North Broward Hospital District

Reports on Federal and State Awards in Accordance with OMB Circular A-133 and Chapter 10.550, *Rules of Auditor General*
June 30, 2014

North Broward Hospital District
Index
June 30, 2014 and 2013

North Broward Hospital District
Index
June 30, 2014 and 2013

AUDITOR GENERAL

LOCAL GOVERNMENTAL ENTITY AUDIT REPORT SUBMITTAL CHECKLIST (SECTION 218.39, FLORIDA STATUTES)

Local Governmental Entity Name North Broward Hospital District

Dependent Special District(s) Included in the Audit Report:
N/A

Contact Person Name and Title Nabil El Sanadi, CEO/President

Contact Person Mailing Address 1800 NW 49th Street, Fort Lauderdale, FL 33309

Contact Person Phone Number (954) 473-7100

Contact Person Email Address nelsanadi@browardhealth.org

Fiscal Year Audited 7/1/2013-6/30/2014

Date Auditor Delivered Audit Report to Local Government December 19, 2014

Does the audit report include the following items required by Auditor General Rule 10.557(3):

Required for municipalities, special districts, the county as a whole, and county agencies **

YES — The financial statements described in Auditor General Rules 10.556(3) and (4), as applicable, together with related notes to financial statements?

YES — Required supplementary information (RSI) such as the Management's Discussion and Analysis (not required for county agencies), or the Budgetary Comparison Schedule (required as RSI if not presented as part of the financial statements)?

YES — The auditor's report on the financial statements?

YES — The auditor's report on compliance and internal control?

YES — The management letter defined in Auditor General Rule 10.554(1)(i)?

YES — The written statement of explanation or rebuttal, including corrective action to be taken, required by Auditor General Rule 10.558(1)?

** Pursuant to Section 218.39(2), Florida Statutes, an audit of the board of county commissioners is not required. However, if the county report includes an audit of the board of county commissioners, it should include the items required by Auditor General Rule 10.557(3).

Required for municipalities, special districts, and the county as a whole

YES — Any auditor's reports and related financial information required pursuant to the Federal *Single Audit Act Amendments of 1996*, OMB Circular A-133, or other applicable Federal law?

YES — Any auditor's reports and related financial information required pursuant to the *Florida Single Audit Act* (see Auditor General Rule 10.557(3)(d))?

N/A — For any fiscal year in which funds related to the Deepwater Horizon oil spill are received or expended, a report that includes an opinion (or disclaimer of opinion) as to whether the schedule of receipts and expenditures of such funds required by Auditor General Rule 10.557(3)(m), is presented fairly in all material respects in relation to the financial statements taken as a whole. The report shall be prepared in accordance with AICPA Professional Standards, AU-C Section 725, promulgated by the American Institute of Certified Public Accountants. (see Auditor General Rule 10.557(3)(e))?

In addition to the above, have the following requirements been complied with:

YES — Are all of the above elements of the audit report included in a ***single document*** as required by Auditor General Rule 10.557(3)?

YES — Are ***one*** paper copy and ***one*** electronic copy of the audit report being submitted as required by Auditor General Rule 10.558(3)?

YES — Is the electronic copy named using all lower case letters as follows: [fiscal year] [name of entity].pdf. Counties should include the word "county" in the entity name; however, it is not necessary for municipalities to include "city of," "town of," etc. in the entity name. For example, the converted document for the 2012-13 fiscal year for Alachua County should be named 2013 alachua county.pdf while the converted document for the 2012-13 fiscal year for the City of Alachua should be named 2013 alachua.pdf.

YES — Is the audit report being submitted within 45 days after receipt of the audit report from the auditor, but no later than ***9 months*** after the end of the fiscal year? **NOTE**: There are no provisions in the statutes for any extensions for filing the audit report.

N/A — If the audit report is for a county or municipality, and a dependent special district was audited as part of the county or municipality audit, did the notes to financial statements clearly indicate that the special district had been included as part of the county's or municipality's reporting entity? **NOTE**: Pursuant to Section 218.39(3), Florida Statutes, an independent special district may not be audited as part of a county or municipality audit. When a dependent special district is audited as part of the county or municipality audit, the county or municipality notes to financial statements should clearly disclose that the special district is a component unit included within the county's or municipality's reporting entity.

This checklist should accompany the audit report. It is suggested that you retain a copy of the checklist for your files. Do not hesitate to contact this office if assistance or clarification is needed regarding reporting requirements. Our telephone and fax numbers, and electronic addresses, are as follows:

Address –
Auditor General
Local Government Audits/342
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December 19, 2014

Ms. Deborah Breen
Vice President of Financial Operations
Broward Health
1608 Southeast Third Avenue
Second Floor
Fort Lauderdale, Florida 33316

Dear Ms. Breen:

Attached please find the North Broward Hospital District's Consolidated Basic Financial Statements and the Required Supplementary Information, Supplemental Consolidating Information, and Supplemental Schedules including the Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance as of and for years ended June 30, 2014 and 2013.

If you have any questions, please do not hesitate to contact me.

Sincerely,

PricewaterhouseCoopers LLP

Ann L. Payne
Partner

Attachment

PricewaterhouseCoopers LLP, 1441 Brickell Avenue, Suite 1100, Miami, FL 33131
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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, 2014 and 2013, and for the fiscal years then ended. Please read this analysis in conjunction with the consolidated basic financial statements, which follow this section.

Overview of the Financial Statements

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

Required Financial Statements

The District's consolidated basic financial statements report information using accounting methods similar to those used by private-sector and not-for-profit health care organizations which follow Governmental Accounting Standards Board ("GASB") pronouncements. These statements offer short-term and long-term financial information about its activities. The consolidated statement of net position includes all of the District's assets and liabilities, and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). The consolidated statement of net position also provides the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the District.

All of the revenue and expenses for the fiscal years 2014 and 2013 are accounted for in the consolidated statements of revenues, expenses, and changes in net position. The statement measure the annual financial success of the District's operations and can be used to determine whether the District has successfully 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 consolidated statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing (capital and noncapital) activities. They highlight the key sources and uses of the District's cash and what the change in the cash balance was during the reporting period.

Financial Analysis of the North Broward Hospital District

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

A comparative summary of the District's consolidated basic statements of net position at June 30, 2014, 2013 and 2012 is presented below:

(in thousands of dollars)	2014	2013	2012
Assets			
Current assets	$ 743,143	$ 698,812	$ 675,426
Asset whose use is limited, net of current obligations	31,539	31,633	31,031
Investments	166,640	156,114	139,337
Capital assets, net	461,913	434,686	431,497
Other assets	10,155	13,750	19,703
Total assets	1,413,390	1,334,995	1,296,994
Deferred outflows of resources			
Accumulated decrease in fair value of hedging derivatives	21,062	36,624	55,587
Deferred amount on debt refund	14,384	15,373	16,363
Total deferred outflows of resources	35,446	51,997	71,950
Liabilities			
Current liabilities	170,165	178,421	195,179
Long-term debt	245,415	256,331	267,458
Other liabilities and minority interest	136,126	136,578	149,143
Total liabilities and minority interest	551,706	571,330	611,780
Deferred inflows of resources			
Swap termination	14,520	3,739	3,953
Net position			
Net investment in capital assets	205,445	183,385	168,848
Restricted for donor restrictions	15,923	12,828	10,730
Unrestricted	661,242	615,710	573,633
Total net position	$ 882,610	$ 811,923	$ 753,211

The net position of the District totaled $882.6, $811.9 and $753.2 million as of June 30, 2014, 2013 and 2012, respectively. The increase in net position of $70.7 million in fiscal year 2014 was due primarily to an increase in the positive performance of the investments. Gain on investments of $59.9 million increased the overall positive performance in earnings related to the provision of patient care, including $146.1 million of ad valorem tax revenue for fiscal year 2014.

The increase in net position of $58.7 million in fiscal year 2013 was due primarily to an increase in the positive performance of the investments. Gain on investments of $50.4 million increased the overall positive performance in earnings related to the provision of patient care, including $149.9 million of ad valorem tax revenue for fiscal year 2013.

Budgetary Highlights

Overall, the District performed above budget by $61.6 million, in fiscal year 2014. Operationally, the District performed favorably compared to budget by approximately $9.0 million. This is due, in part, to the receipt of $8.1 million for achieving the next stage of meaningful use for electronic medical records, which is $2.2 million greater than budget. Effective January 1, 2014, the District was favorably impacted with the start of the Affordable Care Act. Due to the new law, individuals were able to qualify for insurance which reduced the amount of charity care that was provided by the District. Charity care write offs were $226 million compared to a budget of $319.6 million. There was some increase in bad debt expense as the new policies had requirements for deductibles and co-pays. Bad debt expense in fiscal year 2014 was estimated at $412.1 million compared to a budget of $358.5 million. Patient days are over budget by 0.7% and admissions are under budget by 1.1%. Outpatient volumes are under budget by 2.8%, due to a reduction in primary care clinic visits as well as a reduction in the physician office visits. The District monitors salaries and benefits as a percent to net revenue, which is 2.4% above budget. Benefits are below budget by $5.7 million or 3.9%, while full-time equivalents ("FTEs") are under budget by 46.2. There is an overall increase in supplies of 0.5% due mainly to an overall increase in the use of implants. The District also continued its strategy of employing physicians to have access for the patients. The District saw an increase from budget of the Low-Income Pool ("LIP") and Disproportionate Share Hospital ("DSH") programs of $3.1 million.

Overall, the District performed above budget by $45.7 million (excluding the impact of GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53"), in fiscal year 2013. Operationally, the District performed favorably compared to budget by approximately $2.8 million. This is due, in part, to the receipt of $5.0 million for achieving the next stage of meaningful use for electronic medical records from Medicaid. Patient days are under budget by 3.1% and admissions are under budget by 4.6%. Outpatient volumes are under budget by 5.9%, due to a reduction in primary care visits as well as a reduction in the physician office visits. The District monitors salaries and benefits as a percent to net revenue, which is 0.7% below budget. Benefits are below budget by $10.2 million or 7.3%, while FTEs are under budget by 60.9. There is an overall increase in supplies of 2.2% due mainly to an overall increase in the use of implants. The District also continued its strategy of employing physicians to have access for the patients. The District saw a decline from budget of the LIP and DSH programs, due to additional hospitals qualifying for the funds.

Capital Assets and Debt Administration

As of June 30, 2014, 2013 and 2012, the District had capital assets of $461.9, $434.7 and $431.5 million, respectively, an increase of $27.2 million from 2013 to 2014 and an increase $3.2 million from 2012 to 2013, respectively. The changes are a result of purchases of capital assets, net of disposals in the ordinary course of business, depreciation, and amortization expense.

Capital asset acquisitions during fiscal year 2014 consisted of information technology upgrades and personal computer replacements totaling $15.2 million, medical equipment purchases of $8.5 million and capital projects of $53.3 million. The District also continued moving forward with the Americans with Disabilities Act ("ADA") projects as outlined by the Consent Decree and spent $2.3 million. Information Services continued the implementations necessary to comply with the electronic medical records mandate in order to achieve meaningful use. Broward Health Medical Center ("BHMC") completed the renovations of Phase 1 of the Chris Evert Children's Hospital, spending $10.7 million of the $22.5 million project. Phase I was completed in February 2014. BHMC completed the renovations for the Infusion

Center for $1.7 million. BHMC completed renovations of the Retail Pharmacy for $0.6 million. Broward Health North ("BHN") renovated the Inpatient Rehabilitation Unit for $0.8 million. Broward Health Imperial Point ("BHIP") renovated offices in the Medical Arts Pavilion for $0.9 million, purchased surgical trays for $0.4 million and renovated patient rooms for $0.3 million. Broward Health Coral Springs ("BHCS") completed payments for the Picture Archiving and Communications System ("PACS") for $0.8 million. Broward Health Community Health Services ("BHCHS") completed renovations of the two new clinic sites at a cost $1.0 million. The Children's Diagnostic and Treatment Center ("CDTC") had the 40 year inspection performed on the building. There were deficiencies that need to be corrected and $1.5 million was approved to make the necessary repairs to the building. The renovations are expected to be completed by June 30, 2015. Construction was completed on the Orthopedic Building on Andrews Avenue for a total cost of $15.3 million, including the purchase of an MRI for $2.5 million. The District purchased two office buildings on Commercial Avenue during the year at a cost of $13.4 million to relocate the Corporate Office staff from the existing building. In addition, $3.4 million was approved for renovations of the building, which will be completed in fiscal year 2015. During the year, the Medical Office Building on the BHN campus became available, which was purchased for $2.5 million, with additional approvals for $2.5 million for renovations. In November 2011, the District approved a renovation project at BHN for approximately $70 million. The project will include renovations to the Emergency Department, Operating Room, patient floors, as well as infrastructure enhancements. The architects and construction company have been selected. Expenditures as of June 30, 2014 are $6.1 million.

Capital asset acquisitions during fiscal year 2013 consisted of information technology upgrades and personal computer replacements totaling $11.8 million, medical equipment purchases of $9.8 million and capital projects of $37.3 million. The District has engaged in a personal computer replacement plan which resulted in spending of $1.5 million during fiscal year 2013. The District also continued moving forward with the ADA projects as outlined by the Consent Decree and spent $1.5 million. Information Services continued the implementations necessary to comply with the electronic medical records mandate in order to achieve meaningful use. BHMC continued the renovations of Phase 1 of the Chris Evert Children's Hospital, spending $7.9 million of the $22.5 million project, Phase 1 is expected to be completed by February 2014. BHMC completed the renovations for the Hybrid OR system for $1.1 million. BHN completed renovations and installation of Biplane equipment for $2.1 million, purchased telemetry monitoring equipment for $1.3 million, purchased Storz towers for $0.6 million, and purchased anesthesia equipment for $0.4 million. BHIP purchased a CT Scanner for $0.9 million. BHCS completed installation of an MRI at a total cost of $2.7 million. BHCHS was awarded a grant to build a new Homeless Center for $2.9 million. The building was completed and operational during fiscal year 2013. In addition, construction continues on an Orthopedic Building on Andrews Avenue for a total cost of approximately $15.3 million, including the purchase of an MRI for $2.5 million, of which $6.8 million has been expended. In November 2011, the District approved a renovation project at BHN for approximately $70 million. The project will include renovations to the Emergency Department, Operating Room, patient floors, as well as infrastructure enhancements. The architects and construction company have been selected. Expenditures as of June 30, 2013 are $1.5 million.

Capital assets at June 30, 2014, 2013 and 2012 are as follows:

(in thousands of dollars)	**2014**	**2013**	**2012**
Land and land improvements	$ 50,397	$ 45,283	$ 45,473
Buildings and building improvements	640,454	604,889	573,909
Equipment	513,257	505,164	508,458
	1,204,108	1,155,336	1,127,840
Less: Accumulated depreciation	(762,878)	(734,970)	(722,237)
	441,230	420,366	405,603
Construction-in-progress	20,683	14,320	25,894
	$ 461,913	$ 434,686	$ 431,497

In fiscal year 2011, the District issued a Bank Qualified Financing Agreement for $30 million of Revenue Bonds, Series 2010 (the "2010 Bonds"), for the purpose of financing or refinancing (or reimbursing itself for) the cost of the BHCS and BHIP Emergency Room Projects and paying certain costs associated with the issuance of the 2010 Bonds.

