

NORTH BROWARD HOSPITAL DISTRICT

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

June 30, 2020 and 2019

(With Report of Independent Auditors Thereon)

NORTH BROWARD HOSPITAL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
North Broward Hospital District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the North Broward Hospital District (the District) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the North Broward Hospital District as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 10, and the schedule of changes in net pension liability and related ratios – defined benefit pension plan, the schedule of employer contributions – defined benefit pension plan, the schedule of money-weighted rate of return – defined benefit pension plan and the schedule of changes in total OPEB liability and related ratios on pages 78 to 81, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining information on pages 82 to 84 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Warren Averett, LLC

Birmingham, Alabama

October 28, 2020

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

This section of the North Broward Hospital District's (the District) annual financial report presents the District's analysis of its financial performance as of June 30, 2020 and 2019, and for the fiscal years then ended. Please read this analysis in conjunction with the financial statements, which follow this section.

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

Overview of the Financial Statements

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

Required Financial Statements

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

All of the revenue and expenses for fiscal years 2020 and 2019 are accounted for in the statement of revenues, expenses, and changes in net position. The statements measure the annual financial performance of the District's operations and can be used to determine whether the District has recovered all of its costs through its net patient service revenue, ad valorem taxes, and other sources of revenue.

The final required statement is the statements of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing (capital and noncapital) activities. The statement highlights the key sources and uses of the District's cash and what the change in the cash balance was during the reporting period. The District's financial statements report also includes separate statements of fiduciary net position and statements of changes in fiduciary net position which represent the District's fiduciary activities consisting of its pension trust fund.

Financial Analysis of the North Broward Hospital District

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

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

A comparative summary of the District's statements of net position at June 30, 2020, 2019, and 2018, is presented below:

	2020	2019	2018
	(In thousands of dollars)		
Assets:			
Current assets	\$ 871,724	\$ 805,824	\$ 825,965
Asset whose use is limited, net of amount for current obligations	32,230	32,193	58,389
Investments	218,562	228,162	150,088
Capital assets, net	567,325	560,493	577,467
Other assets	58,159	36,131	29,430
Total assets	\$ 1,748,000	\$ 1,662,803	\$ 1,641,339
Deferred outflows of resources:			
Deferred amount on debt refundings	22,377	25,117	27,859
Pension	5,721	10,915	16,721
Deferred other postemployment benefits	24,407	1,665	—
Total deferred outflows of resources	\$ 52,505	\$ 37,697	\$ 44,580
Liabilities:			
Current liabilities	\$ 303,977	\$ 227,020	\$ 229,920
Long-term debt	330,592	337,242	343,637
Other liabilities	212,658	189,773	184,560
Total liabilities	\$ 847,227	\$ 754,035	\$ 758,117
Deferred inflows of resources:			
Pension	\$ 30,165	\$ 23,192	\$ 18,799
Other postemployment benefits	5,243	6,347	5,544
Total deferred inflows of resources	\$ 35,408	\$ 29,539	\$ 24,343
Net position:			
Net investment in capital assets	\$ 248,546	\$ 236,624	\$ 284,295
Restricted for donor restrictions	19,877	26,968	26,117
Unrestricted	649,447	653,334	593,047
Total net position	\$ 917,870	\$ 916,926	\$ 903,459

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

The net position of the District totaled \$917.9, \$916.9, and \$903.5 million as of June 30, 2020, 2019, and 2018, respectively. The increase in net position of \$0.9 million in fiscal year 2020 was primarily due to \$35.5 million in loss from operations net of tax revenues, gain on investments of \$20.5 million, interest expense and other non-operating costs of \$21.9 million, Cares Act stimulus funds received from the federal government of \$37.7 million, and \$0.1 million in capital contributions.

Budgetary Highlights

Beginning with the month of March 2020, the District began to experience the effects of the COVID-19 pandemic. The District experienced a loss of roughly five thousand admissions, two thousand elective surgical cases, and thirty-four thousand emergency cases attributed to the pandemic when comparing to this same time period for FY 2019. On March 20, 2020, Governor DeSantis executed Executive Order 20-72, which prohibited hospitals, ambulatory surgical centers, office surgery centers, dental, orthodontic and endodontic offices, and other health care practitioners' offices in the state of Florida from providing any medically unnecessary, non-urgent, or non-emergency procedure or surgery, and prohibited health care practitioners licensed in the State of Florida from performing such elective surgeries. Executive Order 20-112, which became effective on May 4, 2020, ended the prohibitions contained in Executive Order 20-72, allowing Florida health care providers to resume providing elective surgeries, subject to certain conditions. The tourism industry was especially affected with cruise-line ports effectively closed. The district derives a significant amount of its business from tourism related activity.

By April 2020, the district activated a system-wide work-from-home program and all non-essential personnel began to work remotely. During the three-and-a-half month period ending June 30th, the district spent \$1.6 million in capital expenditures attributed to the expansion of isolation rooms and other capital expenditures related to surge planning, \$10.2 million in non-wage operating expenses related to surge planning and personal protective equipment and \$1.3 million in increased staffing related to higher levels of care required to care for COVID-19 positive patients.

Overall, the District performed behind budget by \$1.3 million, in fiscal year 2020. Operationally, the District performed below budget by \$36.4 million. Total operating expenses were under budget by \$106.8 million, offset by total operating revenue being under budget by \$143.2 million. Non-operating income was over budget by \$34.9 million, primarily due to Cares Act funding received by the federal government in the amount of \$37.7 million. Inpatient admissions were under budget by 10.7%, while observations cases were over budget by 0.2%, with total hospitalized patient (Admissions plus Observation cases) under budget by 7.4%. Outpatient volumes were under budget by 13.1%, due to a reduction in physician office visits, emergency room visits, medical center visits, and ancillary visits. Losses in volume were primarily due to the COVID-19 pandemic.

Capital Assets and Debt Administration

As of June 30, 2020, 2019, and 2018, the District had net capital assets of \$567.3 million, \$560.5 million, and \$577.5 million, respectively, an increase of \$6.8 million from 2019 to 2020 and a decrease of \$17.0 million from 2018 to 2019. The increase in 2020 was mainly composed of \$61.4 million in capital expenditures, \$54.3 million in depreciation, and a \$248 thousand loss from disposal of assets. Significant capital expenditures were comprised mainly of \$14.5 million for the purchase of a parcel of land in Parkland, \$5.5 million for the renovation of the 4th Floor NICU at Broward Health Medical Center, \$4.0 million for district-wide Physiological Monitoring upgrade, \$3.3 million for system-wide bed

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

replacements, and \$3.3 million for a new Cardiac Catheterization Lab at Broward Health Coral Springs. During 2020, Broward Health continued to review fully depreciated capital assets no longer in use with minor individual disposable values.

Capital assets at June 30, 2020, 2019, and 2018, are as follows:

	<u>2020</u>		<u>2019</u>		<u>2018</u>
		(In thousands of dollars)			
Land and land improvements	\$ 69,597		\$ 51,431		\$ 51,367
Buildings and building improvements	824,787		823,708		733,518
Equipment	<u>586,535</u>		<u>567,274</u>		<u>594,868</u>
	1,480,919		1,442,413		1,379,753
Less accumulated depreciation	<u>(941,828)</u>		<u>(890,785)</u>		<u>(925,874)</u>
	539,091		551,628		453,879
Construction-in-progress	<u>28,234</u>		<u>8,865</u>		<u>123,588</u>
	<u>\$ 567,325</u>		<u>\$ 560,493</u>		<u>\$ 577,467</u>

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

Revenues, Expenses, and Changes in Net Position

While the statements of net position show all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, the statements of revenues, expenses, and changes in net position provide answers to the nature and source of the changes of net position.

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

The following table presents the District's condensed statements of revenues, expenses, and changes in net position for fiscal years 2020, 2019, and 2018:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
	(In thousands of dollars)		
Operating revenues	\$ 1,007,397	\$ 1,034,370	\$ 1,035,556
Operating expenses	<u>1,172,282</u>	<u>1,163,194</u>	<u>1,083,593</u>
Operating loss	(164,885)	(128,824)	(48,037)
Unrestricted property tax revenue	129,416	128,635	138,582
Other nonoperating revenue (expense), net	(1,421)	13,553	29,558
CARES act stimulus	37,692	—	—
Capital contributions	<u>142</u>	<u>103</u>	<u>97</u>
Increase in net position	944	13,467	120,200
Net position:			
Beginning of year	<u>916,926</u>	<u>903,459</u>	<u>783,259</u>
End of year	<u>\$ 917,870</u>	<u>\$ 916,926</u>	<u>\$ 903,459</u>

Management's Discussion of Recent Financial Performance

Overview – Fiscal Year 2020 as Compared to Fiscal Years 2019 and 2018

In fiscal year 2020, the District experienced an increase in net position of \$0.9 million, as compared to increases in net position of \$13.5 million in 2019 and \$120.2 million in 2018. Management continued its focus executing its strategic plan, expense and efficiency controls, and improvement in revenue cycle management.

Patient Volumes

Overall inpatient volume decreased from FY 2019 by 10.7% or 6,275 inpatient admissions while observation admissions increased by 0.2% or 58 cases. In all, total hospitalizations decreased by 7.4% or 6,217 admissions.

Medicare inpatient volume, as measured by admissions, decreased from FY 2019 by 5.5%, or 591 cases. Medicare observation cases decreased from FY 2019 by 1.7% or 44 cases. Total hospitalized Medicare patients (Admissions plus Observation cases) decreased by 4.8% or 635 cases. Correspondingly, Medicare Advantage inpatient volumes as measured by admissions decreased from FY 2019 by 2.2% or 211 cases. Medicare Advantage observation cases increased from FY 2019 by 3.2% or 223 cases. Total hospitalized Medicare Advantage patients (Admissions plus Observation cases) increased by 0.1% or 12 cases. There was a 1.1% decrease in the Medicare case mix index from year to year, measured by the Medicare Severity Diagnostic Related Groups (MS-DRGs).

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Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

During the 2015 Florida Legislative session, measures were approved that have resulted in significant changes to the Medicaid program (Medicaid Reform). This five-year plan will result in all Medicaid beneficiaries being enrolled in a managed care Medicaid plan. Overall Medicaid, including Managed Medicaid admissions, decreased over the prior year by 2,211 cases, or 16.2%. The District continues its efforts of the Medicaid Eligibility Unit, the Medical Options for Patient Eligibility Department, and the Department of Children and Families (DCF), working to process applications in a more timely fashion and providing additional access for patients to apply for Medicaid or the new health exchange.

Managed care, including commercial payers, the District's largest payer category, decreased by 733 admissions, or 5.2%, in fiscal year 2020. Managed Care observation cases decreased from FY 2019 by 1.3% or 109 cases. Total hospitalized Managed Care patients (Admissions plus Observation cases) decreased by 3.8% or 842 cases.

Outpatient volumes decreased 4.5% in fiscal year 2020 over fiscal year 2019, or 39,646 visits. Total medical center visits decreased by 13.8% or 63,346 visits, driven primarily by a reduction in outpatient diagnostic volume of 29,266 or 15.2%. Non-medical center outpatient visits increased by 23,700 or 5.6%. This was driven by an increase in physician office visits of 9.4% or 21,795 visits. All other non-medical center outpatient visits increased by 1.0% or 1,905 visits.

Operating Revenues

Net patient revenue has decreased from \$956.8 million in fiscal year 2019 to \$929.2 million in fiscal year 2020.

Medicare net revenue increased by \$0.9 million, or 0.46%. Managed Care Medicare net revenue increased by \$6.5 million, or 3.6%. Medicaid net revenue (including Managed Care Medicaid net revenue) decreased over the prior fiscal year by \$34.4 million, or 17.6%. Patient revenue was complemented by additional revenue received from the LIP and DSH programs totaling \$39.9 million, an increase from the prior fiscal year of \$3.4 million. Managed care net revenue has experienced a decrease of \$13.0 million, or 3.0%, from fiscal year 2019, which includes the commercial payers.

During fiscal year 2020, charity care and other uncompensated funding costs increased by \$26.6 million or 5.4%, all related government funding sources increased by \$12.4 million or 3.5%. Overall community benefit costs in excess of government funding increased by \$14.1 million or 10.8%. During fiscal year 2020, the District has continued its focus on qualifying the uninsured for state reimbursement through focused programs of timely Medicaid application processing and continued partnering with the DCF to expedite the decisions on patient qualification for Medicaid.

Operating Expenses

Operating expenses increased by \$9.1 million, or 0.8%, to \$1,172 million in fiscal year 2020 from \$1,163 million in fiscal year 2019. This lower than projected increase is largely due to drastically lower volumes experienced during the COVID-19 pandemic. The District continued to emphasize cost-conscious initiatives without sacrificing the delivery of patient care during these very difficult times.

Salaries increased from \$510.1 million in fiscal year 2019 to \$528.8 million in fiscal year 2020, or a 3.7% increase. Benefits decreased by \$3.0 million or 2.6% in 2020. Productive hours per adjusted patient days

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

experienced a small increase at 27.9 in FY 2020 vs. 27.1 in FY 2019. This increase was largely due to increase in acuity levels across the four medical facilities attributed to a large number of COVID-19 positive patients and a lower proportion of regular medical patients. Salaries and employee benefits as a percentage of net patient revenues were 68.6% and 65.0% for fiscal years 2020 and 2019, respectively, also due to a higher level of acuity in the patient population. Outside and temporary labor saw a sharp increase as extra nursing agency staff and added security staff was on-boarded to deal with patient volume related to the pandemic. This expense category experienced a 27.6% increase over 2019 or \$3.5 million.

Supplies expense represents the next largest expense category for the District. During fiscal year 2020, supplies expense decreased by \$3.3 million, or 1.4%, from \$235.1 million in fiscal year 2019 to \$231.7 million in fiscal year 2020. Decreases were realized in various patient related supply categories, including general medical and surgical supplies, drugs, office supplies, orthopedic implants, blood, and additional rebates. These decreases were largely due to the sharp decline in elective surgical procedures which resulted in system-wide volume shortages due to the pandemic. Supplies expense as a percent to net operating revenue remained relatively flat at 23.0% in fiscal year 2020, and 22.7% in fiscal year 2019.

All other fees increased by \$8.5 million compared to FY 2019, primarily driven by Physician fees, \$6.8 million due to renegotiation of the hospital-based physician subsidies providing additional coverage. Insurance costs decreased in FY 2020 by \$1.4 million largely due to continued reductions in Worker's Compensation related expenses due to lower than expected claims utilization.

Ad Valorem Tax Revenue

For fiscal years 2020 and 2019, ad valorem tax revenues totaled \$129.4 million and \$128.6 million, respectively. As described in Note 16 to the financial statements, the District annually levies and collects ad valorem taxes for the general support of its operations, as approved by the Board. The tax rates set by the Board for fiscal years 2020 and 2019 were 1.0324 mills and 1.0855 mills, respectively. In July 2019, taxable property values within the District's geopolitical boundaries increased from \$130.4 billion to \$138.4 billion, or 6.1%. In July 2020, the Broward County property appraiser released to the District the taxable property valuations for 2020/2021. These values increased to \$147.1 billion, an increase of 6.3%.

Interest Expense

Interest expense in fiscal year 2020 was \$17.1 million, as compared to \$17.4 million in fiscal year 2019, a decrease of \$0.3 million, or 1.8%.

Liquidity and Cash Position

Management continues to drive improvement of the District's financial position, with cash being the focal point.

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

In mid-March, Broward Health began experiencing the negative financial impact of the COVID-19 pandemic due to the shelter-in-place mandates and restrictions on performing elective procedures which led to a significant decrease in patient volumes. Although Broward Health has maintained a strong statement of net position and cash reserves sufficient to withstand a temporary COVID-19 disruption, management felt it would be prudent to secure a line of credit given the uncertainty of the situation. Therefore, on June 30, 2020, Broward Health entered into a line of credit with a bank for up to \$50 million.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Fund was signed into law to provide temporary and limited relief to individuals and business impacted by the pandemic, including the appropriation of funds for healthcare providers for reimbursement of expenses and lost revenue attributable to COVID-19. As of June 30, 2020, Broward Health received \$37.7 million under the CARES Act.

Broward Health also opted to participate in the Medicare Accelerated Payment Program and the Employer Payroll Tax Deferral Provisions also authorized under the CARES Act. Broward Health received \$78.6 million in accelerated Medicare payments through June 30, 2020. Recoupment of these funds was recently extended through a continuing resolution and now the funds are expected to be repaid in Fiscal Year 2021 and 2022. As of June 30, 2020, approximately \$7.7 million in employer payroll taxes were deferred and is expected to be repaid in fiscal years 2022 and 2023.

At June 30, 2020, unrestricted cash and investments totaled \$835.8 million, an increase of \$72.2 million compared to FY19's total of \$763.6 million. Days cash on hand (DCOH) also increased from 248 days at June 30, 2019, to 270 days at June 30, 2020. The increase in cash and DCOH was primarily due to receipts from the Medicare Accelerated Payment Program. Cash to Debt increased to 267% as of June 30, 2020 from 238% as of June 30, 2019. Average days' net revenue in accounts receivable has increased to 51.6 days as of June 30, 2020, from 49.7 days as of June 30, 2019.

