

South Broward Hospital District

d/b/a Memorial Healthcare System
Financial Statements
April 30, 2019 and 2018

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of South Broward Hospital District d/b/a Memorial Healthcare System (the System), as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System'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 System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the System, as of April 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Auditors

The financial statements of the System, as of and for the year ended April 30, 2018, were audited by other auditors whose report dated July 18, 2018 expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* and *pension related schedules* as listed in the table of contents 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The combining individual fund statements are presented for additional analysis and are not a required part of the basic financial statements.

The combining individual fund statements are 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 statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the supplementary 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 July 11, 2019, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

RSM US LLP

Miami, Florida
July 11, 2019

**Report of Independent Auditors on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the 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, the financial statements of the business-type activities and the aggregate remaining fund information of South Broward Hospital District d/b/a Memorial Healthcare System (the System), as of and for the year ended April 30, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated July 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Miami, Florida
July 11, 2019

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

Management's Discussion and Analysis

Required Financial Statements

The South Broward Hospital District d/b/a Memorial Healthcare System (the System) is a special tax district created under the Laws of Florida and a 501(c) 3 not-for-profit entity. The System operates Memorial Regional Hospital and Joe DiMaggio Children's Hospital at Memorial Regional Hospital, both located in Hollywood, Florida; Memorial Regional Hospital South (a campus of Memorial Regional Hospital) located in Hollywood, Florida; Memorial Hospital Pembroke, located in Pembroke Pines, Florida; Memorial Hospital West, located in Pembroke Pines, Florida; and Memorial Hospital Miramar, located in Miramar, Florida. The System also operates the 24/7 Care Center and Memorial Manor Nursing Home, both located in Pembroke Pines, Florida; U-18 Sports Medicine programs located in Miramar and Coral Springs, Florida; and the Joe DiMaggio Children's Hospital Ambulatory Care Center located in Wellington, Florida. Other components of the System include the Memorial Physician Group; Memorial Home Health Services; Memorial Outpatient Pharmacy Services; Memorial Health Network; Memorial Neuroscience Institute; Memorial Rehabilitation Institute; multiple primary care and school health centers located throughout south Broward County; two Urgent Care Centers; the Memorial Cancer Institute, with locations on the campus of Memorial Regional Hospital and the campus of Memorial Hospital West, including a partnership with Moffitt Cancer Center; the Memorial Cardiac and Vascular Institute, with locations on the campus of Memorial Regional Hospital and the campus of Memorial Hospital West; a Graduate Medical Education (GME) program on the campus of Memorial Hospital West and the Memorial Adult Day Care Center, located within the Memorial Outpatient Center – Hallandale. At April 30, 2019, the System operates a total of 1,978 licensed hospital beds and 120 licensed nursing home beds.

The Memorial Hospital Pembroke facility is leased from Hospital Realty, LLC through June 30, 2025.

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

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

All of the current year's revenue and expenses are accounted for in the statement of revenues, expenses, and changes in fund net position. This statement communicates the performance of the System's operations over the past year. This statement also provides the basis for computing rate of return, evaluating the capital structure of the System, and assessing the liquidity and financial flexibility of the System.

The final required statement is the statement of cash flows. The primary purpose of this statement is to provide information about the System's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments and net changes in cash and cash equivalents resulting from operating, non-capital financing, capital and related financing and investing activities.

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

Management's Discussion and Analysis

Summary of Financial Information

The financial statements consist of two parts: (a) management's discussion and analysis; and (b) the audited financial statements. The audited financial statements also include notes that explain in more detail some of the information in the financial statements. The financial statements are intended to describe the results of operations, the changes in net position, the sources and uses of cash and cash equivalents, and the capital structure of the System. The following selected financial data as of April 30, 2019 and 2018, and for the years then ended, for the System's business-type activities are derived from the audited financial statements of the System. The data should be read in conjunction with the financial statements, related notes, and supplementary information contained therein.

Condensed Statements of Net Position				
	2019	2018	Dollar Increase (Decrease)	Percentage Increase (Decrease)
<i>(In Thousands)</i>				
Other non-capital assets	\$ 2,748,358	\$ 2,516,401	\$ 231,957	9.2%
Capital assets, net	908,931	859,401	49,530	5.8%
Total assets	3,657,289	3,375,802	281,487	8.3%
Deferred outflows of resources	74,376	94,923	(20,547)	-21.6%
Total current liabilities	541,620	367,552	174,068	47.4%
Long-term debt, net of current portion	690,315	752,751	(62,436)	-8.3%
Total liabilities	1,483,274	1,387,434	95,840	6.9%
Deferred inflows of resources	1,341	1,788	(447)	-25.0%
Unrestricted net position	1,977,668	1,775,241	202,427	11.4%
Net investment in capital assets	239,176	277,856	(38,680)	-13.9%
Restricted net position	30,206	28,406	1,800	6.3%

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

Management's Discussion and Analysis

	Summary of Revenues, Expenses and Changes in Fund Net Position			
	2019	2018	Dollar Increase (Decrease)	Percentage Increase (Decrease)
	<i>(In Thousands)</i>			
Operating revenue:				
Net patient service revenue	\$ 2,004,739	\$ 1,893,089	\$ 111,650	5.9%
Disproportionate share distributions	38,677	39,286	(609)	-1.6%
Other operating revenues	104,601	82,559	22,042	26.7%
Total operating revenue	<u>2,148,017</u>	<u>2,014,934</u>	<u>133,083</u>	<u>6.6%</u>
Operating expenses:				
Salaries and wages	998,509	955,765	42,744	4.5%
Employee benefits	181,926	179,928	1,998	1.1%
Professional fees	48,993	45,306	3,687	8.1%
Supplies	414,577	384,040	30,537	8.0%
Purchased services	125,496	119,635	5,861	4.9%
Facilities	78,737	79,540	(803)	-1.0%
Depreciation and amortization	92,148	90,213	1,935	2.1%
Other	84,040	81,781	2,259	2.8%
Total operating expenses	<u>2,024,426</u>	<u>1,936,208</u>	<u>88,218</u>	<u>4.6%</u>
Operating income	123,591	78,726	44,865	57.0%
Nonoperating revenues (expenses), net (including depreciation expense of \$1,371 and \$2,561 in 2019 and 2018, respectively	39,354	(16,528)	55,882	-338.1%
Income before capital contributions and grants	162,945	62,198	100,747	162.0%
Capital contributions and grants	2,602	2,438	164	6.7%
Increase in net position	165,547	64,636	100,911	156.1%
Net position at the beginning of the year	2,081,503	2,016,867	64,636	3.2%
Net position at the end of the year	<u>\$ 2,247,050</u>	<u>\$ 2,081,503</u>	<u>\$ 165,547</u>	<u>8.0%</u>

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

Management's Discussion and Analysis

Management's Discussion of Financial Performance

For fiscal year 2019, the System's total operating revenue increased by 6.6%, while operating expenses increased by 4.6%, resulting in operating income increasing by 57.0% from the prior year of \$78.7 million to approximately \$123.6 million. The System's income before capital contributions and grants increased from \$62.2 million for the fiscal year ended April 30, 2018, to \$162.9 million for the fiscal year ended April 30, 2019.

Net patient service revenue increased by 5.9% from \$1.893 billion for fiscal year ended April 30, 2018, to \$2.005 billion for the fiscal year ended April 30, 2019. Total admissions for the fiscal years ended April 30, 2018 and 2019, which include both inpatient admissions as well as observation admissions, were 125,526 and 125,555, respectively, while the acuity of patients as measured by case-mix index increased from 1.50 for the fiscal year ended April 30, 2018 to 1.54 for the fiscal year ended April 30, 2019. Total surgical volume increased from 42,655 cases to 45,036 cases, or 5.6%, hospital outpatient visits increased from 523,816 to 561,419, or 7.2%, and emergency visits decreased from 482,402 to 464,456, or 3.7%, for these periods.

Other operating revenue increased, as the System recognized \$82.6 million and \$104.6 million for the years ended April 30, 2018 and 2019, respectively. The increase is primarily attributable to an increase in outpatient pharmacy revenue and shared savings revenue. Disproportionate share (DSH) distributions including low income pool (LIP) distributions decreased as a result of state legislature changes to the allocation methodology. Total revenue recognizing by the System from DSH and LIP funding was \$39.3 million and \$38.7 million for the years ended April 30, 2018 and 2019, respectively.

Total expenses increased from \$1.936 billion for the fiscal year ended April 30, 2018, to \$2.024 billion for the fiscal year ended April 30, 2019, or 4.6%, as a result of the System's increased volumes and investment in many strategic initiatives, while remaining diligent with cost containment efforts. Fiscal year 2018 also included the unfavorable impact of Hurricane Irma. The increase in salaries and wages, as well as employee benefits, is primarily attributable to the additional staffing needed due to growth in patient volumes and net patient service revenue, as well as the continued growth of the System's employed physician model. The increase in professional fees is due to our partnership with Moffitt Cancer Center and increased utilization of on call services and GME contracted faculty. The increase in supplies expense is directly correlated to the increase in patient volumes, specifically outpatient pharmacy volumes, as well as increasing drug and supply costs due to inflation. The increase in purchased services is due to increased patient and surgical volumes, our partnership with Moffitt Cancer Center and continued investment in strategic initiatives. Facilities expenses decreased slightly when compared to the prior year due to higher repairs and maintenance in fiscal year 2018, as a result of Hurricane Irma damage. Depreciation and amortization increased when compared to the prior year due to the completion of significant capital projects primarily at Memorial Regional Hospital and Memorial Hospital West. Other operating expenses increased due to an increase in Public Medical Assistance Trust Fund assessments due to growth in net patient service revenue and an increase in software purchases, partially offset by a reduction in offsite-parking expense.

Nonoperating revenues (expenses), net, increased from a \$16.5 million loss for the fiscal year ended April 30, 2018, to a \$39.4 million gain for the fiscal year ended April 30, 2019, or by \$55.9 million. During fiscal years 2019 and 2018, interest income was impacted favorably by rising market interest rates as maturing investments in fixed income securities were reinvested at higher yields. Declining market interest rates and higher equity values during the System's last fiscal quarter in 2019 resulted in \$35.4 million of unrealized gains in fiscal year 2019 as compared to a \$26.9 million unrealized loss in fiscal year 2018, a change of \$62.4 million. In fiscal 2019, the System contributed \$15.0 million to Memorial Foundation which was accounted for as a reduction in nonoperating income.

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

Management's Discussion and Analysis

In fiscal year 2019, the System's Board of Commissioners adopted a millage rate of 0.1414, which is less than the prior year millage rate of 0.1496. In fiscal year 2018, the System used the gross tax proceeds solely to offset the cost of the county's Medicaid match, community redevelopment assessment and tax collector fees. No tax dollars were used for the operations of the System's facilities. In fiscal year 2019, the System used the gross tax proceeds to offset the cost of the county's Medicaid match, community redevelopment assessment and tax collector fees, leaving \$266,000 for operations of Memorial Primary Care.

Income available for debt service was \$216.2 million and \$258.1 million for the fiscal years ended April 30, 2018 and 2019, respectively. The long-term debt service coverage ratio was 5.46 and 5.88 for the fiscal years ended April 30, 2018 and 2019, respectively.

The investment policy of the System is consistent with Section 218.415 of the Florida Statutes, which is designed to ensure the prudent management of financial assets. Cash, cash equivalents and investments, excluding assets whose use is limited and restricted assets, increased from \$1.902 billion at April 30, 2018, to \$2.100 billion at April 30, 2019. Cash, cash equivalents, and investments, including restricted assets, increased from \$2.156 billion at April 30, 2018, to \$2.354 billion at April 30, 2019, as a result of net operating cash flow and a decrease in capital expenditures. Net patient accounts receivable increased from \$231.6 million at April 30, 2018, to \$259.3 million at April 30, 2019, due to increased volumes with a continued focus on patient collections. Additions to capital assets decreased from \$153.9 million in fiscal year 2018 to \$144.9 million in fiscal year 2019, largely due to the completion of a parking garage at Memorial Regional Hospital and a bed tower at Memorial Hospital West. The estimated cost to complete all construction projects in process at April 30, 2019, is \$246.1 million. Total debt increased from \$763.8 million at April 30, 2018 to \$851.5 million at April 30, 2019, primarily attributable to \$101.6 million of Series 2018 Bonds issued in fiscal 2019 partially offset by scheduled maturities of long-term debt. Refer to Note 6 and Note 8 for further discussion of capital asset and long-term debt activity, respectively.

During the second quarter of the 2018 fiscal year, the System's operating performance was impacted by Hurricane Irma. When a hurricane warning is issued, the System pre-positions food, water, fuel, medical supplies and a second shift of personnel, including their family members at its hospitals. During the storm, public safety and first responders are fed at the hospitals. As such, it is customary in these instances for salaries and wages expense, supplies expense and other operating expenses to increase in the fiscal quarters when named storms impact South Florida. Additionally, volumes and revenue are also negatively impacted as non-emergent and elective procedures are postponed or cancelled. Furthermore, all facilities were impacted by a storm-related mass casualty incident at a non-affiliated nursing home adjacent to the Memorial Regional Hospital campus.

Taxes and Uncompensated Care

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

The financial strength of the System minimizes the tax burden in south Broward County. In fiscal years 2018 and 2019, net tax revenues accounted for 0.00% and 0.01% of total net revenues, respectively. In September 2018, the System's Board of Commissioners voted to reduce the tax millage rate from 0.1496 mills to 0.1414 mills.

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

Management's Discussion and Analysis

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

Source of Patient Charges

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

	2019	2018
Medicare	17.0%	17.6%
Medicaid	4.3%	4.6%
Managed care	66.2%	65.1%
Other	12.5%	12.7%
Total	100.0%	100.0%

**Summary of Financial Information
As of and for the Years Ended April 30, 2018 and 2017**

	Condensed Statements of Net Position			
	2018	2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
	<i>(In Thousands)</i>			
Other non-capital assets	\$ 2,516,401	\$ 2,478,303	\$ 38,098	1.5%
Capital assets, net	859,401	801,174	58,227	7.3%
Total assets	3,375,802	3,279,477	96,325	2.9%
Deferred outflows of resources	94,923	125,158	(30,235)	-24.2%
Total current liabilities	367,552	330,971	36,581	11.1%
Long-term debt, net of current portion	752,751	765,559	(12,808)	-1.7%
Total liabilities	1,387,434	1,386,458	976	0.1%
Deferred inflows of resources	1,788	1,310	478	36.5%
Unrestricted net position	1,775,241	1,742,388	32,853	1.9%
Net investment in capital assets	277,856	207,262	70,594	34.1%
Restricted net position	28,406	67,217	(38,811)	-57.7%

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

Management's Discussion and Analysis

	Summary of Revenues, Expenses and Changes in Fund Net Position			
	2018	2017	Dollar Increase (Decrease)	Percentage Increase (Decrease)
	<i>(In Thousands)</i>			
Operating revenue:				
Net patient service revenue	\$ 1,893,089	\$ 1,853,614	\$ 39,475	2.1%
Disproportionate share distributions	39,286	33,697	5,589	16.6%
Other operating revenues	82,559	50,280	32,279	64.2%
Total operating revenue	2,014,934	1,937,591	77,343	4.0%
Operating expenses:				
Salaries and wages	955,765	902,337	53,428	5.9%
Employee benefits	179,928	175,135	4,793	2.7%
Professional fees	45,306	37,621	7,685	20.4%
Supplies	384,040	336,623	47,417	14.1%
Purchased services	119,635	113,702	5,933	5.2%
Facilities	79,540	73,882	5,658	7.7%
Depreciation and amortization	90,213	86,306	3,907	4.5%
Other	81,781	74,624	7,157	9.6%
Total operating expenses	1,936,208	1,800,230	135,978	7.6%
Operating income	78,726	137,361	(58,635)	-42.7%
Nonoperating expenses, net (including depreciation expense of \$2,561 and \$2,417 in 2018 and 2017, respectively)	(16,528)	(5,334)	(11,194)	209.9%
Income before capital contributions and grants	62,198	132,027	(69,829)	-52.9%
Capital contributions and grants	2,438	2,111	327	15.5%
Increase in net position	64,636	134,138	(69,502)	-51.8%
Net position at the beginning of the year	2,016,867	1,882,729	134,138	7.1%
Net position at the end of the year	\$ 2,081,503	\$ 2,016,867	\$ 64,636	3.2%

Management's Discussion of Financial Performance

For fiscal year 2018, the System's total operating revenue increased by 4.0%, while operating expenses increased by 7.6%, resulting in operating income decreasing by 42.7% from the prior year of \$137.4 million to approximately \$78.7 million. The System's income before capital contributions and grants decreased from \$132.0 million for the fiscal year ended April 30, 2017, to \$62.2 million for the fiscal year ended April 30, 2018.