More detailed information about the District's capital debt is presented in Notes 6, 7 and 8 within the accompanying consolidated basic financial statements.

Revenues, Expenses and Changes in Net Position

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

The following table presents the District's condensed consolidated statements of revenues, expenses, and changes in net position for fiscal years 2014, 2013 and 2012:

(in thousands of dollars)	**2014**	**2013**	**2012**
Operating revenues	$ 971,162	$ 952,919	$ 962,291
Operating expenses	1,095,980	1,082,181	1,076,122
Operating loss	(124,818)	(129,262)	(113,831)
Unrestricted property tax revenue	146,135	149,879	149,528
Nonoperating revenue (expenses), net	49,263	35,373	(21,327)
Capital contributions (grant and other)	107	2,722	732
Increase in net position	70,687	58,712	15,102
Net position			
Beginning of year	811,923	753,211	738,109
End of year	$ 882,610	$ 811,923	$ 753,211

Management's Discussion of Recent Financial Performance

***Overview — Fiscal Year* 2014 *as Compared to Fiscal Year* 2013**

For fiscal year 2014, the District experienced an increase in net position of $70.7 million, due primarily to a gain in investments of $59.9 million. The District continued to deliver a high standard of quality health care to the community. The increase in net position for fiscal year 2014, totaled $70.7 million, as compared to a prior-year total increase of $58.7 million. Management continued its focus on expense control and improvement in revenue cycle management.

Inpatient volumes, as measured by admissions, decreased over the prior-year totals by 0.5%, and the patient days decreased by 0.3% from prior-year. A growth in admissions occurred in Medicare HMO and Commercial Managed Care, while there was a decline in admissions in all other compensated payors. Compensated admissions experienced an increase of 1.4%, or 742 cases, with associated days increasing by 2.8%, or 7,427 patient days. Self-pay and charity cases decreased by 1,065 admissions, or 9.1%. Within this total, charity cases decreased by 1,161 admissions, and self-pay cases increased by 96 admissions. The District continues to direct resources, including intake coordinators, case managers, and a medical director to manage service utilization.

Patient Volumes

Medicare inpatient volume, as measured by admissions, decreased by 1.5%, or 177 cases. There was an offsetting increase in the Medicare HMO cases, which increased by 481 cases, or 4.8%. There was a 3.1% decrease in the Medicare case mix index from year to year, measured by the Medicare Severity Diagnostic Related Groups ("MS-DRGs").

Medicaid admissions decreased over the prior year by 277 cases, or 2.8%. Associated patient days increased by 3.2%, or 1,815 days. The District continues its efforts of the Medicaid Eligibility Unit, the Medical Options for Patient Eligibility Department and the Department of Children's and Families ("DCF") working to process applications in a more timely fashion and providing additional access for patients to apply for Medicaid or the new health exchange.

During the 2005 Florida Legislative session, measures were approved that have resulted in significant changes to the Medicaid program ("Medicaid Reform"). This five-year plan will result in all Medicaid beneficiaries being enrolled in a managed care plan, whether it be with an HMO plan or a plan offered by a Provider Sponsored Network of hospitals and physicians ("PSN"). Other features of the plan will include certain member benefits for participation in health improvement programs as well as portable premiums that can be transferred for participation in employer based plans. The District, along with several other local health care systems, has operated a PSN since 2000. Broward County became a pilot site for Medicaid Reform beginning in September 2006, in which the PSN participates. A series of initiatives are underway to recruit membership and to optimize the utilization of care to this membership. There was a decrease of 1,460 enrollees for fiscal year 2014, resulting in a decrease of 11 admissions and an increase of 789 patient days over fiscal year 2013.

Managed care, including commercial payors, the District's largest payor category, increased by 1,196 admissions, or 4.0%, in fiscal year 2014. Associated patient days increased by 8.2% or by 11,102. Other Medicaid managed care decreased by 36 admissions. Effective January 1, 2014, the Affordable Care Act required individuals to purchase health insurance. Based upon income determinations, some individuals can qualify for a federal subsidy to offset the cost of the annual premium. There are seven insurance company options available to individuals in Broward County and the District participates with six of the companies.

Outpatient volumes decreased 1.1% in fiscal year 2014 over fiscal year 2013. Total outpatient medical center visits decreased by 12,531 visits. Emergency department visits increased by 980, physician office visits increased by 6,053, while primary care clinic visits decreased by 3,048.

Operating Revenues

Net patient revenue has increased, from $867.0 million in fiscal year 2013 to $883.0 million in fiscal year 2014.

Medicare net revenue increased by $2.6 million, or 1.4%. This is due to an overall decrease in denials associated with Medicare accounts.

Medicaid net revenue decreased over the prior fiscal year by $2.9 million, or 3.1%. Increased volumes in the PSN and Medicaid managed care patient days resulted in an increase in net revenue of $10.2 million, or 11.8%. There was a reconciliation completed for the intergovernmental transfers to the Agency for Healthcare Administration during fiscal year 2014 resulting in additional revenue of $4.3 million, which offsets the APR-DRG reductions. Additional revenue received from the LIP and DSH programs totaled $36.4 million, an increase from the prior fiscal year of $2.5 million.

Managed care net revenue has experienced an increase of $29.6 million, or 5.2%, from fiscal year 2013, which includes the Commercial payors, PSN (the District's Medicaid managed care program) and all other Medicaid managed care increases discussed previously. The major increase in revenue is due to the implementation of the health exchange as previously discussed.

The provision for uncollectible accounts has increased by $41.0 million, from $371.1 million in fiscal year 2013, to $412.1 million in fiscal year 2014, or an increase of 11.0%. During fiscal year 2014, charity care decreased by $98.9 million, or 30.0% from the prior fiscal year. During fiscal year 2014, the District has continued its focus on qualifying the uninsured for state reimbursement through focused programs of timely Medicaid application processing and continued partnering with the DCF to expedite the decisions on patient qualification for Medicaid. The reduction in charity care is due in large part to the availability of health insurance through the Affordable Care Act. With the new health exchanges, there are requirements for co-pays and deductibles which has increased the provision for uncollectible accounts.

Operating Expenses

Operating expenses increased by $13.8 million, or 1.3%, from $1,082.2 million in fiscal year 2013 to $1,096.0 million in fiscal year 2014. The increase is largely due to increases in salaries, insurance, maintenance, and outside services expense. Salaries and benefits increase equals 1.4%, increasing from $582.5 million in fiscal year 2013 to $590.5 million in fiscal year 2014. The annual merit increase provided in fiscal year 2014 of approximately 1.8% and an increase in benefits of 5.1% due to an increase in health insurance costs accounts for the overall increases. FTEs per adjusted occupied bed increased from 4.67 in fiscal year 2013 to 4.69 in fiscal year 2014. Salaries and employee benefits as a percentage of net patient service revenues were 66.9% and 67.2% for fiscal years 2014 and 2013, respectively. These ratios indicate that expenses were consistent with patient volume.

Supplies expense represents the next largest expense category for the District. During fiscal year 2014, supplies expense decreased by $7.3 million, or 3.5%, from $209.1 million in fiscal year 2013 to $201.8 million in fiscal year 2014. Decreases were realized in many supply categories, including implants, pacemakers, drugs, blood, and medical surgical supplies. Supplies expense as a percent to net patient service revenue was 22.9% in fiscal year 2014, while it was 24.1% in fiscal year 2013. The majority of the decrease is due to a drop in donated drugs. The donations are no longer available to the District. The expense is offset with a decrease in donated revenues.

Insurance expense increased by $3.8 million or 66.3% from $5.7 million in fiscal year 2013 to $9.5 million in fiscal year 2014. The increase is in malpractice and worker's compensation.

Outside services, data processing, software and licenses, and maintenance contracts have increased by $8.7 million, or 12.9%, from $67.1 million in 2013 to $75.7 million in fiscal year 2014. This increase is primarily related to an increase in maintenance contracts and outside services.

Ad Valorem Tax Revenue

For fiscal years 2014 and 2013, ad valorem tax revenues totaled $146.1 million and $149.9 million, respectively. As described in Notes 3 and 14 to the consolidated basic 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 2014 and 2013 were 1.7554 and 1.8564 mills, respectively. In July 2014, taxable property values within the District's geopolitical boundaries increased from $88.0 billion to $91.2 billion, or 3.7%. In July 2014, the Broward County property appraiser released to the District the taxable property valuations for 2014/2015. These values increased to $97.7 billion, an increase of 7.1%.

Interest Expense

Interest expense in fiscal year 2014 was $9.6 million, as compared to $11.8 million in fiscal year 2013, a decrease of $2.2 million, or 18.8%.

Liquidity and Cash Position

Management continues to drive improvement of the District's financial position, with cash being the focal point. Average monthly cash collections have increased by 2.1% over the prior fiscal year. In addition, capital expenditures have been carefully reviewed in an effort to reduce the outflow of funds, excluding the large ongoing projects.

With increases in market performance in the District's investment portfolio, a receipt of LIP payments from the Agency for Health Care Administration ("AHCA") from prior year and an increase in compensated volumes, there was an increase in unrestricted cash and investments from $626.8 million to $673.6 million at June 30, 2013 and 2014, respectively, with a corresponding increase in days' cash on hand from 217.9 to 229.5, respectively. Cash to debt has increased from 245.2% as of June 30, 2013 to 262.8% as of June 30, 2014. Average days' net revenue in accounts receivable has decreased from

56.3 days in fiscal year 2013 to 53.3 days in fiscal year 2014. Patient cash collections have exceeded prior fiscal year collections by $18.0 million or 2.1%.

Credit Ratings

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

In November 2013, Standard and Poor's Ratings Services affirmed its 'AAA/A-1+' ratings and 'A' underlying ratings (SPURs) on the North Broward Hospital District, Fla.'s Series 2005A, 2007 and 2008A Variable-Rate Demand Hospital Revenue Bonds. The outlook is "Stable".

Capital Projects

As previously discussed in fiscal year 2014, the District completed renovations of the Orthopedic Building on Andrews Avenue and purchased two new office buildings on Commercial Avenue to be renovated and ready for occupancy in fiscal year 2015.

BHMC completed renovations of Phase I of the 3rd and 4th South Tower Post Partum Units at cost of $22.5 million. The project was completed in February 2014. Phase II of the project has been approved for approximately $52.3 million.

BHN continues with the renovations and infrastructure improvements to its facility at an expected cost not to exceed $70 million. The project is expected to have a 4 year timeline for completion.

***Overview — Fiscal Year* 2013 *as Compared to Fiscal Year* 2012**

For fiscal year 2013, the District experienced an increase in net position of $58.7 million, due primarily to a gain in investments of $50.4 million. The District continued to deliver a high standard of quality health care to the community. The increase in net position for fiscal year 2013, totaled $58.7 million, as compared to a prior-year total increase of $16.7 million. Management continued its focus on expense control and improvement in revenue cycle management.

Inpatient volumes, as measured by admissions, decreased over the prior-year totals by 2.5%, and the patient days decreased by 1.2% from prior-year. A growth in admissions occurred in Medicare HMO and PSN, while there was a decline in admissions in all other payors. Compensated admissions experienced a decrease of 2.6%, or 1,346 cases, with associated days decreasing by 1.7%, or 4,468 patient days. Self-pay and charity cases decreased by 234 admissions, or 2.0%. Within this total, charity cases decreased by 205 admissions, and self-pay cases decreased by 29 admissions. The District continues to direct resources, including intake coordinators, case managers, and a medical director to manage service utilization.

Patient Volumes

Medicare inpatient volume, as measured by admissions, decreased by 4.3%, or 533 cases. There was an offsetting increase in the Medicare HMO cases, which increased by 444 cases, or 4.6%. There was a 2.0% increase in the Medicare case mix index from year to year, measured by the MS-DRGs.

Medicaid admissions increased over the prior year by 85 cases, or 0.8%. Associated patient days decreased by 3.3%, or 2,000 days. The District continues its efforts of the Medicaid Eligibility Unit, the Medicaid Outpatient Patient Eligibility Department and the DCF working to process applications in a more timely fashion and providing additional access for patients to apply for Medicaid.

As previously discussed, during the 2005 Florida Legislative session Medicaid Reform was approved. There was a decrease of 163 enrollees for fiscal year 2013, resulting in an increase of 5 admissions and a decrease of 3 patient days over fiscal year 2012.

Managed care, including commercial payors, the District's largest payor category, decreased by 898 admissions, or 2.9%, in fiscal year 2013. Associated patient days decreased by 1.2% or by 1,634. Other Medicaid managed care decreased by 104 admissions.

Outpatient volumes decreased 2.8% in fiscal year 2013 over fiscal year 2012. Total outpatient medical center visits decreased by 32,572 visits. Emergency department visits increased by 2,961, physician office visits increased by 10,646, while primary care visits decreased by 9,288.

Operating Revenues

Net patient revenue has decreased, from $868.6 million in fiscal year 2012 to $867.0 million in fiscal year 2013.

Medicare net revenue decreased by $7.7 million, or 4.0%. This is consistent with the decrease in the inpatient Medicare admissions. Inpatient cases decreased by 533. There was also a decrease in the overall outpatient net revenue.

Medicaid net revenue increased over the prior fiscal year by $5.3 million, or 5.9%. Declining volume in the PSN and Medicaid managed care patient days resulted in an decrease in net revenue of $18.7 million, or 17.8%. There was a reconciliation completed for the intergovernmental transfers to the Agency for Healthcare Administration during fiscal year 2013 resulting in additional revenue of $5.0 million, which accounts for the increase in the Medicaid net revenue. Additional revenue received from the LIP and DSH programs totaled $33.8 million, an increase from the prior fiscal year of $0.3 million.

Managed care net revenue has experienced a decline of $20.4 million, or 3.4%, from fiscal year 2012, which includes the Commercial payors, PSN and all other Medicaid managed care increases discussed previously.

The provision for uncollectible accounts has decreased by $25.0 million, from $396.1 million in fiscal year 2012, to $371.1 million in fiscal year 2013, or a decrease of 6.3%. During fiscal year 2013, charity care decreased by $3.6 million, or 1.1%, from the prior fiscal year. During fiscal year 2013, 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 $6.1 million, or 0.6%, from $1,076.1 million in fiscal year 2012 to $1,082.2 million in fiscal year 2013. The increase is largely due to increases in salaries, supplies, and outside services expense. Salaries and benefits decrease equals 0.4%, decreasing from $584.9 million in fiscal year 2012 to $582.5 million in fiscal year 2013. This decrease is attributable to a decrease in usage of overtime and maintaining productivity levels. The annual merit increase provided in fiscal year 2013 of approximately 1.8% and a decrease in benefits of 3.8% due to a decrease in health insurance costs. FTEs per adjusted occupied bed remained relatively consistent at 4.67 in fiscal year 2013 and 4.64 in fiscal year 2012. Salaries and employee benefits as a percentage of net patient service revenues were 67.2% and 67.4% for fiscal years 2013 and 2012, respectively. These ratios indicate that expense decreases were consistent with patient volume.