Credit Ratings

The District has received underlying credit ratings of Baa2, Stable Outlook and BBB+, Stable Outlook from Moody's Investors Service and Standard & Poor's, respectively. Standard & Poor's affirmed the rating and the outlook in FY 2020.

Request for Information

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

BASIC FINANCIAL STATEMENTS

NORTH BROWARD HOSPITAL DISTRICT

Statements of Net Position

June 30, 2020 and 2019

(In thousands of dollars)

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 147,883	\$ 22,709
Cash and investments externally restricted by donors	11,812	16,634
Short-term investments	469,375	512,727
Assets whose use is limited required for current liabilities – Investments	7,272	7,437
Due from patients and others, net of allowance for uncollectibles of \$273,025 (\$236,279 in 2019)	133,794	142,401
Inventories	35,684	35,233
Estimated third-party payor settlements	30,049	21,220
Other current assets	35,855	47,463
Total current assets	871,724	805,824
Assets whose use is limited – Cash and investments:		
Amounts designated for self-insurance	39,502	38,698
Project fund from debt issuance	—	932
	39,502	39,630
Less amount required to meet current obligations	(7,272)	(7,437)
Assets whose use is limited, net	32,230	32,193
Investments	218,562	228,162
Capital assets, net	567,325	560,493
Net pension asset	31,653	11,853
Other assets	26,506	24,278
Total noncurrent assets	844,046	824,786
Total assets	\$ 1,748,000	\$ 1,662,803
Deferred Outflows of Resources		
Loss on debt refundings	\$ 22,377	\$ 25,117
Deferred pension amounts	5,721	10,915
Deferred other postemployment benefits	24,407	1,665
Total deferred outflows of resources	\$ 52,505	\$ 37,697
Liabilities		
Current liabilities:		
Current maturities of revenue bonds payable	\$ 5,280	\$ 5,025
Accounts payable and accrued expenses	104,018	115,353
Accrued salaries, benefits, and payroll taxes	39,090	29,390
Accrued personal leave	29,024	29,940
Current portion of lease obligations	1,844	1,749
Estimated third-party payor settlements	117,449	38,126
Current portion of self-insurance program liability	7,272	7,437
Total current liabilities	303,977	227,020
Revenue bonds, net of current maturities	330,592	337,242
Lease obligations, net of current portion	3,440	5,903
Self-insurance program liability, net of current portion	20,930	23,883
Other postemployment benefit program liability	188,288	159,987
Total liabilities	\$ 847,227	\$ 754,035
Deferred Inflows of Resources		
Deferred pension amounts	\$ 30,165	\$ 23,192
Deferred other postemployment benefits	5,243	6,347
Total deferred inflows of resources	\$ 35,408	\$ 29,539
Net Position		
Net investment in capital assets	\$ 248,546	\$ 236,624
Restricted for donor restrictions	19,877	26,968
Unrestricted	649,447	653,334
Total net position	\$ 917,870	\$ 916,926

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2020 and 2019
(In thousands of dollars)

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Net patient service revenue (net of provision for uncollectible accounts of \$485,023 in 2020 and \$463,461 in 2019)	\$ 929,166	\$ 956,786
Other operating revenue	78,231	77,584
Total operating revenues	<u>1,007,397</u>	<u>1,034,370</u>
Operating expenses:		
Salaries	528,840	510,111
Employee benefits	108,733	111,685
Professional fees	62,406	55,651
Purchased services and temporary labor	15,995	12,534
Outside services	33,527	31,766
Supplies	231,748	235,087
Insurance	5,073	6,441
Utilities	18,041	18,604
Repairs and maintenance	18,196	20,288
State assessments	12,336	13,261
Depreciation and amortization	54,300	56,829
Other	83,087	90,937
Total operating expenses	<u>1,172,282</u>	<u>1,163,194</u>
Operating loss	<u>(164,885)</u>	<u>(128,824)</u>
Nonoperating revenues (expenses):		
Ad valorem tax revenue	129,416	128,635
Investment income, net	20,532	39,898
Interest expense	(17,057)	(17,362)
CARES Act Stimulus	37,692	—
Other	(4,896)	(8,983)
Total nonoperating revenues	<u>165,687</u>	<u>142,188</u>
Gain before capital contributions	802	13,364
Capital contributions	<u>142</u>	<u>103</u>
Increase in net position	944	13,467
Net position:		
Beginning of year	<u>916,926</u>	<u>903,459</u>
End of year	<u>\$ 917,870</u>	<u>\$ 916,926</u>

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(In thousands of dollars)

	2020	2019
Cash flows from operating activities:		
Receipts from third-party payors and patients	\$ 932,539	\$ 953,851
Payments to employees	(631,917)	(620,885)
Payments to suppliers and contractors	(413,283)	(400,713)
Other receipts and payments, net	2,761	(15,411)
Net cash used in operating activities	<u>(109,900)</u>	<u>(83,158)</u>
Cash flows from noncapital financing activities:		
Medicaid county funding	(8,721)	(5,981)
Ad valorem property taxes, net	129,150	128,410
Net contributions receipts	1,779	2,809
CARES Act Stimulus	37,692	—
Medicare accelerated payments	78,638	—
Other	142	157
Net cash provided by noncapital financing activities	<u>238,680</u>	<u>125,395</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(61,202)	(33,035)
Proceeds from disposal of capital assets	7	17
Payments of interest on revenue bonds, swaps, and lease facilities	(15,686)	(15,991)
Principal paid on revenue bonds and lease facilities	(6,774)	(5,773)
Capital contributions	142	103
Net cash used in capital and related financing activities	<u>(83,513)</u>	<u>(54,679)</u>
Cash flows from investing activities:		
Interest and dividends on investments and assets whose use is limited	11,791	11,316
Purchases of investments	(291,539)	(535,021)
Proceeds from the sale and maturity of investments	354,551	414,453
Net cash provided by (used in) investing activities	<u>74,803</u>	<u>(109,252)</u>
Net increase (decrease) in cash and cash equivalents	120,070	(121,694)
Cash and cash equivalents:		
Beginning of year	47,283	168,977
End of year	<u>\$ 167,353</u>	<u>\$ 47,283</u>

NORTH BROWARD HOSPITAL DISTRICT

Statement of Cash Flows (Continued)

Years ended June 30, 2020 and 2019

(In thousands of dollars)

	2020	2019
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$ 147,883	\$ 22,709
Cash and cash equivalents included in cash and investments externally restricted by donors	11,162	16,634
Cash and cash equivalents included in assets whose use is limited - Cash and investments		
Amounts designated for self-insurance	8,308	7,008
Amounts designated for Project fund from debt issuance	—	932
Total cash and cash equivalents	<u>\$ 167,353</u>	<u>\$ 47,283</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (164,885)	\$ (128,824)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	54,300	56,829
Provision for uncollectible accounts	485,023	463,461
Other	4,510	(1,024)
Changes in assets and liabilities:		
Due from patients and others	(473,504)	(452,989)
Inventories	(451)	(2,980)
Other assets	8,786	753
Accounts payable and accrued expenses	(18,081)	(4,798)
Accrued salaries, benefits, and payroll taxes	9,761	(1,835)
Accrued personal leave	(916)	205
Estimated third-party payor settlements	(8,146)	(13,406)
Self-insurance program liability	(3,118)	(1,090)
Net pension asset/liability and related deferred outflows and inflows	(7,633)	(74)
Other postemployment benefit program liability and related deferred outflows and inflows	4,454	2,614
Net cash used in operating activities	<u>\$ (109,900)</u>	<u>\$ (83,158)</u>
Supplemental noncash investing, capital, and financing activities:		
Property and equipment acquired through accounts payable	\$ (2,474)	\$ (2,993)
Property and equipment acquired through capital lease obligations	—	(9,050)
Property and equipment acquired through donation	(1,151)	(1,174)
Change in fair value of investments	(15,386)	(10,636)

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT

Statements of Fiduciary Net Position – Pension Trust Fund

June 30, 2020 and 2019

(In thousands of dollars)

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 6,392	\$ 5,557
Accrued interest receivable	693	894
Investments:		
Fixed income	50,362	60,341
Stocks	87,642	107,109
Real estate	38,110	36,525
Infrastructure	14,463	7,024
Mutual funds	137,794	120,548
Alternative investments	37,266	37,055
Other	—	194
Total investments	<u>365,637</u>	<u>368,796</u>
Total assets	<u>\$ 372,722</u>	<u>\$ 375,247</u>
Liabilities and net position restricted for pensions		
Payables:		
Accrued expenses	<u>\$ 566</u>	<u>\$ 548</u>
Total liabilities	<u>566</u>	<u>548</u>
Total net position	<u><u>\$ 372,156</u></u>	<u><u>\$ 374,699</u></u>

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT

Statements of Changes in Fiduciary Net Position – Pension Trust Fund

Years ended June 30, 2020 and 2019

(In thousands of dollars)

	<u>2020</u>	<u>2019</u>
Additions:		
Contributions:		
Employer contributions	\$ 16,000	\$ 16,000
Investment income:		
Interest and dividends	5,773	6,144
Net increase in fair value of investments	<u>6,242</u>	<u>19,458</u>
Net investment income	<u>12,015</u>	<u>25,602</u>
Total additions	<u>28,015</u>	<u>41,602</u>
Deductions:		
Benefit payments	28,351	30,555
Administrative expenses	<u>2,207</u>	<u>1,867</u>
Total deductions	<u>30,558</u>	<u>32,422</u>
Net (decrease) increase in net position	(2,543)	9,180
Net position restricted for pension:		
Beginning of year	<u>374,699</u>	<u>365,519</u>
End of year	<u>\$ 372,156</u>	<u>\$ 374,699</u>

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

(1) Organization and Description of Business

Reporting Entity

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

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

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

The Pension Trust Fund is a fiduciary fund used to account for the assets held in trust for the benefit of employees of the District who participate in the Plan (Note 10).

Hospital Division

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

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

Community Health Services Division

The Community Health Services Division, through contractual arrangements with Broward County, operates the Cora E. Braynon Family Health Center and the Annie L. Weaver Health Center. The Annie L. Weaver Health Center offers adult primary care services to the community, and the Cora E. Braynon Family Health Center provides urgent care and prenatal care services. The District also provides physician services to the qualifying elderly and homeless populations through the Medivan program.

The District also owns and operates other Community Health Services facilities for the benefit of the community. The District is the sole member of the Children's Diagnostic and Treatment Center (CDTC), which provides an array of pediatric professional services to patients suffering from developmental, substance abuse, HIV/AIDS-related, and other medical conditions. The primary sources of funding for

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

CDTC are a variety of federal, state, and local grants. CDTC is considered a component unit of the District because the Board appoints the voting majority of the board of directors of CDTC and the District has the ability to impose its will on CDTC. CDTC is reported as a blended component unit of the District as it provides services that benefit the District, even though they are not provided directly to the District.

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

Physician Services Division

The Physician Services Division is responsible for employing physicians to meet the needs of the community and provide services to patients. The services provided include primary care and a broad range of specialist care, including, but not limited to, cardiology, pediatrics, transplant, oncology, orthopedic, and surgical.

Insurance Management Division

The District's Insurance Management Division is operated through Total Claims Administration, Inc. (TCA), which provides claims administration and other third-party administrative services to the District's employee health insurance plan. TCA also provides the District with a vehicle to participate in the insurance management business primarily through the creation of Best Choice Plus. Beginning in June 1994, the District, d/b/a Best Choice Plus, entered into contractual relationships with physician and ancillary providers for the purpose of integrating the healthcare services of all providers along the care continuum. TCA is considered a component unit of the District because the Board appoints the voting majority of the board of directors of TCA and the District has the ability to impose its will on TCA. TCA is presented as a blended component unit of the District because it provides services exclusively to the District. Effective January 1, 2019, the District terminated its agreement with TCA for medical claims administration of the District's employee health insurance plan and contracted Aetna. Effective March 1, 2019, the District also terminated its agreement with TCA for physician payment for uncompensated care program ("PPUC") and contracted Community Care Plan (CCP). TCA continues to review appeals and subpoenas for the District's employee health insurance plan and PPUC program pertaining to periods prior to termination of the related contracts. Even though activity of TCA has been reduced, the corporation will be kept open for future needs of the District.

Other

The District established a separate not-for-profit corporation, North Broward Hospital District Charitable Foundation, Inc. (Broward Health Foundation). Broward Health Foundation's mission is to improve the health of its community by providing resources to promote, support, and enhance the programs and initiatives of the District. Contributions raised by the Broward Health Foundation assist the District in its continuous effort to provide world-class healthcare to its diverse population. Broward Health Foundation is considered a component unit of the District because the Board appoints the voting majority of the board of directors of Broward Health Foundation and the District has the ability to impose its will on Broward Health Foundation. Broward Health Foundation is reported as a blended component unit of the District because it provides services exclusive to the District.

The District established a separate not-for-profit corporation, Broward Health ACO Service, Inc. (BH ACO), for participation in the Medicare Shared Savings Program as an accountable care organization. The

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

purpose of the BH ACO is to provide healthcare services through independent contractors and others to patients who include, but are not limited to, Medicare beneficiaries under contracts with third-party payors who include, but are not limited to, the Center for Medicare and Medicaid Services. BH ACO is considered a component unit of the District because the Board appoints the voting majority of the board of directors of BH ACO and the District has the ability to impose its will on BH ACO. BH ACO is reported as a blended component unit of the District as the governing body of BH ACO is substantially the same as the District and the District has operational responsibility for BH ACO.

Joint Venture

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

(2) Summary of Significant Accounting Policies

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

(a) Basis of Presentation

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

(b) Cash and Cash Equivalents

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

(c) Investments

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

Investments are reported at fair value. The District classifies investments in debt and equity securities in the accompanying statements of net position based on maturities (for debt securities) and based on management’s reasonable expectation with regard to these securities. Securities that are not available to be used for current operations are classified as noncurrent. Interest, dividends, and gains and losses on such debt and equity investments, both realized and unrealized, are included in nonoperating revenues when earned.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

As of June 30, 2020, the equity investments in private equity, real estate investments, infrastructure investments and hedge funds make up approximately 4%, 5.6%, 2%, and 2.3%, respectively, of total cash and cash equivalents and investments in the accompanying statement of net position. As of June 30, 2019, the equity investments in private equity, real estate investments, infrastructure investments, and hedge funds make up approximately 4%, 5.7%, 1.2%, and 2.8%, respectively, of total cash and cash equivalents and investments in the accompanying statement of net position. Because private equity, real estate investments, infrastructure investments, and hedge funds are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the statements of revenue, expenses, and changes in net position as investment income, net, in the period such fluctuations occur.

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

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

(e) *Net Patient Accounts Receivable*

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

(f) *Inventories*

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

(g) *Other Current Assets*

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

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

(h) *Capital Assets*

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

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

Amortization expense on equipment held under capital leases is included within depreciation and amortization in the statements of revenues, expenses, and changes in net position.

Expenditures that materially increase values, change capacities, or extend useful lives are capitalized. Expenditures for repairs and maintenance are charged to operating expenses when incurred.

(i) *Impairment*

Capital assets are reviewed for impairment in accordance with the methodology prescribed in Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Asset impairment, as defined by this standard, is a significant, unexpected decline in the service utility of a capital asset and is not a function of the recoverability of the carrying amount of the asset. Service utility is the usable capacity of the asset that was expected to be used at the time of acquisition and is not related to the level of actual utilization, but the capacity for utilization. Indicators that the service utility of an asset has significantly declined include: (a) evidence of physical damage; (b) changes in legal or environmental circumstances; (c) technological development or evidence of obsolescence; (d) a change in the manner or expected duration of use of the asset; and (e) construction stoppage. The District has determined that no capital asset impairment exists at June 30, 2020 and 2019.

(j) *Deferred Outflows and Inflows of Resources*

Deferred outflows of resources represent a consumption of net position that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position that is applicable to a future reporting period. Deferred outflows of resources have a positive effect on net position, similar to assets, and deferred inflows of resources have a negative effect on net position, similar to liabilities. Notwithstanding these similarities, deferred outflows of resources are not assets and deferred inflows of resources are not liabilities and, accordingly, are not included in those sections of the accompanying statements of net position, but rather, are separately reported.

(k) *Accrued Personal Leave*

The District provides accrued time off to eligible employees and those anticipated to be eligible for vacations, holidays, short-term illness, and personal business depending on their years of continuous service and their payroll classification. No more than two years' annual accumulation of personal leave time is permitted for each eligible employee. The District accrues the estimated expense related to

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

personal leave based on pay rates currently in effect. Upon termination of employment, employees will have their eligible accrued personal leave paid in full.