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

Management's Discussion and Analysis

Net patient service revenue increased by 2.1% from \$1.854 billion for fiscal year ended April 30, 2017, to \$1.893 billion for the fiscal year ended April 30, 2018. Total admissions for the fiscal years ended April 30, 2017 and 2018, which include both inpatient admissions, as well as observation admissions, were 128,659 and 125,526, respectively, while the acuity of patients as measured by case-mix index increased from 1.46 to 1.50 for the fiscal years ended April 30, 2017 and 2018, respectively. Total surgical volume increased from 41,852 cases to 42,655 cases, or 1.9%, hospital outpatient visits increased from 511,635 to 523,816, or 2.4 %, and emergency visits remained relatively flat from 482,389 to 482,402 for these periods.

Other operating revenue increased, as the System recognized \$50.3 million and \$82.6 million for the years ended April 30, 2017 and 2018, respectively. The increase is primarily attributable to an increase in outpatient pharmacy revenue and shared savings revenue. DSH distributions increased as a result of state legislature changes to the allocation methodology, offset by federal Medicaid reductions in LIP distributions. Total revenue recognized by the System from DSH and LIP funding was \$33.7 million and \$39.3 million for the years ended April 30, 2017 and 2018, respectively.

Total expenses increased from \$1.800 billion for the fiscal year ended April 30, 2017, to \$1.936 billion for the fiscal year ended April 30, 2018, or 7.6%, as a result of the System's increased volumes, investment in many strategic initiatives, and the unfavorable impact of Hurricane Irma. The increase in salaries and wages, as well as employee benefits, is primarily attributable to the additional staffing needed due to growth in patient volumes and net patient service revenue, as well as the continued growth of the System's employed physician model. The increase in professional fees is due to a new partnership with Moffitt Cancer Center. The increase in supplies expense is directly correlated to the increase in patient volumes, specifically outpatient pharmacy volumes, as well as increasing drug and supply costs due to inflation. The increase in purchased services is due to increased patient and surgical volumes, as well as management services. Facilities expenses increased when compared to the prior year due to routine repairs and maintenance of clinical equipment, as well as routine facility maintenance. Depreciation and amortization increased when compared to the prior year due to the completion of significant capital projects primarily at Memorial Regional Hospital and Memorial Hospital West. Other operating expenses increased due to shared savings distributions and an increase of professional liability expense, partially offset by a reduction in offsite-parking expense.

Nonoperating revenues (expenses), net, increased from a \$5.3 million loss for the fiscal year ended April 30, 2017, to a \$16.5 million loss for the fiscal year ended April 30, 2018, or by \$11.2 million. The System's conservative investment policy, which is further described in Note 5, was impacted unfavorably by interest rates as these investments are held primarily in fixed income securities. This resulted in a \$26.9 million unrealized loss in fiscal year 2018 as compared to a \$15.6 million unrealized loss in fiscal year 2017, a change of \$11.4 million.

The System's Board of Commissioners adopted a millage rate of 0.1496, which is less than the prior year millage rate of 0.1615. In fiscal years 2017 and 2018, the System used the gross tax proceeds solely to offset the cost of the county's Medicaid match, community redevelopment assessment and tax collector fees. No tax dollars were used for the operations of the System's facilities.

Income available for debt service was \$274.3 million and \$216.2 million for the fiscal years ended April 30, 2017 and 2018, respectively. The long-term debt service coverage ratio was 6.93 and 5.46 for the fiscal years ended April 30, 2017 and 2018, respectively.

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

Management's Discussion and Analysis

The investment policy of the System is consistent with Section 218.415 of the Florida Statutes, which is designed to ensure the prudent management of financial assets. During its fiscal year ended April 30, 2018, a 10% allocation to global low volatility and defensive equity strategies was approved by the Board. The System began implementing these allocations in fiscal 2018. Cash, cash equivalents and investments, excluding assets whose use is limited and restricted assets, increased from \$1.835 billion at April 30, 2017, to \$1.902 billion at April 30, 2018. Cash, cash equivalents, and investments, including restricted assets, increased from \$2.127 billion at April 30, 2017, to \$2.156 billion at April 30, 2018, as a result of net operating cash flow and a decrease in capital expenditures. Net patient accounts receivable decreased from \$241.2 million at April 30, 2017, to \$231.6 million at April 30, 2018, due to increased volumes with a continued focus on patient collections. Additions to capital assets decreased from \$162.7 million in fiscal year 2017 to \$153.9 million in fiscal year 2018, largely due to the decrease in construction activity for the parking garage at Memorial Regional Hospital and the completion of the east entrance expansion at Memorial Hospital West for the GME program. The estimated cost to complete all construction projects in process at April 30, 2018, is \$114.1 million. Total debt decreased from \$775.8 million at April 30, 2017 to \$763.8 million at April 30, 2018 primarily attributable to scheduled maturities of long-term debt. Refer to Note 6 and Note 8 for further discussion of capital asset and long-term debt activity, respectively.

During the second quarter of the 2018 fiscal year, the System's operating performance was impacted by Hurricane Irma. When a hurricane warning is issued, the System pre-positions food, water, fuel, medical supplies and a second shift of personnel, including their family members at its hospitals. During the storm, public safety and first responders are fed at the hospitals. As such, it is customary in these instances for salaries and wages expense, supplies expense and other operating expenses to increase in the fiscal quarters when named storms impact South Florida. Additionally, volumes and revenue are also negatively impacted as non-emergent and elective procedures are postponed or cancelled. Furthermore, all facilities were impacted by a storm-related mass casualty incident at a non-affiliated nursing home adjacent to the Memorial Regional Hospital campus.

Taxes and Uncompensated Care

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

The financial strength of the System minimizes the tax burden in south Broward County. In both fiscal years 2017 and 2018, net tax revenues accounted for 0.00% of total net revenues. In September 2017, the System's Board of Commissioners voted to reduce the tax millage rate from 0.1615 mills to 0.1496 mills.

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

Management's Discussion and Analysis

Source of Patient Charges

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

	2018	2017
Medicare	17.6%	17.6%
Medicaid	4.6%	4.9%
Managed care	65.1%	64.4%
Other	12.7%	13.1%
Total	100.0%	100.0%

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

**Statements of Net Position – System
April 30, 2019 and 2018
(In Thousands)**

	2019	2018
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	\$ 551,793	\$ 526,318
Investments	1,548,211	1,375,980
Patient accounts receivable, net of estimated uncollectibles of \$407,402 and \$437,747 at April 30, 2019 and 2018, respectively	259,322	231,627
Ad valorem taxes receivable	114	114
Inventories	39,612	37,700
Other current assets	63,131	64,863
Restricted assets:		
Under indenture agreements for debt service	180,206	22,647
Total current assets	2,642,389	2,259,249
Noncurrent assets:		
Designated investments for capital improvements	-	2,462
Designated investments for employee disability	18,343	18,078
Investments restricted under self-insurance trust agreements	44,232	42,762
Restricted assets, net of current portion:		
Under indenture agreements for debt service	-	155,759
Capital assets, net	908,931	859,401
Other assets	43,394	38,091
Total assets	\$ 3,657,289	\$ 3,375,802
Deferred outflows of resources:		
Deferred outflows – pension related items	\$ 53,253	\$ 72,526
Loss on defeasance, net	21,123	22,397
Total deferred outflows of resources	\$ 74,376	\$ 94,923

(Continued)

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

**Statements of Net Position – System (Continued)
April 30, 2019 and 2018
(In Thousands)**

	2019	2018
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	\$ 90,432	\$ 102,063
Accrued compensation and payroll taxes	177,795	163,555
Estimated third-party payor settlements	67,635	42,874
Current installments of long-term debt	161,170	11,060
Current portion of estimated claims liability	18,709	18,045
Other current liabilities	25,879	29,955
Total current liabilities	541,620	367,552
Long-term portion of estimated claims liability	26,946	25,896
Net pension liability	178,319	194,714
Other noncurrent liabilities	46,074	46,521
Long-term debt	690,315	752,751
Total liabilities	\$ 1,483,274	\$ 1,387,434
Deferred inflows – pension related items	\$ 1,341	\$ 1,788
Net position:		
Net investment in capital assets	\$ 239,176	\$ 277,856
Restricted for debt service	30,206	28,406
Unrestricted	1,977,668	1,775,241
Total net position	\$ 2,247,050	\$ 2,081,503

See notes to financial statements.

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

**Statements of Revenues, Expenses and Changes in Fund Net Position – System
Years Ended April 30, 2019 and 2018
(In Thousands)**

	2019	2018
Operating revenue:		
Net patient service revenue	\$ 2,004,739	\$ 1,893,089
Disproportionate share distributions	38,677	39,286
Other operating revenues	104,601	82,559
Total operating revenue	2,148,017	2,014,934
Operating expenses:		
Salaries and wages	998,509	955,765
Employee benefits	181,926	179,928
Professional fees	48,993	45,306
Supplies	414,577	384,040
Purchased services	125,496	119,635
Facilities	78,737	79,540
Depreciation and amortization	92,148	90,213
Other	84,040	81,781
Total operating expenses	2,024,426	1,936,208
Operating income	123,591	78,726
Nonoperating revenues (expenses), net (including depreciation expense of \$1,371 and \$2,561 for the years ended April 30, 2019 and 2018, respectively)	39,354	(16,528)
Income before capital contributions and grants	162,945	62,198
Capital contributions and grants	2,602	2,438
Increase in net position	165,547	64,636
Net position at the beginning of the year	2,081,503	2,016,867
Net position at the end of the year	\$ 2,247,050	\$ 2,081,503

See notes to financial statements.

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

**Statements of Cash Flows – System
Years Ended April 30, 2019 and 2018
(In Thousands)**

	2019	2018
Cash flows from operating activities:		
Receipts from third-party payors and patients	\$ 2,001,805	\$ 1,909,855
Payments to vendors	(779,129)	(708,868)
Other receipts	149,402	113,185
Payments to employees	(1,130,500)	(1,086,812)
Claims and self-insurance payments	(39,802)	(35,107)
Net cash provided by operating activities	201,776	192,253
Cash flows from noncapital financing activities:		
Contribution and grant receipts	2,602	2,438
Contribution payments	(15,000)	-
Ad valorem tax receipts	7,797	7,750
Net cash (used in) provided by noncapital financing activities	(4,601)	10,188
Cash flows used in capital and related financing activities:		
Acquisition and construction of capital assets	(141,745)	(149,948)
Principal payments on long-term debt	(11,060)	(10,285)
Principal payments under capital lease obligation	(744)	(1,632)
Gross proceeds from issuance of long-term debt	100,464	-
Interest payments on long-term debt	(34,049)	(32,415)
Change in assets restricted for debt service	(1,800)	3,466
Net cash used in capital and related financing activities	(88,934)	(190,814)
Cash flows from investing activities:		
Proceeds from sales, maturities, or repayment of investments	2,395,044	1,810,680
Purchases of investments	(2,566,359)	(1,739,380)
Investment income received	88,549	18,833
Net cash (used in) provided by investing activities	(82,766)	90,133
Net change in cash and cash equivalents	25,475	101,760
Cash and cash equivalent:		
Beginning of year	526,318	424,558
End of year	\$ 551,793	\$ 526,318

(Continued)

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

**Statements of Cash Flows – System (Continued)
Years Ended April 30, 2019 and 2018
(In Thousands)**

	2019	2018
Reconciliation of operating income to net cash and cash equivalents provided by operating activities:		
Operating income	\$ 123,591	\$ 78,726
Adjustments to reconcile operating income to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	92,148	90,213
Provision for doubtful accounts	274,372	503,972
Loss on disposal of capital assets	195	904
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:		
Patient accounts receivable	(302,067)	(494,424)
Other current assets and inventories	498	(16,306)
Other assets	(5,303)	(5,617)
Accounts payable and accrued expenses	(21,020)	6,638
Accrued compensation and payroll taxes	14,240	14,440
Estimated third-party payor settlements	24,761	7,218
Other current liabilities	(3,345)	(3,841)
Other noncurrent liabilities	(439)	(1,537)
Net pension liability and related deferred outflows and inflows	2,431	5,014
Estimated claims liability	1,714	6,853
Net cash provided by operating activities	\$ 201,776	\$ 192,253
Supplemental noncash investing, capital and financing activities:		
Unrealized gains (losses) on investments	\$ 35,432	\$ (26,925)
Gain on investment in Premier LP	\$ 4,617	\$ 3,203
Capitalized interest	\$ 1,502	\$ 1,811

See notes to financial statements.

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

**Statements of Fiduciary Net Position – Pension Trust Fund
Years Ended April 30, 2019 and 2018
(In Thousands)**

	2019	2018
Assets		
Investments:		
SEC-registered money market funds	\$ 13,576	\$ 11,557
Equities	86,645	84,342
U.S. government and agency obligations	119,610	111,405
Corporate debt	86,641	63,344
Commercial mortgage securities	6,848	4,789
Collateralized mortgage obligations	1,960	13,403
Asset-backed securities	7,394	1,801
Municipal bonds	-	7,954
Pacific Life Floating Rate Income Fund	33,513	26,346
Vanguard total stock market exchange traded fund	74,349	66,049
iShares S&P 500 exchange traded fund	34,357	29,719
International investments:		
Equities	67,966	70,116
Dodge & Cox Global Stock Fund	120,641	110,416
Vanguard Global Minimum Volatility Fund	33,417	25,531
Total investments	686,917	626,772
Due from broker for investment sold	1,239	494
Total assets	\$ 688,156	\$ 627,266
Net position restricted for pension benefits	\$ 688,156	\$ 627,266

See notes to financial statements.

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

**Statements of Changes in Fiduciary Net Position – Pension Trust Fund
Year Ended April 30, 2019 and 2018
(In Thousands)**

	2019	2018
Additions		
Investment income:		
Net appreciation in fair value of investments	\$ 34,185	\$ 37,034
Interest and dividends	16,987	12,713
Less investment expense	(2,187)	(1,461)
Net investment income	48,985	48,286
Employer pension contributions	37,043	38,343
Total additions	86,028	86,629
Deductions:		
Benefit payments	24,903	20,812
Administrative expenses	235	225
Total deductions	25,138	21,037
Net increase in net position	60,890	65,592
Net position restricted for pension benefits:		
Beginning of year	627,266	561,674
End of year	\$ 688,156	\$ 627,266

See notes to financial statements.

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

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization: The South Broward Hospital District d/b/a Memorial Healthcare System (the System) is a special tax district created under the Laws of Florida and is a 501(c) 3 not-for-profit entity. The System operates Memorial Regional Hospital and Joe DiMaggio Children's Hospital at Memorial Regional Hospital, both located in Hollywood, Florida; Memorial Regional Hospital South (a campus of Memorial Regional Hospital) located in Hollywood, Florida; Memorial Hospital Pembroke, located in Pembroke Pines, Florida; Memorial Hospital West, located in Pembroke Pines, Florida; and Memorial Hospital Miramar, located in Miramar, Florida. The System also operates the 24/7 Care Center and Memorial Manor Nursing Home, both located in Pembroke Pines, Florida; U-18 Sports Medicine programs located in Miramar and Coral Springs, Florida; and the Joe DiMaggio Children's Hospital Ambulatory Care Center located in Wellington, Florida. Other components of the System include the Memorial Physician Group; Memorial Home Health Services; Memorial Outpatient Pharmacy Services; Memorial Health Network; Memorial Neuroscience Institute; Memorial Rehabilitation Institute; multiple primary care and school health centers located throughout south Broward County; two Urgent Care Centers; the Memorial Cancer Institute, with locations on the campus of Memorial Regional Hospital and the campus of Memorial Hospital West, including a partnership with Moffitt Cancer Center; the Memorial Cardiac and Vascular Institute, with locations on the campus of Memorial Regional Hospital and the campus of Memorial Hospital West; a Graduate Medical Education (GME) program on the campus of Memorial Hospital West and the Memorial Adult Day Care Center, located within the Memorial Outpatient Center – Hallandale. At April 30, 2019, the System operates a total of 1,978 licensed hospital beds and 120 licensed nursing home beds.

As required by accounting principles generally accepted in the United States of America (GAAP), these financial statements represent the primary unit of government, the System, and its component unit. The component unit operations discussed below is blended with the System's operations for financial reporting purposes, because of the significance of the component unit's operational and financial relationships with the System. All significant intercompany accounts and balances have been eliminated in the financial statements.

Component Unit: Memorial Health Network (MHN) is a not-for-profit taxable corporation wholly-owned by the System. MHN operates as a clinically-integrated physician hospital organization entity with an 18-member board comprised of 9 independent physicians and nine employed System executives and physicians. MHN was conceived to foster collaboration between the System's employed physicians, medical staff, and hospitals in order to improve quality, reduce cost, eliminate waste and enhance patient and physician satisfaction. The System shares savings with MHN members based on achievement of certain quality and financial goals. In accordance with GASB Statement No. 80, MHN is blended within the financial results of the System because it is organized as a not-for-profit corporation and the System is the sole corporate member.

A summary of the System's significant accounting policies follows:

Basis of presentation:

The financial statements are prepared in accordance with the requirements of the Governmental Accounting Standards Board (GASB). The System utilizes the accrual basis of accounting, whereby revenues are recognized as they are earned and expenses are recognized when the related obligation is incurred.