Supplies expense represents the next largest expense category for the District. During fiscal year 2013, supplies expense increased by $4.8 million, or 2.3%, from $204.3 million in fiscal year 2012 to $209.1 million in fiscal year 2013. Increases were realized in many supply categories, including implants, pacemakers, drugs, blood, and medical surgical supplies. Increases were due to a combination of performing higher priced procedures and pricing increases. Supplies expense as a percent to net patient service revenue was 24.1% in fiscal year 2013, while it was 23.5% in fiscal year 2012, reflecting the use of higher priced supplies.

Outside services, data processing, software and licenses, and maintenance contracts have decreased by $1.4 million, or 2.0%, from $68.5 million in 2012 to $67.1 million in fiscal year 2013. This decrease is primarily related to a decrease in maintenance contracts.

Ad Valorem Tax Revenue

For fiscal years 2013 and 2012, ad valorem tax revenues totaled $149.9 million and $149.5 million, respectively. As described in Notes 3 and 14 to the consolidated basic 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 2013 and 2012 were 1.8564 and 1.875 mills, respectively. In July 2013, taxable property values within the District's geopolitical boundaries increased from $87.2 billion to $88.0 billion, or 0.9%. In July 2013, the Broward County property appraiser released to the District the taxable property valuations for 2013/2014. These values increased to $91.7 billion, an increase of 4.2%.

Interest Expense

Interest expense in fiscal year 2013 was $11.8 million, as compared to $12.7 million in fiscal year 2012, a decrease of $0.9 million, or 7.1%. The decrease is mainly due to the decrease in fees paid on the letters of credit.

Liquidity and Cash Position

Management continues to drive improvement of the District's financial position, with cash being the focal point. Average monthly cash collections have increased by 0.19% over the prior fiscal year. In addition, capital expenditures have been carefully reviewed in an effort to reduce the outflow of funds, excluding the large ongoing projects.

With increases in market performance in the District's investment portfolio, a receipt of LIP payments from AHCA from prior year and an decrease in capital expenditures, there was an increase in unrestricted cash and investments from $532.5 million to $626.8 million at June 30, 2012 and 2013, respectively, with a corresponding increase in days' cash on hand from 181.7 to 217.9, respectively. Cash to debt has increased from 199.4% as of June 30, 2012 to 245.2% as of June 30, 2013. Average days' net revenue in accounts receivable has increased from 53.9 days in fiscal year 2012 to 56.3 days in fiscal year 2013. Patient cash collections have exceeded prior fiscal year collections by $1.7 million or 0.19%.

Credit Ratings

The District has received underlying credit ratings of A2 and A from Moody's Investors Service and Standard & Poor's, respectively. Moody's has assigned an outlook of "Stable" and Standard & Poor's has assigned an outlook of "Stable." This rating by Moody's was affirmed in June 2012.

In September 2012, Standard and Poor's Ratings Services affirmed its 'AAA/A-1+' ratings and 'A' underlying ratings (SPURs) on the North Broward Hospital District, Fla.'s Series 2005A, 2007 and 2008A Variable-Rate Demand Hospital Revenue Bonds. The outlook is "Stable".

Capital Projects

The District continues the renovations of existing space at the medical office building at BHMC.

BHMC has received approval to move forward with renovations to the 3rd and 4th South Tower Post Partum Units at an expected cost not to exceed $22.5 million as of June 30, 2013. The project was completed in fiscal year 2014.

BHN has received approval to move forward with renovations and infrastructure improvements at an expected cost not to exceed $70 million. The project is expected to have a 4 year timeline for completion.

Report of Independent Certified Public Accountants

To the Board of Commissioners of
North Broward Hospital District

Report on the Consolidated Basic Financial Statements

We have audited the accompanying consolidated basic financial statements of the North Broward Hospital District (the "District"), as of and for the years ended June 30, 2014 and 2013 and the related notes to the consolidated basic financial statements which collectively comprise the consolidated basic statements of net position, and the related consolidated statements of revenues, expenses, and changes in net position and of cash flows.

Management's Responsibility for the Consolidated Basic Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated basic 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 consolidated basic financial statements that are free from material misstatement, whether due to fraud or error.

Independent Certified Public Accountants' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated basic financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated basic financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District's preparation and fair presentation of the consolidated basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated basic 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 consolidated basic financial statements referred to above present fairly, in all material respects, the respective financial net position of the North Broward Hospital District at June 30, 2014 and 2013, and the respective changes in financial net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated basic financial statements, the District adopted Governmental Accounting Standards Board ("GASB") No. 65, *Items Previously Reported as Assets and Liabilities* effective July 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The accompanying Management's Discussion and Analysis ("MD&A") (Unaudited) for the years ended June 30, 2014 and 2013 on pages 1 to 12, the Schedule of Plan Funding Progress (Unaudited) as of July 1, 2008 through July 1, 2013, the Historical Summary of Actual and Required Pension Contributions (Unaudited) as of July 1, 2008 through July 1, 2013, and the Schedule of Plan Funding Progress under GASB Statement No. 45 (Unaudited) as of July 1, 2009 through July 1, 2013, as listed in the index, are required by accounting principles generally accepted in the United States of America to supplement the consolidated basic financial statements. Such information, although not a part of the consolidated 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 consolidated 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 consolidated basic financial statements, and other knowledge we obtained during our audits of the consolidated 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 our opinion on the financial statements that collectively comprise the District's consolidated basic financial statements. The consolidating information as of and for the year ended June 30, 2014 on pages 59 to 61 and the other accompanying financial information for the year ended June 30, 2014 on pages 62 to 66, listed as Supplemental Consolidating Information and Supplemental Schedules, respectively, in the foregoing index are presented for the purpose of additional analysis and is not a required part of the consolidated basic financial statements. The accompanying Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance and Note for the year ended June 30, 2014, on pages 84 to 87, are presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Rules of the Auditor General Chapter

10.550, Local Governmental Entity Audits, and are not a required part of the consolidated basic financial statements.

The accompanying Supplemental Consolidating Information, Supplemental Schedules and Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance and Note are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the consolidated basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated basic financial statements or to the consolidated 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 Supplemental Consolidating Information, Supplemental Schedules and the Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance and Note are fairly stated, in all material respects, in relation to the consolidated basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated October 2, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2014. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Fort Lauderdale, Florida
October 2, 2014

North Broward Hospital District
Consolidated Statements of Net Position
June 30, 2014 and 2013

(in thousands of dollars)	**2014**	**2013**
Assets		
Current assets		
Cash and cash equivalents	$ 51,333	$ 92,992
Cash and investments externally restricted by donors	12,680	11,644
Short-term investments	455,638	377,709
Assets whose use is limited required for current liabilities	5,008	4,766
Due from patients and others, net of allowance for uncollectibles of $243,347 and $226,375 as of June 30, 2014 and 2013, respectively	145,564	150,727
Inventories	23,814	23,359
Estimated third-party payor settlements	3,905	1,073
Other current assets	45,201	36,542
Total current assets	743,143	698,812
Assets whose use is limited		
Held by trustee for self-insurance	36,547	36,399
Less amount required to meet current obligations	(5,008)	(4,766)
Assets whose use is limited, net	31,539	31,633
Investments	166,640	156,114
Capital assets, net	461,913	434,686
Other assets	10,155	13,750
Total assets	1,413,390	1,334,995
Deferred outflows of resources		
Accumulated decrease in fair value of hedging derivatives	21,062	36,624
Deferred loss on debt refund	14,384	15,373
Total deferred outflows of resources	35,446	51,997
Liabilities and Net Position		
Current liabilities		
Current maturities of revenue bonds payable	10,800	10,410
Accounts payable and accrued expenses	74,463	79,638
Accrued salaries, benefits and payroll taxes	44,330	43,463
Accrued personal leave	32,388	32,122
Current portion of lease obligations	117	574
Estimated third-party payor settlements	164	4,441
Current portion of self-insurance program liability	5,008	4,766
Interest payable	2,895	3,007
Total current liabilities	170,165	178,421
Revenue bonds, net of current maturities	245,315	256,115
Lease obligations	100	216
Self-insurance program liability	24,229	23,833
Early retirement incentive program liability	18,496	19,927
Other postemployment benefit program liability	72,339	60,574
Liability related to hedging instruments	21,062	32,244
Total liabilities	551,706	571,330
Deferred inflows of resources		
Swap termination	14,520	3,739
Total deferred inflows of resources	14,520	3,739
Net Position		
Net investment in capital assets	205,445	183,385
Restricted for donor restrictions	15,923	12,828
Unrestricted	661,242	615,710
Total net position	$ 882,610	$ 811,923

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

North Broward Hospital District
Consolidated Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2014 and 2013

(in thousands of dollars)	**2014**	**2013**
Operating revenues		
Net patient service revenue (net of provision for uncollectible accounts of $412,125 and $371,055 in 2014 and 2013, respectively)	$ 882,973	$ 867,030
Other operating revenue	88,189	85,889
Total operating revenues	971,162	952,919
Operating expenses		
Salaries	475,431	473,041
Employee benefits	115,027	109,435
Professional fees	72,685	71,805
Purchased services and temporary labor	11,614	12,214
Outside services	44,514	42,691
Supplies	201,831	209,092
Insurance	9,489	5,706
Utilities	16,645	16,062
Repairs and maintenance	20,305	15,973
State assessments	10,969	11,400
Depreciation and amortization	48,518	51,328
Other	68,952	63,434
Total operating expenses	1,095,980	1,082,181
Operating loss	(124,818)	(129,262)
Nonoperating revenues (expenses)		
Unrestricted property tax revenue	146,135	149,879
Investment gain, net	59,921	50,442
Interest expense	(9,568)	(11,776)
Other	(1,090)	(3,293)
Total nonoperating revenues	195,398	185,252
Gain before capital contributions	70,580	55,990
Capital contributions (grant and other)	107	2,722
Increase in net position	70,687	58,712
Net position		
Beginning of year	811,923	753,211
End of year	$ 882,610	$ 811,923

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

North Broward Hospital District
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

(in thousands of dollars)	**2014**	**2013**
Cash flows from operating activities		
Receipts from third-party payors and patients	$ 868,550	$ 919,063
Payments to employees	(578,990)	(572,546)
Payments to suppliers and contractors	(392,376)	(397,386)
Other receipts and payments, net	22,128	22,816
Net cash used in operating activities	(80,688)	(28,053)
Cash flows from noncapital financing activities		
Medicaid county funding	(8,535)	(8,561)
Ad valorem property taxes, net	147,149	150,855
Other	1,104	154
Net cash provided by noncapital financing activities	139,718	142,448
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(74,540)	(57,476)
Proceeds from disposal of capital assets	30	596
Payments of interest on revenue bonds, swaps, and lease facilities	(11,289)	(11,561)
Principal and collateral paid on revenue bonds, swaps, and lease facilities	(10,984)	(11,755)
Proceeds from collateral	9,091	6,352
Capital contributions (grant and other)	107	2,722
Net cash used in capital and related financing activities	(87,585)	(71,122)
Cash flows from investing activities		
Interest and dividends on investments and assets whose use is limited	6,623	8,347
Purchases of investments	(465,805)	(464,266)
Proceeds from the sale and maturity of investments	446,078	473,360
Net cash (used) provided in investing activities	(13,104)	17,441
Net (decrease) increase in cash and cash equivalents	(41,659)	60,714
Cash and cash equivalents		
Beginning of year	92,992	32,278
End of year	$ 51,333	$ 92,992

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

North Broward Hospital District
Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2014 and 2013

(in thousands of dollars)	2014	2013
Reconciliation of operating loss to net cash used in operating activities		
Loss from operations	$ (124,818)	$ (129,262)
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation and amortization	48,518	51,328
Provision for uncollectible accounts	412,125	371,055
Minority interest	-	(82)
Other	2,909	443
Changes in assets and liabilities:		
Due from patients and others	(406,963)	(366,373)
Inventories	(455)	917
Other assets	(13,739)	47,177
Accounts payable and accrued expenses	(3,261)	(2,542)
Accrued salaries, benefits and payroll taxes	868	870
Accrued personal leave	265	838
Estimated third-party payor settlements	(7,109)	(8,853)
Self-insurance program liability	637	(1,791)
Early retirement incentive program liability	(1,431)	(1,391)
Other postemployment benefit program liability	11,766	9,613
Net cash used in operating activities	$ (80,688)	$ (28,053)
Supplemental noncash investing, capital and financing activities		
Property and equipment acquired through accounts payable	$ 1,714	$ 2,291
Property and equipment acquired through donation	2,321	1,351
Interest capitalized on construction-in-progress	2,059	909

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

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 consolidated basic 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 consolidated basic financial statements include the activity of the District and its integrated health care 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 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 in family practice medicine at BHMC.

Broward Health Weston, an all-inclusive outpatient facility, provides physician services, urgent care, radiology, and women's center services. The Surgery Center of Weston, LLC ("Weston LLC"), an ambulatory surgery center, has been established as a limited liability corporation. As of October 31, 2012, the District held an ownership interest of approximately 19.9% with the remaining 80.1% owned by physicians. Effective November 1, 2012, the District sold all their shares in Weston LLC back to the physicians. Through October 31, 2012, the District maintained majority voting rights on the Board of Directors and controlled Weston LLC and therefore, consolidated Weston LLC in the accompanying consolidated basic financial statements. Once the District divested of their ownership interest in Weston LLC, it discontinued the consolidation of the basic financial statements. Effective June 30, 2013, the District terminated its management agreement with Weston LLC.

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

The District also owns and operates other Community Health Services facilities for the benefit of the community. The District is the sole member of the Children's Diagnostic and Treatment Center ("CDTC"), which provides an array of pediatric professional services to patients suffering from developmental, substance abuse, and HIV/AIDS-related conditions. The primary sources of funding for CDTC are a variety of federal, state, and local grants. Even though CDTC is legally separate, it is reported as if it were part of the District because the District's Board also serves as the governing board of CDTC and management of the District has operational responsibility for CDTC.

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.

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

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 health care services of all providers along the care continuum. Even though TCA a is legally separate entity, it is reported as if it were part of the District because the District's Board also serves as the governing board of TCA and management of the District has operational responsibility for TCA.

The District established a separate non-for-profit corporation, Broward Health ACO Service, Inc. ("BH ACO"), for participation in the Medicare Shared Savings Program as an accountable care organization. The purpose of the BH ACO is to provide health care 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.

The District established a separate nonprofit entity, North Broward Hospital District Infusion Network, Inc., to manage and to enter into a partnership with PHM of Broward, Inc., to provide outpatient intravenous and related health care services.

