal year 2015.

As discussed in Note 21 to the financial statements, the District settled claims relating to an investigation by the Office of Inspector General (OIG), U.S. Department of Health and Human Services concerning certain claims that were submitted to Medicare and Medicaid, and arose from a qui tam action (the Settlement). The amount of the settlement and other related expenses totaled \$70.7 million.

Inpatient volumes, as measured by admissions, decreased over the prior-year totals by 2.3%, and the patient days increased by 1.9% over prior-year. A growth in admissions occurred in Medicare, Medicaid Managed Care, PSN and Commercial Managed Care, while there was a decline in admissions in all other compensated payors. Compensated admissions experienced an increase of 0.8%, or 420 cases, with associated days increasing by 4.1%, or 11,035 patient days. Self-pay and charity cases decreased by 1,879 admissions, or 17.7%. Within this total, charity cases decreased by 1,187 admissions, and self-pay cases decreased by 692 admissions. The District

## **NORTH BROWARD HOSPITAL DISTRICT**

### **Management's Discussion and Analysis (Unaudited)**

June 30, 2015

continues to direct resources, including hospitalists, intake coordinators, case managers, physician advisors, and a medical director to manage service utilization.

#### **Patient Volumes**

Medicare inpatient volume, as measured by admissions, increased by 5.3%, or 611 cases. There was an offsetting decrease in the Medicare HMO cases, which decreased by 850 cases, or 8.1%. There was a 2.3% decrease in the Medicare case mix index from year to year, measured by the Medicare Severity Diagnostic Related Groups (MS-DRGs).

Medicaid admissions decreased over the prior year by 3,629 cases, or 36.3%. Associated patient days decreased by 25.3%, or 15,033 days. The District continues its efforts of the Medicaid Eligibility Unit, the Medical Options for Patient Eligibility Department, and the Department of Children's and Families (DCF) working to process applications in a more timely fashion and providing additional access for patients to apply for Medicaid or the new health exchange.

During the 2005 Florida Legislative session, measures were approved that have resulted in significant changes to the Medicaid program (Medicaid Reform). This five-year plan will result in all Medicaid beneficiaries being enrolled in a managed care plan, whether it be with an HMO plan or a plan offered by a Provider Sponsored Network of hospitals and physicians (PSN). Other features of the plan will include certain member benefits for participation in health improvement programs as well as portable premiums that can be transferred for participation in employer-based plans. The District, along with several other local healthcare systems, has operated a PSN since 2000. Broward County became a pilot site for Medicaid Reform beginning in September 2006, in which the PSN participates. A series of initiatives are underway to recruit membership and to optimize the utilization of care to this membership. There was a decrease of 785 enrollees for fiscal year 2015.

Managed care, including commercial payors, the District's largest payor category, increased by 3,438 admissions, or 11.3%, in fiscal year 2015. Associated patient days increased by 15.2% or by 22,144. Other Medicaid managed care increased by 1,559 admissions. Effective January 1, 2014, the Affordable Care Act required individuals to purchase health insurance. Based upon income determinations, some individuals can qualify for a federal subsidy to offset the cost of the annual premium. There are seven insurance company options available to individuals in Broward County and the District participates with six of those companies.

Outpatient volumes decreased by 2.6% in fiscal year 2015 over fiscal year 2014. Total outpatient medical center visits decreased by 7,049 visits. Total Emergency department visits increased by 10,435, of which there was an increase in compensated visits of 28,673, and a decrease in uncompensated of 18,238. Physician office visits increased by 8,912, while primary care clinic visits decreased by 12,445.

#### ***Operating Revenues***

Net patient revenue has increased, from \$883.0 million in fiscal year 2014 to \$968 million in fiscal year 2015.

Medicare net revenue increased by \$13.9 million, or 7.5%, due to an overall decrease in denials associated with Medicare accounts. Medicaid net revenue decreased over the prior fiscal year by approximately \$19.5 million, or 20.2%. Increased volumes in the PSN and Medicaid managed care patient days resulted in a decrease in net revenue of \$0.8 million, or 0.8%. Additional revenue received from the Lower Income Pool (LIP) and Disproportionate Share (DSH) programs totaled \$55.8 million, an increase from the prior fiscal year of

## **NORTH BROWARD HOSPITAL DISTRICT**

### **Management's Discussion and Analysis (Unaudited)**

June 30, 2015

\$19.4 million. Managed care net revenue has experienced an increase of \$95.3 million, or 18.9%, from fiscal year 2014, which includes the Commercial payors, PSN (the District's Medicaid managed care program) and all other Medicaid managed care business. The major increase in revenue is due to the implementation of the health exchange.

The provision for uncollectible accounts has decreased by \$11.7 million, from \$412.1 million in fiscal year 2014, to \$400.4 million in fiscal year 2015, or a decrease of 2.9%. During fiscal year 2015, charity care decreased by \$72.8 million, or 31.0%, from the prior fiscal year. During fiscal year 2015, the District has continued its focus on qualifying the uninsured for state reimbursement through focused programs of timely Medicaid application processing and continued partnering with the DCF to expedite the decisions on patient qualification for Medicaid. The reduction in charity care is due in large part to the availability of health insurance through the Affordable Care Act. With the new health exchanges, there are requirements for copays and deductibles which have increased the provision for uncollectible accounts.

#### ***Operating Expenses***

Operating expenses before the settlements and related costs increased by \$26.7 million, or 2.4%, from \$1,096.0 million in fiscal year 2014 to \$1,122.7 million in fiscal year 2015. The increase is largely due to increases in salaries employee benefits, insurance, maintenance, and outside services expense. Salaries and benefits increase equals 1.3%, increasing from \$590.5 million in fiscal year 2014 to \$598.3 million in fiscal year 2015. The annual merit increase provided in fiscal year 2015 of approximately 1.9% and a decrease in benefits of 4.2% due to a decrease in health insurance costs accounts for the overall increases. FTEs per adjusted occupied bed decreased from 4.69 in fiscal year 2014 to 4.57 in fiscal year 2015. Salaries and employee benefits as a percentage of net patient service revenues were 61.8% and 66.9% for fiscal years 2015 and 2014, respectively. These ratios indicate that expenses were consistent with patient volume.

Supplies expense represents the next largest expense category for the District. During fiscal year 2015, supplies expense increased by \$14.4 million, or 7.1%, from \$201.8 million in fiscal year 2014 to \$216.2 million in fiscal year 2015. Increases were realized in many supply categories, including implants, pacemakers, drugs, blood, and medical surgical supplies. Supplies expense as a percent to net patient service revenue was 22.3% in fiscal year 2015, while it was 22.9% in fiscal year 2014. The majority of the increase is related medical/surgical supplies, implants, and drugs.

Insurance expense increased by \$6.4 million or 67.4% from \$9.5 million in fiscal year 2014 to \$15.9 million in fiscal year 2015. The increase is in claims liability/other claims at BHMC.

Outside services, data processing, software and licenses, and maintenance contracts have decreased by \$5.8 million, or 7.7%, from \$75.7 million in 2014 to \$69.8 million in fiscal year 2015. This decrease is primarily related to a decrease in outside services.

#### ***Ad Valorem Tax Revenue***

For fiscal years 2015 and 2014, ad valorem tax revenues totaled \$139.7 million and \$146.1 million, respectively. As described in note 15 to the financial statements, the District annually levies and collects ad valorem taxes for the general support of its operations, as approved by the Board. The tax rates set by the Board for fiscal years 2015 and 2014 were 1.5939 mills and 1.7554 mills, respectively. In July 2014, taxable property values within the District's geopolitical boundaries increased from \$88.0 billion to \$91.2 billion, or 3.6%. In July 2014, the

## **NORTH BROWARD HOSPITAL DISTRICT**

### **Management's Discussion and Analysis (Unaudited)**

June 30, 2015

Broward County property appraiser released to the District the taxable property valuations for 2014/2015. These values increased to \$97.7 billion, an increase of 7.1%.

#### ***Interest Expense***

Interest expense in fiscal year 2015 was \$10 million, as compared to \$9.6 million in fiscal year 2014, an increase of \$0.4 million, or 4.2%.

#### ***Liquidity and Cash Position***

Management continues to drive improvement of the District's financial position, with cash being a focal point. Average monthly cash collections have increased by 3.1% over the prior fiscal year. In addition, capital expenditures have been carefully reviewed and prioritized in an effort to reduce the outflow of funds, excluding the large ongoing projects.

With increases in market performance in the District's investment portfolio, an increase in receipt of LIP payments from the Agency for Health Care Administration (AHCA) from prior year and an increase in compensated volumes, there was an increase in unrestricted cash and investments from \$673.6 million to \$731.6 million at June 30, 2014 and 2015, respectively, with a decrease in days' cash on hand from 232.6 to 230.7, respectively. Cash to debt has increased from approximately 263% as of June 30, 2014 to approximately 298% as of June 30, 2015. Average days' net revenue in accounts receivable has decreased from 53.3 days in fiscal year 2014 to 52.8 days in fiscal year 2015. Patient cash collections have exceeded prior fiscal year collections by \$27.3 million or 3.1%.

#### **Credit Ratings**

The District has received underlying credit ratings of A2 and A from Moody's Investors Service and Standard & Poor's, respectively. Moody's has assigned an outlook of "Negative" and Standard & Poor's has assigned an outlook of "Stable." This rating by Moody's was affirmed in May 2014.

In December 2014, Standard and Poor's Ratings Services affirmed its 'AAA/A-1+' ratings and 'A' underlying ratings (SPURs) on the North Broward Hospital District, Fla.'s Series 2005A, 2007, and 2008A Variable-Rate Demand Hospital Revenue Bonds. The outlook is "Stable."

**NORTH BROWARD HOSPITAL DISTRICT**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2015

**Request for Information**

This report is designed to provide a general overview of the District's finances. Questions or requests for additional information should be made in writing to the Chief Financial Officer at Broward Health, 1800 NW 49<sup>th</sup> Street, Suite 110, Fort Lauderdale Florida, 33309.

**NORTH BROWARD HOSPITAL DISTRICT**

Statement of Net Position

June 30, 2015

(In thousands of dollars)

**Assets**

Current assets:	
Cash and cash equivalents	\$ 69,494
Cash and investments externally restricted by donors	14,361
Short-term investments	492,290
Assets whose use is limited required for current liabilities— Investments	5,320
Due from patients and others, net of allowance for uncollectibles of \$214,287	148,576
Inventories	26,196
Estimated third-party payor settlements	26,413
Other current assets	33,062
Total current assets	815,712
Assets whose use is limited – Investments:	
Investments designated for self-insurance	36,613
Less amount required to meet current obligations	(5,320)
Assets whose use is limited, net	31,293
Investments	169,778
Capital assets, net	476,487
Other assets	16,507
Total noncurrent assets	662,772
Total assets	\$ 1,509,777

**Deferred Outflows of Resources**

Accumulated decrease in fair value of hedging derivatives	\$ 24,722
Loss on debt refundings	13,393
Deferred pension amounts	7,841
Total deferred outflows of resources	\$ 45,956

**Liabilities**

Current liabilities:	
Current maturities of revenue bonds payable	\$ 11,190
Accounts payable and accrued expenses	162,661
Accrued salaries, benefits, and payroll taxes	49,655
Accrued personal leave	33,436
Current portion of lease obligations	167
Estimated third-party payor settlements	11,682
Current portion of self-insurance program liability	5,320
Interest payable	2,760
Total current liabilities	276,871
Revenue bonds, net of current maturities	234,125
Lease obligations	570
Self-insurance program liability	24,738
Net pension liability	3,123
Other postemployment benefit program liability	80,407
Derivative instruments	38,281
Total liabilities	\$ 658,115

**Deferred Inflows of Resources**

Deferred pension amounts	\$ 4,186
Total deferred inflows of resources	\$ 4,186

**Net Position**

Net investment in capital assets	\$ 230,270
Restricted for donor restrictions	18,685
Unrestricted	644,477
Total net position	\$ 893,432

See accompanying notes to financial statements.

**NORTH BROWARD HOSPITAL DISTRICT**  
Statement of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2015  
(In thousands of dollars)

Operating revenues:	
Net patient service revenue (net of provision for uncollectible accounts of \$400,407)	\$ 967,843
Other operating revenue	70,353
Total operating revenues	1,038,196
Operating expenses:	
Salaries	488,090
Employee benefits	110,211
Professional fees	65,227
Purchased services and temporary labor	16,059
Outside services	35,472
Supplies	216,162
Insurance	15,946
Utilities	17,456
Repairs and maintenance	21,648
State assessments	11,990
Depreciation and amortization	48,981
Other	75,428
Total operating expenses before settlements and related costs	1,122,670
Settlements and related costs	70,690
Total operating expenses	1,193,360
Operating loss	(155,164)
Nonoperating revenues (expenses):	
Ad valorem tax revenue	139,726
Investment income, net	22,193
Interest expense	(10,016)
Other	1,853
Total nonoperating revenues	153,756
Loss before capital contributions	(1,408)
Capital contributions	111
Decrease in net position	(1,297)
Net position:	
Beginning of year, as restated (note 3)	894,729
End of year	\$ 893,432

See accompanying notes to financial statements.