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

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

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

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

The pension trust fund is a fiduciary fund used to account for the assets held in trust for the benefit of the employees of the System who participate in the Retirement Plan for Employees of the South Broward Hospital District (the Plan). The Plan's custodians hold the Plan's assets in custody accounts on behalf of the trust.

Cash and cash equivalents: Cash includes cash on hand, amounts in demand deposits and cash equivalents. The System considers all highly liquid investments with a maturity of three months or less when purchased, except those classified as restricted assets, to be cash equivalents.

Fair value of investments: The System categorizes its investment within the fair value hierarchy established by GASB 72, *Fair Value Measurement and Application* (GASB Statement No. 72). The hierarchy is based on the inputs used in valuation and gives the highest priority to unadjusted quoted prices in active markets and requires that observable inputs be used in the valuation when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuations are observable as listed below:

Level 1: Valuations based on unadjusted quoted prices for identical instruments in active markets that the System has the ability to access.

Level 2: Valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments that are not active; and model-driven valuations in which all significant inputs are observable.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In instances where inputs used to measure fair value fall into different levels, fair value measurement in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these measurements requires judgement and considers factors specific to each investment. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

Net patient accounts receivables: Net patient accounts receivable are reported at estimated net realizable amounts due from patients, third-party payors, and others for services rendered. The provision for bad debts is based on management's assessment of historical and expected net collections, considering business and economic conditions, trends in health care coverage and other collection indicators. Throughout the year, management assesses the adequacy of the allowance for uncollectible accounts based on these trends. The results of this review are then used to make any modifications to the provision for bad debts and to establish an appropriate estimated allowance for uncollectible accounts. Specific patient accounts identified as uncollectible are written off to the allowance for uncollectible accounts.

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

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

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Restricted assets: Restricted assets include resources restricted to a specific period or purpose. Balances held under indenture agreements represent the principal and interest amounts due for debt service payment on the Series 2009, 2015, 2016, 2016A, 2017 and 2018 outstanding bonds.

Investments under self-insurance trust agreements: These represent the assets invested to fund the workers' compensation, professional liability, and health and dental self-insurance.

Capital assets: Capital assets, including improvements to existing facilities, are recorded at cost, except for donated items, which are recorded at acquisition value at the date of the contribution. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for buildings and improvements range from 7 to 40 years and for equipment range from 3 to 10 years. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the respective lease or the life of the related asset. Routine maintenance and repairs that do not extend the life of the assets are charged to expense as incurred, and major renovations or improvements are capitalized. The System capitalizes assets with an initial cost of \$1,500 or greater.

Other assets: Other assets consist primarily of the System's investments in South Florida Community Care Network (SFCCN) and Premier Healthcare Alliance, LP (Premier LP). The System accounts for its investment in SFCCN under the equity method and its investment in Premier LP based on fair value. The System determines the fair value of its investments by considering available evidence, including general market conditions and the investee's financial condition. The System did not recognize any impairment loss associated with its investments during the years ended April 30, 2019 and 2018.

The System is an equal partner of SFCCN d/b/a Community Care Plan, a managed care network governed by an agreement between two governmental entities: the System and the North Broward Hospital District which are SFCCN members. SFCCN administers various programs, including the Provider Sponsored Network (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. The System measures the fair value of its investment in SFCCN based on the net asset value of its membership interest. This investment may not be transferred unless all existing SFCCN members agree in writing in advance. As of April 30, 2019 and 2018, the System's investment in SFCCN was approximately \$17,852,000 and \$16,618,000, respectively, and is included in other assets on the accompanying statements of net position.

Effective September 26, 2013, Premier, Inc. (Premier) converted from a privately held company to a public company (the Reorganization). In connection with the Reorganization, the System's previous ownership interests in Premier was exchanged for 726,553 Class B common units of Premier LP. Premier LP operates the group purchasing portion of Premier's supply chain services business. The Class B common units are exchangeable over seven years on a 1-for-1 basis for shares of Class A common stock and the right to receive certain tax receivable payments. The System measures the vesting of the exchange right at the fair value of the Class A Common Stock as shares are vested over the seven year period ending October 31, 2020. For the years ended April 30, 2019 and 2018, the System recognized the incentive as a gain in its investment in Premier LP of approximately \$4,617,000 and \$3,203,000, respectively, offset as a reduction in supplies expense in the accompanying statements of revenues, expenses and changes in fund net position. As of April 30, 2019 and 2018, the System's investment in Premier LP was approximately \$20,376,000 and \$15,759,000, respectively, and is included in other assets on the accompanying statements of net position. The System's investment in Premier is valued as a Level 1 investment.

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

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Deferred outflows and inflows of resources: Certain pension activities and losses on refunding of debt in prior years are included in deferred inflows and outflows and amortized over a specific period. Amortization of pension related deferred inflows and outflows is included in employee benefits expense in the accompanying statements of revenues, expenses and changes in fund net position. Amortization of losses on refunding of long-term debt is included in nonoperating revenues (expenses), net in the accompanying statements of revenues, expenses and changes in fund net position.

Compensated absences: Personal leave time, which includes holiday, sick and vacation time, that is accrued but not used at April 30, 2019 and 2018, is included in accrued compensation and payroll taxes in the accompanying statements of net position.

Pensions: The Plan's fiduciary net position has been determined on the same basis as it is reported by the Plan, for purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense related to the Plan. The Plan's financial statements are prepared using the accrual basis of accounting, whereby employer contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan's policy.

Costs of borrowing: Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of those assets. Premiums and discounts associated with long-term debt are amortized using the straight-line method over the life of the debt since the result is not significantly different from the effective interest method of amortization. Debt issuance costs, excluding prepaid bond insurance, are expensed in the year of issuance.

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

Net position: Net position is reported in three categories, net investment in capital assets, restricted and unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any debt issued that is attributable to the acquisition, construction, or improvement of those capital assets. If there are unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.

The restricted component of net position consists of restricted assets; assets that have constraints placed on them externally by creditors, grantors, contributors, or laws or regulations of other governments, or laws through constitutional provisions or enabling legislation, reduced by liabilities or deferred inflows related to those restricted assets.

The unrestricted component of net position consists of the net amount of assets, deferred outflows of resources and liabilities, and deferred inflows of resources that do not meet the definitions of the other two components of net position.

Accounting estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the accounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

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

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

Statements of revenues, expenses, and changes in fund net position: For purposes of presentation, transactions determined to be ongoing, major, or central to the provision of health care services are reported as operating revenue and expenses. Peripheral, incidental, or transactions not considered to be central to the provision of health care services are reported as nonoperating revenues and expenses and include investment income, interest expense, and ad valorem tax revenue. For the years ended April 30, 2019 and 2018, the System used the gross tax proceeds to pay the county's Medicaid match, community redevelopment assessments and the tax collectors' fee and is reported net in nonoperating revenues and expenses in the accompanying statements of revenues, expenses and changes in fund net position. Grants and other contributions received for the purpose of acquiring or constructing capital assets are reported as capital contributions and grants, below nonoperating revenues (expenses), net on the accompanying statements of revenues, expenses and changes in fund net positions.

Net patient service revenue: Net patient service revenue is reported at net realizable amounts due from patients, third-party payors, and others for services rendered. Settlements with certain third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

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

Disproportionate share distributions: The Florida Agency for Health Care Administration (AHCA) distributes Low Income Pool (LIP) and Disproportionate Share Hospital (DSH) payments to the System based in part on the System's indigent care service level. The System's policy is to recognize these distributions as revenue when amounts are due and collection is reasonably assured. The receipt of any additional distributions is contingent upon the continued support by the State Legislature and the federal government.

Reclassifications: Certain 2018 amounts have been reclassified to conform to the 2019 financial statement presentation.

New accounting pronouncements:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* (GASB Statement No. 84), which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on: (1) whether a government is controlling the assets of the fiduciary activity; and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The System has not elected to implement this Statement early; the System is still evaluating the potential impacts of this Statement.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues* (GASB Statement No. 86), which improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The System has implemented this guidance which had no material impact on the financial statements.

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

Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies (Continued)

In June 2017, the GASB issued Statement No. 87, *Leases* (GASB Statement No. 87), which provides guidance for lease contracts for nonfinancial assets – including vehicles, heavy equipment and buildings – but excludes nonexchange transactions, including donated assets, and leases of intangible assets (such as patents and software licenses). The lease definition now focuses on a contract that conveys control of the right to use another entity's non-financial asset, which is referred to in the new Statement as the underlying asset. Under Statement 87, a lessee government is required to recognize: (1) a lease liability; and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize: (1) a lease receivable; and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements. The requirements of the Statement are effective for reporting periods beginning after December 15, 2019, with earlier application encouraged. The System has not elected to implement this Statement early. The System is still evaluating the potential impacts of this Statement.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* (GASB Statement No. 88), which provides guidance to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. GASB Statement No. 88 requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. The requirements of the statement are effective for reporting periods beginning after June 15, 2018, with earlier application encouraged. The System has not elected to implement this Statement early; however, the adoption of this Statement is not expected to have a material impact on the financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB Statement No. 89), to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period by not allowing for the capitalization of interest in future periods. The requirements of the Statement are effective for reporting periods beginning after December 15, 2019, with earlier application encouraged and should be applied prospectively. The System has not elected to implement this Statement early and the System is still evaluating the potential impacts of this Statement. For the years ended April 30, 2019 and 2018, the System capitalized interest cost of approximately \$1,502,000 and \$1,811,000, respectively.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61* (GASB Statement No. 90), to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of the Statement are effective for the reporting periods beginning after December 15, 2018, with earlier application encouraged and should be applied retroactively. The System has not elected to implement this Statement early and is evaluating the potential impacts of this Statement.

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

Notes to Financial Statements

Note 2. Uncompensated Care

The System maintains records to identify and monitor the level of uncompensated care it provides. These records include the amount of charges forgone for services provided under the System's charity care policy, as well as a provision for uncollectible accounts included in the accompanying statements of revenues, expenses, and changes in fund net position. The following information measures the level of uncompensated care provided during the years ended April 30, 2019 and 2018 (in thousands).

	2019	2018
Uncompensated care, based on established rates	\$ 1,029,364	\$ 1,013,748
Percentage of uncompensated care patients to all patients served based upon total charges	8.2%	8.7%

For the years ended April 30, 2019 and 2018, uncompensated care includes approximately \$754,992,000 and \$509,776,000 of charges forgone for services provided under the System's charity care policy, respectively. Using the System's average ratio of cost to charges, the cost of charity care provided was approximately \$121,096,000 and \$84,816,000 for the years ended April 30, 2019 and 2018, respectively.

Note 3. Net Patient Service Revenue

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

Medicare and Medicaid

Reimbursement for certain services subject to special reimbursement formulas under the Medicare program is subject to audit and settlement by a Medicare Administrative Contractor. Such audits and final settlements have been completed for all years through 2015 for all facilities. Audit fieldwork has been substantially completed for 2016, and the related estimated final settlements have been recorded. Medicare program beneficiaries accounted for approximately 17.0% and 17.6% of the System's gross patient charges in fiscal years 2019 and 2018, respectively.

Inpatient services rendered to Medicaid program beneficiaries were reimbursed under a cost-based prospective payment formula through June 30, 2013, when it was changed to a DRG-based prospective rate. Effective July 1, 2017, Medicaid payments for outpatient services were changed from a cost-based rate to a prospective methodology. Therefore, cost reports for periods after 2015 (used for 2016 rates) have no effect on total Medicaid payments. During fiscal year 2019, audits of the System's Medicaid cost reports for 2010 through 2015 were finalized by the Medicaid Administrative Contractor for all facilities. These audits reduced allowable costs for multiple years, resulting in additional amounts due back to the State for those prior years' services. Therefore, the System increased the related estimated liability recorded in prior years by approximately \$19,344,000 in fiscal year 2019. Medicaid program beneficiaries accounted for approximately 4.3% and 4.6% of the System's gross patient charges in fiscal years 2019 and 2018, respectively.

Other than as described above, there were no material differences between original estimates and subsequent revisions in fiscal years 2019 and 2018.

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

Notes to Financial Statements

Note 3. Net Patient Service Revenue (Continued)

Concentrations of Credit Risk

The System grants credit without collateral to its patients, most of which are local residents that are insured under third-party payor agreements. The mix of net receivables from patients and third-party payors at April 30, 2019 and 2018, was as follows:

	2019	2018
Medicare	12.7%	12.1%
Medicaid	3.5%	4.4%
Managed Care	73.3%	70.8%
Other	10.5%	12.7%
Total	<u>100.0%</u>	<u>100.0%</u>

Insurance and Other

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

The difference between gross patient charges and the contractually established rates, for the above programs, is accounted for as contractual adjustments. The System's gross patient charges, charity care write-offs, provision for doubtful accounts, and contractual adjustments for the years ended April 30, 2019 and 2018, are as follows (in thousands):

	2019	2018
Gross patient charges	\$ 12,621,638	\$ 11,637,300
Charity care adjustments	(754,992)	(509,776)
Provision for doubtful accounts	(274,372)	(503,972)
Contractual adjustments	(9,587,535)	(8,730,463)
Net patient service revenue	<u>\$ 2,004,739</u>	<u>\$ 1,893,089</u>

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

Notes to Financial Statements

Note 3. Net Patient Service Revenue (Continued)

Net Patient Accounts Receivable

Net patient accounts receivable, reported as current assets by the System at April 30, 2019 and 2018 consists of the following amounts (in thousands):

	2019	2018
Receivable from Medicare	\$ 127,601	\$ 111,464
Receivable from Medicaid	64,577	107,660
Receivable from patients' insurance carriers	715,955	592,499
Receivable from other	434,610	469,987
Total patient accounts receivable	<u>1,342,743</u>	<u>1,281,610</u>
Less allowance for contractual discounts	(676,019)	(612,236)
Less allowance for doubtful accounts	(407,402)	(437,747)
Patient accounts receivable, net	<u>\$ 259,322</u>	<u>\$ 231,627</u>

Note 4. Other Funding Sources

The System receives funding from various components of the State Medicaid program, including the LIP and DSH payments. The State's LIP distributes funding to the System in support of programs that provide coverage for uninsured and underinsured patients. The LIP is a federal matching program that provides the State with the opportunity to receive additional distributions based upon a fixed annual pool of approximately \$1.5 billion distributed by the State based on a measure of charity care compared to commercially insured business. It is subject to a provider-specific cost limit which is retrospectively audited. Audits have been completed through the State fiscal year ended June 30, 2016. Due to changes in the federal terms for LIP, no additional liabilities are expected for years after 2016. There were no material differences between original estimates and subsequent revisions in fiscal years 2019 and 2018.

Total revenue recognized by the System from LIP and DSH funding was approximately \$38,677,000 and \$39,286,000 for the years ended April 30, 2019 and 2018, respectively, and is reported as disproportionate share distributions in the accompanying statements of revenues, expenses, and changes in fund net position.

Note 5. Cash, Cash Equivalents and Investments

The approximate book value of the System's unrestricted and restricted bank accounts included in cash and cash equivalents on the accompanying statements of net position at April 30, 2019 and 2018, are as follows (in thousands):

	2019	2018
Unrestricted bank accounts	\$ 133,229	\$ 120,434
Restricted bank accounts	153,080	3,081
	<u>\$ 286,309</u>	<u>\$ 123,515</u>

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

Notes to Financial Statements

Note 5. Cash, Cash Equivalents and Investments (Continued)

Custodial Credit Risk: At April 30, 2019 and 2018, the System's deposits consisting of cash were covered by federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions that comply with the requirements of Florida Statutes and have been designated as Qualified Public Depositories (QPDs) by the State Treasurer. QPDs are required to pledge collateral to the State Treasurer with a market value equal to a percentage of the average daily balance of all governmental deposits in excess of any federal deposit insurance. In the event of a default by a QPD, all claims for governmental deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance, pledged collateral of the public depository in default, and, if necessary, a pro rata assessment to the other QPDs participating in the collateral pool.

At April 30, 2019 and 2018, pursuant to Florida Statute 218.415, investment securities, with the exception of certificates of deposit, are held with a third-party custodian, and all securities purchased by, and all collateral obtained by the System are properly designated as an asset of the System. The securities are held in accounts separate and apart from the assets of the financial institution. The System's bond indentures stipulate that all bond and trustee held funds be "Eligible Investments" as defined in the indentures and be maintained in separate accounts with a bond trustee. All bond and trustee held investments are held in accounts separate and apart from the assets of the financial institution.

Cash, Cash Equivalents and Investments

At April 30, 2019 and 2018, the System's cash, cash equivalents and investments, including restricted assets, are as follows (in thousands):

	2019	2018
Unrestricted cash equivalents	\$ 262,016	\$ 400,522
Unrestricted investments	1,548,211	1,375,980
Designated investments	19,078	20,846
Investments under self-insurance trust agreements	58,598	56,559
Restricted assets:		
Under indenture agreements for debt service	180,206	178,406
	<u>\$ 2,068,109</u>	<u>\$ 2,032,313</u>

The current portion of investments under self-insurance trust agreements of approximately \$11,633,000 and \$11,822,000 at April 30, 2019 and 2018, respectively, is available to cover current liabilities and is included in other current assets in the accompanying statement of net position.