The District is a one-third partner of the South Florida Community Care Network ("SFCCN"), a managed care network governed by an inter-local agreement between three governmental entities: the District, the Public Health Trust of Miami — Dade County, and the South Broward Hospital District. SFCCN administers various programs, including the Title XXI — Children Medical Services Network, Title XIX — Children Medical Services Medicaid Network, and the "PSN" operating under Florida's Medicaid Reform program. The PSN is a network of hospitals, physicians, and other ancillary care providers developed to provide integrated, managed care services to a population of Medicaid covered enrollees. Effective January 28, 2014, the Public Health Trust of Miami — Dade County resigned from the SFCCN. The District and the South Broward Hospital District executed a new inter-local agreement on March 27, 2014. SFCCN entered into a new agreement on February 4, 2014 with the Agency for Health Care Administration to provide services commencing on July 1, 2014 to Medicaid recipients only in Broward County.

2. Restatement of Prior Year Consolidated Basic Financial Statements

Effective July 1, 2012, the District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities ("GASB 65").* GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Under GASB 65, bond issuance costs, with the exception of bond insurance guaranty costs, are expensed at the time of issuance and gains and losses on early extinguishment of debt are deferred and amortized over the life of the refunded debt or refinancing debt, whichever is earlier.

The effect of adopting GASB 65 as of July 1, 2012 was as follows:

(in thousands of dollars)

Net position at June 30, 2012, as previously reported	$	754,837
Decrease in unamortized bond issuance costs		(1,626)
Net position at July 1, 2012, as restated	$	753,211

The impact of adopting GASB 65 on the consolidated statement of revenues, expenses, and changes in net position for the year ended June 30, 2012 was approximately $1.6 million. Management considers this amount to be immaterial and accordingly, has reflected the fiscal year 2012 impact in the consolidated statement of revenues, expenses, and changes in net position for the year ended June 30, 2014.

3. Summary of Significant Accounting Policies

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

Basis of Presentation

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

Proprietary Fund Accounting
The District utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. All revenues and expenses are subject to accrual.

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. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources 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, and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Use of Estimates
The preparation of the consolidated basic financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated basic 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 consolidated basic financial statements, including the following: recognition of net patient revenues; valuation of accounts receivable, including contractual allowances and provisions for bad debt; reserves for losses and expenses related to health care, professional, workers' compensation, and general liabilities; valuation of pension and other retirement obligations; 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.

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 12).

Operating Revenues and Expenses
The District's consolidated 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 health care services, the District's principal activity. Nonexchange revenues; including property taxes, grants, and donations, are reported as nonoperating revenues. Grants and donations received for the purpose of acquiring or constructing capital assets are recorded below nonoperating revenues as capital contributions (grant and other). Operating expenses are all expenses incurred to provide health care services, excluding financing costs.

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

The District has agreements with numerous third-party payors that provide for reimbursement at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the established rates for services and 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 health care facilities participate in the federal Medicare program ("Medicare"). Approximately 18% and 19% for fiscal years 2014 and 2013, respectively, of the District's gross patient service revenue was derived from services to Medicare beneficiaries. Inpatient acute care services rendered to Medicare beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Inpatient nonacute services, outpatient services, and defined capital costs related to Medicare beneficiaries are reimbursed based upon a prospective reimbursement methodology. The health care facilities are paid for cost-reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the health care facilities and audits by the Medicare fiscal intermediary. The health care facilities' classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review. As of June 30, 2014, the Medicare cost reports were final audited, pending final settlement, by the health care facilities' Medicare fiscal intermediary through June 30, 2011 for all facilities.

During 2010, the Center for Medicare and Medicaid Services implemented the Recovery Audit Contractors ("RAC") to all states, including Florida, which was part of the initial demonstration project. RAC reviews medical records and claims from health care facilities to ensure compliance with billing and coding guidelines. In November 2013, CMS suspended RAC reviews, and it is unclear when the reviews will begin again. The District's estimated liability related to potential RAC audits in the amount of $2.0 million is included in estimated third-party payor settlements in the consolidated statement of net position at June 30, 2013. There is no outstanding liability recorded as of June 30, 2014 as all outstanding reviews were completed prior to June 30, 2014.

Medicaid
Approximately 12% of the District's gross patient service revenue for both fiscal years 2014 and 2013 was derived under the Medicaid program. Inpatient and outpatient services rendered to Medicaid program beneficiaries were paid based upon a cost reimbursement methodology subject to certain ceilings until June 30, 2013. Effective July 1, 2013, inpatient Medicaid claims are reimbursed at prospectively determined rates per discharge. These rates vary according to patient classification system that is based on clinical, diagnostic and other factors. The health care facilities are reimbursed for outpatient services at a tentative rate 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, 2009 for all four medical centers. In addition to the prospectively determined rates per discharge and tentative payments received by the District for the provision of health care services to Medicaid beneficiaries, the State of Florida provides a disproportionate share payment adjustment to reflect the additional costs associated with treating the Medicaid population in the District's service area. During fiscal years 2014 and 2013, the District recognized approximately $36.4 million and $33.8 million, respectively, related to the disproportionate share hospital payments from the State of Florida and these amounts are reflected in net patient service

revenues in the accompanying consolidated 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.

It is management's opinion that settlements of outstanding Medicare and Medicaid cost reports, when received, will not vary materially from the estimated amounts, which are recorded as current receivables or current liabilities in the accompanying consolidated statements of net position.

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.

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

Investments are carried at fair value except for investments in debt securities with maturities less than one year at the time of purchase. These investments are reported at amortized cost, which approximates fair value. The District classifies investments in debt and equity securities in the accompanying consolidated statements of net position based on maturities (for debt securities) and based on management's reasonable expectation with regards to these securities. Securities that are not expected to be converted to cash within one year are classified as noncurrent. Interest, dividends, and gains and losses on such debt and equity investments, both realized and unrealized, are included in nonoperating revenues when earned.

The estimated fair value of investments is based on quoted market prices, except for alternative investments for which quoted market prices are not available. Alternative investments held by the District and the District's pension plan (Note 9); include private equity, real estate investments, and hedge funds. The District classifies its alternative investments as long-term investments in the accompanying consolidated statements of net position as management does not have the intent, and in the case of its investments in private equity and real estate funds, does not have the ability to sell the alternative investments in the near term. The hedge fund managers, at their discretion, can restrict the District's ability to sell its investments in hedge funds. As of June 30, 2014 and 2013, there are no such restrictions in place. The estimated fair value of the private equity, real estate investments, and hedge funds is based on valuations provided by the respective partnerships, trusts, or funds. The District reviews and evaluates the values provided by the partnerships, trusts, or funds and agrees with the valuation methods and assumptions used in determining the fair value of the private equity, real estate investments, and hedge fund investments. As of June 30, 2014, these equity investments in private equity, real estate investments, and hedge funds make up approximately 3.1%, 4.6%, and 2.8%, respectively, of total investments in the accompanying consolidated statement of net position. As of June 30, 2013, these equity investments in private equity, real estate investments, and hedge funds make up approximately 3.0%, 4.9%, and 3.0%, respectively, of total investments in the accompanying consolidated statement of net position. Because private equity, real estate investments, and hedge funds are not readily marketable, their estimated value is subject to uncertainty and therefore, may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the consolidated statements of revenue, expenses, and changes in net position in the period such fluctuations occur.

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 market value.

Other Current Assets

Other current assets consist primarily of amounts due from the State of Florida for disproportionate share funding, property tax receivables, prepaid expenses, and deposits in the ordinary course of business.

Capital Assets

Capital assets are stated at cost, or if donated, at fair market 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:

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

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

Long-Lived Assets

The District evaluates long-lived assets regularly for impairment. If circumstances suggest that assets may be impaired, an assessment of recoverability is performed prior to any write-down of assets. An impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. Impairment charges are recorded as either operating expenses, a special item, or an extraordinary item, depending on the facts and circumstances of the impairment.

Unrestricted Property 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 deferred revenue at the date of assessment, less a reserve for estimated discounts (Note 14), and amortized into income over the respective year.

Restricted Donations

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

Grant Funding

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

Assets Whose Use is Limited

These assets are reported at fair market 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.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net assets that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net assets 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 consolidated basic statements of net position, but rather, are separately reported.

Derivatives

In connection with the issuance of the 2005A, 2005B (amended to 2008A), and 2007 Bond Series as described in Note 7, the District has entered into floating to fixed interest rate swap agreements in which the District pays fixed rates of interest in return for variable rates of interest based upon London Interbank Offered Rate ("LIBOR") or the Securities Industry Financial Markets Association ("SIFMA") Municipal Swap Index. These interest rate swap agreements reduce the market risk associated with the changes in interest rates related to the District's revenue bonds.

Management has determined that the interest rate swaps qualify for hedge accounting as they are highly effective in offsetting changes to expected future cash flows on interest payments. As a result, changes in the fair value of the interest rate swap agreements are recorded in the consolidated statements of net position as deferred outflows of resources and do not affect the consolidated statements of revenues, expenses and changes in net position. In fiscal year 2014, the District entered into Novation Agreements which modified their interest rate swap agreements related to the 2005A and 2008A Bond Series (Note 7).

Accrued Personal Leave

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

New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"), which was adopted by the District for the year ended June 30, 2014 by retroactively adopting the new standard effective July 1, 2012, as described in Note 2.

In March 2012, the GASB also issued Statement No. 66*, Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62* ("GASB 66"). That Statement resolves conflicting guidance that resulted from the issuance of GASB 62. The District adopted the provisions of GASB 66 for the year ended June 30, 2014: however, the adoption of this statement in fiscal year 2014 did not have a significant impact on the consolidated basic financial statements.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), which revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. Among other provisions, GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information ("RSI"). GASB 68 calls for immediate recognition of more pension expense than is currently required. Additionally, in November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"). The objective of GASB 71 is to address an issue regarding application of the transition provisions of GASB 68. GASB 71 amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014 with the provisions related to GASB 71 to be applied simultaneously. The District elected not to implement GASB 68 and GASB 71 for the year ended June 30, 2014, and has not yet evaluated the impact of these standards on the consolidated financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB 69"). That Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The adoption of GASB 69 in fiscal year 2014 did not have a material impact on the consolidated basic financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* ("GASB 70"). That Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The adoption of GASB 70 in fiscal year 2014 did not have a material impact on the consolidated basic financial statements.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters in excess of self-insured limits. Settled claims have not exceeded this commercial coverage in either fiscal year 2014 or 2013.

Reclassifications

Reclassifications have been made to the prior year consolidated financial statements to conform with the current year presentation.

4. Cash, Cash Equivalents and Investments

The composition and credit ratings of the District's cash and cash equivalents, investments, and assets whose use is limited as of June 30, 2014 is as follows:

			Investment Maturities			
(in thousands of dollars)	**Original Cost**	**Market Value**	**Less Than 1 Year**	**1–5 Years**	**6–10 Years**	**More Than 10 Years**
U.S. government securities	$ 121,127	$ 121,749	$ 62,645	$ 48,471	$ 2,506	$ 8,127
U.S. government agency securities	2,300	2,252	2,000	252	-	-
Corporate bonds	75,685	77,245	9,020	56,764	6,874	4,587
Mortgage-backed securities	63,339	63,348	10,869	27,907	1,619	22,953
International government securities	726	759	101	658	-	-
	263,177	265,353	$ 84,635	$ 134,052	$ 10,999	$ 35,667
Common stock	162,323	205,079				
Mutual funds	96,032	120,321				
Private equity	16,377	20,548				
Hedge funds	13,993	18,655				
Real estate	28,969	30,548				
Other investments	458	478				
Money markets	17,762	17,762				
Bank deposits	44,094	44,094				
	$ 643,185	$ 722,838				

(in thousands of dollars)	Original Cost	Market Value	Ratings AAA	AA	A	BBB	<BBB	Not Rated
U.S. government securities	$ 121,127	$ 121,749	$ 104,295	$ -	$ -	$ -	$ -	$ 17,454
U.S. government agency securities	2,300	2,252	-	-	-	-	252	2,000
Corporate bonds	75,685	77,245	5,483	14,659	36,903	18,417	1,373	410
Mortgage-backed securities	63,339	63,348	3,220	38,421	155	216	521	20,815
International government securities	726	759	-	101	-	658	-	-
	263,177	265,353						
Common stock	162,323	205,079	-	-	-	-	-	205,079
Mutual funds	96,032	120,321	-	-	-	-	-	120,321
Private equity	16,377	20,548	-	-	-	-	-	20,548
Hedge funds	13,993	18,655	-	-	-	-	-	18,655
Real estate	28,969	30,548	-	-	-	-	-	30,548
Other investments	458	478	-	-	-	-	-	478
Money markets	17,762	17,762	-	-	-	-	-	17,762
Bank deposits	44,094	44,094	-	-	-	-	-	44,094
	$ 643,185	$ 722,838	$ 112,998	$ 53,181	$ 37,058	$ 19,291	$ 2,146	$ 498,164

The composition and credit ratings of the District's cash and cash equivalents, investments, and assets whose use is limited as of June 30, 2013 is as follows:

(in thousands of dollars)	Original Cost	Market Value	Investment Maturities Less Than 1 Year	1–5 Years	6–10 Years	More Than 10 Years
U.S. government securities	$ 56,038	$ 56,456	$ 33,929	$ 12,966	$ 3,019	$ 6,542
U.S. government agency securities	700	698	-	698	-	-
Corporate bonds	122,357	122,733	66,782	45,769	6,351	3,831
Mortgage-backed securities	64,566	64,535	13,551	24,008	2,584	24,392
International government securities	625	630	-	322	308	-
	244,286	245,052	$ 114,262	$ 83,763	$ 12,262	$ 34,765
Common stock	193,727	215,893				
Mutual funds	33,258	42,143				
Private equity	11,135	15,106				
Hedge funds	13,993	16,962				
Real estate	31,014	29,762				
Other investments	618	562				
Money markets	18,430	18,406				
Bank deposits	90,972	90,972				
	$ 637,433	$ 674,858				

(in thousands of dollars)	Original Cost	Market Value	Ratings AAA	AA	A	BBB	<BBB	Not Rated
U.S. government securities	$ 56,038	$ 56,456	$ 41,527	$ -	$ -	$ 301	$ -	$ 14,628
U.S. government agency securities	700	698	-	698	-	-	-	-
Corporate bonds	122,357	122,733	12,092	33,019	53,917	20,231	830	2,644
Mortgage-backed securities	64,566	64,535	4,214	38,356	250	252	672	20,791
International government securities	625	630	-	-	-	308	-	322
	244,286	245,052						
Common stock	193,727	215,893	-	-	-	-	-	215,893
Mutual funds	33,258	42,143	-	-	-	-	-	42,143
Private equity	11,135	15,106	-	-	-	-	-	15,106
Hedge funds	13,993	16,962	-	-	-	-	-	16,962
Real estate	31,014	29,762	-	-	-	-	-	29,762
Other investments	618	562	-	-	-	-	-	562
Money markets	18,430	18,406	-	-	-	-	-	18,406
Bank deposits	90,972	90,972	-	-	-	-	-	90,972
	$ 637,433	$ 674,858	$ 57,833	$ 72,073	$ 54,167	$ 21,092	$ 1,502	$ 468,191

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.