(l) Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the District's defined-benefit pension plan, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, amounts have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

(m) Net Position

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

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

(n) Classifications of Revenues and Expenses

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

(o) Net Patient Service Revenue

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

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

The District has agreements with numerous third-party payors that provide for reimbursement at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the established rates for services and amounts reimbursed by third-party payors. Such amounts are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. A summary of the basis of reimbursement with major third-party payors is as follows:

Medicare

The District's healthcare facilities participate in the Federal Medicare program (Medicare) administered by CMS. Approximately 40.1% of the District's net patient service revenue was derived from services to Medicare beneficiaries in fiscal year 2020, 38.2% in fiscal year 2019 (inclusive of HMO products). Inpatient acute care services rendered to Medicare beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Effective for discharges occurring on or after January 27, 2020, the Medicare program began to reimburse an additional 20% for COVID-19 positive patients as an add-on to the DRG payment for these cases under Section 3710 of the CARES Act. This increase in reimbursement will continue through the duration of the COVID-19 period. CMS has provided specific diagnosis codes for the billing of these services before and after March 31, 2020. In addition, effective September 1, 2020 the patient will be required to have a positive COVID-19 laboratory test in order to obtain the 20% add-on. Medicare also began to reimburse for COVID-19 testing and treatments related to Uninsured COVID-19 patients at fee for service rates, effective February 4, 2020, subject to available funding.

Inpatient Acute, Inpatient Exempt, Outpatient, and Defined Capital Costs related to services provided to Medicare beneficiaries are reimbursed based upon a variety of prospective reimbursement methodology systems. The health care facilities' classification of patients under the Medicare program and the appropriateness of their admission and services are subject to an independent review based on detailed and specific criteria. As of June 30, 2020, the Medicare cost reports were final audited, pending final settlement, by the health care facilities' Medicare fiscal intermediary through June 30, 2017, for all facilities. In fiscal year 2020, the District recorded increases to net patient service revenue related to various prior year Medicare settlements of \$1.4 million (\$2.3 million in fiscal year 2019).

Medicaid

Approximately 17.4% of the District's net patient service revenue was derived under the Medicaid program for fiscal year 2020, 20.5% in 2019 (inclusive of HMO products). Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based upon prospectively determined rates. Inpatient per discharge services are paid using APR-DRG's effective July 1, 2013, while outpatient utilizes Enhanced Ambulatory Patient Groupings (EAPG's) effective July 1, 2017. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Prior to these prospective type systems, health care facilities were reimbursed for Medicaid services based on a tentative rate sheet calculation, with final settlement determined after submission of annual cost reports by the health care facilities and audits by the Medicaid fiscal intermediary. The Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2015, for BHMC, BHN, BHIP, and BHCS and they have been processed by AHCA for the applicable inpatient and outpatient rate periods.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

In addition to the prospectively determined rates received by the District for the provision of health care services to Medicaid beneficiaries, the State of Florida provided additional supplemental payments of \$44.09 million to Broward Health for Disproportionate Share, Low Income Pool, and Graduate Medical Education initiatives during fiscal year 2020 (\$40.41 million in 2019). These payment adjustments are to help cover the additional costs associated with treating the Medicaid population in the District's service area and these amounts are reflected in net patient service revenues in the accompanying statements of revenue, expenses, and changes in net position.

Other Third-Party Payors

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

(p) *Charity Care*

The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue (Note 14).

(q) *Ad Valorem Tax Revenue*

Property taxes are levied by Broward County on the District's behalf annually. Amounts levied are based on assessed property values as of the preceding year. The District collects the ad valorem taxes for the general support of its operations, as approved by the Board. Property taxes are recognized under the accrual method of accounting, wherein the tax levy is recognized as unearned revenue at the date of assessment, less a reserve for estimated discounts (Note 16), and amortized into income over the respective year.

(r) *Restricted Donations*

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

(s) *Grant Funding*

The District receives grants from federal and state funding agencies. Grant revenue received before the eligibility requirements are met is reported as unearned revenue or deferred inflows of resources, as appropriate, and is recognized as revenue in the period that the eligibility requirements have been met. Grant revenue and other contributions received for the purpose of acquiring or constructing capital assets are reported as capital contributions, below nonoperating activities.

(t) *Risk Management*

The District is exposed to various risks from torts including allegations of personal injury, medical malpractice, property loss, destruction of assets, business interruption, errors and omissions, worker's compensation claims, employer's liability for alleged wrongful termination of employees or other wrongful acts, natural disasters, communicable diseases, employee healthcare, etc. Many layers of

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

excess commercial insurance coverage are purchased; however, most claims resolve well within Broward Health's self-insurance retention. In the past three (3) years no settled claim has penetrated or required the use of excess indemnity insurance.

(u) Use of Estimates

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

(v) Income Taxes

The District is not subject to income tax.

(w) Subsequent Events

The District has evaluated the impact of subsequent events through October 30, 2020, the date on which the financial statements were issued.

(x) New Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Specifically, this statement requires that a governmental entity that has legal obligations to perform future asset retirement activities related to its tangible capital assets to recognize a liability based on the guidance in this statement. GASB No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. This statement requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. GASB Statement No. 83 was effective for reporting periods beginning after June 15, 2018. As such, the District adopted this statement during the fiscal year end June 30, 2019. The adoption of this statement for fiscal year ended June 30, 2019, had no financial impact on the District's financial statements.

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. 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

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

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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. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District elected to adopt this statement early for fiscal year ended June 30, 2018, resulting in the presentation of the Statement of Fiduciary Net Position – Pension Trust Fund and Statement of Changes in Fiduciary Net Position – Pension Trust Fund in the accompanying financial statements. The adoption had no impact to net position.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements for this statement are effective for fiscal years beginning after June 15, 2021. Earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact of this statement in the year of adoption.

In March 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*. This statement defines debt for purposes of disclosure in notes to financial statements and establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. Direct borrowings and direct placements have terms negotiated directly with the investor or lender and are not offered for public sale. The requirements of this statement were effective for reporting periods beginning after June 15, 2018. As such, the District adopted this statement during the fiscal year end June 30, 2019. The adoption of this statement for fiscal year ended June 30, 2019, had no financial impact on the District's financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The District elected to adopt this statement early for fiscal year ended June 30, 2018.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interests*. This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization and also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

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In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation of certain GASB Statements. The statement made changes as follows effective for periods beginning after June 15, 2021; the requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74, the requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities, the requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisitions occurring after the effective date. Additionally, the requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. Early application is encouraged and is permitted by topic. The adoption of the provisions of this statement that were effective immediately during fiscal year ended June 30, 2020, had no financial impact on the District's financial statements. The District has not elected to implement the remaining provisions of this statement early; however, management is still evaluating the impact, if any, of those provisions in the year of adoption.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objectives of this statement are to establish accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs), including the London Interbank Offered Rates (LIBOR), for hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirement of this statement for the removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact of this statement, if any, in the year of adoption.

In March 2020, the GASB issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objectives of this statement are to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and to provide guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged. The District has not elected

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to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In May 2020, the GASB issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to be effective for periods beginning after June 15, 2018, and later. The requirements of this statement are effective immediately. The effective dates of the above statements which were delayed have been modified accordingly.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The objectives of this statement are to better meet the information need of financial statement users by (a) establishing uniform accounting and financial reporting requirements for subscription-based information technology arrangements (SBITAs); (b) improving the comparability of financial statements among governments that have entered into SBITAs; and (c) enhancing the understandability, reliability, relevance, and consistency of information about SBITAs. The requirements of this statement are effective for fiscal years beginning after June 15, 2022. Earlier application is encouraged. The District has not elected to implement this statement early; however, management is still evaluating the impact, if any, of this statement in the year of adoption.

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this statement are to (a) increase consistency and comparability related to the reporting of fiduciary component units in circumstance in which a potential component unit does not have a governing board and the primary government perform the duties that a governing board typically would perform; (b) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (c) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. Certain requirements of this statement are effective immediately while other requirements are effective for reporting periods beginning after June 15, 2021. Earlier application is encouraged and is permitted by specific requirements. The adoption of the provisions of this statement that were effective immediately during fiscal year ended June 30, 2020, had no financial impact on the District's financial statements. The District has not elected to implement the remaining provisions of this statement early; however, management is still evaluating the impact, if any, of those provisions in the year of adoption.

In June 2020, the GASB issued Technical Bulletin No. 2020-1, *Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief and Economic Security Act (CARES Act) and Coronavirus Diseases* (GASB Technical Bulletin No. 2020-1), to provide application guidance for recognition and presentation issues related to the funds established under the CARES Act received by the District (Note 23). GASB Technical Bulletin No. 2020-1 emphasizes that the CARES Act funding is classified as nonoperating revenues. The requirement of GASB Technical Bulletin No. 2020-1 were effective immediately and applied in fiscal year 2020.

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(3) Cash, Cash Equivalents, and Investments

The composition and credit ratings of the District's cash and cash equivalents, investments, and assets whose use is limited as of June 30, 2020, is as follows:

	Fair value	Investment Maturities			
		Less than 1 year	1-5 years	6-10 years	More than 10 years
U.S. government securities	\$ 61,524	857	30,992	17,740	11,935
U.S. government agency securities	4,387	—	4,387	—	—
Corporate bonds	133,791	23,906	81,477	13,941	14,467
Mortgage-backed securities	47,277	—	3,839	4,635	38,803
	246,979	24,763	120,695	36,316	65,205
Common stock	103,468				
Mutual funds	247,833				
Private equity	35,945				
Hedge funds	20,530				
Real estate	49,325				
Infrastructure	17,617				
Money markets	100,227				
Bank deposits	65,210				
	<u>\$ 887,134</u>				

	Fair value	Ratings					
		AAA	AA	A	BBB	<BBB	Not rated
U.S. government securities	\$ 61,524	61,524	—	—	—	—	—
U.S. government agency securities	4,387	1,912	—	—	—	—	2,475
Corporate bonds	133,791	6,850	12,221	66,176	39,216	2,414	6,914
Mortgage-backed securities	47,277	11,093	—	—	—	108	36,076
	<u>\$ 246,979</u>	<u>81,379</u>	<u>12,221</u>	<u>66,176</u>	<u>39,216</u>	<u>2,522</u>	<u>45,465</u>

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The composition and credit ratings of the District’s cash and cash equivalents, investments, and assets whose use is limited as of June 30, 2019, is as follows:

	Fair value	Investment Maturities			
		Less than 1 year	1–5 years	6–10 years	More than 10 years
U.S. government securities	\$ 102,894	18,366	67,174	6,500	10,854
U.S. government agency securities	4,007	—	4,007	—	—
Corporate bonds	162,240	25,486	109,236	14,758	12,760
Mortgage-backed securities	47,877	—	3,861	6,362	37,654
	317,018	43,852	184,278	27,620	61,268
Common stock	91,674				
Mutual funds	255,015				
Private equity	32,517				
Hedge funds	22,913				
Real estate	46,972				
Infrastructure	9,914				
Other investments	167				
Money markets	18,500				
Bank deposits	25,172				
	<u>\$ 819,862</u>				

	Fair value	Ratings					
		AAA	AA	A	BBB	<BBB	Not rated
U.S. government securities	\$ 102,894	102,894	—	—	—	—	—
U.S. government agency securities	4,007	4,007	—	—	—	—	—
Corporate bonds	162,240	5,961	23,802	81,323	42,576	1,384	7,194
Mortgage-backed securities	47,877	11,463	—	—	—	125	36,289
	<u>\$ 317,018</u>	<u>124,325</u>	<u>23,802</u>	<u>81,323</u>	<u>42,576</u>	<u>1,509</u>	<u>43,483</u>

Cash, cash equivalents and investments are disclosed on the Statement of Net Position as follows:

	2020	2019
	(In thousands of dollars)	
Cash and cash equivalents	\$ 147,883	\$ 22,709
Cash and investments externally restricted by donors	11,812	16,634
Short-term investments	469,375	512,727
Amounts designated for self-insurance (including current portion of \$7,272)	39,502	38,698
Project fund from debt issuance	—	932
Investment	<u>218,562</u>	<u>228,162</u>
Total	<u>\$ 887,134</u>	<u>\$ 819,862</u>

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Investment Risk Factors

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

a) Credit Risk

Florida Statutes section 218.415 provides for each unit of local government or political subdivision to adopt investment policies that are commensurate with the nature and size of public funds within their custody. These policies must include consideration for safety of capital liquidity of funds within their custody, diversification of investments, investment income, maturity requirements, and performance measurement. The District has a Board-approved policy for the investment of funds. In accordance with this policy, the District invests in marketable fixed-income securities rated in the first four credit quality grades as established by one or more of the nationally recognized bond rating services. Securities downgraded by any of these rating agencies subsequent to purchase resulting in a violation of the investment quality guidelines may be at the discretion of the professional investment managers retained by the District. However, written notice including the investment manager's rationale shall be promptly submitted to the District's Investment Committee.

b) Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of the District's investment portfolio are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of June 30, 2020, the District did not have any investments that equaled or exceeded this threshold. The investment policy includes an overall asset deployment policy which sets allowable ranges per asset class. During fiscal year 2018 the Board approved a new asset allocation plan. The asset allocation continues to be monitored and managed. The approved asset allocation includes an overall asset deployment target which sets allowable ranges per asset class. Liquid asset allocation may include up to: Large Cap Equity (9% – 19%), Small/Mid Cap Equities (0% – 11%), International Equities (7% – 17%), Emerging Market Equities (0% – 8%), Core Fixed Income (15% – 25%), Unconstrained Fixed Income including High Yielding (0% – 10%), Real Estate (7% – 17%), Hedge Funds (0%–5%), Private Equity (5% – 10%), Multi Asset Class Solution (MACS) (2% – 12%), and Infrastructure (0% – 10%).

c) Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Refer to the distribution of the District's investment in fixed-income securities by maturity as of June 30, 2020 and 2019, in the preceding investment composition table.

d) Foreign Currency Risk

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

NORTH BROWARD HOSPITAL DISTRICT

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e) *Custodial Credit Risk*

Investments

As of June 30, 2020 and 2019, the District's investments were not exposed to custodial credit risk since the full amount of investments were insured or registered in the District's name.

Deposit Risk

In addition to insurance provided by the Federal Depository Insurance Corporation, all demand deposits are held in banking institutions approved by the State of Florida state treasurer to hold public funds. Under the Florida Statutes Chapter 280, *Florida Security for Public Deposits Act* (Chapter 280), the state treasurer requires all qualified public depositories to deposit with the treasurer or another banking institution eligible collateral equal to amounts ranging from 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses in excess of amounts insured and collateralized. At June 30, 2020 and 2019, the District's deposits were entirely covered by federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, *Florida Statutes*.

(4) **Fair Value Measurements**

The North Broward Hospital District values its investments in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The pronouncement defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement.

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in an active market with daily pricing that a government can access at the measurement date. At June 30, 2020 and 2019, the type of investments included in Level 1 consists of money market accounts, bank deposits, and debt and equity securities.

Level 2 – Pricing inputs are observable for the investments, either directly or indirectly, as of the reporting date but are not the same as those used in Level 1. Inputs within Level 2 of the fair value hierarchy include inputs that are directly observable for an asset or liability (including quoted prices for similar assets or liabilities), as well as inputs that are not directly observable for the asset and liability. Fair value is determined through the use of models or other valuation methodologies.

Level 3 – Inputs are unobservable for an asset or liability. Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of discounted cash flow models or similar techniques. At June 30, 2020 and 2019, Level 3 securities include private equity funds in limited partnerships and investments in real estate and infrastructure.

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The District's fair value measurements are determined as follows:

Money Market Funds, Equity Securities, and Mutual Funds: These types of investments are managed primarily through investments held by independent investment advisors with discretionary investment authority. The securities consist primarily of common stocks and equity mutual funds. These investments are valued at the closing price reported in the active market in which the individual securities are traded.

U.S. Government Securities, U.S. Government Agency Securities, Corporate Bonds, Mortgage-Backed Securities, and International Government Securities: These types of investments are managed by independent investment advisors with discretionary investment authority. These securities include U.S. and non-U.S. debt instruments. These investments are valued at the closing price reported in the active market in which the individual securities are traded.

Private Equity Funds: This type of investment includes investment in private equity limited partnerships that invest in a diversified portfolio of private companies. The District participates in these partnerships as a limited partner. These investments can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the majority of the underlying assets of the funds would be liquidated over five to eight years. However, as of June 30, 2020, it is probable that all of the investments in this type will be sold at an amount different from the net asset value (NAV) per share (or its equivalent) of the District's ownership interest in the partners' capital. Therefore, the fair values of the investment in this type have been determined by the general partners using the recent observable transaction information for similar investments, valuation multiples of revenues and/or EBITDA, and nonbinding bids received from potential buyers of investments.