## NORTH BROWARD HOSPITAL DISTRICT

### Statement of Cash Flows

Year ended June 30, 2015

(In thousands of dollars)

Cash flows from operating activities:	
Receipts from third-party payors and patients	\$ 964,068
Payments to employees	(588,142)
Payments to suppliers and contractors	(395,242)
Other receipts and payments, net	(4,091)
Net cash used in operating activities	<u>(23,407)</u>
Cash flows from noncapital financing activities:	
Medicaid county funding	(8,870)
Ad valorem property taxes, net	139,818
Other	5,316
Net cash provided by noncapital financing activities	<u>136,264</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(54,684)
Proceeds from disposal of capital assets	80
Payments of interest on revenue bonds, swaps, and lease facilities	(10,715)
Principal paid on revenue bonds, swaps, and lease facilities	(11,002)
Proceeds from collateral	(3)
Capital contributions	111
Net cash used in capital and related financing activities	<u>(76,213)</u>
Cash flows from investing activities:	
Interest and dividends on investments and assets whose use is limited	7,048
Purchases of investments	(400,004)
Proceeds from the sale and maturity of investments	374,473
Net cash used in investing activities	<u>(18,483)</u>
Net increase in cash and cash equivalents	18,161
Cash and cash equivalents:	
Beginning of year	<u>51,333</u>
End of year	<u>\$ 69,494</u>

## NORTH BROWARD HOSPITAL DISTRICT

### Statement of Cash Flows (Continued)

Years ended June 30, 2015

(In thousands of dollars)

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (155,164)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation and amortization	48,981
Provision for uncollectible accounts	400,407
Other	1,436
Changes in assets and liabilities:	
Due from patients and others	(403,417)
Inventories	(2,382)
Other assets	(5,287)
Accounts payable and accrued expenses	81,847
Accrued salaries, benefits, and payroll taxes	5,325
Accrued personal leave	1,049
Estimated third-party payor settlements	(806)
Self-insurance program liability	820
Net pension liability and related deferred outflows and inflows	(4,284)
Other postemployment benefit program liability	8,068
Net cash used in operating activities	<u>\$ (23,407)</u>
Supplemental noncash investing, capital, and financing activities:	
Property and equipment acquired through accounts payable	\$ 6,229
Property and equipment acquired through donation	1,811
Property and equipment acquired through capital lease	722
Change in remarketing accruals	122
Interest capitalized on construction in progress	836
Change in fair value of investments	(5,825)

See accompanying notes to financial statements.

# NORTH BROWARD HOSPITAL DISTRICT

## Notes to Financial Statements

June 30, 2015

### (1) Organization and Description of Business

#### **Reporting Entity**

North Broward Hospital District (the District)d/b/a Broward Health, is a special independent taxing district created pursuant to Chapter 27438, Laws of Florida, Special Acts of 1951, as amended (the Act), for the purpose of establishing and operating the necessary health facilities for the preservation of the public health and well-being of the citizens of the District. Governance and management of the District are independent of metropolitan county and city governments. The governing body of the District is the Board of Commissioners (the Board), composed of seven members appointed by the Governor of Florida.

For financial reporting purposes, the accompanying financial statements include all of the operations of the District and its hospital system as a governmental unit. The District is considered a separate reporting entity since the Board exercises complete control. Such control was determined on the basis of the Board's ability to significantly influence operations; select the senior executive management; participate in the fiscal management of the entity; exercise budgetary and taxing authority; as well as determine the scope of services to be provided to the community, as defined by the Act.

These financial statements include the activity of the District and its integrated healthcare services system, which includes the operations of the Hospital Division, Community Health Services Division, Physician Services Division, and Insurance Management Division. All significant intercompany transactions have been eliminated.

#### ***Hospital Division***

The Hospital Division includes the operations of Broward Health Medical Center (BHMC), a 716-bed acute care facility; Broward Health North (BHN), a 409-bed acute care facility; Broward Health Imperial Point (BHIP), a 204-bed acute care facility; and Broward Health Coral Springs (BHCS), a 200-bed acute care facility. Included within hospital operations are a rehabilitation distinct part unit at BHN, a psychiatric distinct part unit at BHMC and BHIP, a hospital-based home health agency at BHN, trauma services at BHMC and BHN, and an approved residency training program with multiple specialties at BHMC.

Broward Health Weston is an outpatient facility with multiple specialties, which provides urgent care, radiology, and women's center services.

#### ***Community Health Services Division***

The Community Health Services Division, through contractual arrangements with Broward County, operates the Cora E. Braynon Family Health Center (formerly, the 7th Avenue Family Care Clinic) and the Annie L. Weaver Health Center (formerly, the Pompano Primary Care Clinic). The Annie L. Weaver Health Center offers adult primary care services to the community, and the Cora E. Braynon Family Health Center provides urgent care and prenatal care services. The District also provides physician services to the qualifying elderly and homeless populations through the Medivan program, and operates several school clinics to deliver adult, pediatric, and prenatal care.

The District also owns and operates other Community Health Services facilities for the benefit of the community. The District is the sole member of the Children's Diagnostic and Treatment Center (CDTC), which provides an array of pediatric professional services to patients suffering from developmental,

## **NORTH BROWARD HOSPITAL DISTRICT**

### Notes to Financial Statements

June 30, 2015

substance abuse, HIV/AIDS-related, and other medical conditions. The primary sources of funding for CDTC are a variety of federal, state, and local grants. CDTC is considered a component unit of the District because the Board appoints the voting majority of the board of directors of CDTC and the District has the ability to impose its will on CDTC. CDTC is reported as a blended component unit of the District as it provides services that benefit the District even though they are not provided directly to the District.

The District, through ownership and partnerships, operates several group practices, which provide family and internal medicine services and the Comprehensive Care Center, which offers primary care services to adult patients afflicted by HIV or AIDS.

#### ***Physician Services Division***

The Physician Services Division is also responsible for providing physician services to patients. The services provided include the broad range of specialist care, including, but not limited to, cardiology, pediatric, anesthesiology, emergency, radiology, orthopedic, obstetric, and trauma physician services. The costs associated with the provision of physician care to the indigent are reimbursed to the division from the District's unrestricted tax revenue.

#### ***District's Insurance Management Division***

The District's Insurance Management Division is operated through Total Claims Administration, Inc. (TCA), which provides claims administration and other third-party administrative services to the District's employee health insurance plan. TCA also provides the District with a vehicle to participate in the insurance management business primarily through the creation of Best Choice Plus. Beginning in June 1994, the District, d/b/a Best Choice Plus, entered into contractual relationships with physician and ancillary providers for the purpose of integrating the healthcare services of all providers along the care continuum. TCA is considered a component unit of the District because the Board appoints the voting majority of the board of directors of TCA and the District has the ability to impose its will on TCA. TCA is presented as a blended component unit of the District because it provides services exclusively to the District.

#### ***Other***

The District established a separate non-for-profit corporation, North Broward Hospital District Charitable Foundation, Inc. (Broward Health Foundation). Broward Health Foundation's mission is to improve the health of its community by providing resources to promote, support, and enhance the programs and initiatives of the District. Contributions raised by the Foundation assist the District in its continuous effort to provide world-class healthcare to its diverse population. Broward Health Foundation is considered a component unit of the District because the Board appoints the voting majority of the board of directors of Broward Health Foundation and the District has the ability to impose its will on Broward Health Foundation. Broward Health Foundation is reported as a blended component unit of the District because it provides services exclusive to the District.

The District established a separate non-for-profit corporation, Broward Health ACO Service, Inc. (BH ACO), for participation in the Medicare Shared Savings Program as an accountable care organization. The purpose of the BH ACO is to provide healthcare services through independent contractors and others to patients who include, but are not limited to, Medicare beneficiaries under contracts with third-party payors

# NORTH BROWARD HOSPITAL DISTRICT

## Notes to Financial Statements

June 30, 2015

who include, but are not limited to, the Center for Medicare and Medicaid Services. BH ACO is considered a component unit of the District because the Board appoints the voting majority of the board of directors of BH ACO and the District has the ability to impose its will on BH ACO. BH ACO is reported as a blended component unit of the District as the governing body of BH ACO is substantially the same as the District and the District has operational responsibility for BH ACO.

### **Joint Ventures**

The District established a separate nonprofit entity, North Broward Hospital District Infusion Network, Inc., to manage and to enter into a partnership with PHM of Broward, Inc., to provide outpatient intravenous and related healthcare services. Activity from North Broward Hospital District Infusion Network, Inc. is accounted for as joint venture investment and is included in other assets.

The District is an equal partner of the South Florida Community Care Network (SFCCN), a managed care network governed by an agreement between two governmental entities: the District and the South Broward Hospital District. SFCCN administers various programs, including the Title XXI – Children Medical Services Network, Title XIX – Children Medical Services Medicaid Network, and the “PSN” operating under Florida’s Medicaid Reform program. The PSN is a network of hospitals, physicians, and other ancillary care providers developed to provide integrated, managed care services to a population of Medicaid covered enrollees in Broward County. Activity from SFCCN is accounted for as an investment and is included in other assets.

## **(2) Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies followed by the District in the presentation of the basic financial statements:

### **(a) Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting. Significant intercompany accounts and transactions have been eliminated.

### **(b) Cash and Cash Equivalents**

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity at the date of purchase of three months or less, excluding amounts whose use is limited by Board designation or other arrangements under trust or donation agreements.

### **(c) Investments**

Investments typically consist of common stocks, preferred stocks, depository receipts (American Depository Receipts and Global Depository Receipts), mutual funds, corporate bonds, U.S. government securities, and U.S. government agency securities, time deposits with Board-approved financial institutions, commercial paper, money market funds, asset-backed securities, variable-rate demand obligations, hedge funds, pooled real estate vehicles, and private equity, as authorized by state statutes.

Investments are reported at fair value except for investments in debt securities with maturities less than one year at the time of purchase, which are reported at amortized cost. The District classifies

## NORTH BROWARD HOSPITAL DISTRICT

### Notes to Financial Statements

June 30, 2015

investments in debt and equity securities in the accompanying statement of net position based on maturities (for debt securities) and based on management's reasonable expectation with regards to these securities. Securities that are not expected to be converted to cash within one year are classified as noncurrent. Interest, dividends, and gains and losses on such debt and equity investments, both realized and unrealized, are included in nonoperating revenues when earned.

The estimated fair value of investments is based on quoted market prices, except for alternative investments for which quoted market prices are not available. Alternative investments held by the District and the District's pension plan (note 10); include private equity, real estate investments, and hedge funds. The District classifies its alternative investments as long-term investments in the accompanying statement of net position as management does not have the intent, and in the case of its investments in private equity and real estate funds, does not have the ability to sell the alternative investments in the near term. The hedge fund managers, at their discretion, can restrict the District's ability to sell its investments in hedge funds. As of June 30, 2015, there are no such restrictions in place. The estimated fair value of the private equity, real estate investments, and hedge funds is based on valuations provided by the respective partnerships, trusts, or funds using the latest available information at the valuation date. The District reviews and evaluates the values provided by the partnerships, trusts, or funds and agrees with the valuation methods and assumptions used in determining the fair value of the private equity, real estate investments, and hedge fund investments. As of June 30, 2015, these equity investments in private equity, real estate investments, and hedge funds make up approximately 2.5%, 4.5%, and 2.4%, respectively, of total investments in the accompanying statement of net position. Because private equity, real estate investments, and hedge funds are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the statement of revenue, expenses, and changes in net position as investment income, net, in the period such fluctuations occur.

**(d) *Assets whose Use is Limited – Investments***

These assets are reported at fair value and include cash, cash equivalents, and investments whose use is limited by time or action, including assets set aside by the Board for future payment of self-insurance liabilities.

**(e) *Net Patient Accounts Receivable***

The District reports net patient accounts receivable at its estimated net realizable value due from patients, third-party payors, and others for services rendered. The provision for uncollectible accounts is based upon management's assessment of historical and expected collections, considering business and economic conditions, trends in healthcare coverage, and other collection indicators, management regularly assesses the adequacy of the allowance for uncollectible accounts based upon these indicators. The results are used to establish an adequate allowance. Specific patient accounts identified as uncollectible are written off directly to the patient accounts receivable.

**NORTH BROWARD HOSPITAL DISTRICT**

Notes to Financial Statements

June 30, 2015

**(f) Inventories**

Inventories, consisting primarily of pharmaceutical, medical, and surgical supplies, are stated at the lower of cost (computed on a first-in, first-out basis) or fair value.

**(g) Other Current Assets**

Other current assets consist primarily of property tax receivables, prepaid expenses, and deposits in the ordinary course of business.

**(h) Capital Assets**

Capital assets are stated at cost, or if donated, at fair value on the date of donation, less the allowance for depreciation. Depreciation is computed on the straight-line method using estimated useful lives as summarized below:

	<u>Estimated useful lives</u>
Land improvements	5–25 years
Buildings and building improvements	5–40 years
Equipment	5–20 years
Equipment held under capital lease	3–15 years

Expenditures that materially increase values, change capacities, or extend useful lives are capitalized, as are interest costs, during the period of construction. Expenditures for repairs and maintenance are charged to operating expenses when incurred. For those qualifying assets acquired with tax-exempt borrowings, the District capitalizes interest cost from the date of the borrowing until the assets are ready for their intended use. Any interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowings is recorded as an offset to interest costs capitalized. Capitalized interest cost of approximately \$12 million is amortized on the same basis as depreciation. Gains and losses on dispositions are recorded in the year of disposal.