Credit Risk
State of 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, 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 held 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.

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, 2014 and 2013, the District did not have any investments that equaled or exceeded this threshold.

Custodial Credit Risk
As of June 30, 2014 and 2013, 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.

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, 2014 and 2013 in the preceding investment composition table.

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.

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.

The effective yield on the District's investments for fiscal years 2014 and 2013 was approximately 11.9% and 8.8%, respectively.

Investment gain, net, for fiscal years 2014 and 2013 is as follows:

(in thousands of dollars)	2014	2013
Interest income	$ 8,610	$ 10,333
Realized gain, net	27,331	18,909
Net increase in the fair value of investments	42,152	22,599
Investment management fees	(2,204)	(1,399)
Decrease upon hedge termination	(15,968)	-
Investment gain, net	$ 59,921	$ 50,442

Realized gains and losses on investments that had been held for more than one fiscal year and sold in the current year were included as a change in the fair value of investments reported in the prior year(s) and the current year. The calculation of realized losses is independent of the calculation of the net increase in the fair value of investments.

5. Capital Assets

A summary of changes in capital assets during fiscal years 2014 and 2013 is as follows:

	Balance at June 30, 2013	Additions	Disposals and Transfers	Balance at June 30, 2014
Equipment	$ 499,492	$ 28,824	$ (16,718)	$ 511,598
Building and improvements	604,889	36,580	(1,015)	640,454
Land	37,809	5,051	-	42,860
Land Improvements	7,474	63	-	7,537
Equipment held under capital lease	5,672	-	(4,013)	1,659
Totals at historical cost	1,155,336	70,518	(21,746)	1,204,108
Less: Accumulated depreciation for				
Equipment	380,037	29,849	(16,657)	393,229
Building and improvements	344,092	18,128	(37)	362,183
Land Improvements	5,867	217	-	6,084
Equipment held under capital lease	4,974	324	(3,916)	1,382
	734,970	48,518	(20,610)	762,878
Construction-in-progress	14,320	10,497	(4,134)	20,683
Capital assets, net	$ 434,686	$ 32,497	$ (5,270)	$ 461,913

	Balance at June 30, 2012	Additions	Disposals and Transfers	Balance at June 30, 2013
Equipment	$ 498,690	$ 34,254	$ (33,452)	$ 499,492
Building and improvements	573,909	32,454	(1,474)	604,889
Land	38,313	246	(750)	37,809
Land Improvements	7,160	315	(1)	7,474
Equipment held under capital lease	9,768	-	(4,096)	5,672
Totals at historical cost	1,127,840	67,269	(39,773)	1,155,336
Less: Accumulated depreciation for				
Equipment	381,039	33,176	(34,178)	380,037
Building and improvements	328,534	17,089	(1,531)	344,092
Land Improvements	5,660	208	(1)	5,867
Equipment held under capital lease	7,004	855	(2,885)	4,974
	722,237	51,328	(38,595)	734,970
Construction-in-progress	25,894	(11,211)	(363)	14,320
Capital assets, net	$ 431,497	$ 4,730	$ (1,541)	$ 434,686

Amortization expense on equipment held under capital leases, which is included within depreciation and amortization in the consolidated statements of revenues, expenses and changes in net position for fiscal years 2014 and 2013 totaled $0.4 million and $0.9 million, respectively. Accumulated amortization on equipment held under capital leases as of June 30, 2014 and 2013 totaled $1.3 million and $5.0 million, respectively.

The estimated cost-to-complete of construction-in-progress at June 30, 2014 totaled $133.6 million.

6. Revenue Bonds

Refunding Revenue Bonds, Series 2005A (the "2005A Bonds")
In July 2005, the District issued $71.5 million of 2005A Bonds, which are variable-rate demand bonds remarketed weekly. The net proceeds of the 2005A Bonds (after payment of $2.5 million in bond issuance costs, including underwriting, legal and accounting, and insurance fees) were principally used to fund an escrow account in the amount of $68.9 million for the advance refunding of $66.3 million of Refunding and Improvement Revenue Bonds, Series 1997 (the "1997 Bonds"), which were called in January 2008, and $2.7 million to cover scheduled interest payments on the 1997 Bonds. Based upon long-term historical patterns, at the time of issuance of the 2005A Bonds, the variable interest paid on these bonds was expected to correlate very closely to the rate received on the related floating to fixed interest rate swap agreement (Note 7). The result of issuance of the 2005A Bonds and the related interest rate swap was expected to be a synthetic fixed rate of interest on the 2005A Bonds of approximately 3.345%. Both the 2005A Bonds and the related interest rate swap are insured through financial guarantee insurance policies with financial services institutions. During 2008, due to various matters resulting from the subprime lending crisis in the United States, the District entered into a letter of credit related to the 2005A Bonds, which is described later in Note 6.

The difference between the reacquisition price and the net carrying amount of the old debt of approximately $4.6 million is being deferred and amortized as a component of interest expense over the remaining scheduled life of the old debt of 19 years with the unamortized portion reported as a deferred outflow of resources. As of June 30, 2014 and 2013, the unamortized portion is $2.7 million and $2.9 million, respectively. The District advance refunded the 1997 Bonds to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of $2.3 million.

Refunding Revenue Bonds, Series 2005B (the "2005B Bonds")
In October 2005, the District issued $86.3 million of 2005B Bonds, which were variable rate demand bonds remarketed weekly. The net proceeds of the 2005B Bonds (after payment of $3.4 million in bond issuance costs, including underwriting, legal and accounting, and insurance fees) were principally used to fund an escrow account for the advance refunding of $75.0 million of Improvement Revenue Bonds, Series 2001 (the "2001 Bonds") and $7.9 million to cover scheduled interest payments on the 2001 Bonds through the January 15, 2011, call date. The 2001 Bonds carried fixed interest rates ranging from 6.0% to 6.1% and were called on January 15, 2011. Based upon long-term historical patterns, at the time of issuance of the 2005B Bonds, the variable interest paid on these bonds was expected to correlate very closely to the rate received on the related interest rate swap agreement. The result of issuance of the 2005B Bonds and the related floating to fixed interest rate swap was expected to be a synthetic fixed rate of interest on the 2005B Bonds of approximately 4.084%. Both the 2005B Bonds and the related interest rate swap were insured.

The difference between the reacquisition price and the net carrying amount of the old debt of approximately $8.6 million is being deferred and amortized as a component of interest expense over the life of the new debt of 23 years, with the unamortized portion reported as a deferred outflow of resources. As of June 30, 2014 and 2013, the unamortized portion is $5.6 million and $6.0 million, respectively. The District advance refunded the 2001 Bonds to obtain an economic gain of $7.4 million.

Refunding Revenue Bonds, Series 2007 (the "2007 Bonds")
In November 2007, the District issued $131.2 million of 2007 Bonds, which are variable rate demand bonds remarketed weekly. The net proceeds of the 2007 Bonds (after payment of $2.6 million in bond issuance costs, including underwriting, legal and accounting, and insurance fees) were principally used to fund an escrow account in the amount of $128.6 million for the advance refunding of $106.1 million of 1997 Bonds, $25.1 million of 2001 Bonds, and $2.3 million to cover scheduled interest payments on the 1997 Bonds and 2001 Bonds. The refunded 1997 Bonds carried interest rates ranging from 5.125% to 5.75%. The refunded 2001 Bonds carried interest rates ranging from 5.0% to 6.0%. The net proceeds were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Bonds and 2001 Bonds. As a result, the advance refunded 1997 Bonds and 2001 Bonds were considered to be defeased in substance and the liability for those bonds has been removed from the accompanying consolidated statements of net position. Some of these escrowed funds were used to pay the 1997 Bonds that were re-financed with this transaction. Based upon long-term historical patterns, at the time of issuance of the 2007 Bonds, the variable interest on these bonds was expected to correlate very closely to the rate received on the related floating to fixed interest rate swap agreement (Note 7). The result of issuance of the 2007 Bonds and the related interest rate swap was expected to be a synthetic fixed rate of interest on the 2007 Bonds of approximately 4.159%. Both the 2007 Bonds and the related interest rate swap are insured through financial guarantee insurance policies with financial services institutions. During 2008, due to various matters resulting from the subprime lending crisis in the United States, the District entered into a letter of credit related to the 2007 Bonds, which is described later in Note 6.

The difference between the reacquisition price and the net carrying amount of the old debt of approximately $5.9 million is being deferred and amortized as a component of interest expense over the remaining scheduled life of the old debt of 19 years, with the unamortized portion reported as a deferred outflow of resources. As of June 30, 2014 and 2013, the unamortized portion is $3.9 million and $4.2 million, respectively. The District advance refunded the 1997 Bonds and 2001 Bonds to obtain an economic gain of $7.5 million.

Refunding Revenue Bonds, Series 2008A (the "2008A Bonds")
In 2008, the District issued $85.5 million of 2008A Bonds for the purpose of refunding the outstanding 2005B Bonds. The 2008A Bonds are collateralized by a letter of credit through March 30, 2016. The 2008A Bonds are variable-rate demand bonds, which are remarketed weekly. The proceeds of the 2008A Bonds were used for the sole purpose of extinguishing the 2005B Bonds. The 2008A Bonds are not insured. As part of this transaction, the District modified the floating to fixed interest rate swap that had been put in place at the time that the 2005B Bond transaction was completed. The fixed rate payable by the District on this swap transaction changed from 4.084% to 4.154%. The counterparty payment rate to the District on this swap continues to be the weekly SIFMA rate. The result of the combination of these transactions is expected to be a synthetic fixed rate of interest on the 2008A Bonds of approximately 4.154%.

The District determined that the modified interest rate swap was a hybrid instrument under GASB 53 at the time the 2005B Bond transaction was completed. At the time of pricing the modified interest rate swap in July 2008, the fixed rate on the swap was off-market such that the District deferred the repayment of the liability on the original interest rate swap. As such, the interest rate swap is comprised of a derivative instrument, an at-the-market swap, and a companion instrument, a borrowing, represented by the deferred repayment of $4.4 million in July 2008. The deferred repayment will be amortized over the remaining scheduled life of the old debt of 23 years. As of June 30, 2013, the unamortized portion was $3.7 million. In connection with the Novation Agreement (Note 7), the portion of the interest rate swap that was determined to be a borrowing was modified and the carrying value of such at June 30, 2014 was $10.3 million, which will be amortized over the remaining scheduled life of the old debt of 17 years. This borrowing is presented as a deferred inflow of resources on the consolidated statements of net position.

The difference between the reacquisition price and the net carrying amount of the old debt of approximately $3.0 million is being deferred and amortized as a component of interest expense over the remaining scheduled life of the old debt of 23 years, with the unamortized value of the deferred amount is reported as a deferred outflow of resources. As of June 30, 2014 and 2013, the unamortized portion is $2.2 million and $2.3 million, respectively. The District advance refunded the 2005B Bonds and no economic gain was realized.

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

Irrevocable Direct Pay Letters of Credit ("LOC")
In 2008, two separate LOC's, one collateralizing the 2005A Bonds and the other collateralizing the 2007 Bonds, were issued for the benefit of the registered bondholders to collateralize the payment of the principal and interest on the 2005A and 2007 Bonds and the payment of the purchase price of the Bonds tendered for purchase and not remarketed. In January 2011, both LOCs were renewed. The LOC supporting the 2005A Bonds and the 2007 Bonds were extended to January 19, 2016 and January 19, 2015, respectively. As described previously, the 2008A Bonds are collateralized by a letter of credit through March 30, 2016.

On September 29, 2014, the District entered into an agreement, on substantially the same terms, to extend the maturity date of the LOC supporting the 2007 Bonds from January 19, 2015 to September 29, 2017. As a result of the extension of the maturity date, the 2007 Bonds were classified between short-term and long-term liabilities in the statement of net position at June 30, 2014 based on their original maturities.

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

The Indenture for the District's 2005A, 2007, 2008A and 2010 Bonds, and the LOC's, include covenants that require the District to maintain specified financial ratios, levels of working capital and equity, and other qualitative covenants. The District was in compliance with these covenants as of June 30, 2014 and 2013.

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

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

	Series 2005A		Series 2007		Series 2008A		Series 2010		Total Debt Service	Total Debt Service
(in thousands of dollars)	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Years Ending June 30,										
2015	$ 3,165	$ 1,670	$ 5,805	$ 3,842	$ 450	$ 3,469	$ 1,380	$ 325	$ 10,800	$ 9,306
2016	3,285	1,562	6,055	3,596	450	3,450	1,400	307	11,190	8,915
2017	3,400	1,451	6,310	3,339	475	3,431	1,415	290	11,600	8,511
2018	3,525	1,335	6,590	3,071	500	3,410	1,435	272	12,050	8,088
2019	3,650	1,215	6,885	2,792	525	3,389	1,450	254	12,510	7,650
2020–2024	20,315	4,123	39,205	9,313	3,000	16,590	7,530	994	70,050	31,020
2025–2029	14,035	735	24,190	1,497	40,550	14,083	8,015	512	86,790	16,827
2030–2033	-	-	-	-	37,775	1,586	3,350	63	41,125	1,649
	$ 51,375	$ 12,091	$ 95,040	$ 27,450	$ 83,725	$ 49,408	$ 25,975	$ 3,017	$ 256,115	$ 91,966

A summary of changes in revenue bonds during fiscal years 2014 and 2013 is as follows:

(in thousands of dollars)	2014	2013
Beginning balance	$ 266,525	$ 276,540
Less: Payments	(10,410)	(10,015)
Ending balance	$ 256,115	$ 266,525

7. Interest Rate Swaps

On June 30, 2014 and 2013, the District had the following derivative instruments outstanding:

(in thousands of dollars)

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	2014 Fair Value	2013 Fair Value
2005A	Receive variable interest rate swap	Hedge of changes in cash flows on the 2005A Bonds	$ 51,375	09/12/2013	01/15/2027	Pay fixed rate of 3.345%. Receive 62.4% of one month LIBOR plus 29 basis points	$ (5,400)	$ (6,541)
2007	Receive variable interest rate swap	Hedge of changes in cash flows on the 2007 Bonds	$ 95,040	11/15/2007	01/15/2027	Pay fixed rate of 4.159%. Receive SIFMA Municipal Swap Index Rate	$ (14,007)	$ (17,025)
2008A	Receive variable interest rate swap	Hedge of changes in cash flows on the 2008A Bonds	$ -	7/16/2008	terminated	Pay fixed rate of 4.154%. Receive SIFMA Municipal Swap Index Rate	$ -	$ (15,855)
2008A Counterparty 1	Receive variable interest rate swap	Hedge of changes in cash flows on 35% of 2008A Bonds	$ 29,304	09/12/2013	01/15/2031	Pay fixed rate of 4.154%. Receive SIFMA Municipal Swap Index Rate	$ (5,659)	$ -
2008A Counterparty 2	Receive variable interest rate swap	Hedge of changes in cash flows on 65% of 2008A Bonds	$ 54,421	09/12/2013	01/15/2031	Pay fixed rate of 4.154%. Receive SIFMA Municipal Swap Index Rate	$ (10,519)	$ -

At June 30, 2013, the fixed rate 2005A, 2007 and 2008A interest rate swaps qualified for hedge accounting under GASB 53 and as a result, approximately $32.2 million and $2.8 million related to the fair value of the interest rate swaps was recorded as a liability related to the hedging instruments and interest payable, respectively, in the accompanying consolidated statement of net position. The increase in the fair value of the interest rate swaps in fiscal year 2013 of approximately $19.0 million is reported in the consolidated statement of net position as a deferred outflow of resources.