The System's investment policy, as amended from time to time, is approved by the Board of Commissioners of the South Broward Hospital District (the Board). The investment policy is designed to maximize financial return to the System consistent with the risks incumbent in each investment and designed to preserve the appropriate diversification in the portfolio. The System utilizes an independent investment consultant to identify and hire investment managers, implement strategies and monitor risk and performance.

The investment policy authorizes investment in equity strategies up to a 10% limitation of investable assets. At April 30, 2019 and 2018, approximately 6.1% and 2.9% of investable assets were in low volatility equity mutual funds and/or exchange traded funds.

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

Notes to Financial Statements

Note 5. Cash, Cash Equivalents and Investments (Continued)

Fair Value Measurements

The System measures and records investments, assets whose use is limited and restricted assets using fair value measurement guidelines established by GASB Statement No. 72. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted prices; and,
- *Level 3:* Unobservable inputs.

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Money market mutual funds and equity mutual funds are valued using the net asset values as quoted daily for the funds. Debt securities classified in Level 2 are valued using the following approaches:

- *U.S. Agencies and commercial paper:* quoted prices for identical securities in markets that are not active;
- *Corporate and municipal bonds:* quoted prices for similar securities in active markets;

The tables below present the fair value leveling of the System's cash and cash equivalents and investments as of April 30, 2019 and 2018, in accordance with GASB Statement No. 72 (in thousands):

	2019			
	Level 1	Level 2	Level 3	Total
SEC-registered money market funds	\$ 64,971	\$ -	\$ -	\$ 64,971
Commercial paper	-	88,860	-	88,860
U.S. treasuries	637,320	-	-	637,320
U.S. agencies	128,928	174,876	915	304,719
U.S. agency mortgage bonds	-	303,075	-	303,075
Asset-backed securities	23,599	140,663	-	164,262
Supranational bonds	-	2,164	-	2,164
Corporate debt	53,683	263,077	-	316,760
Municipal securities	-	59,574	-	59,574
Equity mutual funds	126,404	-	-	126,404
	<u>\$ 1,034,905</u>	<u>\$ 1,032,289</u>	<u>\$ 915</u>	<u>\$ 2,068,109</u>

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

Notes to Financial Statements

Note 5. Cash, Cash Equivalents and Investments (Continued)

	2018			
	Level 1	Level 2	Level 3	Total
SEC-registered money market funds	\$ 15,138	\$ 39,525	\$ -	\$ 54,663
Commercial paper	-	96,883	-	96,883
U.S. treasuries	698,009	-	-	698,009
U.S. agencies	156,071	178,660	-	334,731
U.S. agency mortgage bonds	-	287,957	-	287,957
Asset-backed securities	20,765	125,353	-	146,118
Supranational bonds	-	1,303	-	1,303
Corporate debt	51,819	238,349	-	290,168
Municipal securities	-	67,394	-	67,394
Equity mutual funds	55,087	-	-	55,087
	<u>\$ 996,889</u>	<u>\$ 1,035,424</u>	<u>\$ -</u>	<u>\$ 2,032,313</u>

Interest Rate Risk

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

At April 30, 2019 and 2018, the System had investments, assets whose use is limited and restricted assets maturing as follows (in thousands):

	2019				
	Fair Value	No Maturity Date or Less than 1 Year	1 -5 Years	6-10 Years	Greater Than 10 Years
SEC-registered money market funds	\$ 64,971	\$ 64,971	\$ -	\$ -	\$ -
Commercial paper	88,860	88,860	-	-	-
U.S. treasuries	637,320	317,282	250,107	69,931	-
U.S. agencies	304,719	90,498	151,982	38,242	23,997
U.S. agency mortgage bonds	303,075	208	57,362	74,264	171,241
Asset-backed securities	164,262	1,601	108,939	31,810	21,912
Supranational bonds	2,164	-	2,164	-	-
Corporate debt	316,760	46,384	222,992	47,384	-
Municipal securities	59,574	12,758	34,172	12,644	-
Equity mutual funds	126,404	126,404	-	-	-
	<u>\$ 2,068,109</u>	<u>\$ 748,966</u>	<u>\$ 827,718</u>	<u>\$ 274,275</u>	<u>\$ 217,150</u>

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

Notes to Financial Statements

Note 5. Cash, Cash Equivalents and Investments (Continued)

	2018				
	Fair Value	No Maturity Date or Less than 1			Greater Than
		Year	1 -5 Years	6-10 Years	10 Years
SEC-registered money market funds	\$ 54,663	\$ 54,663	\$ -	\$ -	\$ -
Commercial paper	96,883	96,883	-	-	-
U.S. treasuries	698,009	239,856	422,857	35,296	-
U.S. agencies	334,731	106,510	177,562	37,592	13,067
U.S. agency mortgage bonds	287,957	-	53,904	68,288	165,765
Asset-backed securities	146,118	244	118,341	9,434	18,099
Supranational bonds	1,303	-	1,303	-	-
Corporate debt	290,168	47,295	212,269	30,604	-
Municipal securities	67,394	6,706	41,544	19,144	-
Equity mutual funds	55,087	55,087	-	-	-
	<u>\$ 2,032,313</u>	<u>\$ 607,244</u>	<u>\$ 1,027,780</u>	<u>\$ 200,358</u>	<u>\$ 196,931</u>

Credit Risk

The System's investment policy provides guidelines for fixed income investment managers that require: maintaining an average portfolio credit rating of at least AA; restricting investments in debt securities to those with A- or higher credit ratings at the time of purchase; and limiting the duration of the System's total fixed income portfolios to four years, or less. The System's bond indentures stipulate credit ratings for "Eligible Investments".

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

Notes to Financial Statements

Note 5. Cash, Cash Equivalents and Investments (Continued)

At April 30, 2019 and 2018, the System's investment securities have the credit ratings as shown on the following page (in thousands):

	S&P Rating or Comparable as of April 30, 2019											
	Total	AAA	A-1	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BB
SEC-registered money market funds	\$ 64,971	\$ 64,971	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial paper	88,860	-	88,860	-	-	-	-	-	-	-	-	-
U.S. Treasuries	637,320	-	-	637,320	-	-	-	-	-	-	-	-
U.S. agencies	304,719	-	-	304,719	-	-	-	-	-	-	-	-
U.S. agency mortgage bonds	303,075	-	-	302,763	312	-	-	-	-	-	-	-
Asset-backed securities	164,262	153,765	-	9,758	-	-	-	-	-	-	-	739
Supranational Bonds	2,164	2,164	-	-	-	-	-	-	-	-	-	-
Corporate debt	316,760	4,292	-	5,626	21,352	37,722	41,983	100,222	82,922	20,559	2,082	-
Municipal securities	59,574	27,237	-	17,018	12,419	2,900	-	-	-	-	-	-
	<u>1,941,705</u>	<u>\$ 252,429</u>	<u>\$ 88,860</u>	<u>\$ 1,277,204</u>	<u>\$ 34,083</u>	<u>\$ 40,622</u>	<u>\$ 41,983</u>	<u>\$ 100,222</u>	<u>\$ 82,922</u>	<u>\$ 20,559</u>	<u>\$ 2,082</u>	<u>\$ 739</u>
Unrated equity mutual funds	126,404											
	<u>\$2,068,109</u>											

	S&P Rating or Comparable as of April 30, 2018											
	Total	AAA	A-1	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BB
SEC-registered money market funds	\$ 54,663	\$ 54,663	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial paper	96,883	-	96,883	-	-	-	-	-	-	-	-	-
U.S. Treasuries	698,009	-	-	698,009	-	-	-	-	-	-	-	-
U.S. agencies	334,731	-	-	334,731	-	-	-	-	-	-	-	-
U.S. agency mortgage bonds	287,957	-	-	287,564	393	-	-	-	-	-	-	-
Asset-backed securities	146,118	136,081	-	9,074	-	-	-	963	-	-	-	-
Supranational Bonds	1,303	1,303	-	-	-	-	-	-	-	-	-	-
Corporate debt	290,168	8,235	-	9,277	10,567	35,926	48,129	88,168	72,325	17,313	228	-
Municipal securities	67,394	32,133	-	19,781	11,012	4,468	-	-	-	-	-	-
	<u>1,977,226</u>	<u>\$ 232,415</u>	<u>\$ 96,883</u>	<u>\$ 1,358,436</u>	<u>\$ 21,972</u>	<u>\$ 40,394</u>	<u>\$ 48,129</u>	<u>\$ 89,131</u>	<u>\$ 72,325</u>	<u>\$ 17,313</u>	<u>\$ 228</u>	<u>\$ -</u>
Unrated equity mutual funds	55,087											
	<u>\$2,032,313</u>											

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

Notes to Financial Statements

Note 5. Cash, Cash Equivalents and Investments (Continued)

Concentration of Credit Risk

The System's investment policy has asset allocation and issuer limitations for cash equivalents and fixed income investments which are designed to reduce concentration of credit risk of the System's investments. The System's investment policy does not have an issuer limitation for U.S. Treasury securities. The System's bond indentures do not stipulate issuer limitations for "Eligible Investments".

At April 30, 2019 and 2018, investments in any one issuer representing 5% or more of the System's total investments were approximately \$244,029,000 (10.8%) and \$236,737,000 (11.5%) invested in issues of the Federal National Mortgage Association and \$152,123,000 (6.7%) and \$166,748,000 (8.1%) invested in issues of the Federal Home Loan Mortgage Corp, respectively.

Note 6. Capital Assets

A summary of the activity in the capital assets and the related accumulated depreciation accounts is as follows for the years ended April 30, 2019 and 2018 (in thousands):

	Balance at May 1, 2018	Additions	Transfers	Deletions	Balance at April 30, 2019
Depreciable assets:					
Land improvements	\$ 29,762	\$ -	\$ 273	\$ (42)	\$ 29,993
Buildings and improvements	1,240,208	1,691	96,576	(672)	1,337,803
Equipment	687,938	23,938	34,550	(27,314)	719,112
Total depreciable assets	<u>1,957,908</u>	<u>25,629</u>	<u>131,399</u>	<u>(28,028)</u>	<u>2,086,908</u>
Accumulated depreciation:					
Land improvements	(16,222)	(1,186)	-	42	(17,366)
Buildings and improvements	(665,612)	(39,967)	-	657	(704,922)
Equipment	(535,090)	(52,366)	-	26,872	(560,584)
Total accumulated depreciation	<u>(1,216,924)</u>	<u>(93,519)</u>	<u>-</u>	<u>27,571</u>	<u>(1,282,872)</u>
Net depreciable assets	740,984	(67,890)	131,399	(457)	804,036
Land	40,199	85	26,684	-	66,968
Construction in progress	78,218	119,164	(158,083)	(1,372)	37,927
Capital assets, net	<u>\$ 859,401</u>	<u>\$ 51,359</u>	<u>\$ -</u>	<u>\$ (1,829)</u>	<u>\$ 908,931</u>

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

Notes to Financial Statements

Note 6. Capital Assets (Continued)

	Balance at May 1, 2017	Additions	Transfers	Deletions	Balance at April 30, 2018
Depreciable assets:					
Land improvements	\$ 26,509	\$ 5	\$ 3,248	\$ -	\$ 29,762
Buildings and improvements	1,129,346	2,606	112,673	(4,417)	1,240,208
Equipment	658,420	16,866	34,516	(21,864)	687,938
Total depreciable assets	<u>1,814,275</u>	<u>19,477</u>	<u>150,437</u>	<u>(26,281)</u>	<u>1,957,908</u>
Accumulated depreciation:					
Land improvements	(15,143)	(1,079)	-	-	(16,222)
Buildings and improvements	(630,752)	(38,322)	-	3,462	(665,612)
Equipment	(501,897)	(53,373)	-	20,180	(535,090)
Total accumulated depreciation	<u>(1,147,792)</u>	<u>(92,774)</u>	<u>-</u>	<u>23,642</u>	<u>(1,216,924)</u>
Net depreciable assets	666,483	(73,297)	150,437	(2,639)	740,984
Land	38,648	1,551	-	-	40,199
Construction in progress	96,043	132,822	(150,437)	(210)	78,218
Capital assets, net	<u>\$ 801,174</u>	<u>\$ 61,076</u>	<u>\$ -</u>	<u>\$ (2,849)</u>	<u>\$ 859,401</u>

The System is currently engaged in expansion projects at its facilities. The estimated cost to complete all construction projects in process at April 30, 2019, is approximately \$246.1 million.

Note 7. Self-Insurance

The System is exposed to various risks of loss related to professional liability, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and certain employee health plan costs; and natural disasters. The System believes it is more economical to manage certain risks internally and set aside assets for possible claim settlements. Commercial insurance is procured to cover its property, commissioners and officers, accidents, and vehicles.

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

Chapter 768.28 of the Florida Statutes also provides that judgments may be claimed or rendered in excess of these limits; however, these amounts must be reported to, and approved by, the State Legislature. In addition, the System has \$18 million in excess insurance coverage, with a \$2 million self-insured retention, to cover any damages rendered against it as a result of the passage of a claims bill for professional and general liability. Specific excess coverage for workers' compensation includes retention of \$750,000 per incident.

**South Broward Hospital District
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Notes to Financial Statements

Note 7. Self-Insurance (Continued)

The System's management estimates and accrues for the cost of unreported claims based on historical data and actuarial projections. The liability includes estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The estimated claims liability for professional liability has been discounted based on an interest rate of 2.10% and 1.25% at April 30, 2019 and 2018, respectively. The estimated claims liability for workman's compensation has been discounted based on an interest rate of 1.80% and 1.25% at April 30, 2019 and 2018, respectively.

The System has established a trust fund for the purpose of setting aside assets to fund future self-insurance losses. The trust assets can only be used for payment of losses and administrative expenses. Earnings on investments in the self-insurance trust are reported as nonoperating revenues, in the statement of revenues, expenses, and changes in fund net position and are retained as part of the trust fund. A rollforward of the System's claims liability for self-insurance claims is as follows (in thousands):

Year Ended April 30	Liability at Beginning of Year	New Claims and Changes in Estimates	Claim Payments	Liability at End of Year	Estimated Amount Due Within One Year
2017	\$ 39,683	\$ 36,126	\$ (38,721)	\$ 37,088	\$ 15,111
2018	37,088	41,960	(35,107)	43,941	18,045
2019	43,941	41,516	(39,802)	45,655	18,709

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

Notes to Financial Statements

Note 8. Long-Term Debt

The following is a summary of long-term debt as of April 30, 2019 and 2018 (in thousands):

	2019	2018
Series 2018 Hospital Revenue Bonds – \$101,575 authorized and issued: Serial Bond, interest rate of 5.00%, maturing on May 1, 2045	\$ 20,715	\$ -
4.00% Term Bond due May 1, 2048	80,860	-
	101,575	-
Unamortized discount, net	(1,092)	-
	100,483	-
Series 2017 Hospital Revenue and Refunding Revenue Bonds – \$101,420 authorized and issued: Serial Bonds, interest rates of 3.25% to 5.00%, maturing in amounts ranging from \$3,835 to \$15,305 through May 1, 2032	101,420	101,420
Unamortized premium, net	10,705	11,528
	112,125	112,948
Series 2016A Hospital Revenue and Refunding Revenue Bonds – \$160,620 authorized and issued: Serial Bonds, interest rates of 3.375% to 4.00%, maturing in amounts ranging from \$11,235 to \$20,435 through May 1, 2040	31,670	31,670
3.50% Term Bond due May 1, 2039	38,825	38,825
4.00% Term Bond due May 1, 2044	90,125	90,125
	160,620	160,620
Unamortized premium, net	1,424	1,481
	162,044	162,101
Series 2016 Hospital Revenue and Refunding Revenue Bonds – \$173,040 authorized and issued: Serial Bonds, interest rates of 2.75% to 5.00%, maturing in amounts ranging from \$2,135 to \$24,070 through May 1, 2037	167,390	169,525
Unamortized premium, net	10,732	11,297
	178,122	180,822
Series 2015 Hospital Revenue and Refunding Revenue Bonds – \$154,905 authorized and issued: Serial Bonds, interest rates of 3.00% to 5.00%, maturing in amounts ranging from \$3,955 to \$7,915 through May 1, 2037	112,520	119,045
4.00% Term Bond due May 1, 2040	9,560	9,560
4.00% Term Bond due May 1, 2045	18,735	18,735
	140,815	147,340
Unamortized premium, net	7,896	8,200
	148,711	155,540
Series 2009 Hospital Revenue Bonds – \$150,000 authorized and issued: Advance refunded on crossover basis due May 1, 2019, interest rates of 6.978% to 7.278%	150,000	150,000
Series 1998 Revenue Certificate – \$10,000 authorized and issued: Payable in annual installments of \$400 through and including May 1, 2017, and a balloon payment of \$2,400 due May 1, 2018. The interest rate is fixed at 4.374%.	-	2,400
Total debt	851,485	763,811
Less current portion	(161,170)	(11,060)
Long-term portion	\$ 690,315	\$ 752,751

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

Notes to Financial Statements

Note 8. Long-Term Debt (Continued)

During 2019 and 2018, interest cost of approximately \$1,502,000 and \$1,811,000, respectively, was capitalized. Capitalized interest is included in capital assets, net on the accompanying statements of net position.