Real Estate: The investments consist of a diversified portfolio of institutional quality industrial, apartment, retail, and office real estate assets, using a core investment strategy within the United States. The values of real estate properties have been prepared giving consideration to the income, cost, and sales comparison approaches of estimating property values. The income approach estimates an income stream for a property (typically 10 years) and discounts this income plus a reversion (presumed sale) into the present value at a risk adjusted rate. Yield rates and growth assumptions utilized in this approach are derived from market transactions as well as other financial and industry data. The cost approach estimates the replacement cost of the building less physical depreciation plus the land value. The sales comparison approach compares recent transactions to the appraised property. Adjustments are made for dissimilarities which typically provide a range of values. The fair value of the real estate investments has been determined by an independent third-party appraiser and is based on significant unobservable inputs (terminal cap rate, discount rate, and average market rent growth).

Infrastructure: The investment consists of a diversified portfolio of infrastructure assets within the United States and Canada. Investments may include the following: toll roads; airports and related investments; telecommunications; point-to-point rail links; water and waste-water; ports and container terminal assets; and gas and electricity distribution and transmission networks. The values of infrastructure projects have been prepared giving consideration to the projected cash flows, comparable transactions, purchase cost, and earnings comparison approaches of estimating infrastructure project values. The valuation methods are determined by a valuer at their discretion as long as the method falls within the standards prescribed under U.S. generally accepted accounting principles (GAAP). The standard method of valuation for infrastructure is the discounted cash flow (DCF) method, subject to exceptions, and valuations should also have regard to quoted prices for identical or similar investments in active markets. Valuation methods

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follow an established valuation framework and are consistent. The fair value of the infrastructure investments has been determined by an independent valuer and is based on significant unobservable inputs (terminal value, discount rate, and projected cash flows). Valuations are independently audited on an annual basis.

Hedge Funds: This type of investment consists of a diversified portfolio of multiple hedge funds which utilize a variety of investment strategies. Some of those strategies include credit-oriented strategies, capital structure strategies, event-driven strategies, long/short strategies, and multiple strategies, among others. The fair values of hedge fund investments are generally determined using the reported NAV, or its equivalent, as a practical expedient for fair value.

The following table presents financial instruments that are measured at fair value on a recurring basis as of June 30, 2020:

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Investments by fair value level:				
Money Markets	\$ 100,227	100,227	—	—
Bank Deposits	65,210	65,210	—	—
Debt Securities				
U.S. government securities	61,524	61,524	—	—
U.S. government agency securities	4,387	4,387	—	—
Corporate bonds	133,791	133,791	—	—
Mortgage-backed securities	47,277	47,277	—	—
Total Debt Securities	<u>246,979</u>	<u>246,979</u>	<u>—</u>	<u>—</u>
Equity Securities				
Common stock	103,468	103,468	—	—
Mutual funds	247,833	247,833	—	—
Total Equity Securities	<u>351,301</u>	<u>351,301</u>	<u>—</u>	<u>—</u>
Private Equity	35,945	—	—	35,945
Real Estate	49,325	—	—	49,325
Infrastructure	17,617	—	—	17,617
Total investments by fair value level	866,604	<u>763,717</u>	<u>—</u>	<u>102,887</u>
Investments measured at net asset value (NAV):				
Hedge Funds	20,530			
Total investments measured at fair value	<u>\$ 887,134</u>			

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The following table presents financial instruments that are measured at fair value on a recurring basis as of June 30, 2019:

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Assets:				
Investments by fair value level:				
Money Markets	\$ 18,500	18,500	—	—
Bank Deposits	25,173	24,241	—	—
Debt Securities				
U.S. government securities	102,894	102,894	—	—
U.S. government agency securities	4,007	4,007	—	—
Corporate bonds	162,240	162,240	—	—
Mortgage-backed securities	47,877	47,877	—	—
Total Debt Securities	<u>317,018</u>	<u>317,018</u>	<u>—</u>	<u>—</u>
Equity Securities				
Common stock	91,674	91,674	—	—
Mutual funds	255,015	255,015	—	—
Other investments	167	167	—	—
Total Equity Securities	<u>346,856</u>	<u>346,856</u>	<u>—</u>	<u>—</u>
Private Equity	32,517	—	—	32,517
Real Estate	46,972	—	—	46,972
Infrastructure	9,914	—	—	9,914
Total investments by fair value level	796,950	<u>706,615</u>	<u>—</u>	<u>89,403</u>
Investments measured at net asset value (NAV):				
Hedge Funds	<u>22,913</u>			
Total investments measured at fair value	<u>\$ 819,863</u>			

Additional Disclosures for Fair Value Measurements of Investments in Certain Entities that Calculate Net Asset Value per Share or its Equivalent

The hedge funds that the District invests in include various limits on the redemption frequency of those investments, as well as redemption notice periods. The limits on redemption frequency generally range from being non-redeemable to a redemption frequency that is daily, monthly, quarterly, semi-annually, or annually. The redemption notice periods generally range from daily to notice periods of 5, 15, 30, 60, 75, or 90 days. The private equity, real estate, and infrastructure funds that the District invests include unfunded commitments as of June 30, 2020, totaling approximately \$36.4 million, \$23.9 million, and \$11.6 million, respectively.

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(5) Capital Assets

A summary of changes in capital assets during fiscal years 2020 and 2019 is as follows:

	Balance at June 30, 2019	Additions	Deletions/ Transfers	Balance at June 30, 2020
Capital assets not being depreciated:				
Land	\$ 43,080	17,824	—	60,904
Construction-in-progress	8,865	43,372	(24,003)	28,234
Total capital assets not being depreciated	<u>51,945</u>	<u>61,196</u>	<u>(24,003)</u>	<u>89,138</u>
Capital assets being depreciated:				
Buildings and improvements	823,708	1,876	(797)	824,787
Land improvements	8,351	342	—	8,693
Equipment	557,500	21,790	(2,710)	576,580
Equipment under capital lease	9,774	181	—	9,955
Total capital assets being depreciated	<u>1,399,333</u>	<u>24,189</u>	<u>(3,507)</u>	<u>1,420,015</u>
Accumulated depreciation:				
Buildings and improvements	441,945	22,853	(796)	464,002
Land improvements	7,097	188	—	7,285
Equipment	440,118	28,244	(2,461)	465,901
Equipment under capital lease	1,625	3,015	—	4,640
Total accumulated depreciation	<u>890,785</u>	<u>54,300</u>	<u>(3,257)</u>	<u>941,828</u>
Total	<u>\$ 560,493</u>	<u>31,085</u>	<u>(24,253)</u>	<u>567,325</u>

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	Balance at June 30, 2018	Additions	Deletions/ Transfers	Balance at June 30, 2019
Capital assets not being depreciated:				
Land	\$ 43,080	—	—	43,080
Construction-in-progress	<u>123,588</u>	<u>31,237</u>	<u>(145,960)</u>	<u>8,865</u>
Total capital assets not being depreciated	<u>166,668</u>	<u>31,237</u>	<u>(145,960)</u>	<u>51,945</u>
Capital assets being depreciated:				
Buildings and improvements	733,518	—	90,190	823,708
Land improvements	8,287	—	64	8,351
Equipment	594,144	—	(36,644)	557,500
Equipment under capital lease	<u>724</u>	<u>9,050</u>	<u>—</u>	<u>9,774</u>
Total capital assets being depreciated	<u>1,336,673</u>	<u>9,050</u>	<u>53,610</u>	<u>1,399,333</u>
Accumulated depreciation:				
Buildings and improvements	440,211	23,429	(21,695)	441,945
Land improvements	6,900	197	—	7,097
Equipment	478,352	31,961	(70,195)	440,118
Equipment under capital lease	<u>411</u>	<u>1,214</u>	<u>—</u>	<u>1,625</u>
Total accumulated depreciation	<u>925,874</u>	<u>56,801</u>	<u>(91,890)</u>	<u>890,785</u>
Total	\$ <u><u>577,467</u></u>	<u><u>(16,514)</u></u>	<u><u>(460)</u></u>	<u><u>560,493</u></u>

The estimated cost-to-complete construction-in-progress at June 30, 2020 and 2019, totaled approximately \$68 million and \$61 million, respectively.

NORTH BROWARD HOSPITAL DISTRICT

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(6) Long-Term Obligations

Changes in long-term liabilities for the years ended June 30, 2020 and 2019, were as follows:

	<u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2020</u>	<u>Amount due in one year</u>
Revenue bonds	\$ 313,225	—	(5,025)	308,200	5,280
Bond premium	29,042	—	(1,370)	27,672	—
Lease obligations	7,652	—	(2,368)	5,284	1,844
Self-insurance program	31,320	2,353	(5,471)	28,202	7,272
	<u>\$ 381,239</u>	<u>2,353</u>	<u>(14,234)</u>	<u>369,358</u>	<u>14,396</u>

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>	<u>Amount due in one year</u>
Revenue bonds	\$ 317,255	—	(4,030)	313,225	5,025
Bond premium	30,412	—	(1,370)	29,042	—
Lease obligation	345	9,050	(1,743)	7,652	1,749
Self-insurance program	32,410	2,996	(4,086)	31,320	7,437
	<u>\$ 380,422</u>	<u>12,046</u>	<u>(11,229)</u>	<u>381,239</u>	<u>14,211</u>

(7) Revenue Bonds

a) Revenue Bonds, Series 2017B (the 2017B Bonds)

In December 2017, the District issued \$317.3 million of Revenue Bonds, Series 2017B at a premium of \$31.1 million, for total sources of funds in the amount of \$348.4 million. The Series 2017B Bonds of \$317.3 million is comprised of \$157.5 million Serial Bonds due through January 1, 2038; \$54.8 million Term Bonds due January 1, 2042; and \$105 million Term Bonds due January 1, 2048. All the components of the Series 2017B Bonds are 5% fixed rate bonds. The 2017B Bonds are subject to optional, extraordinary optional, and mandatory sinking fund redemption prior to maturity. The bonds are secured solely by funds and accounts held under the Bond Indenture (excluding the Rebate Fund) and any other property delivered as security under the Bond Indenture.

On December 13, 2017, the District, as the sole Member of the Obligated Group delivered to the Bond Trustee, the Series 2017B Bonds (North Broward Hospital District Revenue Bonds, Series 2017B). The obligations issued under the Master Trust Indenture are equally and ratably payable from, and are secured solely by, a pledge of and a lien on the pledged revenues (as defined in the Master Trust Indenture) and any and all property of every kind as additional security by the Obligated Group. Under the Master Trust Indenture, the pledged revenues do not include ad valorem tax receipts received by the Issuer and any future member of the Obligated Group.

Upon the occurrence of any event of default the Bond Trustee may take whatever action at law or in equity it deems necessary or desirable to collect amounts then due by the District and to enforce performance of any obligation, agreement or covenant of the District and shall have a right of payment for the forgoing advances, fees, costs, and expenses incurred by the Bond Trustee and any additional Paying Agent.

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The Master Trust Indenture permits the members of the Obligated Group to issue additional obligations to parties other than the Bond Trustee. The additional obligations will be secured equally and proportionately by the pledged revenues with all other obligations issued under the Master Trust Indenture.

The Series 2017B Bonds were issued to provide funds for the redemption of \$41.5 million Revenue Bonds, Series 2005A; \$82.4 million Revenue Bonds, Series 2008A; \$21.8 million Revenue Bonds, Series 2010; \$87.2 million Revenue Bonds, Series 2017A (issued in September 2017 for three months to provide temporary gap funding and redeem the Series 2007 Bonds in the amount of \$76.9 million, \$10.2 million in related swap and swap interest, and \$0.1 million in related issuance costs). A portion of the proceeds of the Series 2017B Bonds were applied to the payment of termination fees in connection with the termination and discharge of interest rate swap agreements relating to the Series 2005A Bonds and Series 2008A Bonds, including accrued interest, in the amount of \$22.4 million, as well as costs of issuance in the amount of \$3.2 million. As a result, the liabilities for the advance refunded bonds and terminated swaps were removed from the accompanying consolidated statements of net position. In addition to provide funds for the redemption, the District used the remaining proceeds of \$90.0 million to cover the cost of certain capital projects of its healthcare facilities, including reimbursement of advanced funds for the capital projects prior to the issuance of the Series 2017B Bonds.

The refunding of the bonds resulted in a loss of defeasance of approximately \$29.3 million. At June 30, 2020 and 2019, the unamortized deferred balance is approximately \$22.4 and \$25.1 million, respectively, and is reported as deferred outflows of resources.

The Series 2017B Bonds are fixed rate bonds and are callable on or after January 1, 2028. Interest commenced on July 1, 2019, and will be due on each January 1 and July 1 thereafter. Interest on the Series 2017B Bonds is computed on a basis of a 360-day year comprised of twelve 30-day months.

The Term Bonds are subject to mandatory redemption and payment prior to maturity at a redemption price equal to the principal amount plus accrued interest to the redemption date, without premium.

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Maturities of the 2017B Bonds by component, including corresponding interest due, over the next five years and in five-year increments thereafter are as follows:

	<u>Principal on Serial Bonds due January 1, 2038</u>	<u>Principal on Term Bonds due January 1, 2042</u>	<u>Principal on Term Bonds due January 1, 2048</u>	<u>Total debt service Principal</u>	<u>Total debt service Interest</u>
	(In thousands of dollars)				
Years ending June 30:					
2021	\$ 5,280	—	—	5,280	15,410
2022	5,540	—	—	5,540	15,146
2023	5,815	—	—	5,815	14,869
2024	6,115	—	—	6,115	14,578
2025	6,415	—	—	6,415	14,273
2026-2030	37,205	—	—	37,205	66,220
2031-2035	47,505	—	—	47,505	55,940
2036-2040	34,585	26,025	—	60,610	42,816
2041-2045	—	28,710	48,670	77,380	26,068
2046-2048	—	—	56,335	56,335	5,725
	<u>\$ 148,460</u>	<u>54,735</u>	<u>105,005</u>	<u>308,200</u>	<u>271,045</u>

(8) Line of Credit

On June 30, 2020, the District entered into a Line of Credit for short-term borrowings with a bank under which up to \$50,000,000 may be borrowed on such terms as outlined by the Revolving Line of Credit Agreement (Agreement). The District has pledged collateral on the same terms as the Master Trust Indenture and issued the North Broward Hospital District Obligated Group – Series 2020A Related Debt Obligation pursuant to the Second Supplemental Master Trust Indenture dated June 30, 2020. The term of the agreement expires June 29, 2021. Interest on the used line of credit is LIBOR plus 125 basis points. The District has not drawn on the line of credit as of June 30, 2020.

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Notes to the Financial Statements

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(9) Lease Obligation

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

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

	<u>Principal</u>	<u>Interest</u>
	(In thousands of dollars)	
Years ending June 30:		
2021	\$ 1,844	112
2022	1,519	67
2023	1,425	32
2024	496	4
Total due	<u>5,284</u>	<u>215</u>
Amount due within one year	<u>(1,844)</u>	
Amount due, excluding due within one year	<u>\$ 3,440</u>	

NORTH BROWARD HOSPITAL DISTRICT

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(10) Defined-Benefit Pension Plan

a) Plan Description

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

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

Effective January 1, 1997, employees are eligible for Plan participation after completing one year of credited service and the attainment of age 21. Benefits are vested after five years of credited service. Accrued monthly pension benefits as of December 1, 1996, were converted to lump-sum cash balances, and the Plan guarantees a minimum annuity based on the benefits accrued as of December 31, 1996. Benefits upon retirement are based upon a District contribution of 5% of the participant's covered earnings for each year of credited service and an annual interest credit on the employee's account balance equal to the yield on the one-year Treasury Bill for the month of May preceding each Plan year plus 1%. Vested plan participants who were at least age 45 on January 1, 1997, are eligible for additional "grandfathered" pension contributions. Normal retirement age under the Plan is 65 with provisions for early retirement if the participant is 55 to 64 years of age and has attained five years of credited service. These benefit levels may be modified upon approval by the Board. Benefits under the early retirement provision are reduced to reflect the Plan participant's age at the time benefits begin.

Number of employees covered:	2020	2019
Active employees	6,381	6,353
Inactive employees currently receiving benefits	1,733	1,751
Inactive employees entitled to but not yet receiving benefits	1,397	1,396
Total membership	<u>9,511</u>	<u>9,500</u>

b) Contributions

The annual contribution for each year was determined by management and the Board. While the District's independent actuary annually determines a range for the annual contributions, the District is not required to contribute an amount equal to the total funding contribution. The Plan's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. All contributions to the Plan are made by the employer and are intended to fund both the actuarially determined costs, as well as the Plan's operating costs. The District's practice is to make sufficient annual contributions in accordance with the actuarial funding requirements of the Florida Statutes. The contributions to the Plan for fiscal years 2020 and 2019 totaled \$16.0 million and \$16.0 million, respectively, which equaled the normal cost as computed through the actuarial valuation

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

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date as of June 30, 2020 and 2019. The contributions represent approximately 4.41% and 4.24% of current covered payroll for fiscal years 2020 and 2019, respectively. Maximum actuarial contributions are based upon the funding levels that would be required of an ERISA plan.

c) Net Pension Liability (Asset)

The District's net pension liability (asset) was measured as of June 30, 2020, based upon rolling forward the results of the actuarial valuation as of July 1, 2019. The District's net pension liability (asset) was measured as of June 30, 2019, based upon rolling forward the results of the actuarial valuation as of July 1, 2018.