During fiscal year 2014, the District entered into Novation Agreements with the counterparties of their 2005A and 2008A interest rate swaps. Pursuant to the Novation Agreements, the original counterparties were replaced (the “New Counterparties”) and the amount of collateral provided by the District was reduced on a going forward basis. Additionally, the notional amount of the 2008A swap was split between two new counterparties (“Counterparty 1” and “Counterparty 2”). All other terms of the original interest rate swaps were unchanged. The execution of the Novation Agreements was determined to be a termination of the original interest rate swaps, which resulted in the District recording investment expense in the amount of $17.9 million for fiscal year 2014.

Pursuant to the terms of the Novation Agreements, the District entered into off-market interest rate swaps (the “New Interest Rate Swaps”) and the New Counterparties paid the old counterparties $15.3 million, which was deemed to be the fair market value of the New Interest Rate Swaps on the date of the transaction. Such amounts were considered to be imputed borrowings and were recorded as a deferred inflow of resources on the consolidated statement of net position at the date of the transactions. The imputed borrowings will be amortized over the term of the corresponding debt. The investment expense, described above, was reduced by $2.0 million, the difference between the carrying value of the original interest rate swaps and the fair market value of the New Interest Rate Swaps on the date of the transactions.

At June 30, 2014, the New Interest Rate Swaps and the interest rate swap related to the 2007 Bonds qualified for hedge accounting. As a result, the District recorded an adjustment to deferred outflows of resources of $5.9 million based upon the difference between the carrying value of the deferred inflow of resources and the fair market value of the New Interest Rate Swaps and the change in fair market value of the interest rate swap related to the 2007 Bonds at June 30, 2014.

Approximately $10.3 million and $3.7 million related to the fair value of the 2008A derivative instrument is recorded as a deferred inflow of resources at June 30, 2014 and 2013, respectively (Note 6). Additionally, $4.2 million related to the fair value of the 2005A derivative instrument is recorded as a deferred inflow of resources at June 30, 2014.

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

Credit Risk
The District has sought to limit its counterparty risk by contracting only with highly rated entities. As of June 30, 2014, the credit ratings for the New Counterparty of the 2005A and 2008A swap agreements were A2, A, and A+ from Moody's, Standard & Poor's, and Fitch rating agencies, respectively. The credit ratings for the counterparty of the 2007 interest rate swap agreement were Aa3, AA-, and AA- from Moody's, Standard & Poor's, and Fitch rating agencies, respectively. Each of the counterparties may be required to post collateral should they fail to meet certain minimum credit ratings.

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

Basis Risk
The District is exposed to basis risk on its interest swap agreements because the variable-rate payments received by the District on these hedging derivative instruments are based on a rate or index other than the interest rates that the District pays on its hedged variable rate debt, which is re-marketed every 7 days. As of June 30, 2014, the weighted variable interest rate on the District's hedged variable rate debt is 0.06%, while the SIFMA swap index is 0.06%, and 62.4% of one month LIBOR plus 29 basis points is 0.3845%.

Termination Risk
The interest rate swap agreements use the International Swap Dealers Association Master Agreement, which includes standard termination events provisions, such as failure to pay and bankruptcy. The District and the insurers of the 2005A and 2007 interest rate swaps are also required to maintain minimum credit ratings. Failure to do so may require the District to post collateral or give the counterparty the right to terminate the interest rate swap agreement.

Commitments
The 2008A interest rate swap agreement requires collateral to be posted if the fair value of the interest rate swap is negative. The collateral amount required to be posted, if any, depends on the District's unenhanced credit rating as determined by Standard & Poor's and Moody's Investor Service. At the District's credit rating on June 30, 2014, the collateral required to be posted is the negative value in excess of $25.0 million. As of June 30, 2014, the fair value of the 2008A interest rate swap did not meet the negative value threshold limit to require the posting of collateral. As of June 30, 2013, the fair value of the 2008A interest rate swap had a negative value $15.9 million. The negative excess value was held in collateral with Citigroup Financial Products Inc., and is included within other assets in the consolidated statement of net position at June 30, 2013.

As of June 30, 2014 and 2013, the District was not required to post collateral on the 2005A and 2007 interest rate swap agreements.

8. Lease Obligation

The District enters into various leases as part of its ongoing business. No new significant leases were entered into during fiscal years 2014 or 2013.

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

(in thousands of dollars)	**Principal**	**Interest**
Years Ending June 30,		
2015	$ 116	$ 5
2016	74	2
2017	27	-
	$ 217	$ 7

9. Retirement Plans

Defined Benefit Plan
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. Separate financial statements for the Plan have not been issued. The Plan is not subject to the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"), and the assets and liabilities of the Plan are not recorded in the consolidated basic financial statements in accordance with governmental accounting standards.

The District accounts for the Plan under the provisions of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, ("GASB 25"), GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* ("GASB 27"), and GASB Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and No. 27* ("GASB 50"). GASB 27 adopts the use of an Actuarial Accrued Liability ("AAL") as the standardized measure of disclosure on a net present value basis of pension benefits, which will become payable at future dates. The calculation of the AAL includes projected salary increases and step-rate benefits estimated to be payable in the future based upon employee service to date. This measure is intended to help users assess the funding status of the pension plan on a going-concern basis, assess progress in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. This actuarial measure is the basis for the determination of the annual funding requirements used to determine the contributions made to the Plan. Funding levels and obligations to contribute to the Plan are established by the Board 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 1-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.

Contribution Requirements and Contributions Made

The annual required contribution ("ARC") for the current year was determined as part of the actuarial valuation using the entry age normal actuarial cost method with frozen initial supplemental present value. 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. Annual required contributions to the Plan for fiscal years 2014 and 2013 totaled $18.5 million and $19.5 million, respectively, which equaled the normal cost as computed through the actuarial valuation dates as of June 30, 2014 and 2013, respectively. The contributions represent approximately 5.5% and 5.6% of current covered payroll for fiscal years 2014 and 2013, respectively. Maximum actuarial contributions are based upon the funding levels that would be required of an ERISA plan. Total pension expense for fiscal years 2014 and 2013 totaled $18.1 million and $19.1 million, respectively. As of June 30, 2014 and 2013, the District has a pension asset of $2.6 million and $3.1 million, respectively. Pension expense is allocated to the District facilities based on budgeted full-time equivalents.

Information regarding payroll and participant data used in the calculation of the current-year actuarial information is as follows:

(in thousands of dollars except participant data)	**2014**	**2013**
Covered payroll for the calculation of the actuarial information	$ 336,524	$ 345,555
Covered payroll as a percentage of total payroll of $475,431 and $473,041 in 2014 and 2013, respectively	71 %	73 %
Participant data as of July 1, 2013 and 2012		
Active	6,323	6,359
Retired	1,477	1,477
Terminated vested	1,635	1,434
	9,435	9,270

The more significant actuarial assumptions utilized in the most recent actuarial valuation (July 1, 2013) for computing the annual required contributions for the Plan are as follows:

Assumed rate of return on investments	8.0% per annum including inflation, compounded annually. In addition, it is assumed that for the periodic crediting rate to member cash balance accounts to increase from 1.10% to 5.25% over the next 7 years.
Mortality basis	RP-2000 Combined Mortality Table with generational projection using Scale AA
Amortization method	Level percent closed
Remaining amortization period	30 years
Asset valuation method	Three-year smoothing method
Assumed inflation rate	2.75% Consumer price index
Assumed post-retirement benefit increase	None

Termination Graduated rates from 20 to 60 are as follows:

Table of Select and Ultimate Withdrawal Rates
Withdrawal (Based on Years of Service)

Age	<2	2–4	5–9	10+
20	0.2519	0.1987	0.2100	0.1225
25	0.3044	0.2400	0.1814	0.1225
30	0.2605	0.1901	0.1175	0.0678
35	0.2349	0.1543	0.1001	0.0703
40	0.2227	0.1449	0.0841	0.0581
45	0.2167	0.1326	0.0815	0.0522
50	0.2184	0.1246	0.0745	0.0489
55	0.1893	0.1095	*	*
60	0.1908	0.1098	*	*

* Retirement eligible - see table below

Salary increases 4.0% during the current year

Retirement age Graduated rates from age 55 to 70+ are as follows:

Age	Probability of Retirement
55	10 %
56–58	6
59–60	10
61	15
62	25
63–64	20
65	40
66–69	30
70+	100

Funding Status and Progress

The District's AAL as of July 1, 2013 and 2012 was $308.1 million and $300.0 million, respectively. The actuarial value of the Plan assets available to pay these benefits at June 30, 2014 and 2013 totaled $265.1 million and $248.4 million, respectively, leaving a deficit as compared to the AAL of $43.0 million and $51.6 million at June 30, 2014 and 2013, respectively. The AAL and the actuarial value of Plan net assets for the current year are based upon the July 1, 2013, actuarial valuation projected forward to June 30, 2014. The schedules of Plan funding progress, presented as RSI following the notes to the consolidated basic financial statements, present multiyear trend information about whether the actuarial values of Plan assets are increasing or decreasing over time relative to the AAL for benefits.

The funded status of the Plan as of July 1, 2013, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) AAL Entry Age Normal	(b–a) Unfunded AAL (“UAAL”)	(a/b) Funded Ratio	(c) Covered Payroll	(b–a)/(c) Percentage of Covered Payroll
July 1, 2013	$ 265,066,091	$ 308,078,212	$ 43,012,121	86.0 %	$ 336,524,374	12.8 %

The present value of accumulated plan benefits is computed to measure the funds required as of the valuation date to provide in full the benefits earned to date by all Plan participants. As of July 1, 2013 and 2012, the present value of the accumulated Plan benefits totaled $311.5 million and $304.5 million, respectively.

Trend Information

This information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. The trend information for each of the last three fiscal years is as follows:

	2014	2013	2012
Net assets available for benefits as a percentage of the AAL	86.0 %	82.8 %	75.0 %
Unfunded actuarial accrued liability as a percentage of covered payroll	12.8	14.9	22.7
Minimum employer contributions as a percentage of covered payroll	5.0	5.0	5.1

Showing unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation for analysis purposes. For the three fiscal years presented, contributions to the Plan were made in accordance with actuarially determined requirements.

A summary of annual pension cost and the change in the net pension obligation for the last three fiscal years is as follows:

	2014	2013	2012
Annual required contribution	$ 18,486	$ 19,506	$ 19,067
Interest on net pension obligation	(250)	(208)	(187)
Adjustment to annual required contribution	439	377	316
Annual pension cost	18,675	19,675	19,196
Contributions made with interest	(18,169)	(25,204)	(14,587)
Increase (decrease) in net pension obligation	506	(5,529)	4,609
Net pension (asset) obligation			
Beginning of year	(3,131)	2,398	(2,211)
End of year	$ (2,625)	$ (3,131)	$ 2,398
Percentage of annual required contribution	98.3 %	129.2 %	76.5 %

A summary of Plan assets as of June 30, 2014 and 2013 and of the changes in Plan assets for fiscal years 2014 and 2013 is as follows:

(in thousands of dollars)

	Ratings						
Statement of Plan Net Assets	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Not Rated**	**2014**
Investments at fair value							
U.S. government securities	$ -	$ -	$ -	$ -	$ -	$ 13,027	$ 13,027
U.S. government agency securities	-	-	-	-	-	-	-
Corporate bonds	206	3,142	7,994	7,216	1,575	69	20,202
Mortgage backed securities	2,432	554	126	174	587	14,817	18,690
International government securities	-	-	-	-	-	245	245
							52,164
Common and preferred stock	-	-	-	-	-	141,015	141,015
Mutual funds	-	-	-	-	-	57,702	57,702
Private equity	-	-	-	-	-	18,275	18,275
Hedge funds	-	-	-	-	-	15,190	15,190
Real estate	-	-	-	-	-	23,286	23,286
Money markets	-	-	-	-	-	7,840	7,840
Net assets held in trust for pension benefits	$ 2,638	$ 3,696	$ 8,120	$ 7,390	$ 2,162	$ 291,466	$ 315,472

(in thousands of dollars)

	Ratings						
Statement of Plan Net Assets	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Not Rated**	**2013**
Investments at fair value							
U.S. government securities	$ -	$ -	$ -	$ -	$ -	$ 13,931	$ 13,931
U.S. government agency securities	-	449	-	-	-	-	449
Corporate bonds	204	2,341	6,019	6,994	735	372	16,665
Mortgage backed securities	2,765	602	203	202	683	13,731	18,186
International government securities	-	-	-	-	-	231	231
							49,463
Common and preferred stock	-	-	-	-	-	135,234	135,234
Mutual funds	-	-	-	-	-	32,283	32,283
Private equity	-	-	-	-	-	14,978	14,978
Hedge funds	-	-	-	-	-	13,761	13,761
Real estate	-	-	-	-	-	17,296	17,296
Money markets	-	-	-	-	-	8,456	8,456
Net assets held in trust for pension benefits	$ 2,969	$ 3,391	$ 6,222	$ 7,197	$ 1,419	$ 250,273	$ 271,471

(in thousands of dollars)

Statements of Changes in Plan Net Assets	**2014**	**2013**
Beginning investment value of account	$ 271,471	$ 238,267
Receipts		
Employer contributions	5,020	9,787
Realized and unrealized gains, net	48,436	31,951
Interest and dividends	5,073	5,016
Total receipts	58,529	46,754
Disbursements		
Annuity payments and benefits paid from fund	11,742	12,007
Realized and unrealized gains, net	1,097	-
Fees	1,689	1,543
Total disbursements	14,528	13,550
Ending investment value of account	$ 315,472	$ 271,471

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

The District’s total payroll for fiscal years 2014 and 2013 was $475.4 million and $473.0 million, respectively. The total covered payroll for eligible employees during the same periods is not determinable. For fiscal years 2014 and 2013, the District’s contribution was $6.3 million for both years, representing 1.3% of total payroll in each of the years. The employees’ contribution for fiscal years 2014 and 2013 were $23.6 million and $23.4 million respectively, representing 4.9% of total payroll, each year.