**(i) Long-Lived Assets**

The District evaluates long-lived assets regularly for impairment. If circumstances suggest that assets may be impaired, an assessment of recoverability is performed prior to any write-down of assets. An impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. There were no impairments in 2015.

**(j) Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets, and deferred inflows of resources have a negative effect on net position, similar to liabilities. Notwithstanding these similarities, deferred outflows of resources are not assets

## NORTH BROWARD HOSPITAL DISTRICT

### Notes to Financial Statements

June 30, 2015

and deferred inflows of resources are not liabilities and, accordingly, are not included in those sections of the accompanying statement of net position, but rather, are separately reported.

**(k) *Accrued Personal Leave***

The District provides accrued time off to eligible employees and those anticipated to be eligible for vacations, holidays, short-term illness, and personal business depending on their years of continuous service and their payroll classification. No more than two years' annual accumulation of personal leave time is permitted for each eligible employee. The District accrues the estimated expense related to personal leave based on pay rates currently in effect. Upon termination of employment, employees will have their eligible accrued personal leave paid in full.

**(l) *Net Position***

Net position is categorized as "net investment in capital assets," "restricted for donor restrictions," and "unrestricted." Net investment in capital assets, is intended to reflect the portion of net position that is associated with capital assets, reduced by the outstanding balances due on borrowings that are attributable to the acquisition, construction, or improvement of those assets as well as the deferred outflow of resources related to loss on refunding. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources, if any, related to those assets. The restrictions placed in the use of these assets are through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, constitutional provisions, or enabling legislation. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

**(m) *Classification of Revenues and Expenses***

The District's statement of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services, the District's principal activity. Nonexchange revenues; including property taxes, grants, and donations, are reported as nonoperating revenues. Grants and donations received for the purpose of acquiring or constructing capital assets are recorded below nonoperating revenues as capital contributions. Operating expenses are all expenses incurred to provide healthcare services, excluding financing costs.

**(n) *Net Patient Service Revenue***

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. The District presents its provision for uncollectible accounts as a direct reduction to net patient service revenue.

The District has agreements with numerous third-party payors that provide for reimbursement at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the established rates for services and

## NORTH BROWARD HOSPITAL DISTRICT

### Notes to Financial Statements

June 30, 2015

amounts reimbursed by third-party payors. Such amounts are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. A summary of the basis of reimbursement with major third-party payors is as follows:

#### *Charity Care*

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue (note 13).

#### *Medicare*

The District's healthcare facilities participate in the federal Medicare program (Medicare). Approximately 18% of the District's gross patient service revenue was derived from services to Medicare beneficiaries. Inpatient acute care services rendered to Medicare beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Inpatient nonacute services, outpatient services, and defined capital costs related to Medicare beneficiaries are reimbursed based upon a prospective reimbursement methodology. The healthcare facilities' classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review. As of June 30, 2015, the Medicare cost reports were final audited, pending final settlement, by the healthcare facilities' Medicare fiscal intermediary through June 30, 2013 for all facilities. In fiscal year 2015, \$10.8 million was recorded as income related to Medicare prior year settlements.

During 2010, the Center for Medicare and Medicaid Services implemented the Recovery Audit Contractors (RAC) to all states, including Florida, which was part of the initial demonstration project. RAC reviews medical records and claims from healthcare facilities to ensure compliance with billing and coding guidelines. In November 2013, CMS suspended RAC reviews. There is no outstanding liability recorded as of June 30, 2015 as all outstanding reviews were completed prior to June 30, 2015.

#### *Medicaid*

Approximately 14% of the District's gross patient service revenue was derived under the Medicaid program. Inpatient and outpatient services rendered to Medicaid program beneficiaries were paid based upon a cost reimbursement methodology subject to certain ceilings until June 30, 2013. Effective July 1, 2013, inpatient Medicaid claims are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. The healthcare facilities are reimbursed for outpatient services at a tentative rate with final settlement determined after submission of annual cost reports by the healthcare facilities and audits by the Medicaid fiscal intermediary. The Medicaid cost report has been audited by the Medicaid fiscal intermediary through June 30, 2009 for BHMC and through June 30, 2012 for BHN, BHIP, and BHCS. In addition to the prospectively determined rates per discharge and tentative payments received by the District for the provision of healthcare services to Medicaid beneficiaries, the state of Florida provides a disproportionate share payment adjustment to

## NORTH BROWARD HOSPITAL DISTRICT

### Notes to Financial Statements

June 30, 2015

reflect the additional costs associated with treating the Medicaid population in the District's service area. During fiscal years 2015, the District recognized approximately \$31.9 million, related to the disproportionate share hospital payments from the state of Florida and this amount is reflected in net patient service revenues in the accompanying statement of revenue, expenses, and changes in net position. In fiscal year 2015, the District recorded \$14.0 million in Medicaid settlements relating to prior year.

#### ***Other Third-Party Payors***

The District has also entered into reimbursement agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined per diem rates, and capitation.

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

#### **(o) *Ad Valorem Tax Revenue***

Property taxes are levied by Broward County on the District's behalf annually. Amounts levied are based on assessed property values as of the preceding year. The District collects the ad valorem taxes for the general support of its operations, as approved by the Board. Property taxes are recognized under the accrual method of accounting, wherein the tax levy is recognized as unearned revenue at the date of assessment, less a reserve for estimated discounts (note 15), and amortized into income over the respective year.

#### **(p) *Restricted Donations***

Donations received by the District for specific operating purposes or property and equipment acquisitions are reported as revenue in the period received and all eligibility requirements have been met. Balances are reported as restricted for as long as the donor's restrictions remain in effect.

#### **(q) *Grant Funding***

The District receives grants from federal and state funding agencies. Grant revenue received before the eligibility requirements is met are reported as unearned revenue by the District. Grant revenue and other contributions received for the purpose of acquiring or constructing capital assets are reported as capital contributions, below nonoperating activities, by the District.

#### **(r) *Risk Management***

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters in excess of self-insured limits. Settled claims have not required the use of this commercial coverage in the last three years.

## NORTH BROWARD HOSPITAL DISTRICT

### Notes to Financial Statements

June 30, 2015

(s) ***Use of Estimates***

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The District considers critical accounting policies to be those that require more significant judgments and estimates in the preparation of its financial statements, including the following: recognition of net patient revenue; valuation of accounts receivable, including contractual allowances and provisions for bad debt; reserves for losses and expenses related to healthcare, professional, workers' compensation, and general liabilities; valuation of pension and other retirement obligations; valuation of alternative investments; and estimated third-party payor settlements. Management relies on historical experience and on other assumptions believed to be reasonable under the circumstances in making its judgments and estimates. Actual results could differ from those estimates.

(t) ***Income Taxes***

The District is not subject to income tax.

(u) ***New Accounting Pronouncements***

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement No. 72, *Fair Value Measurement and Application*, which establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. GASB Statement No. 72 is effective for fiscal years beginning after June 15, 2015. The District has not elected to implement this statement early; however, management will evaluate the impact of this statement in the year of adoption.

In June 2015, the GASB issued Statement No.75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, replaced the requirements of GASB Statement No. 45. GASB Statement No. 75 requires governmental agencies to report a liability on the financial statement of OPEB. GASB 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. GASB Statement No. 75 is effective for fiscal years beginning after June 15, 2017. The District has not elected to implement this statement early; however, management will evaluate the impact of this statement in the year of adoption.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, which establishes financial reporting standards for tax abatement agreements entered into by state and local governments. GASB Statement No.77 is effective for fiscal years beginning after December 15, 2015. The adoption of this statement is not expected to have material impact on the financial statements.

(3) **Impact of Adoption of New Accounting Standard and Correction of Immaterial Error**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), which revises and establishes new financial reporting requirements for most governments that

**NORTH BROWARD HOSPITAL DISTRICT**

Notes to Financial Statements

June 30, 2015

provide their employees with pension benefits. Among other provisions, GASB 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 (RSI). GASB 68 calls for immediate recognition of more pension expense than is currently required. Additionally, in November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 71). The objective of GASB 71 is to address an issue regarding application of the transition provisions of GASB 68. GASB 71 amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014 with the provisions related to GASB 71 to be applied simultaneously.

In addition, the District corrected an immaterial error in the amount of approximately \$18.5 million related to the write-off of the early retirement incentive program liability.

The effect of adopting GASB 68 and the correction of error as of July 1, 2014 were as follows (in thousands of dollars):

Net position at June 30, 2014, as previously reported	\$ 882,610
Increase in net pension liability	(3,752)
Decrease in prepaid pension	(2,625)
	<hr/>
Net position at July 1, 2014, as restated prior to correction of error	876,233
Decrease in early retirement incentive program liability	18,496
	<hr/>
Net position at July 1, 2014, as restated	<u><u>\$ 894,729</u></u>

**NORTH BROWARD HOSPITAL DISTRICT**

Notes to Financial Statements

June 30, 2015

**(4) Cash, Cash Equivalents, and Investments**

The composition and credit ratings of the District's cash and cash equivalents, investments, and assets whose use is limited as of June 30, 2015 are as follows:

	Fair value	Investment maturities			
		Less than 1 year	1-5 years	6-10 years	More than 10 years
U.S. government securities	\$ 121,622	\$ 63,904	40,791	7,635	9,292
U.S. government agency securities	165	165	—	—	—
Corporate bonds	131,927	48,800	66,045	11,140	5,942
Mortgage-backed securities	54,477	6,704	19,495	2,592	25,685
International government securities	654	—	654	—	—
	<u>308,845</u>	<u>\$ 119,573</u>	<u>126,985</u>	<u>21,367</u>	<u>40,919</u>
Common stock	201,078				
Mutual funds	117,199				
Private equity	19,453				
Hedge funds	18,985				
Real estate	34,837				
Other investments	358				
Money markets	38,306				
Bank deposits	43,475				
	<u>\$ 782,536</u>				

	Fair value	Ratings					
		AAA	AA	A	BBB	<BBB	Not rated
U.S. government securities	\$ 121,622	104,570	—	—	—	—	17,052
U.S. government agency securities	165	—	—	—	—	165	—
Corporate bonds	131,927	9,602	34,522	58,492	26,386	2,482	443
Mortgage-backed securities	54,477	2,984	25,110	92	170	396	25,725
International government securities	654	—	—	—	309	—	345
	<u>\$ 308,845</u>	<u>117,156</u>	<u>59,632</u>	<u>58,584</u>	<u>26,865</u>	<u>3,043</u>	<u>43,565</u>

**NORTH BROWARD HOSPITAL DISTRICT**

Notes to Financial Statements

June 30, 2015

The composition and credit ratings of the defined-benefit pension plan's cash and cash equivalent and investments as of June 30, 2015 are as follows:

	Fair value	Investment maturities			
		Less than 1 year	1-5 years	6-10 years	More than 10 years
U.S. government securities	\$ 9,449	\$ —	50	3,703	5,696
Corporate bonds	25,531	1,431	13,171	6,302	4,627
Mortgage-backed securities	18,345	—	1,315	1,441	15,589
International government securities	248	—	248	—	—
Subtotal	53,573	\$ 1,431	14,784	11,446	25,912
Stock – common stock	130,318				
Mutual funds	74,363				
Real estate	26,890				
Private equity	15,561				
Hedge funds	15,459				
Money markets	12,464				
	\$ 328,628				

	Fair value	Ratings					
		AAA	AA	A	BBB	<BBB	Not rated
U.S. government securities	\$ 9,449	—	—	—	—	—	9,449
Corporate bonds	25,531	—	3,453	10,526	9,514	1,534	504
Mortgage-backed securities	18,345	1,841	462	75	136	462	15,369
International government securities	248	—	—	—	—	—	248
	\$ 53,573	1,841	3,915	10,601	9,650	1,996	25,570

**Investment Risk Factors**

There are many factors that can affect the value of investments. Some, such as concentration of credit risk, custodial credit risk, interest rate risk, and foreign currency risk, may affect both equity and fixed-income securities. Equity securities respond to such factors as economic conditions, individual company earnings performance, and market liquidity, while fixed-income securities are sensitive to credit risk and changes in interest rates.

**(a) Credit Risk**

Florida Statutes section 218.415 provides for each unit of local government or political subdivision to adopt investment policies that are commensurate with the nature and size of public funds within their custody. These policies must include consideration for safety of capital liquidity of funds within their custody, diversification of investments, investment income, maturity requirements, and performance measurement. The District has a Board-approved policy for the investment of funds. In accordance with this policy, the District invests in marketable fixed-income securities rated in the first four credit quality grades as established by one or more of the nationally recognized bond rating

## NORTH BROWARD HOSPITAL DISTRICT

### Notes to Financial Statements

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services. Securities downgraded by any of these rating agencies subsequent to purchase resulting in a violation of the investment quality guidelines may be at the discretion of the professional investment managers retained by the District. However, written notice including the investment manager's rationale shall be promptly submitted to the District's Investment Committee.