Actuarial Valuation and Assumptions – Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. The District's net pension liability (asset) was calculated using the following methods and assumptions:

	<u>2020</u>	<u>2019</u>
Inflation	2.20%	2.50%
Investment rate of return	6.25%	6.25%
Projected salary increases	4.50%	4.50%
Cost-of-living adjustment	None	None

For active members, inactive members, and retirees, the RP-2000 Combined Healthy Mortality tables for employees, healthy annuitants, and disabled annuitants with generational projection per Scale BB are used for 2020 and 2019.

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

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Long-Term Rate of Return – The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are from the actuary’s asset advisors. The 6.25% assumption reflects the composite expected return based on the target asset allocation for the Plan. The actuary uses the Global Capital Asset Pricing Model (Global CAPM) methodology to determine expected returns for each asset class, rather than relying on historical returns or other estimates. The CAPM is an economic model for valuing stocks, securities, derivatives, and/or assets by relating risk and expected return and is based on the idea that investors demand additional expected return if they are asked to accept additional risk.

The following is the Plan’s adopted asset allocation policy and long-term expected rate of return as of June 30, 2020:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Core Fixed Income	15.00%	0.92%	0.84%
US High Yield Bonds	3.50%	3.86%	3.38%
US Equity Market	40.00%	4.82%	3.52%
Foreign Developed Equity	15.00%	6.32%	4.75%
Emerging Markets Equity	4.00%	8.35%	5.53%
Private Real Estate Property	10.00%	3.84%	3.13%
Private Equity	7.50%	9.47%	5.68%
Hedge Funds Multi Strategy	5.00%	3.31%	2.94%
Assumed Inflation - Mean		2.20%	2.20%
Assumed Inflation - Standard Deviation		1.65%	1.65%
Portfolio Real Mean Return		4.74%	3.95%
Portfolio Nominal Mean Return		6.95%	6.24%
Portfolio Standard Deviation			12.65%
Long-Term Expected Rate of Return			6.25%

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June 30, 2020 and 2019

The following is the Plan's adopted asset allocation policy and long-term expected rate of return as of June 30, 2019:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Core Fixed Income	15.00%	1.45%	1.36%
US High Yield Bonds	3.50%	3.72%	3.27%
US Equity Market	40.00%	4.70%	3.52%
Foreign Developed Equity	15.00%	6.04%	4.55%
Emerging Markets Equity	4.00%	8.19%	5.43%
Private Real Estate Property	10.00%	3.93%	3.23%
Private Equity	7.50%	9.42%	5.68%
Hedge Funds Multi Strategy	5.00%	3.39%	3.03%
Assumed Inflation - Mean		2.20%	2.20%
Assumed Inflation - Standard Deviation		1.65%	1.65%
Portfolio Real Mean Return		4.73%	4.00%
Portfolio Nominal Mean Return		6.94%	6.29%
Portfolio Standard Deviation			12.18%
Long-Term Expected Rate of Return			6.25%

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

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Discount Rate – The discount rate used to measure the total pension liability was 6.25% for fiscal years 2020 and 2019. The projection of cash flows used to determine the discount rate assumed that the District’s contributions will be made at rates equal to the actuarially determined contribution rates. Based upon those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan assets was applied to all periods of projected benefit payments to determine the total pension liability. The following section discusses the sensitivity of the net pension liability to changes in the discount rate.

d) Changes in Net Pension Liability (Asset)

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
	(In thousands of dollars)		
Balance as of June 30, 2019	\$ 361,762	374,699	(12,937)
Changes for the year:			
Service cost	12,604	—	12,604
Interest on total pension liability	22,525	—	22,525
Effect of economic/demographic gains or losses	(8,793)	—	(8,793)
Effect of assumptions changes or inputs	(19,993)	—	(19,993)
Benefit payments	(28,351)	(28,351)	—
Employer contributions	—	16,000	(16,000)
Net investment income	—	12,015	(12,015)
Administrative expenses	—	(2,207)	2,207
	<u>339,754</u>	<u>372,156</u>	<u>(32,402)</u>
Balance as of June 30, 2020	\$ 339,754	372,156	(32,402)

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		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
	(In thousands of dollars)		
Balance as of June 30, 2018	\$ 361,981	365,519	(3,538)
Changes for the year:			
Service cost	14,202	—	14,202
Interest on total pension liability	22,571	—	22,571
Effect of economic/demographic gains or losses	(1,684)	—	(1,684)
Effect of assumptions changes or inputs	(4,753)	—	(4,753)
Benefit payments	(30,555)	(30,555)	—
Employer contributions	—	16,000	(16,000)
Net investment income	—	25,602	(25,602)
Administrative expenses	—	(1,867)	1,867
Balance as of June 30, 2019	\$ <u>361,762</u>	<u>374,699</u>	<u>(12,937)</u>

Sensitivity Analysis – The following presents the net pension liability (asset) of the District as of June 30, 2020, calculated using the discount rate of 6.25%, as well as what the District’s net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate.

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
	(In thousands of dollars)		
Net pension liability (asset)	\$ (11,607)	(32,402)	(51,011)

NORTH BROWARD HOSPITAL DISTRICT

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Pension Plan Fiduciary Net Position – Additional information about the Plan’s fiduciary net position (i.e. plan assets) is as follows:

The following tables present the composition and credit ratings of the defined-benefit pension plan’s cash and cash equivalents and investments as of June 30, 2020:

	Fair Value	Investment Maturities			
		Less than 1 year	1–5 years	6–10 years	More than 10 years
U.S. government securities	\$ 10,811	—	2,602	3,759	4,450
Corporate bonds	20,611	1,402	9,196	3,530	6,483
Mortgage-backed securities	18,940	—	1,284	1,734	15,922
	50,362	1,402	13,082	9,023	26,855
Common stock	87,642				
Mutual funds	137,794				
Private equity	21,522				
Hedge funds	15,744				
Real estate	38,110				
Infrastructure	14,463				
Money markets	6,519				
	<u>\$ 372,156</u>				

	Fair Value	Ratings					
		AAA	AA	A	BBB	<BBB	Not rated
U.S. government securities	\$ 10,811	10,811	—	—	—	—	—
Corporate bonds	20,611	—	1,128	4,447	12,936	929	1,171
Mortgage-backed securities	18,940	4,671	—	—	—	103	14,166
	<u>\$ 50,362</u>	<u>15,482</u>	<u>1,128</u>	<u>4,447</u>	<u>12,936</u>	<u>1,032</u>	<u>15,337</u>

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The following tables present the composition and credit ratings of the defined-benefit pension plan's cash and cash equivalents and investments as of June 30, 2019:

	Fair value	Investment maturities			
		Less than 1 year	1-5 years	6-10 years	More than 10 years
U.S. government securities	\$ 11,204	—	1,467	4,900	4,837
Corporate bonds	26,472	2,739	12,788	4,451	6,494
Mortgage-backed securities	22,665	—	1,952	2,612	18,101
	60,341	2,739	16,207	11,963	29,432
Common stock	107,109				
Mutual funds	120,548				
Private equity	19,634				
Hedge funds	17,421				
Real estate	36,525				
Infrastructure	7,024				
Other investments	194				
Money markets	5,903				
	<u>\$ 374,699</u>				

	Fair value	Ratings					
		AAA	AA	A	BBB	<BBB	Not rated
U.S. government securities	\$ 11,204	11,204	—	—	—	—	—
Corporate bonds	26,472	—	1,143	6,832	17,291	584	622
Mortgage-backed securities	22,665	6,303	—	—	—	120	16,242
	<u>\$ 60,341</u>	<u>17,507</u>	<u>1,143</u>	<u>6,832</u>	<u>17,291</u>	<u>704</u>	<u>16,864</u>

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The following table presents information about the fair value measurements of the Plan's fiduciary net position as of June 30, 2020.

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Plan investments by fair value level:				
Money Markets	\$ 6,519	6,519	—	—
Debt Securities				
U.S. government securities	10,811	10,811	—	—
Corporate bonds	20,611	20,611	—	—
Mortgage-backed securities	18,940	18,940	—	—
Total debt securities	50,362	50,362	—	—
Equity Securities				
Common stock	87,642	87,642	—	—
Mutual funds	137,794	137,794	—	—
Total Equity Securities	225,436	225,436	—	—
Private Equity	21,522	—	—	21,522
Real Estate	38,110	—	—	38,110
Infrastructure	14,463	—	—	14,463
Total Plan investments by fair value level	356,412	282,317	—	74,095
Plan investments measured at net asset value (NAV):				
Hedge Funds	15,744			
Total investments measured at fair value	\$ 372,156			

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The following table presents information about the fair value measurements of the Plan's fiduciary net position as of June 30, 2019.

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Plan investments by fair value level:				
Money Markets	\$ 5,903	5,903	—	—
Debt Securities				
U.S. government securities	11,204	11,204	—	—
Corporate bonds	26,472	26,472	—	—
Mortgage-backed securities	22,665	22,665	—	—
Total debt securities	<u>60,341</u>	<u>60,341</u>	—	—
Equity Securities				
Common stock	107,109	107,109	—	—
Mutual funds	120,548	120,548	—	—
Other investments	194	194	—	—
Total Equity Securities	<u>227,851</u>	<u>227,851</u>	—	—
Private Equity	19,634	—	—	19,634
Real Estate	36,525	—	—	36,525
Infrastructure	7,024	—	—	7,024
Total Plan investments by fair value level	<u>357,278</u>	<u>294,095</u>	<u>—</u>	<u>63,183</u>
Plan investments measured at net asset value (NAV):				
Hedge Funds	<u>17,421</u>			
Total investments measured at fair value	<u>\$ 374,699</u>			

See Note 4 for an explanation of the methods used to determine fair value and the levels within the fair value hierarchy.

Additional Disclosures for Fair Value Measurements of Plan Investments in Certain Entities that Calculate Net Asset Value per Share or its Equivalent:

The hedge funds that the Plan invests in include various limits on the redemption frequency of those investments, as well as redemption notice periods. The limits on redemption frequency generally range from being non-redeemable to a redemption frequency that is daily, monthly, quarterly, semi-annually, or annually. The redemption notice periods generally range from daily to notice periods of 5, 15, 30, 60, 75, or 90 days. The private equity, real estate, and infrastructure funds that the Plan invests include unfunded commitments as of June 30, 2020, totaling approximately \$28.5 million, \$15.9 million, and \$8.7 million, respectively.

e) Pension Expense

The pension expense for the years ended June 30, 2020 and 2019, is \$8.4 million and \$15.9 million, respectively.

NORTH BROWARD HOSPITAL DISTRICT

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f) Deferred Inflows/Outflows of Resources

A summary of deferred outflows and deferred inflows of resources as of June 30, 2020, is as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In thousands of dollars)	
Differences between expected and actual experience	\$ —	\$ (8,713)
Changes of assumptions	5,423	(17,812)
Net difference between projected and actual earnings	—	(2,773)
 Total	 \$ 5,423	 \$ (29,298)

A summary of deferred outflows and deferred inflows of resources as of June 30, 2019, is as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In thousands of dollars)	
Differences between expected and actual experience	\$ —	\$ (3,944)
Changes of assumptions	10,352	(4,576)
Net difference between projected and actual earnings	—	(13,823)
 Total	 \$ 10,352	 \$ (22,343)

The net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2020, will be recognized as a reduction in pension expense during the next four years as follows:

Year ending June 30:	
2021	\$ (9,287)
2022	(8,680)
2023	(4,844)
2024	(1,064)
	\$ (23,875)

(11) Defined-Contribution Plan

Effective January 1, 1990, the District implemented a defined-contribution plan (the Star Plus 403(b) Plan) for all employees. In a defined-contribution plan, benefits depend solely on amounts contributed to the Star Plus 403(b) Plan, plus investment earnings. Employees are eligible to participate immediately, and full-time and part-time employees are eligible for employer matching contributions upon the completion

NORTH BROWARD HOSPITAL DISTRICT

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of one year of service. The Board approved the Star Plus 403(b) Plan, which requires an employer contribution of 100% of the employee's contribution not to exceed 1% of the employee's compensation (subject to limitations) and 35% of the contribution between 1% and 4% of the employee's compensation. The District's contribution for each employee is fully vested after five years of continuous service (partial vesting between two and five years of service). The District's contribution for, and interest forfeited by, employees who leave employment before vesting is used to reduce the District's current period contribution requirement.

The District's total payroll for fiscal years 2020 and 2019 was \$528.8 million and \$510.1 million, respectively. The total covered payroll for eligible employees during the same periods is not determinable. For fiscal year June 30, 2020, the District's contribution was \$6.7 million, representing 1.3% of total payroll. The employees' contributions for fiscal year June 30, 2020, were \$25.5 million, representing 4.8% of total payroll. For fiscal year June 30, 2019, the District's contribution was \$6.6 million, representing 1.3% of total payroll. The employees' contributions for fiscal year June 30, 2019, were \$25.2 million, representing 5.0% of total payroll.

(12) Florida Retirement System

The District has 5 employees that participate in the Florida Retirement System (FRS), a cost-sharing multiple employer defined-benefit plan administered by the State of Florida (the FRS Plan).

The following amounts have been recorded in the District's financial statements as of and for the year ended June 30, 2020 and 2019, representing its proportionate share of the net pension liability and the related pension expense and deferred outflows/inflows of resources of the FRS Plan:

	<u>2020</u>	<u>2019</u>
	(In thousands of dollars)	(In thousands of dollars)
Net pension liability	\$ 749	\$ 1,084
Deferred outflows of resources	298	563
Deferred inflows of resources	(867)	(849)
Pension expense (credit)	(6)	47

The remaining disclosures and required supplementary information related to the District's participation in the FRS Plan have not been presented in the accompanying financial statements due to immateriality.

(13) Other Postemployment Benefits (OPEB)

In addition to providing pension benefits, the District provides certain healthcare and life insurance benefits for approximately 1,279 and 1,202 eligible retired employees in fiscal year 2020 and 2019, respectively, which include those at the healthcare facilities. Many of the District's employees may become eligible for those benefits if they reach retirement age while working for the District.

a) Plan Description

The District maintains a single-employer defined-benefit healthcare plan, providing OPEB for all full-time employees of the District. No assets are accumulated in a trust that meets the criteria in paragraph

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4 of GASB Statement No. 75; this is a pay-as-you-go plan. Benefit payments are recognized when due and payable in accordance with the benefit terms. The District does not issue separate financial statements for their healthcare plan. The authority to establish and amend benefit provisions of the District's plan is held by the CEO of the District.

b) *Benefits Provided*

The District provides medical, dental, and vision insurance benefits for retirees and their dependents, as well as life insurance coverage for eligible retirees and future retirees. Medical benefits are provided through the Districts' self-insured health plans. Dental, vision, and life insurance benefits are provided through third-party insurers. Eligible retirees and their dependents either enrolled or not enrolled in Medicare pay an insurance premium to participate in either one of the health plans.

Eligible retirees are those grandfathered employees who attained age 55 with 5 years of service as of June 30, 2012. Of the grandfathered employees, those who qualified for the Rule of 80 (age of employee plus years of service equal 80) as of June 30, 2012 will contribute active employee rates for medical, dental and vision coverage for themselves and for dependent spouses. Those who did not meet the Rule of 80 will contribute the full rate for medical, dental, and vision coverage for themselves and for dependent spouses. The plan also provides eligible retirees with life insurance coverage based on age and pay prior to retirement. Retirees younger than age 65 receive coverage of 100% of annual pre-retirement pay (up to a maximum of \$50,000). Retirees age 65 and older receive coverage of 25% of annual pre-retirement pay (up to a maximum of \$10,000). Retirees younger than age 65 are required to contribute a portion of the premium for life insurance coverage at \$.07 per month per \$1,000 of coverage. All premiums are paid for retirees age 65 and older.

A condition for all retirees and their covered eligible dependents to continue employer sponsored medical benefits after age 65 is to enroll in Medicare Parts A and B.

The covered spouse of a grandfathered retiree who survives the retiree is eligible to continue employer sponsored medical, dental, and vision coverage. Medical, dental, and vision insurance premium subsidies will continue to the surviving spouse of eligible Rule of 80 retirees.

c) *Employees covered by benefit terms.* At June 30, 2020 and 2019, the following employees were covered by the benefit terms:

Number of employees covered:	2020	2019
Inactive employees currently receiving benefits:	1,083	1,018
Inactive employees entitled to but not yet receiving benefit payments	—	—
Active employees	6,582	6,323
Total membership	7,665	7,341

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d) Contribution Requirements

Retirees and eligible dependents are required to contribute a portion of the premium for coverage. The amount of monthly retiree premium contribution depends on the elected coverage and whether the retiree qualifies as having met the rule of 80 at retirement.