10. 2001 Early Retirement Incentive Program

In September 2000, the District extended an offer of an early retirement benefit program to qualifying employees (the “2001 Early Retirement Incentive Program”). A total of 518 employees accepted this offer during the election period of October 1, 2000 through November 30, 2000. For employees who accepted the offer, the District offered special termination benefits, which included adding five years of additional vesting credit to their years of service and one additional week of pay for each year worked in excess of five years. Certain employees who have attained certain age and tenure requirements receive health insurance. The District recorded a charge during fiscal year 2001 totaling $26.9 million. Such charge was actuarially determined, and the related liability is being amortized over the average projected remaining life of the participating employees, which was estimated to be 30 years. As of June 30, 2014, the District has a liability recorded pertaining to the 2001 Early Retirement Incentive Program totaling $14.7 million and an additional $3.8 million from a similar program offered during fiscal years 1990 and 1991. As of June 30, 2013, the District has a liability recorded pertaining to the 2001 Early Retirement Incentive Program totaling $15.6 million and an additional $4.3 million from a similar program offered during fiscal years 1990 and 1991.

11. Other Postemployment Benefits

In addition to providing pension benefits, the District provides certain health care and life insurance benefits for approximately 1,074 eligible retired employees, which include those at the health care facilities. Many of the District's employees may become eligible for those benefits if they reach retirement age while working for the District.

The GASB requires state and local governmental employers to account for and report the annual cost of other postemployment benefits ("OPEB") and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they become due. The GASB's provisions may be applied prospectively and do not require governments to fund their OPEB plans. The actuarially determined cost for providing benefits to retirees and current employees during fiscal years 2014 and 2013 was $17.7 million and $15.8 million, respectively. This includes $5.9 million and $6.2 million of actual payments (contributions) during fiscal years 2014 and 2013, respectively, and $11.8 million and $9.6 million of additional expense, respectively, recorded on the accrual basis.

Plan Description

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

Funding Policy
The GASB does not require funding of the OPEB expense. The ARC is based on projected pay-as-you-go financing requirements, with an additional amount required to be recognized and accumulated as the net OPEB obligation. For fiscal years 2014 and 2013, the District contributed $5.9 million and $6.2 million, respectively, to the plan, which is net of retiree contributions. Retiree contributions for fiscal years 2014 and 2013 were $2.9 million and $2.6 million, respectively, according to the following table:

	Single	Employee + 1
Rule of 80		
Medical Pre-65	$ 111.00	$ 253.75
Medical Post-65	85.47	195.39
Retiree and Spouse one older and one younger than 65	N/A	225.67
Dental	7.24	15.02
Other retirees		
Medical Pre-65	$ 554.99	$ 1,153.42
Medical Post-65	427.34	888.13
Retiree and Spouse one older and one younger than 65	N/A	1,025.77
Dental	20.92	43.48

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

Annual
OPEB Cost and Net OPEB Obligation – The District's annual OPEB cost is calculated based on its ARC, an amount actuarially determined in accordance with the GASB parameters. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation as of June 30, 2014 and 2013 are as follows:

(in thousands of dollars)	2014	2013
Annual required contribution	$ 17,191	$ 15,540
Interest on net OPEB obligation	2,423	1,784
Adjustment to annual required contribution	(1,957)	(1,524)
Annual OPEB cost	17,657	15,800
Contributions made	5,892	6,187
Increase in net OPEB obligations	11,765	9,613
Net OPEB obligation		
Beginning of year	60,574	50,961
End of year	$ 72,339	$ 60,574

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2014 and 2013 was as follows:

(in thousands of dollars)	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Fiscal years ended			
June 30, 2014	$ 17,657	33.4 %	$ 72,339
June 30, 2013	15,800	39.2	60,574
June 30, 2012	15,205	42.0	50,961

Funded Status and Funding Progress

As discussed above, the GASB does not require, and the District has not funded, the AAL. As of June 30, 2014, the unfunded actuarial accrued liability ("UAAL") for benefits was $299.6 million. The covered payroll (annual payroll of active employees covered by the plan) was $369.2 million, and the ratio of the UAAL to the covered payroll was 81.2%. In accordance with post-retirement benefit guidance, actuarial valuations are completed on a biannual basis. The last valuation was completed as of July 1, 2013.

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

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 June 30, 2014 and 2012 actuarial valuations (as 2013 was an "off year"), the projected unit credit method was used. The actuarial assumptions included a 4.0% and 3.5% discount rate for 2014 and 2012, respectively, representing an estimate of the discount rate for an unfunded plan. The UAAL is being amortized as a level percentage of projected payroll with a 30-year amortization period.

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

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

Medical annual rates of increase	
Initial trend rate	5.40 %
Ultimate trend rate	4.50 %
Year that the rate reaches the ultimate trend rate	2087
Dental annual rates of increase	
Initial trend rate	5.70 %
Ultimate trend rate	3.90 %
Year that the rate reaches the ultimate trend rate	2026

12. Charity Care

The District maintains records to identify and monitor the level of charity care it provides. These records include the amount of charity patients' hospital charges foregone for services and supplies furnished under its charity care policy. The level of charity care (charges foregone) provided during fiscal years 2014 and 2013, based on established rates, was $234.5 million and $333.4 million, respectively. Charity care provided reflects inpatient services of $108.4 million and $156.5 million and outpatient services of $126.1 million and $176.9 million for fiscal years 2014 and 2013, respectively. The estimated cost of charity care was $52.9 million and $69.2 million, for fiscal years 2014 and 2013, respectively. Charity care costs for inpatient services were $31.5 million and $41.0 million and for outpatient services were $21.4 million and $28.2 million for fiscal years 2014 and 2013, respectively. The estimated costs were derived using a cost accounting system, which included indirect and direct costs.

13. Net Patient Service Revenue

Net patient service revenue for fiscal years 2014 and 2013 consisted of the following:

(in thousands of dollars)	**2014**	**2013**
Gross patient service revenue	$ 3,561,340	$ 3,479,421
Allowances		
Medicare	499,373	556,230
Medicaid	489,919	478,697
HMO/PPO	1,166,716	1,127,688
Other	110,234	78,721
Total allowances	2,266,242	2,241,336
Provision for uncollectible amounts	412,125	371,055
Total deductions from patient service revenue	2,678,367	2,612,391
Net patient service revenue	$ 882,973	$ 867,030

14. Unrestricted Property 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 2014 and 2013, the levies were 1.755 mills and 1.856 mills, respectively. The total assessed value for which fiscal years 2014 and 2013 levies were based was approximately $91.2 billion and $88.0 billion, respectively, with total taxes, net of associated fees, levied at the District level aggregating $146.1 million and $149.9 million for fiscal years 2014 and 2013, respectively. The Broward County Property Appraiser assesses and the Broward County Tax Collector collects all ad valorem taxes within Broward County (Note 3).

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.

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.

15. Concentrations of Credit Risk

The District and its medical centers grant credit without collateral to their 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, 2014 and 2013 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. Therefore, the related net receivables represent a low percentage of the total mix of receivables in the table below.

	2014	2013
Medicare	13.3 %	14.4 %
Managed care	51.7	46.9
Medicaid	8.6	6.9
Commercial insurance	13.2	16.2
Self-pay and all other	13.3	15.7
	100.0 %	100.0 %

16. Self-Insurance

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

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

The District established a current and noncurrent liability in the total amount of $29.2 million and $28.6 million at June 30, 2014 and 2013, 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 consolidated statement of revenues, expense, and changes in net position.

Changes in the District's self-insurance program claims liability during fiscal years 2014 and 2013 were as follows:

(in thousands of dollars)	2014	2013
Liability at June 30	$ 28,599	$ 30,390
Current year claims expense	6,435	2,887
Current year claims payments	(5,797)	(4,678)
Liability at June 30	$ 29,237	$ 28,599

17. Related Parties

In 1989, the State of Florida established and provided the initial capitalization for Broward House Inc., which operates a residential treatment facility for individuals afflicted with AIDS. The District holds five of 17 seats on the Board of Directors. The District rented beds from Broward House for its patients at a cost of $0.7 million annually in fiscal years 2014 and 2013.

In 1995, the District established a separate nonprofit entity, North Broward Hospital District Home Infusion Network, Inc. ("Infusion Network"). Infusion Network was established exclusively for the purpose of entering into a joint venture partnership with PHM of Broward Inc., which developed into the establishment of Broward Infusion Group Inc. ("BIG"). Infusion Network owns 50% of BIG. The District accounts for this investment using the equity method. As of June 30, 2014 and 2013, the District's investment in this venture was $0.2 million and $0.3 million, respectively.

The District is a one-third partner of the SFCCN, a managed care network governed by an interlocal agreement between three governmental entities: the District, the Public Health Trust of Miami — Dade County, and the South Broward Hospital District. SFCCN administers various programs, including the Title XXI — Children Medical Services Network, Title XIX — Children Medical Services Medicaid Network, and the PSN operating under Florida's Medicaid Reform program. The PSN is a network of hospitals, physicians, and other ancillary care providers developed to provide integrated, managed care services to a population of Medicaid covered enrollees. Effective January 28, 2014, the Public Health Trust of Miami — Dade County resigned from the SFCCN. The District and the South Broward Hospital District executed a new inter-local agreement on March 27, 2014. SFCCN entered into a new agreement on February 2, 2014 with the Agency for Health Care Administration to provide services commencing on July 1, 2014 to Medicaid recipients only in Broward County.

18. 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. The District accrues for these assessments in the fiscal year for which the assessments are made. During fiscal years 2014 and 2013, approximately $10.7 million in each year was recorded as an operating expense in the accompanying consolidated statements of revenues, expenses, and changes in net position.

19. Commitments and Contingencies

Operating Leases

The District leases various equipment and facilities under operating lease arrangements. Total rental expense under operating leases in fiscal years 2014 and 2013 was $9.1 million and $9.4 million, respectively.

Future minimum lease payments under operating leases as of June 30, 2014 with initial or remaining lease terms in excess of one year are as follows:

(in thousands of dollars)

Years Ending June 30,		
2015	$	5,464
2016		4,357
2017		2,714
2018		867
2019		190
Thereafter		215
	$	13,807

Capital Call Commitments

The District has investments in real estate and private equity limited partnerships, which require the District to fund capital calls for additional investments when requested to do so by the general partners. The life spans of these partnerships are estimated to be 10 years. As of June 30, 2014, no capital calls were due; however, the District has future capital call commitments of approximately $21.1 million.

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 material impact on the District's net position, operations, or its cash flows, except as described below.

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

Regulatory Matters

On May 16, 2011, the Office of Inspector General ("OIG") of the Department of Health and Human Services issued a Subpoena Duces Tecum (the "Subpoena") to the District seeking certain documents principally related to contracts with 27 physicians and one group practice in connection with an investigation concerning the possible submission of false or otherwise improper claims for payment under Titles XVIII (Medicare) and XIX (Medicaid) of the Social Security Act. Since receiving the Subpoena, the District has produced a number of documents in connection with the investigation. The District was contacted during fiscal year 2014 to engage in subsequent dialog with respect to this matter. Due to a seal imposed by a court order related to a False Claims case in the US District Court for the Southern District of Florida in which the District is named as a defendant, and the fact that dialog has just begun, the District is unable to predict the outcome of this investigation and the liability, if any, with respect to this matter.

Other Industry Risks

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

In the past few years, federal government activity has increased with respect to investigations and allegations concerning possible violations by health care 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. To the extent that issues with noncompliance are identified, the District's management takes the appropriate steps to correct such matters. Management of the District believes that the ultimate exposure from any such matters would not have a material effect on the consolidated basic financial statements of the District.

Subsequent Events

On September 29, 2014, the District entered into an agreement to extend the maturity date of the LOC supporting the 2007 Bonds. See details with respect to the extension of the maturity date in Note 6.

Other than the impact of the extension of the maturity date of the LOC supporting the 2007 Bonds, described in the above paragraph, the District has assessed the impact of subsequent events through October 2, 2014, the date of the audited consolidated basic financial statements were issued, and has concluded that there were no such events that require adjustment to the consolidated basic financial statements or disclosure in the notes to the consolidated basic financial statements.

Required Supplementary Information

North Broward Hospital District
Schedule of Plan Funding Progress (Unaudited)
July 1, 2008 Through July 1, 2013

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Entry Age Normal	(b–a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b–a)/(c) UAAL as a Percentage of Covered Payroll
July 1, 2008	$ 236,813,323	$ 276,451,861	$ 39,638,538	85.7 %	$ 280,724,210	14.1 %
July 1, 2009	199,756,948	283,668,256	83,911,308	70.4	307,857,632	27.3
July 1, 2010	223,868,733	295,535,342	71,666,609	75.8	315,874,420	22.7
July 1, 2011	227,760,809	303,832,772	76,071,963	75.0	335,100,745	22.7
July 1, 2012	248,405,851	299,976,734	51,570,883	82.8	345,555,234	14.9
July 1, 2013	265,066,091	308,078,212	43,012,121	86.0	336,524,374	12.8

North Broward Hospital District
Historical Summary of Actual and Required Pension Contributions (Unaudited)
July 1, 2008 Through July 1, 2013

	Employer Contributions	
(Fiscal) Plan Year	Annual Required Contribution	Percentage Contributed
July 1, 2008	$ 17,277,956	91.5 %
July 1, 2009	19,787,211	106.4
July 1, 2010	18,229,982	107.8
July 1, 2011	19,067,352	76.5
July 1, 2012	19,505,832	129.2
July 1, 2013	18,485,581	98.3

North Broward Hospital District
Schedule of Plan Funding Progress Under GASB Statement No. 45 (Unaudited)
July 1, 2009 Through July 1, 2013

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) Projected Unit Credit	(b–a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	(b–a)/(c) UAAL as a Percentage of Covered Payroll
July 1, 2009	$ -	$ 241,769,211	$ 241,769,211	0.0 %	$ 356,591,000	67.8 %
July 1, 2011	-	256,467,715	256,467,715	0.0	374,753,000	68.4
July 1, 2013	-	299,618,556	299,618,556	0.0	369,179,000	81.2

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

Supplemental Consolidating Information

North Broward Hospital District
Consolidating Schedule of Net Position
June 30, 2014