At April 30, 2019 and 2018 the System's long-term debt is comprised solely of revenue bonds issued under its Master Trust Indenture (MTI) dated as of September 1, 2003. The System is the only member of the obligated group although the MTI provides for additional membership. The obligations issued under the MTI are payable solely from and are secured by a pledge of and a lien on the gross patient charges of the obligated group and any future member of the obligated group and certain accounts created under the MTI, provided, however, the lien and pledge of the accounts under the MTI does not extend to obligations issued for the benefit of the Revenue Certificate holders. As of April 30, 2019 and 2018, total pledge funds were \$180,206,000 and \$178,406,000, respectively, and is presented as Restricted assets – Under indenture agreements for debt service on the accompanying statements of net position.

The MTI contains certain restrictive debt covenants for the System, including a minimum debt service ratio and an incurrence test for the addition of indebtedness. As of April 30, 2019 and 2018, the System was in compliance with all of its debt covenants.

Series 2009 Bonds: \$150,000,000 issued on October 28, 2009 as taxable fixed rate bonds and are callable on or after May 1, 2019, at par, without premium. The 2009 Bonds were issued as Build America Bonds pursuant to the American Recovery and Reinvestment Act of 2009 to finance certain eligible projects and pay certain costs of issuance. The System is eligible, subject to certain conditions, to receive cash subsidy payments from the U.S. Department of the Treasury equal to 35% of the interest payable on the Series 2009 Bonds. As more fully described below, the Series 2009 Bonds were advance refunded with the Series 2016A Hospital Revenue Refunding Bonds (Series 2016A Bonds) utilizing a cross-over structure in order to preserve the cash subsidy payments from the U.S. Department of the Treasury through the May 1, 2019 call date. The Series 2009 Bonds were redeemed in full on May 1, 2019.

Series 2015 Bonds: \$154,905,000 issued on April 14, 2015 as tax-exempt fixed rate bonds and are callable on or after May 1, 2025, at par, without premium. The 2015 Bonds provided funds to refund and redeem a portion of the Series 2006 Bonds and to finance certain eligible projects and costs of issuance.

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

The refunding of the Series 2006 Bonds resulted in a loss on defeasance of approximately \$5,975,000. At April 30, 2019 and 2018, the unamortized value of the deferred amount was approximately \$4,889,000 and \$5,160,000, respectively, which is included in loss on defeasance, net in the accompanying statements of net position. The deferred amount is being charged to operations through the year 2037 using a straight-line interest amortization method, since the results are not significantly different from the effective interest method of amortization.

Series 2016 Bonds: \$173,040,000 issued on June 29, 2016 as tax-exempt fixed rate bonds and are callable on or after May 1, 2026, at par, without premium. The 2016 Bonds provided funds to refund and redeem the remaining Series 2006 Bonds, advance refund all of the Series 2008 Bonds and to pay certain costs of issuance.

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

Notes to Financial Statements

Note 8. Long-Term Debt (Continued)

The System completed the refunding of the remaining outstanding Series 2006 Bonds and the advance refunding of the Series 2008 Bonds with the Series 2016 Bonds to reduce its total debt service payments. On a matched-maturity basis, the present value of the cash flow savings was approximately \$29,725,000.

The refunding of the Series 2006 and advance refunding of the 2008 Bonds resulted in a loss on defeasance of approximately \$15,936,000. At April 30, 2019 and 2018, the unamortized value of the deferred amount was approximately \$13,602,000 and \$14,403,000, respectively, which is included in loss on defeasance, net in the accompanying statements of net position. The deferred amount is being charged to operations through the year 2036 using a straight-line interest amortization method, since the results are not significantly different from the effective interest method of amortization.

Series 2016A Bonds: \$160,620,000 issued on November 10, 2016 as tax-exempt fixed rate bonds to advance refund, on a cross-over basis, all of the Series 2009 Bonds and to pay certain costs of issuance. The cross-over structure was used in order to preserve the cash subsidy payments from the U.S. Department of the Treasury through the May 1, 2019 call date. The Series 2009 Escrow Fund, reported within Restricted Assets – Under indenture agreements for debt service on the accompanying statements of net position, is funded to pay interest on the Series 2016A Bonds through May 1, 2019 and redeem all of the \$150,000,000 Series 2009 Bonds on May 1, 2019. The System completed the cross-over refunding of the Series 2009 to reduce its total debt service payments. On a matched-maturity basis, the net present value cash flow savings was approximately \$10,512,000. The balance held in the Series 2009 Principal Escrow Fund at April 30, 2019 and 2018 was \$153,080,000 and \$155,759,000, respectively. The Series 2009 Bonds were redeemed in full on May 1, 2019.

Series 2017 Bonds: \$101,420,000 issued on March 8, 2017 as tax-exempt fixed rate bonds to refund and redeem all of the Series 2007 Bonds and to pay certain costs of issuance and are callable on or after May 1, 2027, at par, without premium. The System completed the refunding of its Series 2007 Bonds to reduce its total debt service payments. On a matched-maturity basis, the net present value cash flow savings, not including the funds held in related bond debt service accounts, was approximately \$15,145,000.

The refunding of the Series 2007 Bonds resulted in a loss on defeasance of approximately \$3,070,000. At April 30, 2019 and 2018, the unamortized value of the deferred amount was approximately \$2,632,000 and \$2,834,000, respectively, which is included in loss on defeasance, net in the accompanying statements of net position. The deferred amount is being charged to operations through the year 2032 using a straight-line interest amortization method, since the results are not significantly different from the effective interest method of amortization.

Series 2018 Bonds: \$101,575,000 issued on November 1, 2018 as tax-exempt fixed rated bond to finance certain eligible projects and pay costs of issuance and are callable on or after May 1, 2028 at par and without premium.

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

Notes to Financial Statements

Note 8. Long-Term Debt (Continued)

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

	Principal	Interest Payments	Total Debt Service
Years ending April 30:			
2020	\$ 161,170	\$ 30,500	\$ 191,670 *
2021	11,665	26,295	37,960
2022	12,185	25,699	37,884
2023	11,860	25,098	36,958
2024	12,390	24,491	36,881
2025-2029	94,455	110,681	205,136
2030-2034	126,845	86,458	213,303
2035-2039	134,135	62,438	196,573
2040-2044	123,740	40,413	164,153
2045-2049	133,375	13,758	147,133
	<u>\$ 821,820</u>	<u>\$ 445,831</u>	<u>\$ 1,267,651</u>

*Includes Series 2009 Bond principal, which was fully refunded by the Series 2016A Bonds as described previously in this note and related Series 2009 Bond Interest. Proceeds from refunding are held in an irrevocable escrow located within Restricted assets – Under indenture agreements for debt service on the accompany statements of net position.

Activity related to long-term debt is summarized as follows for the years ended April 30, 2019 and 2018 (in thousands):

	2019	2018
Balance at beginning of year	\$ 763,811	\$ 775,844
Issuance of long-term debt, including premiums and/or discounts	100,464	-
Principal payments on long-term debt	(11,060)	(10,285)
Amortization of premiums and/or discounts	(1,730)	(1,748)
Balance at end of year	<u>\$ 851,485</u>	<u>\$ 763,811</u>

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

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB 68

Plan Description

The System administers the Retirement Plan for Employees of the South Broward Hospital District (the Plan). The Plan is a single employer, noncontributory defined benefit pension plan covering substantially all full-time regular employees that were hired on or before October 31, 2011. Effective November 1, 2011, the Plan was closed to new hires and rehires. Eligible employees hired or had a status change on or after November 1, 2011 are covered under the Memorial Healthcare System 401(a) Retirement Plan (the 401(a) Plan). Refer to Note 11 for further discussion of the 401(a) Plan. The Plan does not issue a stand-alone financial report; however, it is reported as a pension trust fund in the financial statements of the System herein. The Board has the authority to establish and amend the benefit provisions of the Plan. The Board consists of seven members who are appointed by the Governor of Florida.

Benefits Provided

The Plan's retirement benefits are based on employees' years and completed months of continuous service from date of employment to date of termination and average compensation during the highest consecutive 60-month period in the last 120 months preceding termination or retirement. Employees become eligible for normal retirement based on the attainment of a specified age ranging from 55 to 65 years and years of credited service ranging from 5 to 30 years. Early and late retirement options are available subject to certain conditions.

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

Funding Policy

The Plan's funding policy provides for actuarially determined amounts, which, together with investment earnings, are sufficient to fund the Plan as prescribed under Part VII, Chapter 112 of the Florida Statutes. There are no employee contributions. The Plan's funding policy provides for actuarially determined periodic contributions that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The portion of the actuarially determined contribution for normal cost is determined using the projected unit credit actuarial funding method with proration based on service. The actuary uses the level dollar method to amortize the unfunded liability over the average future working lifetime of active participants which is 9 years as of May 1, 2018. The same amortization method is used for experience gains or losses, changes in benefits, or changes in actuarial assumptions. The actuarial value of assets uses a five-year smoothing for investment gains and losses. The annual required contributions to the Plan during the fiscal years ended April 30, 2019 and 2018 of approximately \$37,043,000 and \$38,343,000 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of May 1, 2018 and 2017, respectively. During the fiscal years ended April 30, 2019 and 2018, contributions as a percentage of covered payroll was 10.7% and 10.4%, respectively.

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

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB 68 (Continued)

Listed below is information regarding plan membership or employees covered by the benefit terms:

Participant data as of April 30, 2019 and 2018, is as follows:

	2019	2018
Active plan members or employees	4,512	4,946
Inactive plan members or employees or beneficiaries currently receiving benefits	1,952	1,845
Inactive plan members or employees entitled to but not yet receiving benefits	3,352	3,275
Total	<u>9,816</u>	<u>10,066</u>

Net Pension Liability

The net pension liability of the System reported, as of April 30, 2019 and 2018, was measured as of April 30, 2018 and 2017, respectively. The total pension liability reported by the System as of April 30, 2019 and 2018, is based on the liability determined using May 1, 2017 and 2016 census data and a May 1, 2017 and 2016 valuation date using update procedures to roll forward to the measurement dates of April 30, 2018 and 2017, respectively.

The following schedule presents the change in net pension liability reporting for the System for the fiscal years ended April 30, 2019 and 2018 (in thousands):

	2019	2018
Total pension liability		
Service cost	\$ 16,902	\$ 17,460
Interest	52,277	48,950
Differences between expected and actual experience	830	(926)
Changes in assumptions	-	305
Benefit payments	(20,812)	(18,572)
Net change in total pension liability	49,197	47,217
Total pension liability – beginning	756,388	709,171
Total pension liability – ending (a)	<u>\$ 805,585</u>	<u>\$ 756,388</u>
Plan fiduciary net position		
Contributions – employer	\$ 38,343	\$ 37,295
Net investment income	48,286	53,180
Benefit payments	(20,812)	(18,572)
Administrative expense	(225)	(261)
Net change in plan fiduciary net position	65,592	71,642
Plan fiduciary net position – beginning	561,674	490,032
Plan fiduciary net position – ending (b)	<u>\$ 627,266</u>	<u>\$ 561,674</u>
Plan's net pension liability ending – (a) – (b)	<u>\$ 178,319</u>	<u>\$ 194,714</u>

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

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB 68 (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

The System recorded approximately \$39,472,000 and \$43,358,000 in pension expense for the fiscal years ended April 30, 2019 and 2018, respectively, which is included in employee benefits expense in the accompanying statements of revenues, expenses, and changes in fund net position.

The following schedule presents information about the pension-related deferred outflows of resources and deferred inflows of resources at April 30 (in thousands):

	Deferred Outflows of Resources	
	2019	2018
Differences between expected and actual experience	\$ 654	\$ -
Employer's contribution to the plan subsequent to the measurement date of the net pension liability	37,043	38,343
Changes in assumptions	13,044	17,392
Net difference between projected and actual earnings on pension plan investments	2,512	16,791
Total deferred outflows of resources	<u>\$ 53,253</u>	<u>\$ 72,526</u>
	Deferred Inflows of Resources	
	2019	2018
Differences between expected and actual experience	<u>\$ 1,341</u>	<u>\$ 1,788</u>

The following schedule presents the future amortization of pension-related deferred outflows of resources and deferred inflows of resources, excluding the balance attributable to the employer's contribution to the Plan in the current fiscal year and subsequent to the net pension liability measurement date. The difference between projected and actual earnings on pension investment is recorded in pension expense over a 5-year period. The changes in assumptions and differences between expected and actual experience is recorded in pension expense over the remaining service lives of active and inactive members which was 5 years and 4.73 years as of May 1, 2018 and 2017, respectively.

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

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB 68 (Continued)

The employer's contribution to the Plan reported by the System in the fiscal years ended April 30, 2019 and 2018 will be reported as a reduction in the net pension liability in the next fiscal year. Other amounts reported as pension-related deferred outflows of resources and deferred inflows of resources at April 30, 2019, will be recognized in pension expense for the fiscal years ending April 30 as follows (in thousands):

Years ending April 30:		
2020	\$	10,099
2021		7,527
2022		(1,234)
2023		(1,523)
	\$	<u>14,869</u>

Actuarial Methods and Assumptions

The System recognizes annual pension expense and net pension liability in accordance with GASB Statements No. 68 and No. 71 based on information obtained from its annual actuarial report.

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

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB 68 (Continued)

The assumptions used to measure the total pension liability of the System as of the measurement dates of April 30, 2018 and 2017, follows. Significant assumptions used in the May 1, 2017 and May 1, 2016 valuation were based on the results of various actuarial experience studies performed over the last five years.

	2019	2018																																
Measurement date	April 30, 2018	April 30, 2017																																
Valuation date	May 1, 2017, rolled forward from May 1, 2017 to April 30, 2018	May 1, 2016, rolled forward from May 1, 2016 to April 30, 2017																																
Actuarial cost method	Entry age normal actuarial cost method	Entry age normal actuarial cost method																																
Asset valuation method	Fair market value for plan investments	Fair market value for plan investments																																
Long-term expected rate of return	7.00%	7.00%																																
Discount rate	7.00%	7.00%																																
Mortality rates	Based on the RP-2014 Employee and Annuitant Mortality tables for males and females with the Scale MP-2014 backed out to 2006 and projected forward from 2006 generationally using Scale BB (male).	Based on the RP-2014 Employee and Annuitant Mortality tables for males and females with the Scale MP-2014 backed out to 2006 and projected forward from 2006 generationally using Scale BB (male).																																
Projected salary increases	<p>Age-based rated based on plan experience starting with the rated below and increasing 0.25% per year until 2020 and remaining constant thereafter. All increases in rates through 2020 are reflected in the May 1, 2017 valuation.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Attained Age</u></th> <th style="text-align: center;"><u>Percentage Increase</u></th> </tr> </thead> <tbody> <tr><td>Less than 35</td><td style="text-align: center;">4.75%</td></tr> <tr><td>35-39</td><td style="text-align: center;">4.50%</td></tr> <tr><td>40-44</td><td style="text-align: center;">4.25%</td></tr> <tr><td>45-49</td><td style="text-align: center;">4.00%</td></tr> <tr><td>50-54</td><td style="text-align: center;">3.75%</td></tr> <tr><td>55-59</td><td style="text-align: center;">3.50%</td></tr> <tr><td>60 or older</td><td style="text-align: center;">3.25%</td></tr> </tbody> </table> <p>Includes inflation at 2.5%</p>	<u>Attained Age</u>	<u>Percentage Increase</u>	Less than 35	4.75%	35-39	4.50%	40-44	4.25%	45-49	4.00%	50-54	3.75%	55-59	3.50%	60 or older	3.25%	<p>Age-based rated based on plan experience starting with the rated below and increasing 0.25% per year until 2020 and remaining constant thereafter. All increases in rates through 2020 are reflected in the May 1, 2016 valuation.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;"><u>Attained Age</u></th> <th style="text-align: center;"><u>Percentage Increase</u></th> </tr> </thead> <tbody> <tr><td>Less than 35</td><td style="text-align: center;">4.50%</td></tr> <tr><td>35-39</td><td style="text-align: center;">4.25%</td></tr> <tr><td>40-44</td><td style="text-align: center;">4.00%</td></tr> <tr><td>45-49</td><td style="text-align: center;">3.75%</td></tr> <tr><td>50-54</td><td style="text-align: center;">3.50%</td></tr> <tr><td>55-59</td><td style="text-align: center;">3.25%</td></tr> <tr><td>60 or older</td><td style="text-align: center;">3.00%</td></tr> </tbody> </table> <p>Includes inflation at 2.5%</p>	<u>Attained Age</u>	<u>Percentage Increase</u>	Less than 35	4.50%	35-39	4.25%	40-44	4.00%	45-49	3.75%	50-54	3.50%	55-59	3.25%	60 or older	3.00%
<u>Attained Age</u>	<u>Percentage Increase</u>																																	
Less than 35	4.75%																																	
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50-54	3.50%																																	
55-59	3.25%																																	
60 or older	3.00%																																	
Cost of living adjustments	None	None																																
Experience study date	May 1, 2015	May 1, 2015																																

Discount Rate

The discount rate used to measure the total pension liability was 7.0% for both the April 30, 2018 and 2017 measurement dates, respectively. The projection of cash flows used to determine the discount rate assumed that employer contributions are made at 100% of the annual actuarial determined value and that future contributions will be made in the same manner. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan participants. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Florida

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

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB 68 (Continued)

Statutes require the System to make an actuarially-determined contribution to the Plan each year. Thus, as long as the System continues to fund the Plan based on the contributions, the Plan will remain adequately funded. Actuaries perform a valuation on census data and asset information every year as of May 1st. The annual valuation includes a contribution amount that the System funds each year. An alternative method applies for the System due to the Florida Statutes, requiring that the System fund an actuarially determined dollar amount of contribution each year. As long as the System remains financially able to make the contributions each year, there will not likely be a point in time where the Plan will run out of money and not be able to make benefit payments.