**(b) *Concentration of Credit Risk***

Investments in any one issuer that represent 5% or more of the District's investment portfolio are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of June 30, 2015, the District did not have any investments that equaled or exceeded this threshold. The investment policy includes an overall asset deployment policy which sets allowable ranges per asset class. Liquid asset allocation may include up to: Domestic Equity (30% – 35%), International Equity (10% – 15%), Private Equity (0% – 5%), Real Estate (0% – 5%), Hedge Funds (0%-5%) and Fixed Income (40% – 55%). The invested assets may include up to: Domestic Equity (35% – 45%), International Equity (10%-20%), Private Equity (5% – 10%), Real Estate (5% – 15%), Hedge Funds (2.5% – 7.5%) and Fixed Income (10% – 20%).

**(c) *Interest Rate Risk***

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Refer to the distribution of the District's investment in fixed-income securities by maturity as of June 30, 2015 in the preceding investment composition table.

**(d) *Foreign Currency Risk***

The District's investment policy allows for the investment in international equity securities. The District's exposure to foreign currency risk is partially mitigated through investments in depository receipts and forward foreign currency contracts.

**(e) *Custodial Credit Risk***

*Investments*

As of June 30, 2015, the District's investments were not exposed to custodial credit risk since the full amount of investments were insured or registered in the District's name.

*Deposit Risk*

In addition to insurance provided by the Federal Depository Insurance Corporation, all demand deposits are held in banking institutions approved by the state of Florida state treasurer to hold public funds. Under the Florida Statutes Chapter 280, *Florida Security for Public Deposits Act* (Chapter 280), the state treasurer requires all qualified public depositories to deposit with the treasurer or another banking institution eligible collateral equal to amounts ranging from 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon

**NORTH BROWARD HOSPITAL DISTRICT**

Notes to Financial Statements

June 30, 2015

the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses in excess of amounts insured and collateralized. At June 30, 2015, the District's deposits were entirely covered by federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, *Florida Statutes*.

**(5) Capital Assets**

A summary of changes in capital assets during fiscal year 2015 is as follows:

	<u>Balance at June 30, 2014</u>	<u>Additions</u>	<u>Deletions/ transfers</u>	<u>Balance June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 42,860	220	—	43,080
Construction in progress	20,683	26,049	(79)	46,653
Total capital assets not being depreciated	<u>63,543</u>	<u>26,269</u>	<u>(79)</u>	<u>89,733</u>
Capital assets being depreciated:				
Buildings and improvements	640,454	9,359	611	650,424
Land improvements	7,537	352	—	7,889
Equipment	511,598	27,363	(13,790)	525,171
Equipment under capital lease	1,659	723	(1,308)	1,074
Total capital assets being depreciated	<u>1,161,248</u>	<u>37,797</u>	<u>(14,487)</u>	<u>1,184,558</u>
Accumulated depreciation:				
Buildings and improvements	362,183	18,990	515	381,688
Land improvements	6,084	224	—	6,308
Equipment	393,229	29,610	(13,349)	409,490
Equipment under capital lease	1,382	157	(1,221)	318
Total accumulated depreciation	<u>762,878</u>	<u>48,981</u>	<u>(14,055)</u>	<u>797,804</u>
Total	<u>\$ 461,913</u>	<u>15,085</u>	<u>(511)</u>	<u>476,487</u>

Amortization expense on equipment held under capital leases, which is included within depreciation and amortization in the statement of revenues, expenses, and changes in net position for fiscal year 2015 totaled \$0.2 million. Accumulated amortization on equipment held under capital leases as of June 30, 2015 totaled approximately \$0.3 million.

The estimated cost-to-complete of construction in progress at June 30, 2015 totaled approximately \$144 million.

**NORTH BROWARD HOSPITAL DISTRICT**

Notes to Financial Statements

June 30, 2015

**(6) Long-Term Obligations**

Changes in long-term liabilities for the year ended June 30, 2015 was as follows:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2015</u>	<u>Amount due in one year</u>
Revenue bonds	\$ 256,115	—	(10,800)	245,315	11,190
Lease obligation	217	722	(202)	737	167
Derivative instruments	35,582	4,619	(1,920)	38,281	—
Net pension liability	3,751	32,555	(33,183)	3,123	—
Self-insurance program	29,237	12,916	(12,095)	30,058	5,320
Other postemployment benefit program	72,339	17,268	(9,200)	80,407	—
	<u>\$ 397,241</u>	<u>68,080</u>	<u>(67,400)</u>	<u>397,921</u>	<u>16,677</u>

**(7) Revenue Bonds**

**(a) Refunding Revenue Bonds, Series 2005A (the 2005A Bonds)**

In July 2005, the District issued \$71.5 million of 2005A Bonds, which are variable-rate demand bonds remarketed weekly. The interest rate at June 30, 2015 was 4.17%. The net proceeds of the 2005A Bonds (after payment of \$2.5 million in bond issuance costs, including underwriting, legal and accounting, and insurance fees) were principally used to fund an escrow account in the amount of \$68.9 million for the advance refunding of \$66.3 million of Refunding and Improvement Revenue Bonds, Series 1997 (the 1997 Bonds), which were called in January 2008, and \$2.7 million to cover scheduled interest payments on the 1997 Bonds. Based upon long-term historical patterns, at the time of issuance of the 2005A Bonds, the variable interest paid on these bonds was expected to correlate very closely to the rate received on the related floating to fixed interest rate swap agreement (note 9). The result of issuance of the 2005A Bonds and the related interest rate swap was expected to be a synthetic fixed rate of interest on the 2005A Bonds of approximately 3.345%. Both the 2005A Bonds and the related interest rate swap are insured through financial guarantee insurance policies with financial services institutions. During 2011, the District entered into an extension for the letter of credit related to the 2005A Bonds.

The difference between the reacquisition price and the net carrying amount of the old debt of approximately \$4.6 million is being deferred and amortized as a component of interest expense over the remaining scheduled life of the old debt of 19 years with the unamortized portion reported as a deferred outflow of resources. As of June 30, 2015, the unamortized portion is approximately \$2.5 million.

**(b) Refunding Revenue Bonds, Series 2007 (the 2007 Bonds)**

In November 2007, the District issued \$131.2 million of 2007 Bonds, which are variable rate demand bonds remarketed weekly. The interest rate at June 30, 2015 was 4.17%. The net proceeds of the 2007 Bonds (after payment of \$2.6 million in bond issuance costs, including underwriting, legal and accounting, and insurance fees) were principally used to fund an escrow account in the amount of \$128.6 million for the advance refunding of \$106.1 million of 1997 Bonds, \$25.1 million of 2001

## NORTH BROWARD HOSPITAL DISTRICT

### Notes to Financial Statements

June 30, 2015

Bonds, and \$2.3 million to cover scheduled interest payments on the 1997 Bonds and 2001 Bonds. The refunded 1997 Bonds carried interest rates ranging from 5.125% to 5.75%. The refunded 2001 Bonds carried interest rates ranging from 5.0% to 6.0%. The net proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Bonds and 2001 Bonds. As a result, the advance refunded 1997 Bonds and 2001 Bonds were considered to be defeased in substance and the liability for those bonds has been removed from the accompanying statement of net position. Some of these escrowed funds were used to pay the 1997 Bonds that were refinanced with this transaction. Based upon long-term historical patterns, at the time of issuance of the 2007 Bonds, the variable interest on these bonds was expected to correlate very closely to the rate received on the related floating to fixed interest rate swap agreement (note 9). The result of issuance of the 2007 Bonds and the related interest rate swap was expected to be a synthetic fixed rate of interest on the 2007 Bonds of approximately 4.159%. Both the 2007 Bonds and the related interest rate swap are insured through financial guarantee insurance policies with financial services institutions. During 2011, the District entered into an extension for the letter of credit related to the 2007 Bonds.

The original difference between the reacquisition price and the net carrying amount of the old debt of approximately \$5.9 million is being deferred and amortized as a component of interest expense over the remaining scheduled life of the old debt of 19 years, with the unamortized portion reported as a deferred outflow of resources. As of June 30, 2015, the unamortized portion is approximately \$3.5 million.

(c) ***Refunding Revenue Bonds, Series 2008A (the 2008A Bonds)***

In July 2008, the District issued \$85.5 million of 2008A Bonds for the purpose of refunding the outstanding 2005B Bonds. The interest rate at June 30, 2015 was 3.129%. The 2008A Bonds are collateralized by a letter of credit through August 16, 2020. The 2008A Bonds are variable-rate demand bonds, which are remarketed weekly. The proceeds of the 2008A Bonds were used for the sole purpose of extinguishing the 2005B Bonds. The 2008A Bonds are not insured. As part of this transaction, the District modified the floating to fixed interest rate swap that had been put in place at the time that the 2005B Bond transaction was completed. The fixed rate payable by the District on this swap transaction changed from 4.084% to 4.154%. The counterparty payment rate to the District on this swap continues to be the weekly SIFMA rate. The result of the combination of these transactions is expected to be a synthetic fixed rate of interest on the 2008A Bonds of approximately 4.154%.

The District determined that the modified interest rate swap was a hybrid instrument under GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, at the time the 2005B Bond transaction was completed. At the time of pricing the modified interest rate swap in July 2008, the fixed rate on the swap was off-market such that the District deferred the repayment of the liability on the original interest rate swap. As such, the interest rate swap comprises a derivative instrument, an at-the-market swap, and a companion instrument, a borrowing, represented by the deferred repayment of \$4.4 million in July 2008. In connection with the Novation Agreement (note 9), the portion of the interest rate swap that was determined to be a borrowing was modified and the carrying value of such at June 30, 2015 was \$9.7 million, which is being amortized over the remaining scheduled life of the old debt of 17 years.

## NORTH BROWARD HOSPITAL DISTRICT

### Notes to Financial Statements

June 30, 2015

The difference between the reacquisition price and the net carrying amount of the old debt of approximately \$11.6 million is being deferred and amortized as a component of interest expense over the remaining scheduled life of the old debt of 23 years, with the unamortized value of the deferred amount is reported as a deferred outflow of resources. As of June 30, 2015, the unamortized portion is approximately \$7.4 million. The District advance refunded the 2005B Bonds and no economic gain was realized.

**(d) *Revenue Bond, Series 2010 (the 2010 Bonds)***

In December 2010, the District issued a Bank Qualified Bond, for \$30.0 million for the purpose of reimbursing the District for expenses incurred relating to the planning, construction, and expansion of hospital facilities. The 2010 Bonds bear interest at a variable rate equal to 65% of the daily LIBOR plus 105 basis points, which resets on the first business day of each month. The interest rate at June 30, 2015 was 1.17%. Associated issuance costs including legal, financial advisor, and trustee of approximately \$0.1 million that were associated with this transaction were paid from other operating funds. The 2010 Bonds are not collateralized and are not insured. The 2010 Bonds carry a 20-year amortization schedule. Interest is due and payable semiannually, commencing on July 15, 2011 through January 15, 2031, at which point in time, all unpaid principal and interest shall be due and payable. The 2010 Bonds are subject to optional earlier prepayment by the District and to mandatory tender by the bank to the District on the mandatory tender date of January 15, 2021. At the written request of the District at least 180 days prior to the mandatory tender date then in effect, the mandatory tender date may be extended in the sole discretion of the bank.

**(e) *Irrevocable Direct Pay Letters of Credit (LOC)***

In 2008, the District entered into two separate LOC's, one collateralizing the 2005A Bonds and the other collateralizing the 2007 Bonds, for the benefit of the registered bondholders to collateralize the payment of the principal and interest on the 2005A and 2007 Bonds and the payment of the purchase price of the Bonds tendered for purchase and not remarketed. In January 2011, the LOC supporting the 2005A Bonds and the 2007 Bonds were extended to January 19, 2016 and January 19, 2015, respectively. On September 29, 2014, the District entered into an agreement, on substantially the same terms, to extend the maturity date of the LOC supporting the 2007 Bonds from January 19, 2015 to September 29, 2017. The 2008A Bonds are collateralized by a letter of credit through August 16, 2020.

The District is required to maintain a standby bond purchase agreement, alternative liquidity facility, or alternative letter of credit at all times for the outstanding bonds. If the LOC is not extended or replaced, the Indenture requires the trustee to purchase all outstanding bonds before the final expiration date of the LOC, and the LOC bank will become the holder of all outstanding 2005A, 2007, and 2008A Bonds. The bonds will remain outstanding under the Indenture, and the District is required to convert the bonds to another interest rate mode or obtain a new liquidity facility.

The Indenture for the District's 2005A, 2007, 2008A, and 2010 Bonds, and the LOC's, include covenants that require the District to maintain specified financial ratios, levels of working capital and equity, and other qualitative covenants. The District was in compliance with these covenants as of June 30, 2015.

**NORTH BROWARD HOSPITAL DISTRICT**

Notes to Financial Statements

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During the time the bank would own the outstanding bonds, the LOC requires payment of a higher interest rate and requires that the bonds be redeemed in equal quarterly principal payments over five years, with principal payments commencing on the 15th day of January, April, July, or October following the first anniversary from the bank's date of purchase.