The table below shows the monthly rates for the retiree of the optional plans for medical and dental for the 2020 calendar year.

Aetna Best Choice Medical	<u>Single</u>	<u>Employee + 1</u>
Rule of 80:		
Medical pre-65	\$ 119.15	288.45
Medical post-65	88.56	219.24
Retiree and Spouse one older and one younger than 65	N/A	258.16
Other retirees:		
Medical pre-65	\$ 523.54	1,088.03
Medical post-65	501.07	1,041.34
Retiree and Spouse one older and one younger than 65	N/A	1,065.56
Aetna Select EPO Medical		
Rule of 80:		
Medical pre-65	\$ 156.47	366.02
Medical post-65	117.60	278.96
Retiree and Spouse one older and one younger than 65	N/A	327.15
Other retirees:		
Medical pre-65	\$ 537.12	1,116.28
Medical post-65	517.07	1,068.35
Retiree and Spouse one older and one younger than 65	N/A	1,093.23
Aetna Choice POS Medical		
Rule of 80:		
Medical pre-65	\$ 17.53	77.27
Medical post-65	10.62	56.62
Retiree and Spouse one older and one younger than 65	N/A	70.36
Other retirees:		
Medical pre-65	\$ 442.71	920.07
Medical post-65	423.72	880.57
Retiree and Spouse one older and one younger than 65	N/A	901.08

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	<u>Single</u>	<u>Employee + 1</u>
Reliance Dental		
Rule of 80:		
Retiree	\$ 10.34	N/A
Retiree and Spouse	N/A	21.49
Other retirees:		
Retiree	\$ 20.68	N/A
Retiree and Spouse	N/A	43.00
Aetna Dental		
Rule of 80:		
Retiree	\$ 7.61	N/A
Retiree and Spouse	N/A	14.45
Other retirees:		
Retiree	\$ 15.22	N/A
Retiree and Spouse	N/A	28.92

The table below shows the monthly rates for the retiree of the optional plans for medical and dental for 2019 calendar year.

	<u>Single</u>	<u>Employee + 1</u>
Best Choice Plus Medical		
Rule of 80:		
Medical pre-65	\$ 119.15	288.45
Medical post-65	88.56	219.24
Retiree and Spouse one older and one younger than 65	N/A	258.16
Other retirees:		
Medical pre-65	\$ 523.54	1,088.03
Medical post-65	501.07	1,041.34
Retiree and Spouse one older and one younger than 65	N/A	1,065.56
Aetna Select EPO Medical		
Rule of 80:		
Medical pre-65	\$ 156.47	366.02
Medical post-65	117.60	278.96
Retiree and Spouse one older and one younger than 65	N/A	327.15
Other retirees:		
Medical pre-65	\$ 537.12	1,116.28
Medical post-65	517.07	1,068.35
Retiree and Spouse one older and one younger than 65	N/A	1,093.23
Aetna Choice POS Medical		
Rule of 80:		
Medical pre-65	\$ 17.53	77.27
Medical post-65	10.62	56.62
Retiree and Spouse one older and one younger than 65	N/A	70.36
Other retirees:		
Medical pre-65	\$ 442.71	920.07
Medical post-65	423.72	880.57
Retiree and Spouse one older and one younger than 65	N/A	901.08

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		<u>Single</u>	<u>Employee + 1</u>
	Reliance Dental		
Rule of 80:			
Retiree	\$	10.34	N/A
Retiree and Spouse		N/A	21.49
Other retirees:			
Retiree	\$	20.68	N/A
Retiree and Spouse		N/A	43.00
	Aetna Dental		
Rule of 80:			
Retiree	\$	7.61	N/A
Retiree and Spouse		N/A	14.45
Other retirees:			
Retiree	\$	15.22	N/A
Retiree and Spouse		N/A	28.92

Rule of 80 retirees pay the same rates as active employees. Other retirees pay the premium equivalent funding rate. For fiscal years June 30, 2020 and 2019, the District contributed \$6.4 million and \$6.5 million, respectively, to the healthcare plan, which is net of the retiree contributions.

e) Actuarial Methods and Assumptions

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

In the actuarial valuations, the entry age normal actuarial cost method was used. Benefit liabilities were reported as of June 30, 2020 and 2019, and were valued as of June 30, 2020 and 2019. The current valuation reflects identical Measurement and Reporting Dates due to a change in pharmacy benefits managers effective after June 30, 2017. The actuarial valuation date for June 30, 2020 and 2019, include participant census as of June 30, 2019. The actuarial assumptions included a 2.21% and a 3.50% discount rate for 2020 and 2019, respectively. The selected discount rate at June 30, 2020 and 2019, reflects a snapshot as of the Measurement Date of the 20-year Governmental Obligation Index published by Bond Buyer.

The other significant actuarial assumptions utilized in the actuarial analysis were as follows:

NORTH BROWARD HOSPITAL DISTRICT

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	<u>2020</u>	<u>2019</u>
Salary increases including inflation	4.50%	4.50%
Mortality trend rates	RP 2000 Mortality – separate tables for Healthy Employees and Annuitants- generational projection per Scale BB	RP 2000 Mortality – separate tables for Healthy Employees and Annuitants- generational projection per Scale BB
Inflation	2.30%	2.30%
Healthcare cost trend rates	The trend rates of incurred claims represent the rate of increase in employer claims payments	The trend rates of incurred claims represent the rate of increase in employer claims payments

Claims costs in future years are estimated by adjusting the starting claim costs by an assumed ongoing cost trend. Such trends are based on the health care cost trend rate adjusted for the impact of plan design and cost containment features.

For June 30, 2020, the trend was calculated assuming an implied inflation rate of 2.3% per year, and actual premiums. The short-term trend rate for Pre-65 retirees starts off at 4.1%, and at 4.4% for post-65 retirees and reflects the repeal of the ACA Excise Tax in late 2019.

For June 30, 2019, the trend was calculated assuming an implied inflation rate of 2.3% per year, and actual premiums, and reflects current provisions of the Affordable Care Act of 2010 (ACA), which impose an excise tax Trend for the first time in 2020 for medical coverage which exceeds certain premium thresholds. The ACA Excise tax is assumed to be applied to single/family implied equivalent rates based on the total premium equivalent rates for the District.

	<u>2020</u>	<u>2019</u>
Medical annual rates of increase:		
Initial trend rate pre-65	4.10%	4.80%
Initial trend rate post-65	4.40%	6.90%
Ultimate trend rate pre-65	4.00%	4.50%
Ultimate trend rate post-65	4.00%	4.40%
Year that the rate reaches the ultimate trend rate pre-65	2097	2080
Year that the rate reaches the ultimate trend rate post-65	2091	2100
Dental annual rates of increase:		
Initial trend rate	4.81%	5.73%
Ultimate trend rate	3.76%	4.24%
Year that the rate reaches the ultimate trend rate	2075	2072

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f) Discount Rate

A single discount rate of 2.21% and 3.5% was used to measure the total OPEB liability for June 30, 2020 and 2019, respectively. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate.

g) OPEB Liability

At June 30, 2020 and 2019, the District reported a total OPEB liability of \$188.3 million and \$160 million, respectively. The total OPEB liability as of June 30, 2020, was determined by an actuarial valuation as of the valuation date of June 30, 2019, which was then projected forward to the measurement date of June 30, 2020, calculated based on the discount rate of 2.21%, and various key actuarial assumptions. The total OPEB liability as of June 30, 2019, was determined by an actuarial valuation as of the valuation date of June 30, 2019, calculated based on the discount rate of 3.5%, and various key actuarial assumptions. There were no significant changes between the valuation date and the fiscal year end.

h) Changes in the Total OPEB Liability

		Increase (Decrease) Total OPEB Liability
		<u>(In thousands of dollars)</u>
Balance as of June 30, 2019	\$	159,987
Changes for the year:		
Service cost		2,587
Interest on total OPEB liability		5,579
Effect of plan changes		—
Effect of economic/demographic gains or losses		—
Effect of assumptions changes or inputs		26,543
Benefit payments		<u>(6,408)</u>
Balance as of June 30, 2020	\$	<u><u>188,288</u></u>

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		Increase (Decrease) Total OPEB Liability (In thousands of dollars)
Balance as of June 30, 2018	\$	158,175
Changes for the year:		
Service cost		2,246
Interest on total OPEB liability		6,083
Effect of plan changes		—
Effect of economic/demographic gains or losses		(1,906)
Effect of assumptions changes or inputs		1,921
Benefit payments		<u>(6,532)</u>
Balance as of June 30, 2019	\$	<u><u>159,987</u></u>

i) Plan Changes and Changes in Assumptions

There were no plan changes during 2020 and 2019.

j) Sensitivity Analysis

The following presents the total OPEB liability of the District as of June 30, 2020, calculated using the discount rate of 2.21%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percent point lower (1.21%) or 1 percent higher (3.21%) than the current rate.

		1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
		<u>(In thousands of dollars)</u>		
Total OPEB liability	\$	214,691	188,288	166,651

The following presents the total OPEB liability of the District as of June 30, 2020, calculated using the current healthcare cost trend rates, as well as, what the District's total OPEB liability would be if it were calculated using trend rates that are 1 percent point lower or 1 percent point higher than the current trend rates. The current trend rates for 2020 were 4.1% for costs prior to age 65 and 4.4% for costs after age 65.

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	<u>1% Decrease</u>	Healthcare Current Cost Trend Rates	<u>1% Increase</u>
	(In thousands of dollars)		
Total OPEB liability	\$ 168,353	188,288	212,034

k) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the District recognized expense of \$10.86 million. For the year ended June 30, 2019, the District recognized expense of \$7.48.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In thousands of dollars)	
Differences between expected and actual experience	\$ —	\$ (1,397)
Changes of assumptions	<u>24,407</u>	<u>(3,846)</u>
Total	\$ <u><u>24,407</u></u>	\$ <u><u>(5,243)</u></u>

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In thousands of dollars)	
Differences between expected and actual experience	\$ —	\$ (1,652)
Changes of assumptions	<u>1,665</u>	<u>(4,695)</u>
Total	\$ <u><u>1,665</u></u>	\$ <u><u>(6,347)</u></u>

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Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2020, will be recognized in OPEB expense as follows:

Year ending June 30:	(In thousands of dollars)
2021	\$ 2,697
2022	2,697
2023	2,697
2024	2,697
2025	3,095
Thereafter	5,281
	<u>\$ 19,164</u>

(14) Charity Care

The District provides charity care to patients that meet the eligibility criteria under the Districts Financial Assistance Program (FAP) Policy. Eligibility into the FAP includes the following: residency requirements, income requirements, and final approval. The District charges eligible charity patients for services and supplies rendered. The total gross charges of charity care provided during fiscal year 2020 and 2019 was \$95.7 million and \$123.9 million, respectively. Total gross charges of charity care provided reflects inpatient services of \$41.5 million and outpatient services of \$54.2 million for fiscal year 2020. For fiscal year 2019 total gross charges of charity care provided reflects inpatient services of \$55.0 million and outpatient services of \$68.9 million. The estimated cost of charity care was \$23.8 million for fiscal year 2020, comprised of \$8.1 million for inpatient services and \$15.7 million for outpatient services. The estimated cost of charity care for fiscal year 2019 was \$28.0 million, comprised of \$11.7 million for inpatient services and \$16.3 million for outpatient services. The estimated costs were derived using a cost accounting system, which included indirect and direct costs.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

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(15) Net Patient Service Revenue

Net patient service revenue for fiscal years 2020 and 2019 consisted of the following:

	2020	2019
	(In thousands of dollars)	
Gross patient service revenue:		
Medicare	\$ 1,648,324	\$ 1,619,231
Medicaid	862,791	885,964
HMO/PPO	1,150,687	1,149,891
Indigent Write-Off	95,726	123,898
Other	662,620	640,254
	4,420,148	4,419,238
Allowances:		
Medicare	1,275,681	1,254,083
Medicaid	746,450	726,700
HMO/PPO	797,401	782,011
Indigent Write-Off	95,726	123,898
Other	90,701	112,299
Total allowances	3,005,959	2,998,991
Provision for uncollectible amounts	485,023	463,461
Total deductions from patient service revenue	3,490,982	3,462,452
Net patient service revenue	\$ 929,166	\$ 956,786

(16) Ad Valorem Tax Revenue

The Board of the District is empowered and directed to annually levy upon all real and personal taxable property within the boundaries of the District a sufficient tax, not to exceed 2.5 mills, to accomplish the purposes of the District, as determined by the Board. For fiscal years 2020 and 2019, the levies were 1.0324 mills and 1.0855 mills, respectively. The total assessed value for which fiscal years 2020 and 2019 levies were based was approximately \$139.5 billion and \$131.6 billion, respectively, with total taxes, net of associated fees, levied at the District level aggregating \$129.4 million and \$128.6 million for fiscal years 2020 and 2019, respectively. The Broward County Property Appraiser assesses and the Broward County Tax Collector collects all ad valorem taxes within Broward County.

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

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

(17) Concentrations of Credit Risk

The District grants credit without collateral to its patients, most of whom are local residents and are covered under third-party payor agreements. The mix of receivables, net of contractual allowance reserves and provision for uncollectible accounts from patients and third-party payors at June 30, 2020 and 2019, is detailed below. The District establishes reserves against these receivables based upon estimated collectability and credit risk. Self-pay receivables are, by nature, high risk, and estimated collectability is low.

	<u>2020</u>	<u>2019</u>
Medicare	31.6%	29.4%
Managed care	38.9	36.7
Medicaid	12.9	16.9
Commercial insurance	10.0	7.7
Self-pay and all other	6.6	9.3
	<u>100.0%</u>	<u>100.0%</u>

(18) Risk Management

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

Public Liability, Medical Malpractice, and Workers' Compensation

In 1975, the District developed a self-insurance program to provide coverage against public liability and medical malpractice claims. In September 1979, the District added workers' compensation to its self-insurance program. The District operates a comprehensive quality assurance program, which enables its healthcare facilities to closely monitor potential claims at the point of occurrence and to enhance its procedures for estimating accruals for such claims.

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

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for any individual incident in excess of \$2.2 million (self-insured retention) up to a maximum annual aggregate limit of \$25.0 million by the insurer.

The District established a current and noncurrent liability in the total amount of \$28.2 million and \$31.3 million at June 30, 2020 and 2019, respectively, to cover losses resulting from asserted and unasserted claims. The liability includes estimates of the ultimate costs of both reported claims and claims incurred but not reported. Management believes these reserves are adequate to cover losses from such claims after considering the limits provided by Florida Statutes as set forth above. The current year claims expense is included within insurance expenses in the respective statements of revenues, expenses, and changes in net position.

Changes in the District's self-insurance program claims liability during fiscal years 2020 and 2019 were as follows:

	2020	2019
	(In thousands of dollars)	(In thousands of dollars)
Liability at beginning of year	\$ 31,320	\$ 32,410
Current year claims expense	2,353	2,996
Current year claims payments	(5,471)	(4,086)
Liability at end of year	\$ 28,202	\$ 31,320

Medical Health Benefits

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

The estimated reserve for the District's health benefits as of June 30, 2020 and 2019, for non-retirees is \$8.0 million and \$9.4 million, respectively, and is included in accrued salaries, benefits, and payroll taxes in the accompanying statements of net position. The District considered the need for a margin for adverse deviation from the best estimate of reserve based on the variability of claims and has included a 10% explicit margin. The liability includes estimates of the ultimate costs of both reported claims and claims incurred but not reported. Management believes these reserves are adequate to cover such claims.

Changes in the District's health plan liability during fiscal years 2020 and 2019 were as follows:

	2020	2019
	(In thousands of dollars)	(In thousands of dollars)
Liability at beginning of year	\$ 9,430	\$ 9,809
Current year claims expense	76,051	71,973
Current year claims payments	(77,467)	(72,352)
Liability at end of year	\$ 8,014	\$ 9,430

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

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

Since dental became fully insured as of January 1, 2012, and vision became fully insured as of January 1, 2014, there is no remaining material self-insured plan run-out reserve liability as of June 30, 2020 and 2019.

(19) Related Parties

The District is an equal partner of the Community Care Plan (CCP), a managed care network governed by an agreement between two governmental entities: North Broward Hospital District (Broward Health) and South Broward Hospital District (MHS) which are CCP's Members. The Members operate two of the largest and diverse integrated health care systems in the state of Florida that consist of hospitals, clinics, physicians, ancillary services, nursing homes, and many programs to serve those with special medical and behavioral needs.

CCP utilizes one general fund and has three major lines of business. They are Statewide Managed Medical Assistance (MMA), Children's Medical Services Division (CMS), and various medical programs for the Members. The MMA is the only at-risk arrangement; the remaining lines of business are administrative services contracts. CCP allocates expenses to the various contracts using the direct method and shared service allocations. Effective January 31, 2019, the CMS contracts were terminated.