Investment Policy

The Board adopted an investment policy for the Plan that adheres to the investment guidelines and permissible investments outlined in Florida Statutes, Title XIV, Chapters 215.44 and 215.47. The investment policy has target percentages for certain asset classes and permits variances of +/- 5% as an allowable range. The Board and its Finance Committee uses an independent registered financial advisor to assist in monitoring investment activities, investment policy formulation and investment manager selection. The following are the Board's adopted investment policy asset allocation midpoint percentages for the measurement dates as of April 30, 2018 and 2017:

Asset Class	2018	2017
	Allocation Percentage	
Domestic equity	10.0%	10.0%
Global equity:		
Value	17.5%	17.5%
Growth	27.5%	27.5%
Defensive equity strategy	10.0%	10.0%
Fixed Income:		
Core fixed income	25.0%	25.0%
Sr. secured bank loans	5.0%	0.0%
High yield	5.0%	0.0%
Global bonds – U.S. dollar	0.0%	5.0%
Global bonds – non-U.S. dollar	0.0%	5.0%
Total Plan	100.0%	100.0%

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

- *Domestic Equity:* The following list of investments may be purchased in the Domestic equity portfolio: common and preferred stock; securities convertible into common stock, including 144a stock limited to 10% of the portfolio; warrants; American Depository Receipts; no-load mutual funds, bank, trust or insurance company pooled funds, cash and cash equivalents; exchange traded funds and initial public offerings. Large and small capitalization companies and defensive or enhanced indexing strategies utilizing domestic large cap equity index funds and/or exchange traded funds in combination with futures and swaps are included as domestic equities.

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

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB 68 (Continued)

- *Global equity (including dedicated emerging markets)*: The following list of investments may be purchased in a global equity portfolio: common and preferred stocks of issuers whose primary stock exchange listing, registration or headquarters are located in the United States, or countries comprising the Morgan Stanley Capital International All Country World Index (MSCI ACQI Index). The exceptions to this are stocks in emerging markets, subject to certain limitations. Other permissible investments include: securities convertible into common stock, including offerings under Securities Act Rule 144, limited to 20% of the portfolio at market value; warrants; ADRs listed on a major U.S. exchange; forward contracts for foreign currency to be used in defensive hedging only; World Equity Benchmarks (WEBs); exchange traded funds; initial public offerings (only after notification to the System's Finance Committee and its Investment Consultant); no-load mutual funds; bank, trust, or insurance company pooled funds; and cash or cash equivalents.
- *Fixed income*: The following list of investments may be purchased in the fixed-income portfolios: U.S. Treasury obligations, Treasury inflation protected bonds, government agencies and government sponsored agency debentures and mortgage pass-through; mortgage-backed To-Be-Announced (TBA) notes; collateralized mortgage obligations, limited to 25% of the portfolio; non-agency issued mortgages originated in Florida per Statute 215.47(2)(b)(c)(d); commercial mortgage-backed securities; corporate bonds and other corporate obligations, including equipment trust certificates; asset-backed securities; indexed notes, floaters, and other variable rate obligations; pooled accounts or other collective investment funds; certificates of deposit, bankers' acceptances, and commercial paper rated at least A-1 by S&P or P-1 by Moody's; mutual funds; municipal bonds; complex tranches of collateralized mortgage obligations, asset-backed securities, and commercial mortgage-backed securities (including interest only, principal only, super floaters, inverse floaters, and support bonds), limited to 10% of the portfolio at market value; and U.S. dollar global bonds and non-U.S. dollar global bonds, limited to 5% each (10% total) of the portfolio at market value. Investments not listed above may be purchased only if the investment manager receives written approval from the System's Finance Committee.

In fiscal 2018, the System amended the Plan's investment policy to permit investments in high-yield bonds and secured bank loans. In fiscal 2019, the System amended the Plan's investment policy to permit investments in 144a fixed income securities with and without registration rights.

- *Alternative investments – long/short equity hedge fund*: A hedge fund refers to an investment or strategy that is not a long-only portfolio of traditional equity. The Plan will generally invest in strategies that have at least yearly liquidity and reasonable levels of transparency.
- *Alternative investments – commingled funds*: The Plan invests in U.S. and global bonds through a commingled fund that is considered an alternative investment vehicle under Chapter 215.44, Florida Statutes. The Plan considers this investment to be a component of its fixed income allocation.

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

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB 68 (Continued)

Pension Plan Fiduciary Net Position

Stand-alone financial statements are not issued for the Plan. Detailed information about the pension plan's fiduciary net position used to compute the System's net pension liability as of April 30, 2019 and 2018, is available in the separately issued financial statements of the System for the years ended April 30, 2018 and 2017, which include the pension trust fund statements that can be obtained from the following website:

<https://www.mhs.net/-/media/mhs/files/about-us/finances/fiscal-year-2018-audited-financial-statements-may-april-30.ashx?la=en&hash=4DEDA0871BB5E017BB7DD2DC61816CE3>.

Expected Rate of Return

The projected long-term real rate of return on pension plan investments at the measurement dates April 30, 2018 and 2017 was determined using a model of current capital market simulations. It is designed to simulate a wide range of plausible scenarios of future capital market performance over a 20-year time period. It reflects the capital market conditions prevailing at the start date of the simulation. The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to support the long-term expected rate of return assumptions for the Plan by weighting the expected future real rates of return by the asset allocation percentage and by adding expected inflation and considering active and passive management investment strategies. Best estimates of arithmetic real rates of return for major assets classes included in the Plan's asset allocations as of April 30, 2018 and 2017, are summarized in the following table:

Asset Class	2018	2017
	Long-Term Expected Rate of Return	
U.S. stocks	4.4%	4.4%
BarCap aggregate bonds	1.2%	0.9%
Large cap stocks	4.4%	4.4%
International stocks	4.4%	4.4%
Emerging markets stocks	4.9%	4.9%
Hedge fund of funds	3.0%	2.9%
High-yield bonds	2.2%	2.1%
International bonds	n/a	-0.3%
Cash	0.5%	0.3%

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

Notes to Financial Statements

Note 9. Employer Pension Disclosures, As Required By GASB 68 (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the sensitivity of the net pension liability calculation to a 1.0% increase and a 1.0% decrease in the discount rate used to measure the total pension liability as of the measurement dates of April 30, 2018 and 2017, as reported by the System as of April 30, 2019 and 2018, respectively (in thousands):

	2019		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 292,205	\$ 178,319	\$ 84,046

	2018		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 304,700	\$ 194,714	\$ 103,961

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67

The net pension liability as of April 30, 2019 to be reported by the System as of April 30, 2020, was measured as of April 30, 2019. The total pension liability of the Plan as of April 30, 2019 is based on the liability determined using May 1, 2018 census data and a May 1, 2018 valuation date using update procedures to roll forward to the measurement date of April 30, 2019. The net pension liability of the Plan as of April 30, 2018 reported by the System as of April 30, 2019 was measured as of April 30, 2018. The total pension liability of the Plan as of April 30, 2018 is based on the liability determined using May 1, 2017 census data and a May 1, 2017 valuation date using update procedures to roll forward to the measurement date of April 30, 2018.

The components of the net pension liability as of the Plan's year end April 30, 2019 and 2018, were as follows (in thousands):

	2019	2018
Net pension liability		
Total pension liability	\$ 818,203	\$ 805,585
Plan fiduciary net position	(688,156)	(627,266)
Net pension liability	\$ 130,047	\$ 178,319
Plan fiduciary net position as a percentage of the total pension liability	84.1%	77.9%

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

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the sensitivity of the net pension liability calculation to a 1.0% increase and a 1.0% decrease in the discount rate used to measure the total pension liability as of April 30, 2019 and 2018 (in thousands):

	2019		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 240,440	\$ 130,047	\$ 38,125
	2018		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net pension liability	\$ 292,205	\$ 178,319	\$ 84,046

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

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Actuarial Methods and Assumptions

Significant assumptions used in the May 1, 2018 and 2017 valuations, with measurement dates of April 30, 2019 and 2018 under GASB Statement No. 67 were based on the results of various actuarial experience studies performed over the last five years. The assumptions used to measure the total pension liability as of the measurement dates of April 30, 2019 and 2018 were based on actuarial valuation dates of May 1, 2018 and 2017 follows:

	2019	2018																															
Measurement date	April 30, 2019	April 30, 2018																															
Valuation date	May 1, 2018, rolled forward from May 1, 2018 to April 30, 2019	May 1, 2017, rolled forward from May 1, 2017 to April 30, 2018																															
Actuarial cost method	Entry age normal actuarial cost method	Entry age normal actuarial cost method																															
Asset valuation method	Fair market value for plan investments	Fair market value for plan investments																															
Long-term expected rate of return	7.00%	7.00%																															
Discount rate	7.00%	7.00%																															
Mortality rates	Based on the RP-2014 Employee and Annuitant Mortality tables for males and females with the Scale MP-2014 backed out to 2006 and projected forward from 2006 generationally using Scale MP-2018 for males and females.	Based on the RP-2014 Employee and Annuitant Mortality tables for males and females with the Scale MP-2014 backed out to 2006 and projected forward from 2006 generationally using Scale BB (male).																															
Projected salary increases	Age-based rated based on plan experience starting with the rated below and increasing 0.25% per year until 2020 and remaining constant thereafter. All increases in rates through 2020 are reflected in the May 1, 2018 valuation.	Age-based rated based on plan experience starting with the rated below and increasing 0.25% per year until 2020 and remaining constant thereafter. All increases in rates through 2020 are reflected in the May 1, 2017 valuation.																															
	<table border="0"> <thead> <tr> <th style="text-align: left;"><u>Attained Age</u></th> <th style="text-align: center;"><u>Percentage Increase</u></th> </tr> </thead> <tbody> <tr> <td>Less than 35</td> <td style="text-align: center;">5.00%</td> </tr> <tr> <td>35-39</td> <td style="text-align: center;">4.75%</td> </tr> <tr> <td>40-44</td> <td style="text-align: center;">4.50%</td> </tr> <tr> <td>45-49</td> <td style="text-align: center;">4.25%</td> </tr> <tr> <td>50-54</td> <td style="text-align: center;">4.00%</td> </tr> <tr> <td>55-59</td> <td style="text-align: center;">3.75%</td> </tr> <tr> <td>60 or older</td> <td style="text-align: center;">3.50%</td> </tr> </tbody> </table>	<u>Attained Age</u>	<u>Percentage Increase</u>	Less than 35	5.00%	35-39	4.75%	40-44	4.50%	45-49	4.25%	50-54	4.00%	55-59	3.75%	60 or older	3.50%	<table border="0"> <thead> <tr> <th style="text-align: left;"><u>Attained Age</u></th> <th style="text-align: center;"><u>Percentage Increase</u></th> </tr> </thead> <tbody> <tr> <td>Less than 35</td> <td style="text-align: center;">4.75%</td> </tr> <tr> <td>35-39</td> <td style="text-align: center;">4.50%</td> </tr> <tr> <td>40-44</td> <td style="text-align: center;">4.25%</td> </tr> <tr> <td>45-49</td> <td style="text-align: center;">4.00%</td> </tr> <tr> <td>50-54</td> <td style="text-align: center;">3.75%</td> </tr> <tr> <td>55-59</td> <td style="text-align: center;">3.50%</td> </tr> <tr> <td>60 or older</td> <td style="text-align: center;">3.25%</td> </tr> </tbody> </table>	<u>Attained Age</u>	<u>Percentage Increase</u>	Less than 35	4.75%	35-39	4.50%	40-44	4.25%	45-49	4.00%	50-54	3.75%	55-59	3.50%	60 or older
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	Includes inflation at 2.5%	Includes inflation at 2.5%																															
Cost of living adjustments	None	None																															
Experience study date	May 1, 2015	May 1, 2015																															

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

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Discount Rate

The discount rate used to measure the total pension liability of the Plan as of April 30, 2019 and 2018 was 7.0%. The projection of cash flows used to determine the discount rate assumed that employer contributions are made at 100% of the annual actuarial determined value and that future contributions will be made in the same manner. Based on these assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive plan participants. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The Florida Statutes require the System to make an actuarially-determined contribution to the Plan each year. Thus, as long as the System continues to fund the Plan based on the contributions, the Plan will remain adequately funded. The valuation includes the annual contribution amount that the System funds each year. An alternative method applies for the System due to the Florida Statutes, requiring that the System fund an actuarially determined dollar amount of contribution each year. As long as the System remains financially able to make the contributions each year, there will never be a point in time where the Plan will run out of money and not be able to make the benefit payments.

Termination and Retirement Rates

As part of the demographic assumption studies performed every 3 to 5 years, to ensure that assumptions are still appropriate for the population, a study of termination and retirement rates was performed for the May 1, 2015 valuation. The results of this study were not significant to the Plan valuations.

Rate of Return

For the fiscal years ended April 30, 2019 and 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.7% and 8.5%, respectively. The money-weighted rate of return is used to express investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Expected Rate of Return

The projected long-term real rate of return on pension plan investments at April 30, 2019 and 2018, was determined using a model of current capital market simulations. It is designed to simulate a wide range of plausible scenarios of future capital market performance over a 20-year time period. It reflects the capital market conditions prevailing at the start date of the simulation. The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to support the long-term expected rate of return assumptions for the Plan by weighting the expected future real rates of return by the largest asset allocation percentage and by adding expected inflation and considering active and passive investment strategies.