Maturities of the 2005A, 2007, 2008A, and 2010 Bonds, including corresponding interest due, over the next five years and in five-year increments thereafter are as follows:

	Series 2005A		Series 2007		Series 2008A		Series 2010		Total debt service	Total debt service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	(In thousands of dollars)									
Years ending June 30:										
2016	\$ 3,285	1,562	6,055	3,596	450	3,450	1,400	307	11,190	8,915
2017	3,400	1,451	6,310	3,339	475	3,431	1,415	290	11,600	8,511
2018	3,525	1,335	6,590	3,071	500	3,410	1,435	272	12,050	8,088
2019	3,650	1,215	6,885	2,792	525	3,389	1,450	254	12,510	7,650
2020	3,780	1,091	7,190	2,500	550	3,367	1,470	236	12,990	7,194
2021–2025	21,050	3,432	40,920	7,650	3,125	16,463	7,625	900	72,720	28,445
2026–2030	9,520	334	15,285	660	58,350	12,029	8,115	412	91,270	13,435
2031–2034	—	—	—	—	19,300	401	1,685	21	20,985	422
	<u>\$ 48,210</u>	<u>10,420</u>	<u>89,235</u>	<u>23,608</u>	<u>83,275</u>	<u>45,940</u>	<u>24,595</u>	<u>2,692</u>	<u>245,315</u>	<u>82,660</u>

**(8) Lease Obligation**

The District enters into various leases as part of its ongoing business.

Principal and interest payments due on capital leases are as follows:

	Principal	Interest
	(In thousands of dollars)	
Year ending June 30:		
2016	\$ 167	33
2017	123	26
2018	102	21
2019	108	15
2020	114	10
2021 and thereafter	<u>123</u>	<u>3</u>
Total due	<u>737</u>	<u>108</u>
Amount due within one year	<u>(167)</u>	
Amount due, excluding due within one year	<u>\$ 570</u>	

**NORTH BROWARD HOSPITAL DISTRICT**

Notes to Financial Statements

June 30, 2015

**(9) Interest Rate Swaps**

On June 30, 2015, the District had the following derivative instruments outstanding:

Item	Type	Objective	Notional amount	Effective date	Maturity date	Terms	2015 Fair value (In thousands of dollars)
2005A	Receive variable interest rate swap	Hedge of changes in cash flows on the 2005A Bonds	\$ 48,210	07/15/2013	01/15/2027	Pay fixed rate of 3.345%. Receive 62.4% of one month LIBOR plus 29 basis points	\$ (5,092)
2007	Receive variable interest rate swap	Hedge of changes in cash flows on the 2007 Bonds	89,235	11/15/2007	01/15/2027	Pay fixed rate of 4.159%. Receive SIFMA Municipal Swap Index Rate	(13,797)
2008A PNC Bank	Receive variable interest rate swap	Hedge of changes in cash flows on 35% of 2008A Bonds	29,146	09/12/2012	01/15/2031	Pay fixed rate of 4.154%. Receive SIFMA Municipal Swap Index Rate	(6,785)
2008A Wells Fargo Bank	Receive variable interest rate swap	Hedge of changes in cash flows on 65% of 2008A Bonds	54,129	08/03/2013	01/15/2031	Pay fixed rate of 4.154%. Receive SIFMA Municipal Swap Index Rate	(12,607)

At June 30, 2015, the 2005A, 2007, and 2008A interest rate swaps qualified for hedge accounting under GASB 53 and as a result, approximately \$24.7 million related to the fair value of the interest rate swaps was recorded as a liability related to the hedging instruments in the accompanying statement of net position. A decrease in the fair value of the interest rate swaps in fiscal year 2015 of approximately \$3.7 million is reported in the statement of net position as a deferred outflow of resources.

Approximately \$9.7 million related to the fair value of the 2008A derivative instrument is recorded as a liability at June 30, 2015. Additionally, \$3.9 million related to the fair value of the 2005A derivative instrument is recorded as a liability at June 30, 2015.

The fair values of the interest rate swaps are estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps.

**(a) Credit Risk**

The District has sought to limit its counterparty risk by contracting only with highly rated entities. As of June 30, 2015, the credit ratings for PNC Bank the counterparty of the 2005A and 35% of the 2008A swap agreements were A2, A, and A+ from Moody's, Standard & Poor's, and Fitch rating agencies, respectively. The credit ratings for Wells Fargo the counterparty of the 2007 interest rate swap agreement and 65% of the 2008A swap agreement were Aa3, AA-, and AA- from Moody's, Standard & Poor's, and Fitch rating agencies, respectively. Each of the counterparties may be required to post collateral should they fail to meet certain minimum credit ratings.

## NORTH BROWARD HOSPITAL DISTRICT

### Notes to Financial Statements

June 30, 2015

**(b) Interest Rate Risk**

The District is not exposed to interest rate risk on its interest rate swap agreements as they are all structured in a receive variable, pay fixed rate mode.

**(c) Basis Risk**

The District is exposed to basis risk on its interest swap agreements because the variable-rate payments received by the District on these hedging derivative instruments are based on a rate or index other than the interest rates that the District pays on its hedged variable rate debt, which is remarketed every seven days. As of June 30, 2015, the weighted variable interest rate on the District's hedged variable rate debt is 0.0725%, while the SIFMA swap index is 0.07%, and 62.04% of one month LIBOR plus 29 basis points is 0.407%.

**(d) Termination Risk**

The interest rate swap agreements use the International Swap Dealers Association Master Agreement, which includes standard termination events provisions, such as failure to pay and bankruptcy. The District and the insurer of the 2007 interest rate swap are also required to maintain minimum credit ratings. Failure to do so may require the District to post collateral or give the counterparty the right to terminate the interest rate swap agreement.

**(e) Commitments**

The 2005A and 2008A interest rate swap agreements require collateral to be posted if the fair value of the interest rate swap is negative. The collateral amount required to be posted, if any, depends on the District's unenhanced credit rating as determined by Standard & Poor's and Moody's Investor Service. Based on the District's credit rating on June 30, 2015, the collateral required to be posted is the negative value of \$25.0 million. As of June 30, 2015, the fair value of the 2005A and 2008A interest rate swaps did not meet the negative value threshold limit to require the posting of collateral.

As of June 30, 2015, the District was not required to post collateral on the 2005A and 2008A interest rate swap agreements.

## **(10) Defined-Benefit Pension Plan**

**(a) Plan Description**

The District maintains a single-employer, noncontributory defined-benefit (cash balance) pension plan (the Plan) covering substantially all full-time or part-time eligible District employees. Accordingly, the amounts disclosed herein relate to the Plan as a whole. The Plan is not subject to the requirements of the Employee Retirement Income Security Act of 1974 (ERISA) and does not issue a stand-alone financial report.

Funding levels and obligations to contribute to the Plan are established and can be amended by the Board.

Effective January 1, 1997, employees are eligible for Plan participation after completing one year of credited service and the attainment of age 21. Benefits are vested after five years of credited service.

**NORTH BROWARD HOSPITAL DISTRICT**

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Accrued monthly pension benefits as of December 1, 1996, were converted to lump-sum cash balances, and the Plan guarantees a minimum annuity based on the benefits accrued as of December 31, 1996. Benefits upon retirement are based upon a District contribution of 5% of the participant's covered earnings for each year of credited service and an annual interest credit on the employee's account balance equal to the yield on the one-year Treasury Bill for the month of May preceding each Plan year plus 1%. Vested plan participants who were at least age 45 on January 1, 1997, are eligible for additional "grandfathered" pension contributions. Normal retirement age under the Plan is 65 with provisions for early retirement if the participant is 55 to 64 years of age and has attained five years of credited service. These benefit levels may be modified upon approval by the Board. Benefits under the early retirement provision are reduced to reflect the Plan participant's age at the time benefits begin.

Number of employees covered:	
Active employees	6,354
Inactive employees currently receiving benefits	1,468
Inactive employees entitled to but not yet receiving benefits	<u>1,583</u>
Total membership	<u><u>9,405</u></u>

**Contributions**

The annual contribution for the current year was determined by management and the Board. While the District's independent actuary annually determines a range for the annual contributions, the District is not required to contribute an amount equal to the total funding contribution. The Plan's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. All contributions to the Plan are made by the employer and are intended to fund both the actuarially determined costs, as well as the Plan's operating costs. The District's practice is to make sufficient annual contributions in accordance with the actuarial funding requirements of the Florida Statutes. The contributions to the Plan for fiscal year 2015 totaled \$17.6 million, which equaled the normal cost as computed through the actuarial valuation dates as of June 30, 2015. The contributions represent approximately 5% of current covered payroll for fiscal year 2015. Maximum actuarial contributions are based upon the funding levels that would be required of an ERISA plan.

**NORTH BROWARD HOSPITAL DISTRICT**

Notes to Financial Statements

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**(b) Fiduciary Net Position**

Financial information related to the Plan fiduciary net position and the changes in fiduciary net position for the year ended June 30, 2015 is as follows:

Statement of Plan Fiduciary Net Position at June 30, 2015

Assets		
Cash and cash equivalents	\$	12,464,083
Investments at fair value		
Fixed income		53,573,087
Stocks		130,318,242
Mutual funds		74,363,158
Real estate		26,889,831
Private equity funds		15,561,373
Hedge funds		15,459,108
		<hr/>
Total investments		316,164,799
		<hr/>
Total assets		328,628,882
		<hr/>
Liabilities		
Accrued expenses and benefits payable		
Total liabilities		568,295
		<hr/>
Net position restricted for pensions	\$	328,060,587
		<hr/> <hr/>

**NORTH BROWARD HOSPITAL DISTRICT**

Notes to Financial Statements

June 30, 2015

Statement of Changes in the Fiduciary Net Position  
for the Year Ended June 30, 2015

Additions:	
Employer contributions	\$ 17,600,000
Total contributions	<u>17,600,000</u>
Investment income	
Interest	6,704,724
Net appreciation in fair value of investments	<u>8,814,244</u>
Net investment income	<u>15,518,968</u>
Other income	<u>64,002</u>
Total additions	33,182,970
Deductions:	
Service benefits	24,520,062
Administrative expenses	<u>2,533,306</u>
Total deductions	<u>27,053,368</u>
Net increase	6,129,602
Net position restricted for pensions:	
Beginning of year	<u>321,930,985</u>
End of year	\$ <u><u>328,060,587</u></u>

(c) ***Net Pension Liability***

All of the District's pension assets are available to pay member's benefit. The net pension liability as of June 30, 2015 was as follows:

Total pension liability	\$ 331,183,082
Fiduciary net position	<u>328,060,587</u>
Net pension liability	3,122,495
Fiduciary net position as a % of total pension liability	99.06%
Covered payroll	\$ 351,806,087
Net pension liability as a % of covered payroll	0.89%

**NORTH BROWARD HOSPITAL DISTRICT**

Notes to Financial Statements

June 30, 2015

***Actuarial Valuation and Assumptions***

The District's net pension liability was measured as of June 30, 2015 based upon rolling forward the results of the actuarial valuation as of July 1, 2014. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. The District's net pension liability was calculated using the following methods and assumptions:

Inflation	2.50%
Investment rate of return	8.00%
Projected salary increases	4.50%
Cost-of-living adjustment	None

For active members, inactive members, and retirees, the RP-2014 Mortality tables for employees, healthy annuitants, and disabled annuitants with generational projection per MP-2014 are used.

Actuarial assumptions are subject to periodic revisions. The retirement and salary scale assumptions are reviewed each year compared to actual experience and are adjusted as needed. Other demographic assumptions are reviewed periodically to determine the need for adjustments.

## NORTH BROWARD HOSPITAL DISTRICT

### Notes to Financial Statements

June 30, 2015

#### *Long-term Rate of Return*

The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuary's investment consulting practice and are reviewed biannually. The 8.0% assumption reflects the composite expected return based on the target asset allocation for the Plan. The actuary uses the Global Capital Asset Pricing Model (Global CAPM) methodology to determine expected returns for each asset class, rather than relying on historical returns or other estimates. The CAPM is an economic model for valuing stocks, securities, derivatives, and/or assets by relating risk and expected return and is based on the idea that investors demand additional expected return if they are asked to accept additional risk.

Asset Class	Index	Target Allocation	Long-Term Expected Arithmetic Real Rate Of Return	Long-Term Expected Geometric Real Rate of Return
Cash	Citigroup 90-Day-T-Bills	4.16%	0.50%	0.49%
Core fixed income	Barclays Aggregate	8.50%	2.09%	1.85%
Mortgages	Barclays Mortgage	5.30%	2.69%	2.39%
Non-us fixed income	JPM GBI Global ex-US	2.70%	1.36%	0.78%
Large cap U.S. equities	S&P 500	36.90%	5.61%	4.15%
Mid cap U.S. equities	Russell Mid Caps	8.29%	6.36%	4.24%
Small cap U.S. equities	Russell 2000	8.29%	7.36%	4.39%
Developed foreign equities	MSCI EAFE	3.34%	6.02%	4.15%
Emerging market equities	MSCI Emerging Markets	0.07%	8.81%	4.88%
Private equity	Cambridge Associates	10.70%	9.15%	5.37%
Hedge funds/absolute return	HFRI Fund of Funds	4.68%	3.12%	2.68%
Real estate (REITS)	NCREIF-ODCE	7.07%	5.56%	3.90%
Assumed inflation-mean			2.50%	2.50%
Assumed inflation-standard deviation			2.00%	2.00%
Portfolio real mean return			5.30%	3.68%
Portfolio nominal mean return			7.82%	6.27%
Portfolio expected return-50th percentile (25th percentile = 5.14%, 75th percentile = 8.64%)				6.88%
Portfolio standard deviation				14.40%
Long-term expected rate of return				8.00%

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

#### *Discount Rate*

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based upon those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan assets

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was applied to all periods of projected benefit payments to determine the total pension liability. The following section discusses the sensitivity of the net pension liability to changes in the discount rate.