CCP is designated by the State of Florida as a Provider Service Network (PSN) and has also retained a Third-Party Administrator (TPA) license.

As of June 30, 2020 and 2019, the District's investment in CCP was approximately \$20.1 million and \$15.9, respectively, which are included in other assets. For June 30, 2020 and 2019, the District recorded earnings of \$4.2 million and losses of 2.4 million, respectively.

NORTH BROWARD HOSPITAL DISTRICT

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Summarized financial information taken from the audited financial statements of CCP as of December 31, 2019 and 2018, was as follows:

	<u>2019</u>	<u>2018</u>
	(In thousands of dollars)	
Assets		
Current assets	\$ 54,444	44,864
Capital assets, net	714	1,377
Other assets	<u>2,716</u>	<u>9,757</u>
Total assets	<u>\$ 57,874</u>	<u>55,998</u>
Liabilities and Net Position		
Current liabilities	\$ 22,722	20,208
Long-term liabilities	<u>—</u>	<u>86</u>
Total liabilities	<u>22,722</u>	<u>20,294</u>
Net position	<u>35,152</u>	<u>35,704</u>
Total liabilities and net position	<u>\$ 57,874</u>	<u>55,998</u>
	<u>2019</u>	<u>2018</u>
	(In thousands of dollars)	
Revenue	\$ 143,449	156,738
Expenses:		
Medical services expenses	117,493	123,952
General administrative expenses	<u>27,474</u>	<u>30,849</u>
Total expenses	<u>144,967</u>	<u>154,801</u>
Operating income (loss)	(1,518)	1,937
Other income	<u>966</u>	<u>532</u>
Increase (decrease) in net position	(552)	2,469
Net position:		
Beginning of year	35,704	33,235
End of year	<u>\$ 35,152</u>	<u>35,704</u>

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

(20) Public Medical Assistance Trust Fund

In 1984, the Agency for Healthcare Administration created a Public Medical Assistance Trust Fund to collect assessments from all hospitals in the state of Florida to fund enhancements to the Medicaid program. Hospitals in the state of Florida are required to deposit into the fund an amount equal to 1.5% of the hospital's prior year net inpatient revenue and 1.0% of the hospital's prior year net outpatient revenue. During fiscal years 2020 and 2019, approximately \$11.8 million and \$12.4 million, respectively, was recorded as an operating expense in the accompanying statement of revenues, expenses, and changes in net position.

(21) Commitments and Contingencies

a) Operating Leases

The District leases various equipment and facilities under operating lease arrangements. Total rental expense under operating leases in fiscal years 2020 and 2019 was \$11.2 million and \$10.4 million, respectively, which is included in other expenses in the accompanying statements of revenues, expenses, and changes in net position.

Future minimum lease payments under operating leases as of June 30, 2020, with initial or remaining lease terms in excess of one year, are as follows (in thousands of dollars):

Years ending June 30:		
2021	\$	5,073
2022		4,508
2023		2,794
2024		1,457
2025		648
Thereafter		1,454
	\$	<u>15,934</u>

b) Litigation

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

The District is involved in a Federal Trade Commission (FTC) investigation where the FTC has alleged possible violations of Section 5 of the Federal Trade Commission Act in connection with the operation of the Best Choice provider network. The District has been cooperating with the FTC by producing information, documents, and designating individuals to testify before the FTC. At this time, discussions with the FTC are ongoing, and management is unable to determine whether the ultimate outcome of this investigation will have any adverse material impact on the District's net position, operations, or its cash flows.

The District has been named as a defendant in a number of malpractice lawsuits. In the event that a claim exceeds its sovereign immunity level, the District may incur charges in excess of its established reserves that could have an adverse impact on the District's net income and net cash flows in the period

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

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in which it is recorded or paid. In order for the District to incur liability in excess of its sovereign immunity level, a claims bill must be presented and sponsored by a senator or representative of the State of Florida, passed through committee, and signed by the governor of Florida according to Florida Statute 768.28. The deadline to file new claims bills for the March 1, 2021 session was August 1, 2020, and the District had no new claims bills filed for the upcoming session.

c) Other Industry Risks

The healthcare industry is subject to numerous complex laws and regulations imposed by federal, state, and local governments. Compliance with these laws and regulations can be subject to government review and interpretation by both the District with respect to implementation, as well as the government with respect to retrospective review. In addition, at this time, regulatory actions are unknown and un-asserted. There are routine audits that occur from the State, Federal Government, and private payers but no regulatory actions are currently in progress with the exception of the CIA discussed below.

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

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

d) Corporate Integrity Agreement

The Corporate Integrity Agreement (CIA) was entered into between the District and the Office of Inspector General (OIG) to "promote compliance with the statutes, regulations, and written directives of Medicare, Medicaid, and all other Federal health care programs." The CIA became effective on August 31, 2015 (the Effective Date), and the period of compliance assumed by the District under the CIA is five years from the Effective Date. Each one year period following the Effective Date, commencing September 1, 2015, is a "Reporting Period." Broward Health has received notification from the OIG that the CIA ended August 30, 2020, official notification will follow pending timely filing of the fifth and final annual report.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

Compliance Program Requirements

The CIA required the District to establish, within 90-120 days after the Effective Date, and maintain, a Compliance Program that includes the following principal elements:

- A Compliance Officer must be appointed and such position must be maintained for the term of the CIA (Chief Compliance Officer). The Chief Compliance Officer shall be a member of senior management, shall report directly to the District's Board of Commissioners and administratively to the Chief Executive Officer, and shall not be subordinate to the General Counsel or Chief Financial Officer or have any capacity as legal counsel or supervising legal counsel functions for the District. Among other things, the Chief Compliance Officer must develop and implement policies, procedures, and practices to ensure compliance with the CIA and with federal health care program requirements, and monitor the day-to-day compliance activities engaged in by the District as well as report any obligations required under the CIA.
- A Compliance Committee must be appointed, which shall include the Chief Compliance Officer and other members of senior management necessary to meet the requirements of the CIA; such committee is required to meet at least quarterly.
- The Board of Commissioners of the District, supported by a committee of the Board, is responsible for the review and oversight of matters related to compliance with federal health care program requirements and the obligations of the CIA.
- The District must develop, implement, and distribute a written Code of Conduct to all "Covered Persons" (as defined in the CIA), and develop and implement written policies and procedures regarding the operation of its compliance program.
- The District must develop a written training plan, and provide training to all Covered Persons (as defined in the CIA) regarding the CIA, the Anti-Kickback Statute, and the Stark Law.
- The District must create and maintain a centralized tracking system for all existing and new or renewed arrangements between the District and (i) any actual source of health care business or referrals to the District that involves the offer, payment, or provision of anything of value, or (ii) any physician (or physician's immediate family member) who makes a referral to the District for designated health services, as defined at 42 U.S.C. § 1395nn(h)(6) (Focus Arrangements).
- The District must establish a Disclosure Program to enable individuals to disclose any issues or questions pertaining to the District's policies, conduct, practices, or procedures with respect to a federal health care program believed to be a violation of law.

Generally, the District took the following actions in order to implement these Compliance Program requirements, including:

- The District appointed a Senior Vice President Chief Compliance & Privacy Officer and created a Board Compliance and Ethics Committee;
- The Board's Compliance and Ethics Committee reviews and oversees the District's Compliance and Ethics Program, including but not limited to the performance of the Chief Compliance Officer and the Executive Compliance Workgroup, which serves as the Compliance Committee under the CIA;
- The District developed a written Code of Conduct and has implemented written policies and procedures regarding the operation of its compliance program, including the compliance program requirements contained in the CIA and federal health care program requirements; The Code of Conduct is reviewed, updated as necessary, and distributed to all workforce members annually.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

- The District developed a written training plan and conducted training of Covered Persons and the Board members;
- The District has implemented an improved centralized database for Focus Arrangements;
- The District implemented Focus Arrangement review and approval processes, including ensuring that Focus Arrangements are signed and in writing, and ensuring that Focus Arrangement agreements contain certain provisions required by the CIA;
- The District developed and implemented a centralized annual risk assessment and internal review process to identify and address risks associated with Arrangements; and
- The District established a Disclosure Program that includes a mechanism for individuals to disclose any identified issues, anonymously if the individual so chooses, or questions and that emphasizes a non-retribution and non-retaliation policy.

Engagement of IRO

The District is required by the terms of the CIA to engage an Independent Review Organization (IRO) to conduct systems reviews and transactions reviews. The systems review is a review of the District's systems, processes, policies, and procedures relating to the initiation, review, approval, and tracking of Arrangements (as defined in the CIA). A systems review was performed for the first and fourth Reporting Periods. The transaction review is a review, conducted annually, of 50 randomly-selected Focus Arrangements.

Fiscal Year 2020 IRO Update:

- Independent Review Organization Report on Fourth Reporting Period Arrangements Transactions Review of North Broward Hospital District – January 7, 2020
- Independent Review Organization Report – Arrangements Systems Review Report for the Fourth Reporting Period – December 16, 2019

Annual Report

Under the CIA, the District is required to submit an annual report each year to the OIG (Annual Report). The Annual Report must detail the status of, and findings regarding, the District's compliance activities for each Reporting Period. The Annual Report must contain a number of elements, including: (i) any change in the identity or position description of the Chief Compliance Officer; (ii) a summary of any changes to the Code of Conduct or the District's policies and procedures; (iii) information regarding the trainings conducted under the training plan; (iv) a copy of all reports prepared by the IRO and the District's response to the reports; (v) a description of the risk assessment and internal review process; (vi) a copy of the District's internal review work plans; (vii) a summary of the disclosures in the disclosure log; and (viii) a summary of Reportable Events (as defined in the CIA).

In addition to the Chief Compliance Officer and Chief Executive Officer certifications described above, for each Reporting Period of the CIA, the Board must adopt a resolution summarizing its review and oversight of the District's compliance with federal health care program requirements and the obligations of the CIA.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

- North Broward Hospital District Report for the Fourth Reporting Period Under the HHS-OIG Corporate Integrity Agreement Executed August 31, 2015 – Submitted to OIG on January 15, 2020.
- Response to Independent Review Organization Report on Arrangements Transactions Review of North Broward Hospital District – Submitted with Fourth Annual Report
- During the District’s 4th annual reporting period to the OIG, the following disclosures were made:
 - On February 20, 2019, the District reported to the OIG that the Medicare Administrative Contractor (MAC) requested providers to conduct reviews of Hyperbaric Oxygen Therapy Services (HBO). The reviews were completed, and the following paybacks were processed: Broward Health North (\$698.00); Broward Health Coral Springs (\$686.74); and Broward Health Imperial Point (\$18,046.64). No further action was required.
 - On March 15, 2019, the District reported to the OIG the results of a sleep study audit. As a result of a high error rate, the District paid back \$35,419.97. The OIG requested the District to perform a six-year look back audit using statistical sampling and extrapolate the error rate across the universe. The sample resulted in an additional pay back of \$1,168,598.00 processed on February 7, 2020. The OIG accepted the results and no further action was required.

Potential Penalties under the CIA

If the OIG determines that the District has failed to comply with its CIA obligations, it has the authority to impose contractually stipulated penalties, which could be material to the organization. The OIG provides notice if it finds a failure to comply, which includes notice of the OIG’s exercise of its contractual right to demand payment of penalties. The OIG provided such notice to the District on June 20, 2019. The stipulated penalty request was for \$690,000 which the District paid. The penalty was the result for specific items: 1) Failure to comply with section III.B.2 which requires the District to “develop and implement written Policies and Procedures for topics such as the Anti-Kickback Statute and the Stark Law; 2) Failure to comply with Section III.C. which requires a written training plan. The training plan for CIA Year 3 was not executed; 3) Failure to comply with Sections III.D.1 and III. D.2 which requires the District to maintain a centralized tracking system for all existing and new or renewed focus arrangements; and 4) Failure to comply with Section III.G. which requires the District to maintain a disclosure log and update any disclosure received within 48 hours of receipt.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

(22) Significant Business Risk

The District receives a significant amount of reimbursements from Medicaid. The Florida State Legislature, the Centers for Medicare and Medicaid Services (CMS), and the Florida Medicaid Agency continually evaluate the terms of the Medicaid Program. If the terms of the Medicaid program change, the District cannot determine what impact this will have on future funding. During and subsequent to June 30, 2020, the District has operated with open Board of Commissioners seats, which the District's Board of Commissioners are appointed by the Governor of the State of Florida. These items individually and in the aggregate pose a significant business risk to the organization. Broward Health is well positioned to address any significant business risk that present due to a stable, dedicated, seasoned executive leadership team.

(23) Coronavirus (COVID-19)

The outbreak of the novel coronavirus (COVID-19) has adversely impacted global commercial activity and contributed to significant volatility in financial markets. The coronavirus pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to the District, its performance, and its financial results.

As part of the response to the coronavirus pandemic, the federal government passed legislation, referred to as the Coronavirus Aid, Relief, and Economic Security (CARES) Act, on March 27, 2020 that included, among other things, financial assistance to offset some of the financial burden expected to be incurred by providers such as the District in responding to the pandemic. As a result of this legislation, the District received approximately \$37.7 million from funds established under the CARES Act in the form of a grant that, as long as certain terms and conditions are met by the District, is not required to be repaid by the District. The District has met the terms and conditions as required by the grants and has recognized \$37.7 million of the relief funds in non-operating revenues to offset lost revenues and additional expenses incurred through June 30, 2020. In July 2020, the District received approximately \$37.1 million of additional grant funds from the CARES Act which will be recognized during the next fiscal year to the extent that the stipulated terms and conditions are met by the District.

Additionally, the District received approximately \$78.6 million in accelerated payments from one of the Medicare Administrative Contractors (MAC). The repayment period is 29 months. During the 29-month period, there would be no claims offset for the first 12 months, a 25% payment offset for the next 11 months and 50% offset for the final six months. Any amount not recouped by the MAC within 29 months from the receipt of the accelerated payment is to be repaid by the District within 30 days. The \$78.6 million of accelerated payments is included with estimated third-party payor settlements on the 2020 Statement of Net Position and is reported as a non-capital financing activity on the Statement of Cash Flow.

The CARES Act includes other aspects which could provide additional funds to the District in the future. However, as of the date of this report, the amount of any such future funds to be received related to the coronavirus pandemic is uncertain.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

(24) Condensed Financial Information – Component Units

The following tables represent the condensed financial information of the District's component units at June 30, 2020 (in thousands of dollars):

	Children's Diagnostic & Treatment Center	Broward Health Foundation	Total Claims Administration	Broward Health ACO	Total of Blended Component Units
Assets:					
Due from other components	\$ —	270	—	—	270
Other current assets	4,226	14,137	2,724	12,646	33,733
Total current assets	4,226	14,407	2,724	12,646	34,003
Capital assets, net	1,223	—	—	850	2,073
Other assets	784	5,652	2,500	24	8,960
Total assets	6,233	20,059	5,224	13,520	45,036
Deferred outflows of resources	639	27	75	64	805
Liabilities:					
Due to other components	657	—	295	15,005	15,957
Other current liabilities	6,408	13,020	216	220	19,864
Total current liabilities	7,065	13,020	511	15,225	35,821
Other long-term liabilities	4,811	169	466	349	5,795
Total liabilities	11,876	13,189	977	15,574	41,616
Deferred inflows of resources	779	26	92	46	943
Net position:					
Net investment in capital assets	1,223	—	—	850	2,073
Restricted net position	128	19,749	—	—	19,877
Unrestricted net position	(7,134)	(12,878)	4,230	(2,886)	(18,668)
Total net position	\$ (5,783)	6,871	4,230	(2,036)	3,282

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

	Children's Diagnostic & Treatment Center	Broward Health Foundation	Total Claims Administration	Broward Health ACO	Total of Blended Component Units
Operating revenues	\$ 18,072	—	28	464	18,564
Operating expenses	19,691	919	759	1,851	23,220
Operating income (loss)	(1,619)	(919)	(731)	(1,387)	(4,656)
Nonoperating revenues (expenses)	53	(599)	102	—	(444)
Capital contributions	—	—	—	—	—
Increase (decrease) in net position	(1,566)	(1,518)	(629)	(1,387)	(5,100)
Net position:					
Beginning of year,	(4,217)	8,389	4,859	(649)	8,382
End of year	\$ (5,783)	6,871	4,230	(2,036)	3,282

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2020 and 2019

The following tables represent the condensed financial information of the District's component units at June 30, 2019 (in thousands of dollars):