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

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Best estimates of arithmetic real rates of return for major assets classes included in the Plan's asset allocations as of April 30, 2019 and 2018, are summarized in the following table:

Asset Class	2019	2018
	Long-Term Expected Rate of Return	
U.S. stocks	4.4%	4.4%
BarCap aggregate bonds	1.1%	1.2%
Large cap stocks	4.4%	4.4%
International stocks	4.4%	4.4%
Emerging markets stocks	4.9%	4.9%
Hedge fund of funds	3.1%	3.0%
High-yield bonds	2.2%	2.2%
Cash	0.6%	0.5%

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

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Fair Value Measurements – Pension Plan Assets

The tables below presents the fair value leveling of the Plan's investments as of April 30, 2019 and 2018, in accordance with GASB Statement No.72 (in thousands):

	2019		
	Level 1	Level 2	Total
SEC-registered money market funds	\$ 13,576	\$ -	\$ 13,576
U.S. treasuries	58,634	-	58,634
U.S. agencies	40,494	-	40,494
U.S. agency mortgage bonds	-	20,482	20,482
Asset-backed securities	-	7,394	7,394
Corporate debt	52,231	34,410	86,641
Commercial mortgage securities	-	6,848	6,848
Collateralized mortgage obligations	-	1,960	1,960
Pacific Life Floating Rate Income Fund	33,513	-	33,513
U.S. equities	86,645	-	86,645
U.S. equity exchange traded funds	108,706	-	108,706
International equities	67,966	-	67,966
Vanguard Global Minimum Volatility Fund	33,417	-	33,417
Dodge & Cox Global Stock Fund	120,641	-	120,641
	<u>\$ 615,823</u>	<u>\$ 71,094</u>	<u>\$ 686,917</u>

	2018		
	Level 1	Level 2	Total
SEC-registered money market funds	\$ 11,557	\$ -	\$ 11,557
U.S. treasuries	36,619	38,624	75,243
U.S. agencies	-	684	684
U.S. agency mortgage bonds	-	35,478	35,478
Asset-backed securities	-	1,801	1,801
Corporate debt	23,952	39,392	63,344
Commercial mortgage securities	-	4,789	4,789
Collateralized mortgage obligations	-	13,403	13,403
Municipal bonds	-	7,954	7,954
Pacific Life Floating Rate Income Fund	26,346	-	26,346
U.S. equities	84,342	-	84,342
U.S. equity exchange traded funds	95,768	-	95,768
International equities	70,116	-	70,116
Vanguard Global Minimum Volatility Fund	25,531	-	25,531
Dodge & Cox Global Stock Fund	110,416	-	110,416
	<u>\$ 484,647</u>	<u>\$ 142,125</u>	<u>\$ 626,772</u>

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

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Interest Rate Risk

Interest rate risk exposure is managed by limiting investment maturities in accordance with parameters in the Plan's investment policy. At April 30, 2019 and 2018, the Plan had investments maturing as follows (in thousands):

	2019				
	Fair Value	No Maturity Date or Less than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
SEC-registered money market funds	\$ 13,576	\$ 13,576	\$ -	\$ -	\$ -
U.S. treasuries	58,634	32,032	-	-	26,602
U.S. agencies	40,494	-	-	-	40,494
U.S. agency mortgage bonds	20,482	-	-	-	20,482
Asset-backed securities	7,394	-	-	-	7,394
Corporate debt	86,641	3,015	30,034	-	53,592
Commercial mortgage securities	6,848	-	-	-	6,848
Collateralized mortgage obligations	1,960	-	-	-	1,960
Pacific Life Floating Rate Income Fund	33,513	33,513	-	-	-
U.S. equities	86,645	86,645	-	-	-
U.S. equity exchange traded funds	108,706	108,706	-	-	-
International equities	67,966	67,966	-	-	-
Vanguard Global Minimum Volatility Fund	33,417	33,417	-	-	-
Dodge & Cox Global Stock Fund	120,641	120,641	-	-	-
	<u>\$ 686,917</u>	<u>\$ 499,511</u>	<u>\$ 30,034</u>	<u>\$ -</u>	<u>\$ 157,372</u>

	2018				
	Fair Value	No Maturity Date or Less than 1 Year	1-5 Years	6-10 Years	Greater Than 10 Years
SEC-registered money market funds	\$ 11,557	\$ 11,557	\$ -	\$ -	\$ -
U.S. treasuries	75,243	42,923	19,858	3,347	9,115
U.S. agencies	684	-	684	-	-
U.S. agency mortgage bonds	35,478	391	1,010	287	33,790
Asset-backed securities	1,801	-	1,645	156	-
Corporate debt	63,344	3,207	30,050	19,176	10,911
Commercial mortgage securities	4,789	-	-	-	4,789
Collateralized mortgage obligations	13,403	-	246	403	12,754
Municipal bonds	7,954	389	1,452	2,253	3,860
Pacific Life Floating Rate Income Fund	26,346	26,346	-	-	-
U.S. equities	84,342	84,342	-	-	-
U.S. equity exchange traded funds	95,768	95,768	-	-	-
International equities	70,116	70,116	-	-	-
Vanguard Global Minimum Volatility Fund	25,531	25,531	-	-	-
Dodge & Cox Global Stock Fund	110,416	110,416	-	-	-
	<u>\$ 626,772</u>	<u>\$ 470,986</u>	<u>\$ 54,945</u>	<u>\$ 25,622</u>	<u>\$ 75,219</u>

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

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Credit Risk

The Plan's investment policy provides guidelines for fixed income investment managers that require:

- fixed income securities should be rated BBB (or, its equivalent) or higher at the time of purchase by a nationally recognized statistical rating agency;
- the minimum dollar weighted average credit quality of the portfolio is "A";
- asset-backed securities, mortgage-backed securities and CMOs should be rated "AAA" (or, its equivalent) at the time of purchase by a nationally recognized statistical rating agency;
- for split ratings, the higher rating will be used to determine compliance; and,
- fixed income securities not in these guidelines shall be authorized by the Board.

During the fiscal year ending April 30, 2018, the Board amended the investment policy to allow for investments in U.S. high yield bonds and senior secured bank loans.

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

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

At April 30, 2019 and 2018, the Plan's investments have credit ratings as follows (in thousands):

	S&P Rating or Comparable as of April 30, 2019												
	Total	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Below BBB-	Not rated
SEC-registered money market funds	\$ 13,576	\$ 13,576	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasuries	58,634	32,032	26,602	-	-	-	-	-	-	-	-	-	-
U.S. agencies	40,494	-	40,494	-	-	-	-	-	-	-	-	-	-
U.S. agency mortgage bonds	20,482	-	20,073	-	-	-	-	-	-	-	409	-	-
Asset-backed securities	7,394	7,394	-	-	-	-	-	-	-	-	-	-	-
Corporate debt	86,641	1,856	1,041	2,629	5,030	4,987	10,794	14,085	8,282	5,734	8,681	23,511	11
Commercial mortgage securities	6,848	6,195	653	-	-	-	-	-	-	-	-	-	-
Collateralized mortgage obligations	1,960	-	1,960	-	-	-	-	-	-	-	-	-	-
Pacific Life Floating Rate Income Fund	33,513	-	-	-	-	-	-	-	-	-	-	-	33,513
U.S. equities	86,645	-	-	-	-	-	-	-	-	-	-	-	86,645
U.S. equity exchange traded funds	108,706	-	-	-	-	-	-	-	-	-	-	-	108,706
International equities	67,966	-	-	-	-	-	-	-	-	-	-	-	67,966
Vanguard Global Minimum Volatility Func	33,417	-	-	-	-	-	-	-	-	-	-	-	33,417
Dodge & Cox Global Stock Fund	120,641	-	-	-	-	-	-	-	-	-	-	-	120,641
	\$ 686,917	\$ 61,053	\$ 90,823	\$ 2,629	\$ 5,030	\$ 4,987	\$ 10,794	\$ 14,085	\$ 8,282	\$ 5,734	\$ 9,090	\$ 23,511	\$ 450,899

	S&P Rating or Comparable as of April 30, 2018												
	Total	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Below BBB-	Not rated
SEC-registered money market funds	\$ 11,557	\$ 11,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasuries	75,243	-	75,243	-	-	-	-	-	-	-	-	-	-
U.S. agencies	684	-	-	-	684	-	-	-	-	-	-	-	-
U.S. agency mortgage bonds	35,478	-	35,478	-	-	-	-	-	-	-	-	-	-
Asset-backed securities	1,801	1,801	-	-	-	-	-	-	-	-	-	-	-
Corporate debt	63,344	1,582	-	-	970	1,100	3,669	4,749	8,793	7,129	17,482	17,867	3
Commercial mortgage securities	4,789	4,436	353	-	-	-	-	-	-	-	-	-	-
Collateralized mortgage obligations	13,403	3,889	8,953	-	-	-	-	-	200	138	213	-	10
Municipal bonds	7,954	315	-	2,512	2,543	892	372	541	290	-	489	-	-
Pacific Life Floating Rate Income Fund	26,346	-	-	-	-	-	-	-	-	-	-	-	26,346
U.S. equities	84,342	-	-	-	-	-	-	-	-	-	-	-	84,342
U.S. equity exchange traded funds	95,768	-	-	-	-	-	-	-	-	-	-	-	95,768
International equities	70,116	-	-	-	-	-	-	-	-	-	-	-	70,116
Vanguard Global Minimum Volatility Func	25,531	-	-	-	-	-	-	-	-	-	-	-	25,531
Dodge & Cox Global Stock Fund	110,416	-	-	-	-	-	-	-	-	-	-	-	110,416
	\$ 626,772	\$ 23,580	\$ 120,027	\$ 2,512	\$ 4,197	\$ 1,992	\$ 4,041	\$ 5,290	\$ 9,283	\$ 7,267	\$ 18,184	\$ 17,867	\$ 412,532

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

Notes to Financial Statements

Note 10. Pension Plan Disclosures, As Required by GASB Statement No. 67 (Continued)

Concentration of Credit Risk

The Plan's investment policy provides the following guidelines to limit concentration of credit risk.

- No more than 10% of a fixed income portfolio shall be invested in securities of any one issuer with the exception of the U.S. government
- No more than 3% of Plan assets may be invested in any one bond, with the exception of securities issued or guaranteed by the U.S. government
- No more than 50% of fixed income assets may be in non-government guaranteed agency securities

Custodial Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of April 30, 2019 and 2018, the Plan's investment portfolio was held by a single third-party custodian.

Foreign Currency Risk

GASB Statement No. 40 requires disclosure of deposits or investments exposed to foreign currency risk, which is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Plan's exposure to foreign currency derives from its positions in foreign currency denominated equities.

As of April 30, 2019 and 2018, global equities had a target percentage of 20% of the Plan's assets. The following table shows the Plan's exposure to foreign currencies as of April 30, 2019 and 2018 (in thousands):

Currency	2019	2018
Australian dollar	\$ 2,977	\$ 3,549
British sterling pound	9,413	7,752
Canadian dollar	3,095	1,533
Danish krone	2,956	2,863
EMU (euro)	13,779	17,536
Hong Kong dollar	10,172	13,331
Japanese yen	10,935	12,499
Swiss franc	11,484	11,053
Total Plan investments subject to foreign currency risk	<u>\$ 64,811</u>	<u>\$ 70,116</u>
Percentage of total Plan assets	9.4%	11.2%

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

Notes to Financial Statements

Note 11. Defined-Contribution Plans

The System implemented the 401(a) Plan for employees who were hired or had a status change on or after November 1, 2011. Eligible employees are those who are full-time (working 72 hours or more per pay period) and who accumulate 1,872 hours in a calendar year, not including overtime. The 401(a) Plan is a defined-contribution plan under which the System makes required contributions for each employee equal to 2.5% of eligible compensation. An employee is 100% vested after 5 years of vesting service.

Eligible employees may also participate in the Memorial Healthcare System 403(b) Retirement Plan (the 403(b) Plan). Employees are eligible to participate immediately, and full-time and part-time employees who work more than 40 hours per pay period are eligible for employer matching contributions. The 403(b) Plan is a defined-contribution plan under which the System makes required contributions of up to 55% of the employee's contribution (based on the employee's years of service) not to exceed 5% of the employee's eligible compensation. Employees vest 20% per year of employment for employer matched funds.

Participants in the 401(a) Plan and 403(b) Plan are responsible for selecting investment options for their individual account. The System's contribution for and interest forfeited by employees who leave employment before vesting is used to reduce the System's current period contribution requirement. For the years ended April 30, 2019 and 2018, the System's contribution expense was approximately \$6,732,000 and \$7,053,000, respectively, for the 401(a) Plan and was approximately \$18,867,000 and \$16,844,000, respectively, for the 403(b) Plan and is included in employee benefits in the accompanying statements of revenues, expenses and changes in fund net position.

Note 12. Regulatory Matters

In May 1984, the State Legislature enacted the Health Care Consumer Protection and Awareness Act (the Act) in an effort to improve access to medical care for indigent persons. The Act established, among other things, the Public Medical Assistance Trust Fund (PMATF) which is financed by an assessment on the net operating revenues of Florida hospitals. In 1992, the State Legislature transferred the authority to levy assessments to AHCA. The amount of the PMATF assessment is 1.5% of adjusted inpatient operating revenue and 1.0% of adjusted outpatient operating revenue. The assessed amounts recognized by the System were approximately \$25,545,000 and \$23,930,000 for the years ended April 30, 2019 and 2018, respectively, and are reported as other operating expenses in the accompanying statements of revenues, expenses, and changes in fund net position.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

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

Notes to Financial Statements

Note 13. Other Noncurrent Liabilities

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

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

	2019	2018
Balance at beginning of year	\$ 46,521	\$ 48,812
AHCA assessments	830	144
Disability income	(1,099)	(1,365)
Physician guarantee income	(153)	(77)
Unearned rent liability	(16)	(239)
Long-term portion of capital lease obligations	(9)	(754)
Balance at end of year	<u>\$ 46,074</u>	<u>\$ 46,521</u>

Note 14. Leases

The Memorial Hospital Pembroke facility is leased from Hospital Realty, LLC (the Lease) through June 30, 2025. The Lease, as renegotiated, calls for base rent of \$4,300,000 annually through June 30, 2008 with 1.5% annual escalations thereafter.

Including the Lease, the System is also obligated under various noncancellable operating leases for office space, medical equipment, data processing equipment, and system support services that expire at various times through fiscal year 2039. The annual minimum lease payments under noncancellable operating leases for the next five years and thereafter as of April 30, 2019, are as follows (in thousands):

Years ending April 30:	
2020	\$ 22,792
2021	21,073
2022	16,354
2023	14,509
2024	12,194
2025-2029	18,038
2030-2034	705
2035-2039	711
	<u>\$ 106,376</u>

Rent expense for operating leases was approximately \$22,054,000 and \$18,774,000 for the years ended April 30, 2019 and 2018, respectively.

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

Notes to Financial Statements

Note 15. Nonoperating Revenues (Expenses), Net

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

	2019	2018
Investment income and other, net	\$ 47,710	\$ 36,013
Depreciation expense	1,371	2,561
Unrealized gains (losses) on investments	35,432	(26,925)
Interest expense	(33,955)	(31,671)
Interest expense subsidy	3,530	3,494
Contribution (see Note 16)	(15,000)	-
Ad valorem taxes, net	266	-
	<u>\$ 39,354</u>	<u>\$ (16,528)</u>

The System had gross ad valorem tax receipts of approximately \$7,797,000 and \$7,750,000 for the years ended April 30, 2019 and 2018, respectively.

Note 16. Related Parties

The System has related party relationships with two Foundations that raise money to benefit the System. The System provides operational support to these Foundations in the form of donated services under administrative services agreements and contributions. For the year ended April 30, 2019, the System contributed approximately \$15,000,000 to the Memorial Foundation which was included in nonoperating revenues (expenses), net in the accompanying statements of revenues, expenses and changes in fund net position.

Required Supplementary Information

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

**Schedules of Required Supplementary Information
Schedule of Changes in the Plan's Net Pension Liability and Related Ratios
(In Thousands)**

	2019	2018	2017	2016	2015
Total pension liability					
Service cost	\$ 16,386	\$ 16,902	\$ 17,460	\$ 17,579	\$ 17,980
Interest	54,578	52,277	48,950	45,777	43,771
Differences between expected and actual experience	(13,440)	830	(926)	(1,572)	-
Changes in assumptions	(20,003)	-	305	25,721	-
Benefit payments	(24,903)	(20,812)	(18,572)	(16,302)	(14,800)
Net change in total pension liability	12,618	49,197	47,217	71,203	46,951
Total pension liability – beginning	805,585	756,388	709,171	637,968	591,017
Total pension liability – ending (a)	<u>\$ 818,203</u>	<u>\$ 805,585</u>	<u>\$ 756,388</u>	<u>\$ 709,171</u>	<u>\$ 637,968</u>
Plan fiduciary net position					
Contributions – employer	\$ 37,043	\$ 38,343	\$ 37,295	\$ 37,649	\$ 33,764
Net investment income	48,985	48,286	53,180	(9,762)	20,731
Benefit payments	(24,903)	(20,812)	(18,572)	(16,302)	(14,800)
Administrative expense	(235)	(225)	(261)	(236)	(216)
Net change in plan fiduciary net position	60,890	65,592	71,642	11,349	39,479
Plan fiduciary net position – beginning	627,266	561,674	490,032	478,683	439,204
Plan fiduciary net position – ending (b)	<u>\$ 688,156</u>	<u>\$ 627,266</u>	<u>\$ 561,674</u>	<u>\$ 490,032</u>	<u>\$ 478,683</u>
Plan's net pension liability – ending (a) – (b)	<u>\$ 130,047</u>	<u>\$ 178,319</u>	<u>\$ 194,714</u>	<u>\$ 219,139</u>	<u>\$ 159,285</u>
Plan fiduciary net position as a percentage of total pension liability	84.1%	77.9%	74.3%	69.1%	75.0%
Covered payroll	\$ 346,296	\$ 369,605	\$ 387,420	\$ 405,279	\$ 430,332
Plan's net pension liability as a percentage of covered payroll	37.6%	48.3%	50.3%	54.1%	37.0%

This Schedule is presented for only those years for which information is available until a full 10-year trend is compiled.

The information above is reported in the System's financial statements one year in arrears.

The System implemented GASB 68 as of May 1, 2015.