**Sensitivity Analysis**

The following presents the net pension liability of the District's, calculated using the discount rate of 8.00%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	<b>1% Decrease 7.00%</b>	<b>Current Discount Rate 8.00%</b>	<b>1% Increase 9.00%</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net pension liability	\$ 22,842,097	3,122,495	(14,421,716)

***Pension Expense***

The pension expense for the year ended June 30, 2015 is \$13,316,443.

***Deferred Inflows/Outflows of Resources***

A summary of changes in deferred outflows and deferred inflows of resources during fiscal year 2015 is as follows:

	<b>Year of Deferral</b>	<b>Amortization Period</b>	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2015</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Deferred outflows of resources:						
Difference between projected and actual earnings on pension plan investments	2015	5 years	\$ —	9,800,649	(1,960,129)	7,840,520
Total			<u>\$ —</u>	<u>9,800,649</u>	<u>(1,960,129)</u>	<u>7,840,520</u>
Deferred inflows of resources:						
Assumption changes or inputs	2015	3.9 years	\$ —	(5,629,477)	1,443,456	(4,186,021)
Total			<u>\$ —</u>	<u>(5,629,477)</u>	<u>1,443,456</u>	<u>(4,186,021)</u>

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The net amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense during the next four years as follows:

Year ending June 30:		
2016	\$	516,674
2017		516,674
2018		661,021
2019		1,960,129
	\$	<u>3,654,498</u>

**(11) Defined-Contribution Plan**

Effective January 1, 1990, the District implemented a defined-contribution plan (the Star Plus 403(b) Plan) for all employees. In a defined-contribution plan, benefits depend solely on amounts contributed to the Star Plus 403(b) Plan, plus investment earnings. Employees are eligible to participate immediately and full-time and part-time employees are eligible for employer matching contributions upon the completion of one year of service. The Board approved the Star Plus 403(b) Plan, which requires an employer contribution of 100% of the employee's contribution not to exceed 1% of the employee's compensation (subject to limitations) and 35% of the contribution between 1% and 4% of the employee's compensation. The District's contribution for each employee is fully vested after five years of continuous service (partial vesting between two and five years of service). The District's contribution for, and interest forfeited by, employees who leave employment before vesting is used to reduce the District's current period contribution requirement.

The District's total payroll for fiscal year 2015 was \$488.1 million. The total covered payroll for eligible employees during the same periods is not determinable. For fiscal year 2015, the District's contribution was \$6.5 million, representing 1.3% of total payroll. The employees' contribution for fiscal year 2015 was \$24.2 million, representing 5.0% of total payroll.

**(12) Other Postemployment Benefits**

In addition to providing pension benefits, the District provides certain healthcare and life insurance benefits for approximately 1,060 eligible retired employees, which include those at the healthcare facilities. Many of the District's employees may become eligible for those benefits if they reach retirement age while working for the District.

The GASB requires state and local governmental employers to account for and report the annual cost of other postemployment benefits (OPEB) and the outstanding obligations and commitments related to OPEB in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*. Annual OPEB costs are based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they become due. The actuarially determined cost for providing benefits to retirees and current employees during fiscal year 2015 was \$17.3 million. This includes \$7.4 million of actual payments (contributions) during fiscal year 2015, and \$8.1 million of additional expense, recorded on the accrual basis.

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**(a) Plan Description**

The District maintains a single-employer defined-benefit healthcare plan, providing medical and dental insurance benefits to eligible retirees and their spouses. The District does not issue separate financial statements for their healthcare plan. The authority to establish and amend benefit provisions of the District's plan is held by the CEO of the District.

**(b) Funding Policy**

The Annual Required Contribution (ARC) is based on projected pay-as-you-go financing requirements, with an additional amount required to be recognized and accumulated as the net OPEB obligation. For fiscal year 2015, the District contributed \$7.4 million to the healthcare plan, which is net of retiree contributions. Retiree contributions for fiscal year 2015 were \$2.9 million according to the following table:

Best Choice Plus Medical	<u>Single</u>	<u>Employee + 1</u>
Rule of 80:		
Medical pre-65	\$ 120.77	276.08
Medical post-65	92.99	212.58
Retiree and Spouse one older and one younger than 65	N/A	245.52
Other retirees:		
Medical pre-65	\$ 603.83	1,254.90
Medical post-65	464.95	966.28
Retiree and Spouse one older and one younger than 65	N/A	1,116.02
Aetna EPO Medical		
Rule of 80:		
Medical pre-65	\$ 136.43	308.67
Medical post-65	105.05	237.64
Retiree and Spouse one older and one younger than 65	N/A	274.51
Other retirees:		
Medical pre-65	\$ 619.49	1,287.49
Medical post-65	477.01	991.34
Retiree and Spouse one older and one younger than 65	N/A	1,145.01
Aetna HDHP Medical		
Rule of 80:		
Medical pre-65	\$ 27.55	82.36
Medical post-65	21.21	63.39
Retiree and Spouse one older and one younger than 65	N/A	73.24
Other retirees:		
Medical pre-65	\$ 510.61	1,061.18
Medical post-65	393.17	817.09
Retiree and Spouse one older and one younger than 65	N/A	943.74

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		<u>Single</u>	<u>Employee + 1</u>
	Reliance Dental		
Rule of 80:			
Retiree	\$	8.32	
Retiree and Spouse		N/A	17.29
Other retirees:			
Retiree	\$	24.04	
Retiree and Spouse		N/A	49.96
	Safeguard Dental		
Rule of 80:			
Retiree	\$	6.41	
Retiree and Spouse		N/A	12.18
Other retirees:			
Retiree	\$	18.53	
Retiree and Spouse		N/A	35.20

Rule of 80 retirees pay the same rates as active employees. Other retirees pay the premium equivalent funding rate.

**(c) Annual OPEB Cost and Net OPEB Obligation**

The District's annual OPEB cost is calculated based on its ARC, an amount actuarially determined in accordance with the GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The components of the District's annual OPEB cost for the year, the amount actually contributed to the healthcare plan, and changes in the District's net OPEB obligation as of June 30, 2015 are as follows:

	<u>2015</u>
	(In thousands of dollars)
Annual required contribution	\$ 16,711
Interest on net OPEB obligation	2,894
Adjustment to annual required contribution	<u>(2,337)</u>
Annual OPEB cost	17,268
Contributions made	<u>9,200</u>
Increase in net OPEB obligations	8,068
Net OPEB obligation:	
Beginning of year	<u>72,339</u>
End of year	\$ <u><u>80,407</u></u>

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The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the healthcare plan, and the net OPEB obligation for fiscal year 2015 and two prior fiscal years was as follows:

	<b>Annual OPEB cost</b>	<b>Percentage of annual OPEB cost contributed</b>	<b>Net OPEB obligation</b>
	(In thousands of dollars)		
Fiscal years ended:			
June 30, 2015	\$ 17,268	42.8%	80,407
June 30, 2014	17,657	33.4%	72,339
June 30, 2013	15,800	39.2%	60,574

**(d) Funded Status and Funding Progress**

As of June 30, 2015, the unfunded actuarial accrued liability (UAAL) for benefits was \$296.1 million. The covered payroll (annual payroll of active employees covered by the Plan) was \$355.1 million, and the ratio of the UAAL to the covered payroll was 83.4%. In accordance with postemployment benefit guidance, actuarial valuations are completed on a biannual basis. The last valuation was completed as of July 1, 2014.

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

**(e) Actuarial Methods and Assumptions**

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

In the July 1, 2014 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0% discount rate for 2015, representing an estimate of the discount rate for an unfunded plan. The UAAL is being amortized as a level percentage of projected payroll with a 30-year amortization period.

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The significant actuarial assumptions utilized in the most recent actuarial analysis are as follows:

Discount rate	4.0% per year
Salary increases	Salaries are assumed to increase at 4.5% per year
Healthcare cost trend rates	The trend rates of incurred claims represent the rate of increase in employer claims payments
Amortization method	Level percent over open 30-year period

Medical annual rates of increase:

Initial trend rate	6.85%
Ultimate trend rate	4.50
Year that the rate reaches the ultimate trend rate	2086

Dental annual rates of increase:

Initial trend rate	5.56%
Ultimate trend rate	3.90
Year that the rate reaches the ultimate trend rate	2026

**(13) Charity Care**

The District maintains records to identify and monitor the level of charity care it provides. These records include the amount of charity patients' hospital charges foregone for services and supplies furnished under its charity care policy. The level of charity care (charges foregone) provided during fiscal year 2015, based on established rates, was \$161.7 million. Charity care provided reflects inpatient services of \$65.4 million and outpatient services of \$96.3 million for fiscal year 2015. The estimated cost of charity care was \$43.3 million for fiscal year 2015. Charity care costs for inpatient services were \$17 million and for outpatient services were \$26.3 million for fiscal year 2015. The estimated costs were derived using a cost accounting system, which included indirect and direct costs.

**NORTH BROWARD HOSPITAL DISTRICT**

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**(14) Net Patient Service Revenue**

Net patient service revenue for fiscal year 2015 consisted of the following:

	<u>2015</u>
	(In thousands of dollars)
Gross patient service revenue:	
Medicare	\$ 725,690
Medicaid	552,638
HMO/PPO	1,988,864
Indigent Write-off	161,699
Other	542,938
	<u>3,971,829</u>
Allowances:	
Medicare	525,515
Medicaid	454,766
HMO/PPO	1,422,358
Indigent Write-off	161,699
Other	39,241
	<u>2,603,579</u>
Total allowances	2,603,579
Provision for uncollectible amounts	400,407
	<u>3,003,986</u>
Total deductions from patient service revenue	3,003,986
Net patient service revenue	<u>\$ 967,843</u>

**(15) Ad Valorem Tax Revenue**

The Board of the District is empowered and directed to annually levy upon all real and personal taxable property within the boundaries of the District a sufficient tax, not to exceed 2.5 mills, to accomplish the purposes of the District, as determined by the Board. For fiscal year 2015, the levy was 1.5939 mills. The total assessed value for which fiscal year 2015 levies was based was approximately \$97.7 billion, with total taxes, net of associated fees, levied at the District level aggregating \$139.7 million for fiscal year 2015. The Broward County Property Appraiser assesses and the Broward County Tax Collector collects all ad valorem taxes within Broward County

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied and are due and payable on November 1, of each year or as soon thereafter as the assessment roll is certified and delivered to the revenue collector. The District has a legal claim to the property taxes at the assessment date, generally during November of each tax year. Taxes may be paid upon receipt of such notice at declining discounts through the month of February.

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All unpaid taxes on real and personal property become delinquent on April 1, of the year following the year in which taxes were levied or within 30 days after the mailing of the original tax notice on the final assessment date, whichever is later. Delinquent real property taxes bear interest at the rate of 1.5% per month, and interest continues to accrue until a certificate is sold at auction, from which time the interest rate shall be as bid by the buyer of the certificates. Personal property taxes bear interest at 1.5% per month from April 1 until paid. On or before April 25, delinquent personal property taxes must be advertised, and after May 1, a petition requesting the ratification and confirmation of tax warrants may be filed in the Circuit Court and upon issuance of an order, the property may be levied, seized, and sold.

**(16) Concentrations of Credit Risk**

The District grants credit without collateral to their patients, most of who are local residents and are covered under third-party payor agreements. The mix of receivables, net of contractual allowance reserves and provision for uncollectible accounts, from patients and third-party payors at June 30, 2015 is detailed below. The District establishes reserves against these receivables based upon estimated collectibility and credit risk. Self-pay receivables are, by nature, high risk; and estimated collectibility is low. Therefore, the related net receivables represent a low percentage of the total mix of receivables in the table below.

	<u>2015</u>
Medicare	12.6%
Managed care	61.2
Medicaid	8.5
Commercial insurance	4.8
Self-pay and all other	12.9
	<u>100.0%</u>

**(17) Risk Management**

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters in excess of self-insured limits. Settled claims have not required the use of this commercial coverage in the last three years.

The District's exposures are subject to Florida's sovereign immunity laws, effective October 1, 2011, limiting the exposure to \$200,000 indemnity per person and \$300,000 per occurrence and prior to October 1, 2011, the limits were \$100,000/\$200,000. If a lawsuit results in a claim exceeding the sovereign immunity limits, a claims bill must be passed through the Florida Legislature and signed by the Governor.

*Public Liability, Medical Malpractice, and Workers' Compensation*

In 1975, the District developed a self-insurance program to provide coverage against public liability and medical malpractice claims. In September 1979, the District added workers' compensation to its self-insurance program. The District operates a comprehensive quality assurance program, which enables

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its healthcare facilities to closely monitor potential claims at the point of occurrence and to enhance its procedures for estimating accruals for such claims.