	Children's Diagnostic & Treatment Center	Broward Health Foundation	Total Claims Administration	Broward Health ACO	Total of Blended Component Units
Assets:					
Due from other components	\$ —	1,553	—	—	1,553
Other current assets	<u>10,721</u>	<u>11,612</u>	<u>3,371</u>	<u>12,275</u>	<u>37,979</u>
Total current assets	10,721	13,165	3,371	12,275	39,532
Capital assets, net	1,278	1	—	1,649	2,928
Other assets	<u>343</u>	<u>7,433</u>	<u>2,638</u>	<u>—</u>	<u>10,414</u>
Total assets	<u>12,342</u>	<u>20,599</u>	<u>6,009</u>	<u>13,924</u>	<u>52,874</u>
Deferred outflows of resources	<u>236</u>	<u>12</u>	<u>67</u>	<u>37</u>	<u>352</u>
Liabilities:					
Due to other components	705	—	220	14,064	14,989
Other current liabilities	<u>11,281</u>	<u>12,056</u>	<u>452</u>	<u>201</u>	<u>23,990</u>
Total current liabilities	11,986	12,056	672	14,265	38,979
Other long-term liabilities	<u>4,164</u>	<u>144</u>	<u>457</u>	<u>308</u>	<u>5,073</u>
Total liabilities	<u>16,150</u>	<u>12,200</u>	<u>1,129</u>	<u>14,573</u>	<u>44,052</u>
Deferred inflows of resources	<u>645</u>	<u>22</u>	<u>88</u>	<u>37</u>	<u>792</u>
Net position:					
Net investment in capital assets	1,278	1	—	1,649	2,928
Restricted net position	5,867	20,436	—	—	26,303
Unrestricted net position	<u>(11,362)</u>	<u>(12,048)</u>	<u>4,859</u>	<u>(2,298)</u>	<u>(20,849)</u>
Total net position	<u>\$ (4,217)</u>	<u>8,389</u>	<u>4,859</u>	<u>(649)</u>	<u>8,382</u>

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

June 30, 2020 and 2019

	Children's Diagnostic & Treatment Center	Broward Health Foundation	Total Claims Administration	Broward Health ACO	Total of Blended Component Units
Operating revenues	\$ 16,426	—	758	9,247	26,431
Operating expenses	18,636	803	1,637	1,489	22,565
Operating income (loss)	(2,210)	(803)	(879)	7,758	3,866
Nonoperating revenues	672	753	125	—	1,550
Capital contributions	5	—	—	—	5
Increase (decrease) in net position	(1,533)	(50)	(754)	7,758	5,421
Net position:					
Beginning of year	(2,684)	8,439	5,613	(8,407)	2,961
End of year	\$ (4,217)	8,389	4,859	(649)	8,382

REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

NORTH BROWARD HOSPITAL DISTRICT

Schedule of Changes in Net Pension Liability and Related Ratios – Defined Benefit Pension Plan (Unaudited)

June 30, 2015 Through June 30, 2020

(in thousands of dollars)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability						
Service cost	\$ 12,604	14,202	11,692	11,114	10,603	9,775
Interest on total pension liability	22,525	22,571	25,251	25,255	24,568	25,875
Effect of economic/demographic gains or losses	(8,793)	(1,684)	(3,996)	(2,843)	(2,600)	—
Effect of assumption changes or inputs	(19,993)	(4,753)	20,211	(4,654)	965	(5,629)
Benefit payments	<u>(28,351)</u>	<u>(30,555)</u>	<u>(31,731)</u>	<u>(27,411)</u>	<u>(25,626)</u>	<u>(24,520)</u>
Net change in total pension liability	(22,008)	(219)	21,427	1,461	7,910	5,501
Total pension liability, beginning	361,762	361,981	340,554	339,093	331,184	325,683
Total pension liability, ending (a)	<u>\$ 339,754</u>	<u>361,762</u>	<u>361,981</u>	<u>340,554</u>	<u>339,094</u>	<u>331,184</u>
Fiduciary Net Position						
Employer contributions	\$ 16,000	16,000	16,010	17,000	15,200	17,600
Investment income net of investment expenses	12,015	25,602	39,513	42,243	(1,210)	15,583
Benefit payments	(28,351)	(30,555)	(31,731)	(27,411)	(25,626)	(24,520)
Administrative expenses	<u>(2,207)</u>	<u>(1,867)</u>	<u>(2,131)</u>	<u>(2,273)</u>	<u>(2,126)</u>	<u>(2,533)</u>
Net change in plan fiduciary net position	(2,543)	9,180	21,661	29,559	(13,762)	6,130
Fiduciary net position, beginning	374,699	365,519	343,858	314,299	328,061	321,931
Fiduciary net position, ending (b)	<u>\$ 372,156</u>	<u>374,699</u>	<u>365,519</u>	<u>343,858</u>	<u>314,299</u>	<u>328,061</u>
Net pension (asset) liability, ending = (a) - (b)	<u>\$ (32,402)</u>	<u>(12,937)</u>	<u>(3,538)</u>	<u>(3,304)</u>	<u>24,795</u>	<u>3,123</u>
Fiduciary net position as a % of total pension liability	109.54%	103.58%	100.98%	100.97%	92.69%	99.06%
Covered payroll	\$ 362,948	377,071	375,867	376,441	353,296	351,806
Net pension (asset) liability as a % of covered payroll	-8.93%	-3.43%	-0.94%	-0.88%	7.02%	0.89%

See accompanying independent auditors' report.

NORTH BROWARD HOSPITAL DISTRICT

Schedule of Employer Contributions – Defined Benefit Pension Plan (Unaudited)

July 1, 2010 Through June 30, 2020

(in thousands of dollars)

Fiscal Year Ending June 30	Actuarially Determined Contribution*	Actual Employer Contribution**	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2020	\$ 4,271	\$ 16,000	\$ (11,729)	\$ 362,948	4.41%
2019	9,758	16,000	(6,242)	377,071	4.24%
2018	9,028	16,010	(6,982)	375,867	4.26%
2017	11,052	17,491	(6,439)	376,441	4.65%
2016	11,834	15,656	(3,822)	353,296	4.43%
2015	14,957	18,126	(3,169)	351,806	5.15%
2014	15,688	18,169	(2,481)	336,524	5.40%
2013	17,205	20,204	(2,999)	345,555	5.85%
2012	17,120	19,587	(2,467)	335,101	5.85%
2011	14,042	19,658	(5,616)	315,874	6.22%

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

**Interest adjusted to plan year-end.

Notes to Schedule

Assumed rate of return on investments	6.25%
Mortality basis	RP-2000 Combined healthy mortality with generational projection per Scale BB
Amortization method	Level dollar layered
Existing amortization period	About 12 years, based on the weighted average of the remaining amortization period of existing outstanding
Asset valuation method	
Smoothing period	Three years
Corridor	90% to 110% of Market
Assumed inflation rate	2.20%
Salary increases	4.50%
Cost of living adjustments	None
Actuarial cost method	Entry age normal with Frozen Initial Liability Modification

See accompanying independent auditors' report.

NORTH BROWARD HOSPITAL DISTRICT

Schedule of Money-Weighted Rate of Return – Defined Benefit Pension Plan (Unaudited)

Fiscal Years Ending June 30, 2011 Through June 30, 2020

<u>Fiscal Year Ending June 30</u>	<u>Net Money-Weighted Rate of Return</u>
2011	N/A
2012	N/A
2013	N/A
2014	N/A
2015	4.87%
2016	-0.38%
2017	13.96%
2018	11.71%
2019	7.09%
2020	3.58%

See accompanying independent auditors' report.

NORTH BROWARD HOSPITAL DISTRICT
Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)
Fiscal Years Ending June 30, 2018 Through June 30, 2020
(in thousands of dollars)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 2,587	\$ 2,246	\$ 3,066
Interest on total OPEB liability	5,579	6,083	8,217
Effect of plan changes	—	—	(68,863)
Effect of economic/demographic gains or losses	—	(1,906)	—
Effect of assumption changes or inputs	26,543	1,921	(6,393)
Benefit payments	<u>(6,408)</u>	<u>(6,532)</u>	<u>(8,563)</u>
Net change in total OPEB liability	28,301	1,812	(72,536)
Total OPEB liability, beginning	<u>159,987</u>	<u>158,175</u>	<u>230,711</u>
Total OPEB liability, ending	<u>\$ 188,288</u>	<u>\$ 159,987</u>	<u>\$ 158,175</u>
Covered payroll	\$ 391,701	\$ 385,993	\$ 428,904
Total OPEB liability as a % of covered payroll	48.07%	41.45%	36.88%

See accompanying independent auditors' report.

SUPPLEMENTAL COMBINING INFORMATION

NORTH BROWARD HOSPITAL DISTRICT

Combining Schedule of Net Position

June 30, 2020

(In thousands of dollars)

Assets	Broward Health Medical Center	Broward Health North	Broward Health Imperial Point	Broward Health Coral Springs	Foundation	Other Non-Hospital Entities	Eliminations	Total
Current assets:								
Cash and cash equivalents	\$ 9	4	2	4	—	147,864	—	147,883
Cash and investments externally restricted by donors	—	—	—	—	11,683	129	—	11,812
Short-term investments	—	—	—	—	—	469,375	—	469,375
Assets whose use is limited required for current liabilities	3,589	1,599	741	683	—	660	—	7,272
Due from patients and other, net of allowance for uncollectibles	72,434	27,651	12,956	16,399	—	4,354	—	133,794
Inventories	15,122	8,719	2,948	3,646	—	5,249	—	35,684
Estimated third-party payor settlements	22,305	4,161	2,152	1,203	—	228	—	30,049
Other current assets	5,162	1,672	562	672	2,454	42,746	(17,413)	35,855
Total current assets	118,621	43,806	19,361	22,607	14,137	670,605	(17,413)	871,724
Assets whose use is limited – Cash and investments:								
Amounts designated for self-insurance	18,800	6,571	5,842	5,344	—	2,945	—	39,502
	18,800	6,571	5,842	5,344	—	2,945	—	39,502
Less amount required to meet current obligations	(3,589)	(1,599)	(741)	(683)	—	(660)	—	(7,272)
Assets whose use is limited, net	15,211	4,972	5,101	4,661	—	2,285	—	32,230
Investments	—	—	—	—	—	218,562	—	218,562
Due from/(to) affiliates	725,208	152,224	87,947	168,369	270	(1,134,018)	—	—
Capital assets, net	190,349	105,985	39,579	104,232	—	127,180	—	567,325
Net pension asset	13,197	6,168	3,411	4,522	20	4,335	—	31,653
Other assets	—	—	—	—	5,632	20,874	—	26,506
Total assets	1,062,586	313,155	155,399	304,391	20,059	(90,177)	(17,413)	1,748,000
Deferred outflows of resources:								
Loss on debt refundings	16,285	1,857	1,035	706	—	2,494	—	22,377
Deferred pension amounts	2,629	671	429	602	7	1,383	—	5,721
Deferred other postemployment benefits	9,244	4,355	2,446	3,274	20	5,068	—	24,407
Total deferred outflows of resources	28,158	6,883	3,910	4,582	27	8,945	—	52,505

NORTH BROWARD HOSPITAL DISTRICT

Combining Schedule of Net Position (Continued)

June 30, 2020

(In thousands of dollars)

Liabilities	Broward Health Medical Center	Broward Health North	Broward Health Imperial Point	Broward Health Coral Springs	Foundation	Other Non-Hospital Entities	Eliminations	Total
Current liabilities:								
Current maturities of revenue bonds payable	\$ 2,404	356	322	344	—	1,854	—	5,280
Accounts payable and accrued expenses	44,603	17,468	7,832	11,355	12,985	27,188	(17,413)	104,018
Accrued salaries, benefits, and payroll taxes	9,601	4,927	2,689	3,640	35	18,198	—	39,090
Accrued personal leave	10,083	4,963	2,367	3,430	—	8,181	—	29,024
Current portion of lease obligations	798	—	364	682	—	—	—	1,844
Estimated third-party payor settlements	60,773	26,146	12,039	15,491	—	3,000	—	117,449
Current portion of self-insurance program liability	3,589	1,599	741	683	—	660	—	7,272
Total current liabilities	131,851	55,459	26,354	35,625	13,020	59,081	(17,413)	303,977
Revenue bonds, net of current maturities	150,524	22,270	20,177	21,562	—	116,059	—	330,592
Lease obligations, net of current portion	853	—	1,001	1,586	—	—	—	3,440
Self-insurance program liability, net of current portion	7,964	3,177	2,763	1,679	40	5,307	—	20,930
Other postemployment benefit program liability	74,634	31,167	18,028	23,807	129	40,523	—	188,288
Total liabilities	365,826	112,073	68,323	84,259	13,189	220,970	(17,413)	847,227
Deferred inflows of resources:								
Deferred pension amounts	11,687	4,965	2,819	3,720	22	6,952	—	30,165
Deferred other postemployment benefits	2,086	939	513	669	4	1,032	—	5,243
Total deferred inflows of resources	13,773	5,904	3,332	4,389	26	7,984	—	35,408
Net position:								
Net investment in capital assets	52,054	85,217	18,750	80,764	—	11,761	—	248,546
Restricted for donor restrictions	—	—	—	—	19,749	128	—	19,877
Unrestricted	659,091	116,844	68,904	139,561	(12,878)	(322,075)	—	649,447
Total net position	\$ 711,145	202,061	87,654	220,325	6,871	(310,186)	—	917,870

See accompanying independent auditors' report.

NORTH BROWARD HOSPITAL DISTRICT
Combining Schedule of Revenues, Expenses, and Changes in Net Position
Year ended June 30, 2020
(In thousands of dollars)

	Broward Health Medical Center	Broward Health North	Broward Health Imperial Point	Broward Health Coral Springs	Foundation	Other Non-Hospital Entities	Eliminations	Total
Operating revenues:								
Net patient service revenue (net of provision for uncollectible accounts)	\$ 438,158	209,954	98,642	150,798	—	31,614	—	929,166
Other operating revenue	31,128	9,013	659	1,297	—	48,337	(12,203)	78,231
Total operating revenues	<u>469,286</u>	<u>218,967</u>	<u>99,301</u>	<u>152,095</u>	<u>—</u>	<u>79,951</u>	<u>(12,203)</u>	<u>1,007,397</u>
Operating expenses:								
Salaries	181,306	92,339	46,867	67,068	658	140,602	—	528,840
Employee benefits	39,478	19,518	10,248	13,812	104	25,584	(11)	108,733
Professional fees	36,410	16,482	6,646	9,095	—	371	(6,598)	62,406
Purchased services and temporary labor	6,869	2,015	1,933	2,486	—	2,692	—	15,995
Outside services	9,329	3,394	1,271	3,268	9	16,273	(17)	33,527
Supplies	119,235	61,487	20,464	25,021	34	5,507	—	231,748
Insurance	1,837	875	546	675	3	1,137	—	5,073
Utilities	6,610	2,673	1,646	2,081	4	5,027	—	18,041
Repairs and maintenance	6,705	3,432	1,896	2,144	—	4,019	—	18,196
State assessments	6,015	2,761	1,363	1,617	—	580	—	12,336
Depreciation and amortization	21,446	10,227	4,597	8,282	—	9,748	—	54,300
Other	73,466	39,903	22,238	27,366	107	(74,416)	(5,577)	83,087
Total operating expenses	<u>508,706</u>	<u>255,106</u>	<u>119,715</u>	<u>162,915</u>	<u>919</u>	<u>137,124</u>	<u>(12,203)</u>	<u>1,172,282</u>
Operating loss	<u>(39,420)</u>	<u>(36,139)</u>	<u>(20,414)</u>	<u>(10,820)</u>	<u>(919)</u>	<u>(57,173)</u>	<u>—</u>	<u>(164,885)</u>
Nonoperating revenues (expenses):								
Ad valorem tax revenue	57,649	38,532	15,587	17,648	—	—	—	129,416
Investment income, net	437	153	608	918	122	18,294	—	20,532
Interest expense	(8,334)	(1,231)	(1,070)	(1,077)	—	(5,345)	—	(17,057)
CARES Act Stimulus	9,272	17,532	7,339	3,124	—	425	—	37,692
Other	(5,211)	(1,940)	(438)	(608)	(721)	4,022	—	(4,896)
Total nonoperating revenues (expenses)	<u>53,813</u>	<u>53,046</u>	<u>22,026</u>	<u>20,005</u>	<u>(599)</u>	<u>17,396</u>	<u>—</u>	<u>165,687</u>
Income (loss) before capital contributions	<u>14,393</u>	<u>16,907</u>	<u>1,612</u>	<u>9,185</u>	<u>(1,518)</u>	<u>(39,777)</u>	<u>—</u>	<u>802</u>
Capital contributions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>142</u>	<u>—</u>	<u>142</u>
Increase (decrease) in net position	<u>14,393</u>	<u>16,907</u>	<u>1,612</u>	<u>9,185</u>	<u>(1,518)</u>	<u>(39,635)</u>	<u>—</u>	<u>944</u>
Net position:								
Beginning of year	<u>696,752</u>	<u>185,154</u>	<u>86,042</u>	<u>211,140</u>	<u>8,389</u>	<u>(270,551)</u>	<u>—</u>	<u>916,926</u>
End of year	<u>\$ 711,145</u>	<u>202,061</u>	<u>87,654</u>	<u>220,325</u>	<u>6,871</u>	<u>(310,186)</u>	<u>—</u>	<u>917,870</u>

See accompanying independent auditors' report.