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

**Schedules of Required Supplementary Information (Continued)
Schedule of Changes in the Plan's Net Pension Liability and Related Ratios
(In Thousands)**

Notes to Schedule

Valuation date	Liability determined using May 1 census data and valuation date using update procedures to roll forward to the measurement date; census data and valuation date both one year prior to the measurement date and the Plan fiscal year end, reported by the System two years prior to its fiscal year end.
<i>Methods and assumptions used to determine accounting and financial reporting under GASB Statements No. 67 and No. 68.</i>	
Actuarial cost method	Entry age normal actuarial cost method for the total pension liability under GASB Statements No. 67 and No. 68.
Asset valuation method	Fair market value for fiduciary net position used to determine net pension liability under GASB Statements No. 67 and No. 68.
Long-term expected rate of return*	7.0% starting with the May 1, 2015 valuation; 7.5% prior to May 1, 2015
Mortality rates	For the May 1, 2018 valuation, mortality rates were based on the RP-2014 Employee and Annuitant tables for males and females with the Scale MP-2014 backed out to 2006 and projected forward from 2006 generationally using Scale MP-2018 for males and females. Prior to May 1, 2018, mortality rates were based on the RP-2014 Employee and Annuitant tables for males and females with the Scale MP-2014 backed out to 2006 and projected forward from 2006 generationally using Scale BB (male).
Projected salary increases*	For the May 1, 2018 valuation, an age-graded select and ultimate table of rates was used starting with 5.00% and grading down to 3.50% in 2018 and increasing .25% per year to 2020 when rates are 5.5% and grading down to 4.00%. For the May 1, 2017 valuation, an age-graded select and ultimate table of rates was used starting with 4.75% and grading down to 3.25% in 2017 and increasing .25% per year to 2020 when rates are 5.5% and grading down to 4.00%. For the May 1, 2016 valuation, an age-graded select and ultimate table of rates was used starting with 4.50% and grading down to 3.00% in 2016 and increasing .25% per year to 2020 when rates are 5.5% and grading down to 4.00%. For the May 1, 2015 valuation, an age-graded select and ultimate table of rates was used starting with 4.25% and grading down to 2.75% in 2015 and increasing 0.25% per year to 2020 when rates are 5.5% and grading down to 4.00%; for the May 1, 2014 valuation, an age-graded select and ultimate table of rates was used starting with 4.0% and grading down to 2.5% in 2014 and increasing 0.25% per year to 2022 when rates are 6.0% and grading down to 4.5%.

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

**Schedule of System Contributions – Last 10 Fiscal Years
(In Thousands)**

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 37,043	\$ 38,343	\$ 37,295	\$ 37,649	\$ 33,764
Contributions in relation to the actuarially determined contribution	37,043	38,343	37,295	37,649	33,764
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	346,296	369,605	387,420	405,279	430,332
Contributions as a percentage of covered payroll	10.7%	10.4%	9.6%	9.3%	7.8%
	2014	2013	2012	2011	2010
Actuarially determined contribution	\$ 34,988	\$ 33,031	\$ 29,899	\$ 28,924	\$ 28,260
Contributions in relation to the actuarially determined contribution	34,988	33,031	29,899	28,924	28,260
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	453,033	464,209	440,349	421,333	399,400
Contributions as a percentage of covered payroll	7.7%	7.1%	6.8%	6.9%	7.1%

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

Schedule of System Contributions – Last 10 Fiscal Years (Continued)
(In Thousands)

Notes to Schedule

Valuation date	Actuarially determined contributions are calculated as of the beginning of each fiscal year/plan year and interest-adjusted to the end of the year. 1/12 of this amount is paid by the System on a monthly basis.
<i>Methods and assumptions used to determine annual required contributions.</i>	
Actuarial cost method	Projected unit credit cost method.
Amortization method	Starting with the May 1, 2012 valuation – Level dollar amount, closed; prior to May 1, 2012 – Level percent of pay, closed.
Remaining amortization period	9 – 12 years, the average future work life expectancy of the active participants in the year the amortization base is established. Prior to May 1, 2012, any new assumption or plan change was amortized over 30 years and experience change was amortized over 15 years.
Asset valuation method	Five-year smoothed market value
Inflation	2.50% starting with the May 1, 2010 valuation; 3.50% for May 1, 2009 valuation
Salary increases	For the May 1, 2018 valuation, an age-graded select and ultimate table of rates was used starting with 5.00% and grading down to 3.50% in 2018 and increasing .25% per year to 2020 when rates are 5.5% and grading down to 4.00%. For the May 1, 2017 valuation, an age-graded select and ultimate table of rates was used starting with 4.75% and grading down to 3.25% in 2017 and increasing .25% per year to 2020 when rates are 5.5% and grading down to 4.00%. For the May 1, 2016 valuation, an age-graded select and ultimate table of rates was used starting with 4.5% and grading down to 3.0% in 2016 and increasing .25% per year to 2020 when rates are 5.5% and grading down to 4.00%. For the May 1, 2015 valuation, an age-graded select and ultimate table of rates was used starting with 4.25% and grading down to 2.75% in 2015 and increasing 0.25% per year to 2020 when rates are 5.5% and grading down to 4.0%; for the May 1, 2014 valuation, an age-graded select and ultimate table of rates was used starting with 4.0% and grading down to 2.5% in 2014 and increasing 0.25% per year to 2022 when rates are 6.0% and grading down to 4.5%; prior to May 1, 2014, age-graded rates starting with 6.0%, grading down to 4.5%.

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

Schedule of System Contributions – Last 10 Fiscal Years (Continued)
(In Thousands)

Notes to Schedule

Investment rate of return	7.0% starting with the May 1, 2015 valuation; 7.5% prior to May 1, 2015
Mortality rates	Starting with the May 1, 2016 valuation – combined RP-2000 Mortality tables for males and females projected forward generationally using Scale BB; For the May 1, 2014 and May 1, 2015 valuations – RP-2014 Employee and Annuitant Mortality tables for males and females with the Scale MP-2014 backed out to 2006 and projected forward from 2006 generationally using Scale BB (male); May 1, 2013 valuation – combined RP-2000 Mortality tables for males and females projected to ten years past the valuation year using Scale AA; prior to May 1, 2013 – combined RP-2000 Mortality tables for males and females projected to the valuation year using Scale AA.
Other information	The benefit formula for participants hired after May 1, 2010 was changed. At May 1, 2011, the Plan was closed to employees hired or rehired after October 31, 2011.

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

**Schedules of Required Supplementary Information
Schedules of Plan Investment Returns**

	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	7.7%	8.5%	10.7%	(2.0)%

This schedules is presented for only those years for which information is available until a full 10 year trend is compiled.

Supplementary Information

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

Combining Statements of Net Position – System
April 30, 2019
(In Thousands)

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations, Eliminations	Combined
Assets and Deferred Outflows of Resources						
Current assets:						
Cash and cash equivalents	\$ 50	\$ -	\$ -	\$ -	\$ 551,743	\$ 551,793
Investments	-	-	-	-	1,548,211	1,548,211
Patient accounts receivable, net	155,997	69,428	12,526	18,767	2,604	259,322
Ad valorem taxes receivable	-	-	-	-	114	114
Inventories	21,059	9,685	2,377	2,448	4,043	39,612
Other current assets	11,071	2,227	1,152	547	48,134	63,131
Restricted assets:						
Under indenture agreements for debt service	-	-	-	-	180,206	180,206
Total current assets	188,177	81,340	16,055	21,762	2,335,055	2,642,389
Noncurrent assets:						
Designated investments for employee disability	-	-	-	-	18,343	18,343
Investments under self-insurance trust agreements	-	-	-	-	44,232	44,232
Restricted assets, net of current portion:						
Under indenture agreements for debt service	-	-	-	-	-	-
Due from Memorial Healthcare System	515,985	996,824	-	277,414	(1,790,223)	-
Capital assets, net	359,688	254,470	18,010	89,532	187,231	908,931
Other assets	55	5	9	3	43,322	43,394
Total assets	\$ 1,063,905	\$ 1,332,639	\$ 34,074	\$ 388,711	\$ 837,960	\$ 3,657,289
Deferred outflows of resources:						
Deferred outflows – pension related items	-	-	-	-	53,253	\$ 53,253
Loss on defeasance, net	-	-	-	-	21,123	21,123
Total deferred outflows of resources	\$ -	\$ -	\$ -	\$ -	\$ 74,376	\$ 74,376

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

Combining Statements of Net Position – System (Continued)

April 30, 2019

(In Thousands)

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations, Eliminations	Combined
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities:						
Accounts payable and accrued expenses	\$ 25,611	\$ 11,525	\$ 2,947	\$ 2,886	\$ 47,463	\$ 90,432
Accrued compensation and payroll taxes	17,098	9,229	2,808	3,306	145,354	177,795
Estimated third-party payor settlements	39,667	15,249	6,610	6,067	42	67,635
Current installments of long-term debt	-	-	-	-	161,170	161,170
Current portion of estimated claims liability	-	-	-	-	18,709	18,709
Other current liabilities	16,257	8,513	2,876	3,157	(4,924)	25,879
Total current liabilities	98,633	44,516	15,241	15,416	367,814	541,620
Due to Memorial Healthcare System	-	-	28,453	-	(28,453)	-
Long-term portion of estimated claims liability	-	-	-	-	26,946	26,946
Net pension liability	-	-	-	-	178,319	178,319
Other noncurrent liabilities	7,191	3,748	3,932	1,321	29,882	46,074
Long-term debt	-	-	-	-	690,315	690,315
Total liabilities	\$ 105,824	\$ 48,264	\$ 47,626	\$ 16,737	\$ 1,264,823	\$ 1,483,274
Deferred inflows – pension related items	\$ -	\$ -	\$ -	\$ -	\$ 1,341	\$ 1,341
Net position:						
Net investment in capital assets	\$ 359,688	\$ 254,470	\$ 18,010	\$ 89,532	\$ (482,524)	\$ 239,176
Restricted for debt service	-	-	-	-	30,206	30,206
Unrestricted	598,393	1,029,905	(31,562)	282,442	98,490	1,977,668
Total net position	\$ 958,081	\$ 1,284,375	\$ (13,552)	\$ 371,974	\$ (353,828)	\$ 2,247,050

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

**Combining Statements of Net Position – System
April 30, 2018
(In Thousands)**

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations, Eliminations	Combined
Assets and Deferred Outflows of Resources						
Current assets:						
Cash and cash equivalents	\$ 50	\$ -	\$ -	\$ -	\$ 526,268	\$ 526,318
Investments	-	-	-	-	1,375,980	1,375,980
Patient accounts receivable, net	134,476	59,480	12,985	20,916	3,770	231,627
Ad valorem taxes receivable	-	-	-	-	114	114
Inventories	20,572	8,517	2,763	2,256	3,592	37,700
Other current assets	13,418	2,844	1,397	797	46,407	64,863
Restricted assets:						
Under indenture agreements for debt service	-	-	-	-	22,647	22,647
Total current assets	168,516	70,841	17,145	23,969	1,978,778	2,259,249
Noncurrent assets:						
Designated investments for capital improvements	-	-	-	-	2,462	2,462
Designated investments for employee disability	-	-	-	-	18,078	18,078
Investments under self-insurance trust agreements	-	-	-	-	42,762	42,762
Restricted assets, net of current portion:						
Under indenture agreements for debt service	-	-	-	-	155,759	155,759
Due from Memorial Healthcare System	449,701	942,327	-	232,521	(1,624,549)	-
Capital assets, net	353,919	218,538	17,524	91,035	178,385	859,401
Other assets	149	4	8	-	37,930	38,091
Total assets	\$ 972,285	\$ 1,231,710	\$ 34,677	\$ 347,525	\$ 789,605	\$ 3,375,802
Deferred outflows of resources:						
Deferred outflows – pension related items	\$ -	\$ -	\$ -	\$ -	\$ 72,526	\$ 72,526
Loss on defeasance, net	-	-	-	-	22,397	22,397
Total deferred outflows of resources	\$ -	\$ -	\$ -	\$ -	\$ 94,923	\$ 94,923

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

Combining Statements of Net Position – System (Continued)
April 30, 2018
(In Thousands)

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations, Eliminations	Combined
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities:						
Accounts payable and accrued expenses	\$ 26,051	\$ 13,674	\$ 4,337	\$ 4,425	\$ 53,576	\$ 102,063
Accrued compensation and payroll taxes	15,038	7,994	2,729	3,039	134,755	163,555
Estimated third-party payor settlements	28,625	4,218	5,386	4,600	45	42,874
Current installments of long-term debt	-	-	-	-	11,060	11,060
Current portion of estimated claims liability	-	-	-	-	18,045	18,045
Other current liabilities	16,230	7,711	2,592	2,919	503	29,955
Total current liabilities	85,944	33,597	15,044	14,983	217,984	367,552
Due to Memorial Healthcare System	-	-	27,767	-	(27,767)	-
Long-term portion of estimated claims liability	-	-	-	-	25,896	25,896
Net pension liability	-	-	-	-	194,714	194,714
Other noncurrent liabilities	6,713	3,393	4,179	1,275	30,961	46,521
Long-term debt	-	-	-	-	752,751	752,751
Total liabilities	\$ 92,657	\$ 36,990	\$ 46,990	\$ 16,258	\$ 1,194,539	\$ 1,387,434
Deferred inflows – pension related items	\$ -	\$ -	\$ -	\$ -	\$ 1,788	\$ 1,788
Net position:						
Net investment in capital assets	\$ 353,919	\$ 218,538	\$ 17,524	\$ 91,035	\$ (403,160)	\$ 277,856
Restricted for debt service					28,406	28,406
Unrestricted	525,709	976,182	(29,837)	240,232	62,955	1,775,241
Total net position	\$ 879,628	\$ 1,194,720	\$ (12,313)	\$ 331,267	\$ (311,799)	\$ 2,081,503

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

Combining Statements of Revenues, Expenses,
and Changes in Fund Net Position – System
Year Ended April 30, 2019
(In Thousands)

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations	Combined
Operating revenue:						
Net patient service revenue	\$ 1,009,709	\$ 569,958	\$ 136,894	\$ 198,151	\$ 90,027	\$2,004,739
Disproportionate share distributions	33,449	59	4,812	(328)	685	38,677
Other operating revenues	32,731	9,626	3,435	2,666	56,143	104,601
Total operating revenue	1,075,889	579,643	145,141	200,489	146,855	2,148,017
Operating expenses:						
Salaries and wages	481,338	219,863	70,453	78,857	147,998	998,509
Employee benefits	92,250	43,090	13,646	15,956	16,984	181,926
Professional fees	24,773	14,235	4,916	4,461	608	48,993
Supplies	212,860	105,144	20,948	22,948	52,677	414,577
Purchased services	51,396	40,649	14,236	12,948	6,267	125,496
Facilities	38,412	16,893	10,151	6,927	6,354	78,737
Depreciation and amortization	48,001	23,553	5,621	8,842	6,131	92,148
Other	38,935	20,291	6,008	7,032	11,774	84,040
Total operating expenses	987,965	483,718	145,979	157,971	248,793	2,024,426
Operating income (loss)	87,924	95,925	(838)	42,518	(101,938)	123,591
Nonoperating revenues (expenses), net	(11,933)	(6,380)	(401)	(1,841)	59,909	39,354
Income (loss) before capital contributions and grants	75,991	89,545	(1,239)	40,677	(42,029)	162,945
Capital contributions and grants	2,462	110	-	30	-	2,602
Increase (decrease) in net position	78,453	89,655	(1,239)	40,707	(42,029)	165,547
Net position at the beginning of the year	879,628	1,194,720	(12,313)	331,267	(311,799)	2,081,503
Net position at the end of the year	\$ 958,081	\$ 1,284,375	\$ (13,552)	\$ 371,974	\$ (353,828)	\$ 2,247,050

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

Combining Statements of Revenues, Expenses,
and Changes in Fund Net Position – System
Year Ended April 30, 2018
(In Thousands)

	Memorial Regional Hospital and Affiliated Providers	Memorial Hospital West	Memorial Hospital Pembroke	Memorial Hospital Miramar	Other Non- Hospital Operations	Combined
Operating revenue:						
Net patient service revenue	\$ 957,100	\$ 523,123	\$ 141,815	\$ 190,046	\$ 81,005	\$1,893,089
Disproportionate share distributions	23,806	8,137	5,746	1,274	323	39,286
Other operating revenues	30,128	8,752	3,557	2,738	37,384	82,559
Total operating revenue	1,011,034	540,012	151,118	194,058	118,712	2,014,934
Operating expenses:						
Salaries and wages	464,542	205,993	73,123	78,754	133,353	955,765
Employee benefits	94,240	41,736	14,945	16,220	12,787	179,928
Professional fees	23,433	11,477	4,779	4,388	1,229	45,306
Supplies	204,546	95,910	22,452	22,752	38,380	384,040
Purchased services	51,177	35,810	14,359	12,577	5,712	119,635
Facilities	37,682	13,966	10,231	6,856	10,805	79,540
Depreciation and amortization	50,999	20,164	5,954	8,950	4,146	90,213
Other	39,716	18,931	5,778	6,652	10,704	81,781
Total operating expenses	966,335	443,987	151,621	157,149	217,116	1,936,208
Operating income (loss)	44,699	96,025	(503)	36,909	(98,404)	78,726
Nonoperating revenues (expenses), net	(12,285)	(3,946)	(406)	(1,942)	2,051	(16,528)
Income (loss) before capital contributions and grants	32,414	92,079	(909)	34,967	(96,353)	62,198
Capital contributions and grants	2,934	(500)	4	-	-	2,438
Increase (decrease) in net position	35,348	91,579	(905)	34,967	(96,353)	64,636
Net position at the beginning of the year	844,280	1,103,141	(11,408)	296,300	(215,446)	2,016,867
Net position at the end of the year	\$ 879,628	\$ 1,194,720	\$ (12,313)	\$ 331,267	\$ (311,799)	\$ 2,081,503