The District provides for losses in the self-insurance program based on limits set by sovereign immunity, except for the waiver of such immunity, relating to medical professional and general liability. Effective October 1, 2011, the limits increased from \$0.1 million to \$0.2 million per claimant and from \$0.2 million to \$0.3 million per incident. In November 1995, the District purchased a commercial umbrella insurance policy for malpractice insurance claims, which is renewed annually. This policy became effective for incidents incurred on or after January 22, 1996. Under the terms of the current policy, the District is insured for any individual incident in excess of \$2.0 million (self-insured retention) up to a maximum annual aggregate limit of \$20.0 million by the insurer.

The District established a current and noncurrent liability in the total amount of \$30.1 million at June 30, 2015 to cover losses resulting from asserted and unasserted claims. The liability includes estimates of the ultimate costs of both reported claims and claims incurred but not reported. Management believes these reserves are adequate to cover losses from such claims after considering the limits provided by Florida Statutes as set forth above. The current year claims expense is included within insurance expenses in the statement of revenues, expense, and changes in net position.

Changes in the District's self-insurance program claims liability during 2015 and 2014 was as follows (in thousands of dollars):

	<u>2015</u>	<u>2014</u>
Liability at June 30	\$ 29,237	28,599
Current year claims expense	12,916	6,435
Current year claims payments	<u>(12,095)</u>	<u>(5,797)</u>
Liability at June 30	<u>\$ 30,058</u>	<u>29,237</u>

*Medical Health Benefits*

In 2009, the District developed a self-insurance program to provide medical health benefits for its employees.

The estimated reserve for the District's health benefits as of June 30, 2015 and 2014 for nonretirees is \$12.7 million and \$13.8 million, respectively, and is included in accrued salaries, benefits, and payroll taxes in the accompanying statement of net position. The District considered the need for a margin for adverse deviation from the best estimate of reserve based on the variability of claims and have included a 10% explicit margin. The liability includes estimates of the ultimate costs of both reported claims and claims incurred but not reported. Management believes these reserves are adequate to cover such claims.

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Changes in the District’s health plan liability were as follows (in thousands of dollars):

	<b>2015</b>	<b>2014</b>
Liability at June 30	\$ 13,800	15,420
Current year claims expense	38,576	19,930
Current year claims payments	(39,629)	(21,550)
Liability at June 30	\$ 12,747	13,800

The District contracts with Total Claims Administration (CVS/Caremark is its Pharmacy Benefit Manager) and Aetna (both medical and pharmacy) to provide for adjudication of medical and prescription claims.

In the opinion of management, the District’s self-insured medical plan complies with Section 112.08, Florida Statutes, regarding the Plan’s actuarial soundness and compliance requirements.

Since dental became fully insured as of January 1, 2012, and vision became fully insured as of January 1, 2014, there is no remaining material self-insured plan run-out reserve liability as of June 30, 2015.

**(18) Related Parties**

In 1989, the state of Florida established and provided the initial capitalization for Broward House Inc., which operates a residential treatment facility for individuals afflicted with AIDS. The District holds four of thirteen seats on the board of directors. The District rented beds from Broward House for its patients at a cost of \$0.7 million in fiscal year 2015. The District also utilized the Broward House’s Homeless Outreach program at a cost of \$0.1 million in fiscal year 2015.

In 1995, the District established a separate nonprofit entity, North Broward Hospital District Home Infusion Network, Inc. (Infusion Network). Infusion Network was established exclusively for the purpose of entering into a joint venture partnership with PHM of Broward Inc., which developed into the establishment of Broward Infusion Group Inc. (BIG). Infusion Network owns 50% of BIG. The District accounts for their investment using the equity method. As of June 30, 2015, the District’s investment in this venture was negative \$19 thousand. BIG ceased operations in FY 2015.

The District is an equal partner of the South Florida Community Care Network (SFCCN), a managed care network governed by an agreement between two governmental entities: the District and the South Broward Hospital District. SFCCN administers various programs, including the Title XXI – Children Medical Services Network, Title XIX – Children Medical Services Medicaid Network, and the “PSN” operating under Florida’s Medicaid Reform program. The PSN is a network of hospitals, physicians, and other ancillary care providers developed to provide integrated, managed care services to a population of Medicaid covered enrollees in Broward County. As of June 30, 2015, the District’s investment in SFCCN was approximately \$10.5 million included in other assets, and had a receivable balance from SFCCN of approximately \$9.9 million included in other current assets.

**(19) Public Medical Assistance Trust Fund**

In 1984, the Agency for Healthcare Administration created a Public Medical Assistance Trust Fund to collect assessments from all hospitals in the state of Florida to fund enhancements to the Medicaid

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program. Hospitals in the state of Florida are required to deposit into the fund an amount equal to 1.5% of the hospital's prior year net inpatient revenue, and 1.0% of the hospital's prior year net outpatient revenue. During fiscal year 2015, approximately \$11.9 million was recorded as an operating expense in the accompanying statement of revenues, expenses, and changes in net position.

**(20) Commitments and Contingencies**

**(a) Operating Leases**

The District leases various equipment and facilities under operating lease arrangements. Total rental expense under operating leases in fiscal year 2015 was \$9.4 million and is included in other expenses in the accompanying statement of revenues, expenses, and changes in net position.

Future minimum lease payments under operating leases as of June 30, 2015 with initial or remaining lease terms in excess of one year are as follows (in thousands of dollars):

Year ending June 30:		
2016	\$	4,930
2017		3,123
2018		1,266
2019		457
2020		108
Thereafter		<u>132</u>
	\$	<u><u>10,016</u></u>

**(b) Capital Call Commitments**

The District has investments in real estate and private equity limited partnerships, which require the District to fund capital calls for additional investments when requested to do so by the general partners. The life spans of these partnerships are estimated to be 10 years. As of June 30, 2015, no capital calls were due; however, the District has future capital call commitments of approximately \$18.0 million.

**(c) Litigation**

The District is involved in litigation and regulatory examinations arising in the normal course of business. Management believes that the ultimate outcome of these matters will not have any adverse material impact on the District's net position, operations, or its cash flows.

The District has been named as a defendant in a number of malpractice lawsuits. In the event that a claim exceeds its sovereign immunity level, the District may incur charges in excess of its established reserves that could have an adverse impact on the District's net income and net cash flows in the period in which it is recorded or paid. In order for the District to incur liability in excess of its sovereign immunity level, a claims bill must be presented and sponsored by a Senator or Representative of the State of Florida, passed through Committee, and signed by the Governor of Florida according to Florida Statute 768.28.

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**(d) Other Industry Risks**

The healthcare industry is subject to numerous complex laws and regulations imposed by federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation by both the District with respect to implementation as well as the government with respect to retrospective review. In addition, at this time, regulatory actions are unknown and unasserted.

In the past few years, federal government activity has increased with respect to investigations and allegations concerning possible violations by healthcare providers of regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. There have also been numerous lawsuits filed against nonprofit hospitals related to charity care. These lawsuits allege various hospital practices related to the uninsured, including, among other things, charging uninsured patients more than what insurers would pay for the same services, rapidly raising prices, and aggressive collection policies.

Management believes that the District is in compliance with current laws and regulations, including grant agreements. To the extent that issues with noncompliance are identified, the District's management takes the appropriate steps to correct such matters. Management of the District believes that the ultimate exposure from any such matters would not have a material effect on the financial statements of the District.

**(21) Settlements and Related Costs**

On May 16, 2011, the Office of Inspector General (OIG) of the Department of Health and Human Services informed the District that it was conducting an investigation of the District concerning certain claims that were submitted for payment to Titles XVIII (Medicare) and XIX (Medicaid) of the Social Security Act. This investigation principally related to agreements with a number of physicians and one group practice. The District subsequently was informed that the investigation was based on allegations in a qui tam complaint filed on April 16, 2010 (and amended on September 29, 2011) in the U.S. District Court for the Southern District of Florida, in which the District was named as a defendant.

On September 14, 2015, the U.S. District Court for the Southern District of Florida entered on the docket an order dismissing the complaint based upon the request of the District, the U.S. Department of Justice (the Government), and the relator, as a result of a settlement agreement between them (Settlement Agreement). Pursuant to the Settlement Agreement, the District made a payment to the government in the amount of \$69.5 million plus interest, and a second payment of approximately \$860,000 for other agreed upon expenses. Additionally, the District agreed to operate under a five year Corporate Integrity Agreement, which provides oversight of the District's arrangements and compliance with Federal healthcare program laws, rules, and regulations.

The settlement costs and other agreed upon fees that were paid in accordance with the Settlement Agreement are reported as "Settlements and related costs" in the accompanying statement of revenues, expenses, and changes in net position and accounts payable and accrued expenses in the accompanying statement of net position.

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**(22) Condensed Financial Information – Component Units**

The following tables represent the condensed financial information of the District’s component units (in thousands of dollars):

	<b>Children’s Diagnostic &amp; Treatment Center</b>	<b>Broward Health Foundation</b>	<b>Total Claims Administration</b>	<b>Broward Health ACO</b>	<b>Total of Blended Component Units</b>
<b>Assets:</b>					
Due from other components	\$ —	3,008	—	—	3,008
Other current assets	7,337	7,347	2,880	63	17,627
<b>Total current assets</b>	<b>7,337</b>	<b>10,355</b>	<b>2,880</b>	<b>63</b>	<b>20,635</b>
Capital assets, net	1,191	9	20	1,463	2,683
Other assets	—	2,977	2,110	—	5,087
<b>Total assets</b>	<b>8,528</b>	<b>13,341</b>	<b>5,010</b>	<b>1,526</b>	<b>28,405</b>
Deferred outflows of resources	157	8	30	21	216
<b>Liabilities:</b>					
Due to other components	1,977	—	35	3,991	6,003
Other current liabilities	4,263	7,680	1,004	528	13,475
<b>Total current liabilities</b>	<b>6,240</b>	<b>7,680</b>	<b>1,039</b>	<b>4,519</b>	<b>19,478</b>
Other long-term liabilities	647	106	217	49	1,019
<b>Total liabilities</b>	<b>6,887</b>	<b>7,786</b>	<b>1,256</b>	<b>4,568</b>	<b>20,497</b>
Deferred inflows of resources	84	4	16	11	115
<b>Net position:</b>					
Net investment in capital assets	1,191	9	20	1,463	2,683
Restricted net position	3,787	13,194	—	—	16,981
Unrestricted net position	(3,264)	(7,644)	3,748	(4,495)	(11,655)
<b>Total net position</b>	<b>\$ 1,714</b>	<b>5,559</b>	<b>3,768</b>	<b>(3,032)</b>	<b>8,009</b>

**NORTH BROWARD HOSPITAL DISTRICT**

Notes to Financial Statements

June 30, 2015

	<b>Children's Diagnostic &amp; Treatment Center</b>	<b>Broward Health Foundation</b>	<b>Total Claims Administration</b>	<b>Broward Health ACO</b>	<b>Total of Blended Component Units</b>
Operating revenues	\$ 13,925	—	1,624	96	15,645
Operating expenses	14,165	1,364	2,621	2,529	20,679
Operating (loss) income	(240)	(1,364)	(997)	(2,433)	(5,034)
Nonoperating revenues (expenses)	450	3,245	(39)	—	3,656
Gain before capital contributions	210	1,881	(1,036)	(2,433)	(1,378)
Capital contributions	7	—	—	—	7
Increase (decrease) in net position	217	1,881	(1,036)	(2,433)	(1,371)
Net position:					
Beginning of year	1,497	3,678	4,804	(599)	9,380
End of year	\$ 1,714	5,559	3,768	(3,032)	8,009

	<b>Children's Diagnostic &amp; Treatment Center</b>	<b>Broward Health Foundation</b>	<b>Total Claims Administration</b>	<b>Broward Health ACO</b>	<b>Total of Blended Component Units</b>
Net cash provided (used) by:					
Operating activities	\$ 1,968	—	(1,075)	1,286	2,179
Noncapital financing activities	—	—	—	—	—
Capital and related financing activities	(855)	—	—	(1,224)	(2,079)
Investing activities	—	—	40	—	40
Net increase (decrease) in cash and cash equivalents	\$ 1,113	—	(1,035)	62	140
Cash and cash equivalents:					
Beginning of year	\$ 117	—	3,618	1	3,736
End of year	\$ 1,230	—	2,583	63	3,876

**REQUIRED SUPPLEMENTARY INFORMATION**  
(Unaudited)

**NORTH BROWARD HOSPITAL DISTRICT**

Schedule of Changes in Net Pension Liability and Related Ratios

July 1, 2014 Through June 30, 2015

(in thousands)

	<u>2015*</u>
<b>Total Pension Liability</b>	
Service cost	\$ 9,775
Interest on total pension liability	25,875
Effect of assumption changes or inputs	(5,629)
Benefit payments	<u>(24,520)</u>
Net change in total pension liability	5,501
Total pension liability, beginning	<u>325,683</u>
Total pension liability, ending (a)	\$ <u><u>331,184</u></u>
<b>Fiduciary Net Position</b>	
Employer contributions	\$ 17,600
Investment income net of investment expenses	15,583
Benefit payments	(24,520)
Administrative expenses	<u>(2,533)</u>
Net change in plan fiduciary net position	6,130
Fiduciary net position, beginning	<u>321,931</u>
Fiduciary net position, ending (b)	\$ <u><u>328,061</u></u>
Net pension liability, ending = (a) - (b)	\$ <u><u>3,122</u></u>
Fiduciary net position as a % of total pension liability	99.06%
Covered payroll	\$ 351,806
Net pension liability as a % of covered payroll	0.89%

\*GASB 68 was adopted in 2015, as such, only one year is presented.

Unaudited – See accompanying independent auditors’ report.

**NORTH BROWARD HOSPITAL DISTRICT**

Schedule of Employer Contributions

July 1, 2005 Through June 30, 2015

(in thousands)

<b>Fiscal Year Ending June 30</b>	<b>Actuarially Determined Contribution*</b>	<b>Actual Employer Contribution**</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contribution as a % of Covered Payroll</b>
2015	\$ 14,957	\$ 18,126	\$ (3,169)	\$ 351,806	5.15%
2014	15,688	18,169	(2,481)	336,524	5.40%
2013	17,205	20,204	(2,998)	345,555	5.85%
2012	17,120	19,587	(2,467)	335,101	5.85%
2011	14,042	19,658	(5,617)	315,874	6.22%
2010	11,932	19,605	(7,672)	307,858	6.37%
2009	6,191	17,253	(11,062)	280,724	6.15%
2008	9,063	16,834	(7,770)	262,897	6.40%
2007	11,957	15,697	(3,740)	258,696	6.07%
2006	13,215	15,110	(1,895)	248,492	6.08%

\*Minimum contribution determined as of plan year-end under Florida statutes.

\*\*Interest adjusted to plan year-end.

**Notes to Schedule**

Assumed rate of return on investments

8.00%

Mortality basis

RP-2014 Mortality for employees, healthy annuitants, and disabled annuitants with generational projection per MP-2014

Amortization method

Level dollar layered

Existing amortization period

15 years

Asset valuation method

Smoothing period

3 years

Corridor

90% to 110% of Market

Assumed inflation rate

2.50%

Salary increases

4.50%

Cost of living adjustments

None

Actuarial cost method

Entry age normal with frozen initial supplemental present value

See accompanying independent auditor's report.

**NORTH BROWARD HOSPITAL DISTRICT**

Schedule of Plan Funding Progress – OPEB

July 1, 2011 Through July 1, 2014

<b>Actuarial valuation date</b>	<b>(a) Actuarial value of assets</b>	<b>(b) Actuarial accrued liability projected unit credit</b>	<b>(b-a) Unfunded AAL (UAAL)</b>	<b>(a/b) Funded ratio</b>	<b>(c) Covered payroll</b>	<b>(b-a)/(c) UAAL as a percentage of covered payroll</b>
July 1, 2014	—	296,115,540	296,115,540	—	355,055,900	83.4
July 1, 2013	—	299,618,556	299,618,556	—	369,179,000	81.2
July 1, 2011	—	256,467,715	256,467,715	—	374,753,000	68.4

In accordance with post-retirement benefit guidance, actuarial valuations are completed on a biannual basis. The last valuation was completed as of July 1, 2013.

Unaudited – See accompanying independent auditors’ report.

**SUPPLEMENTAL COMBINING INFORMATION**

**NORTH BROWARD HOSPITAL DISTRICT**

Combining Schedule of Net Position

June 30, 2015

(In thousands of dollars)

Assets	Broward Health Medical Center	Broward Health North	Broward Health Imperial Point	Broward Health Coral Springs	Foundation	Other Non Hospital Entities	Eliminations	Total
Current assets:								
Cash and cash equivalents	\$ 9	4	2	4	—	69,475	—	69,494
Cash and investments externally restricted by donors	753	127	67	207	5,998	7,209	—	14,361
Short-term investments	—	—	—	—	—	492,290	—	492,290
Assets whose use is limited required for current liabilities	2,755	1,233	526	411	—	395	—	5,320
Due from patients and other, net of allowance for uncollectibles	68,922	36,902	13,312	19,793	—	9,647	—	148,576
Inventories	12,026	6,580	3,306	3,571	—	713	—	26,196
Estimated third-party payor settlements	21,787	3,027	1,069	530	—	—	—	26,413
Other current assets	1,590	564	490	704	1,349	39,171	(10,806)	33,062
<b>Total current assets</b>	<b>107,842</b>	<b>48,437</b>	<b>18,772</b>	<b>25,220</b>	<b>7,347</b>	<b>618,900</b>	<b>(10,806)</b>	<b>815,712</b>
Assets whose use is limited:								
Held by trustee for self-insurance	16,704	7,140	3,891	6,553	—	2,325	—	36,613
Less amount required to meet current obligations	(2,755)	(1,233)	(526)	(411)	—	(395)	—	(5,320)
<b>Assets whose use is limited, net</b>	<b>13,949</b>	<b>5,907</b>	<b>3,365</b>	<b>6,142</b>	<b>—</b>	<b>1,930</b>	<b>—</b>	<b>31,293</b>
Investments	—	—	—	—	—	169,778	—	169,778
Due from/(to) affiliates	549,573	157,381	85,492	187,331	3,008	(982,785)	—	—
Capital assets, net	197,937	67,068	49,127	52,920	9	109,426	—	476,487
Other assets	775	346	189	131	2,977	12,089	—	16,507
<b>Total assets</b>	<b>870,076</b>	<b>279,139</b>	<b>156,945</b>	<b>271,744</b>	<b>13,341</b>	<b>(70,662)</b>	<b>(10,806)</b>	<b>1,509,777</b>
Deferred outflows of resources:								
Accumulated decrease in fair value of hedging derivatives	16,525	2,494	1,383	968	—	3,352	—	24,722
Deferred amount on debt refund	9,741	1,113	620	423	—	1,496	—	13,393
Deferred outflow related to pensions net difference between projected and actual earnings	3,200	1,304	734	1,016	8	1,579	—	7,841
<b>Total deferred outflows of resources</b>	<b>29,466</b>	<b>4,911</b>	<b>2,737</b>	<b>2,407</b>	<b>8</b>	<b>6,427</b>	<b>—</b>	<b>45,956</b>

**NORTH BROWARD HOSPITAL DISTRICT**

Combining Schedule of Net Position (Continued)

June 30, 2015

(In thousands of dollars)

<b>Liabilities</b>	<b>Broward Health Medical Center</b>	<b>Broward Health North</b>	<b>Broward Health Imperial Point</b>	<b>Broward Health Coral Springs</b>	<b>Foundation</b>	<b>Other Non Hospital Entities</b>	<b>Eliminations</b>	<b>Total</b>
Current liabilities:								
Current maturities of revenue bonds payable	\$ 4,399	1,644	1,438	1,503	—	2,206	—	11,190
Accounts payable and accrued expenses	32,270	19,050	10,399	11,941	7,540	92,267	(10,806)	162,661
Accrued salaries, benefits and payroll taxes	16,882	7,617	4,154	5,694	92	15,216	—	49,655
Accrued personal leave	11,691	5,235	2,985	3,647	48	9,830	—	33,436
Current portion of lease obligations	117	18	16	11	—	5	—	167
Estimated third-party payor settlements	6,033	3,247	1,510	892	—	—	—	11,682
Current portion of self-insurance program liability	2,755	1,233	526	411	—	395	—	5,320
Interest payable	1,298	406	275	237	—	544	—	2,760
Total current liabilities	75,445	38,450	21,303	24,336	7,680	120,463	(10,806)	276,871
Revenue bonds, net of current maturities	137,006	22,546	21,199	23,131	—	30,243	—	234,125
Lease obligations, net of current obligations	553	6	5	4	—	2	—	570
Self-insurance program liability	11,623	2,676	2,500	4,794	44	3,101	—	24,738
Net pension liability	1,283	516	294	409	3	618	—	3,123
Other postemployment benefit program liability	32,759	14,103	7,641	10,480	59	15,365	—	80,407
Derivative instruments	27,550	3,268	1,815	1,258	—	4,390	—	38,281
Total liabilities	286,219	81,565	54,757	64,412	7,786	174,182	(10,806)	658,115
Deferred inflows of resources:								
Deferred inflow related to changes in assumptions	1,708	696	392	543	4	843	—	4,186
Total deferred inflows of resources	1,708	696	392	543	4	843	—	4,186
Net position:								
Net investment in capital assets	54,579	43,193	26,655	28,404	9	77,430	—	230,270
Restricted for donor restrictions	753	127	67	207	13,194	4,337	—	18,685
Unrestricted	556,283	158,469	77,811	180,585	(7,644)	(321,027)	—	644,477
Total net position	\$ 611,615	201,789	104,533	209,196	5,559	(239,260)	—	893,432

Unaudited - see accompanying independent auditors' report.

**NORTH BROWARD HOSPITAL DISTRICT**  
Combining Schedule of Revenues, Expenses, and Changes in Net Position  
Year ended June 30, 2015  
(In thousands of dollars)

	<b>Broward Health Medical Center</b>	<b>Broward Health North</b>	<b>Broward Health Imperial Point</b>	<b>Broward Health Coral Springs</b>	<b>Foundation</b>	<b>Other Non Hospital Entities</b>	<b>Eliminations</b>	<b>Total</b>
Operating revenues:								
Net patient service revenue (net of provision for uncollectible accounts)	\$ 462,475	212,804	103,012	146,086	—	43,466	—	967,843
Other operating revenue	21,157	8,040	3,470	2,326	—	38,145	(2,785)	70,353
Total operating revenues	<u>483,632</u>	<u>220,844</u>	<u>106,482</u>	<u>148,412</u>	<u>—</u>	<u>81,611</u>	<u>(2,785)</u>	<u>1,038,196</u>
Operating expenses:								
Salaries	180,209	82,875	42,948	61,238	742	120,078	—	488,090
Employee benefits	40,064	19,551	9,723	12,266	142	29,139	(674)	110,211
Professional fees	2,989	1,690	3,131	5,124	—	52,293	—	65,227
Purchased services and temporary labor	6,601	4,981	1,765	1,873	—	839	—	16,059
Outside services	11,523	7,437	1,450	2,717	31	13,264	(950)	35,472
Supplies	104,905	58,111	20,668	25,285	22	7,171	—	216,162
Insurance	9,363	1,650	956	1,250	7	2,720	—	15,946
Utilities	6,200	2,639	1,945	1,869	6	4,797	—	17,456
Repairs and maintenance	7,552	3,747	2,417	3,262	—	4,670	—	21,648
State assessments	5,640	2,557	1,340	2,117	—	336	—	11,990
Depreciation and amortization	18,377	7,757	4,818	5,646	3	12,380	—	48,981
Other	69,176	34,160	19,184	25,055	410	(71,396)	(1,161)	75,428
Total operating expenses before settlements and related costs	<u>462,599</u>	<u>227,155</u>	<u>110,345</u>	<u>147,702</u>	<u>1,363</u>	<u>176,291</u>	<u>(2,785)</u>	<u>1,122,670</u>
Settlements and related costs	—	—	—	—	—	70,690	—	70,690
Total operating expenses	<u>462,599</u>	<u>227,155</u>	<u>110,345</u>	<u>147,702</u>	<u>1,363</u>	<u>246,981</u>	<u>(2,785)</u>	<u>1,193,360</u>
Operating income/(loss)	<u>21,033</u>	<u>(6,311)</u>	<u>(3,863)</u>	<u>710</u>	<u>(1,363)</u>	<u>(165,370)</u>	<u>—</u>	<u>(155,164)</u>
Nonoperating revenues (expenses):								
Ad valorem tax revenue	43,520	22,426	8,272	12,776	—	52,732	—	139,726
Investment income, net	61	26	158	267	440	21,241	—	22,193
Interest expense	(6,736)	(620)	(741)	(607)	—	(1,312)	—	(10,016)
Other	(4,122)	(1,615)	(348)	(697)	2,804	5,831	—	1,853
Total nonoperating revenues	<u>32,723</u>	<u>20,217</u>	<u>7,341</u>	<u>11,739</u>	<u>3,244</u>	<u>78,492</u>	<u>—</u>	<u>153,756</u>
Income (loss) before capital contributions	<u>53,756</u>	<u>13,906</u>	<u>3,478</u>	<u>12,449</u>	<u>1,881</u>	<u>(86,878)</u>	<u>—</u>	<u>(1,408)</u>
Capital contributions	102	2	—	—	—	7	—	111
Increase (decrease) in net position	<u>53,858</u>	<u>13,908</u>	<u>3,478</u>	<u>12,449</u>	<u>1,881</u>	<u>(86,871)</u>	<u>—</u>	<u>(1,297)</u>
Net position:								
Beginning of year, as restated (note 3)	<u>557,757</u>	<u>187,881</u>	<u>101,055</u>	<u>196,747</u>	<u>3,678</u>	<u>(152,389)</u>	<u>—</u>	<u>894,729</u>
End of year	<u>\$ 611,615</u>	<u>201,789</u>	<u>104,533</u>	<u>209,196</u>	<u>5,559</u>	<u>(239,260)</u>	<u>—</u>	<u>893,432</u>

See accompanying independent auditors' report.