(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
Assets								
Current assets								
Cash and cash equivalents	$ 9	$ 5	$ 1	$ 4	$ -	$ 51,314	$ -	$ 51,333
Cash and investments externally restricted by donors	795	132	70	209	4,713	6,761	-	12,680
Short-term investments	-	-	-	-	-	455,638	-	455,638
Assets whose use is limited required for current liabilities	2,555	1,203	509	388	-	353	-	5,008
Due from patients and other, net of allowance for uncollectibles	71,488	33,863	12,536	18,575	-	9,102	-	145,564
Inventories	10,706	5,899	2,909	3,681	-	619	-	23,814
Estimated third-party payor settlements	2,100	1,267	538	-	-	-	-	3,905
Other current assets	9,722	3,700	1,288	1,785	1,021	36,573	(8,888)	45,201
Total current assets	97,375	46,069	17,851	24,642	5,734	560,360	(8,888)	743,143
Assets whose use is limited								
Held by trustee for self-insurance	16,444	6,611	3,499	5,874	-	4,119	-	36,547
Less amount required to meet current obligations	(2,555)	(1,203)	(509)	(388)	-	(353)	-	(5,008)
Assets whose use is limited, net	13,889	5,408	2,990	5,486	-	3,766	-	31,539
Investments	-	-	-	-	-	166,640	-	166,640
Due to (from) affiliates	493,173	147,707	79,845	171,222	2,359	(894,306)	-	-
Capital assets, net	197,623	58,390	50,164	53,287	10	102,439	-	461,913
Other assets	848	377	210	143	2,237	6,340	-	10,155
Total assets	$ 802,908	$ 257,951	$ 151,060	$ 254,780	$ 10,340	$ (54,761)	$ (8,888)	$ 1,413,390
Deferred outflows of resources								
Accumulated decrease in fair value of hedging derivatives	$ 12,791	$ 2,522	$ 1,405	$ 961	$ -	$ 3,383	$ -	$ 21,062
Deferred amount on debt refund	10,429	1,205	671	458	-	1,621	-	14,384
Total deferred outflow of resources	$ 23,220	$ 3,727	$ 2,076	$ 1,419	$ -	$ 5,004	$ -	$ 35,446

North Broward Hospital District
Consolidating Schedule of Net Position (Continued)
June 30, 2014

(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
Liabilities and Net Position								
Current liabilities								
Current maturities of revenue bonds payable	$ 4,241	$ 1,579	$ 1,395	$ 1,466	$ -	$ 2,119	$ -	$ 10,800
Accounts payable and accrued expenses	25,957	13,291	9,069	7,947	6,356	20,731	(8,888)	74,463
Accrued salaries, benefits and payroll taxes	14,860	6,598	3,619	4,938	159	14,156	-	44,330
Accrued personal leave	11,271	5,072	2,734	3,540	53	9,718	-	32,388
Current portion of lease obligations	24	17	16	11	-	49	-	117
Estimated third-party payor settlements	-	-	-	164	-	-	-	164
Current portion of self-insurance program liability	2,555	1,203	509	388	-	353	-	5,008
Interest payable	1,347	429	292	250	-	577	-	2,895
Total current liabilities	60,255	28,189	17,634	18,704	6,568	47,703	(8,888)	170,165
Revenue bonds, net of current maturities	141,405	24,190	22,637	24,634	-	32,449	-	245,315
Lease obligations	33	24	22	15	-	6	-	100
Self-insurance program liability	10,045	4,183	2,426	4,555	39	2,981	-	24,229
Early retirement incentive program liability	7,538	4,333	1,505	2,104	-	3,016	-	18,496
Other postemployment benefit program liability	29,474	12,759	6,887	9,437	51	13,731	-	72,339
Liability related to hedging instruments	12,811	2,522	1,412	941	-	3,376	-	21,062
Total liabilities	261,561	76,200	52,523	60,390	6,658	103,262	(8,888)	551,706
Deferred inflows of resources								
Swap termination	11,744	841	462	337	-	1,136	-	14,520
Total deferred inflows of resources	11,744	841	462	337	-	1,136	-	14,520
Net position								
Net investment in capital assets	50,585	32,944	26,297	27,301	10	68,308	-	205,445
Restricted for donor restrictions	795	132	70	209	10,262	4,455	-	15,923
Unrestricted	501,443	151,561	73,784	167,962	(6,590)	(226,918)	-	661,242
Total net position	$ 552,823	$ 184,637	$ 100,151	$ 195,472	$ 3,682	$ (154,155)	$ -	$ 882,610

North Broward Hospital District
Consolidating Schedule of Revenues, Expenses, and Changes in Net Position
Year Ended June 30, 2014

(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)	$ 410,745	$ 198,873	$ 96,295	$ 136,880	$ -	$ 40,180	$ -	$ 882,973
Other operating revenue	22,007	8,290	4,116	3,147	-	56,532	(5,903)	88,189
Total operating revenues	432,752	207,163	100,411	140,027	-	96,712	(5,903)	971,162
Operating expenses								
Salaries	175,834	80,641	41,146	59,330	874	117,606	-	475,431
Employee benefits	43,091	20,564	9,704	12,179	161	30,348	(1,020)	115,027
Professional fees	3,389	1,780	3,267	5,716	-	58,533	-	72,685
Purchased services and temporary labor	4,500	3,337	1,161	1,659	-	957	-	11,614
Outside services	12,043	8,257	1,113	2,841	49	20,211	-	44,514
Supplies	95,956	53,986	20,073	24,634	33	7,149	-	201,831
Insurance	3,809	1,686	903	1,162	4	1,925	-	9,489
Utilities	6,235	2,571	1,872	1,878	10	4,079	-	16,645
Repairs and maintenance	7,423	3,488	2,274	3,197	-	3,923	-	20,305
State assessments	5,253	2,445	1,260	1,690	-	321	-	10,969
Depreciation and amortization	17,657	8,133	4,878	5,741	5	12,104	-	48,518
Other	64,346	31,997	17,683	23,537	424	(64,152)	(4,883)	68,952
Total operating expenses	439,536	218,885	105,334	143,564	1,560	193,004	(5,903)	1,095,980
Operating loss	(6,784)	(11,722)	(4,923)	(3,537)	(1,560)	(96,292)	-	(124,818)
Nonoperating revenues (expenses)								
Unrestricted property tax revenue	43,025	22,267	8,186	12,643	-	60,014	-	146,135
Investment (loss) gain, net	(12,981)	(860)	(356)	(114)	526	73,706	-	59,921
Interest expense	(5,616)	(1,026)	(817)	(677)	-	(1,432)	-	(9,568)
Other	(3,334)	(851)	(365)	(662)	2,680	1,442	-	(1,090)
Total nonoperating revenues	21,094	19,530	6,648	11,190	3,206	133,730	-	195,398
Gain before capital contributions	14,310	7,808	1,725	7,653	1,646	37,438	-	70,580
Capital contributions (grant and other)	29	21	3	1	-	53	-	107
Increase in net position	14,339	7,829	1,728	7,654	1,646	37,491	-	70,687
Net position								
Beginning of year, as restated	538,484	176,808	98,423	187,818	2,036	(191,646)	-	811,923
End of year	$ 552,823	$ 184,637	$ 100,151	$ 195,472	$ 3,682	$ (154,155)	$ -	$ 882,610

Supplemental Schedules

North Broward Hospital District
Schedule of Functional Expenses of Broward County Grants
Year Ended June 30, 2014

	Ryan White Ambulatory Care 272103	Medical Home 272128	Ryan White Ambulatory Care 111206	Ryan White Case Mgmt 111210	Ryan White Pharmacy 111211	Total
Salaries	$ 158,033	$ 700,281	$ 726,864	$ 99,022	$ 1,336	$ 1,685,535
Agency	181	-	-	-	-	181
Employee benefits	57,352	245,734	122,902	37,645	330	463,963
Fees other	37,431	1,381	16,479	1,343	-	56,634
Supplies	8,797	6,397	-	-	14,066	29,260
Other	86,049	61,343	382,619	756	-	530,768
Total direct expenses	347,843	1,015,136	1,248,864	138,766	15,732	2,766,341
Common service	14,353	34,932	120,301	7,452	1,632	178,670
Administration allocation	32,386	96,561	70,392	4,356	960	204,655
Total expenses	$ 394,582	$ 1,146,629	$ 1,439,557	$ 150,574	$ 18,324	$ 3,149,666

North Broward Hospital District
Schedule of Revenues, Expenses and Cash Receipts of Broward County Grants
Year Ended June 30, 2014

	Ryan White Ambulatory Care 272103	Medical Home 272128	Ryan White Ambulatory Care 111206	Ryan White Case Mgmt 111210	Ryan White Pharmacy 111211	Total
Grant revenue federal	$ 323,199	$ -	$ 1,702,849	$ 108,062	$ 14,066	$ 2,148,176
Grant revenue county	-	914,773	-	-	-	914,773
Other revenue (net)	1,736	18	-	-	-	1,754
Total revenues	324,935	914,791	1,702,849	108,062	14,066	3,064,703
Salaries	158,033	700,281	726,864	99,022	1,336	1,685,536
Agency	181	-	-	-	-	181
Employee benefits	57,352	245,734	122,902	37,645	330	463,963
Fees other	37,431	1,381	16,479	1,343	-	56,634
Supplies	8,797	6,397	-	-	14,066	29,260
Other	86,049	61,343	382,619	756	-	530,767
Total direct expenses	347,843	1,015,136	1,248,864	138,766	15,732	2,766,341
Common service	14,353	34,932	120,301	7,452	1,632	178,670
Administration allocation	32,386	96,561	70,392	4,356	960	204,655
Total expenses	394,582	1,146,629	1,439,557	150,574	18,324	3,149,666
(Deficiency) excess of revenue over expenses	$ (69,647)	$ (231,838)	$ 263,292	$ (42,512)	$ (4,258)	$ (84,963)
Cash receipts	$ 338,628	$ 766,966	$ 1,451,176	$ 90,366	$ 13,845	$ 2,660,981

North Broward Hospital District
Baker Act Contract – Schedule of State Earnings
Year Ended June 30, 2014

		Totals
Total expenditures	$	2,638,778
Less: Other State and Federal Funds		496,690
Less: Non match SAMH Funds		66,727
Total allowable expenditures		2,075,361
Maximum available earnings		1,556,520
Less: Amount of state funds requiring match		20,575
Amount due to Department	$	1,535,945

North Broward Hospital District
Schedule of Program/Cost Center Actual Funding Sources and Revenues and Expenses
Year Ended June 30, 2014

Funding Sources and Revenues	Mental Health Grants	Total for Program 1	Total for State SAMH-Funded Covered Services	Total for Non-State-Funded Covered Services	Total for All Covered Services	Non-SAMH Covered Services	Total Funding
State SAMH funding							
Mental health grant from DCF	$ 66,727	$ 66,727	$ 66,727	$ -	$ 66,727	$ -	$ 66,727
Total state SAMH funding	66,727	66,727	66,727	-	66,727	-	66,727
Other Govt. funding							
Other state agency funding	-	-	-	-	-	-	-
Medicaid	289,028	289,028	289,028	-	289,028	1,484,967	1,773,995
Local government	-	-	-	-	-	-	-
Federal grants and contracts	-	-	-	-	-	-	-
In-kind from local govt. only	-	-	-	-	-	-	-
Total other gov. funding	289,028	289,028	289,028	-	289,028	1,484,967	1,773,995
All other revenues							
1st and 2nd party payments	-	-	-	-	-	-	-
3rd party payments (except Medicare)	52,570	52,570	52,570	-	52,570	1,458,175	1,510,745
Medicare	207,662	207,662	207,662	-	207,662	5,024,242	5,231,904
Contributions and donations	-	-	-	-	-	-	-
Other	762,819	762,819	762,819	-	762,819	353,964	1,116,783
In-kind	-	-	-	-	-	-	-
Total all other revenues	1,023,051	1,023,051	1,023,051	-	1,023,051	6,836,381	7,859,432
Total funding	$ 1,378,806	$ 1,378,806	$ 1,378,806	$ -	$ 1,378,806	$ 8,321,348	$ 9,700,154

North Broward Hospital District
Schedule of Program/Cost Center Actual Funding Sources and Revenues and Expenses (Continued)
Year Ended June 30, 2014

	Mental Health Grants	Program 1 Total	Total for State SAMH-Funded Covered Services	Total for Non-State-Funded Covered Services	Total for All Covered Services	Non-SAMH Covered Services	Other Support Costs (Optional)	Administration	Total Expenses
Expenses categories									
Personnel expenses									
Salaries	$ 1,257,127	$ 1,257,127	$ 1,257,127	$ -	$ 1,257,127	$ 4,485,992	$ 273,015	$ -	$ 6,016,134
Fringe benefits	351,996	351,996	351,996	-	351,996	328,267	20,362	-	700,625
Total personnel expenses	1,609,123	1,609,123	1,609,123	-	1,609,123	4,814,259	293,377	-	6,716,759
Other expenses									
Building occupancy	-	-	-	-	-	-	-	-	-
Professional services	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-
Equipment	436	436	436	-	436	-	-	-	436
Food services	8,815	8,815	8,815	-	8,815	-	-	-	8,815
Medical and pharmacy	24,971	24,971	24,971	-	24,971	-	-	-	24,971
Subcontracted services	89,382	89,382	89,382	-	89,382	-	-	-	89,382
Insurance	-	-	-	-	-	56	-	-	56
Interest paid	-	-	-	-	-	-	-	-	-
Operating supplies and expenses	25,506	25,506	25,506	-	25,506	142,369	-	-	167,875
Other	181,718	181,718	181,718	-	181,718	116,171	-	-	297,889
Donated items	-	-	-	-	-	-	-	-	-
Total other expenses	330,828	330,828	330,828	-	330,828	258,596	-	-	589,424
Total personnel and other expenses	1,939,951	1,939,951	1,939,951	-	1,939,951	5,072,854	293,377	-	7,306,182
Distributed indirect costs									
Other support costs (optional)	698,827	698,827	698,827	-	698,827	-	-	-	698,827
Administration	-	-	-	-	-	-	-	-	-
Total distr'd indirect costs	698,827	698,827	698,827	-	698,827	-	-	-	698,827
Total actual operating expenses	2,638,778	2,638,778	2,638,778	-	2,638,778	5,072,854	293,377	-	8,005,009
Unallowable costs	-	-	-	-	-	-	-	-	-
Total allowable operating expenses	$ 2,638,778	$ 2,638,778	$ 2,638,778	$ -	$ 2,638,778	$ 5,072,854	$ 293,377	$ -	$ 8,005,009
Capital expenditures	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

To the Board of Commissioners of
North Broward Hospital District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated basic financial statements of the North Broward Hospital District (the "District"), which comprise the consolidated basic statement of net position as of June 30, 2014, and the related consolidated statements of revenues, expenses and changes in net position and of cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 2, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as finding number 2014-SD-1, that we consider to be a significant deficiency.

Compliance and Other Matters

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

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the consolidated basic financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

PricewaterhouseCoopers LLP

Fort Lauderdale, Florida
October 2, 2014

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North Broward Hospital District

Letter of comments and recommendations June 30, 2014

October 2, 2014

pwc

October 2, 2014

The Audit Committee of the Board of Commissioners
of North Broward Hospital District
303 Southeast 17th Street
Fort Lauderdale, Florida 33316

Management of
North Broward Hospital District
303 Southeast 17th Street
Fort Lauderdale, FL 33316

Dear Members of the Audit Committee and Management:

We have audited the consolidated basic financial statements of the North Broward Hospital District (the "District") as of and for the year ended June 30, 2014, and have issued our report thereon dated October 2, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and Chapter 1o.550, Rules of the Florida Auditor General. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated basic financial statements are free of material misstatement.

In planning and performing our audit of the consolidated basic financial statements of the District as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we consider its internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the District's internal control over financial reporting. Accordingly, we do not express an opinion on the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and is not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

AU 325, *Communicating Internal Control Related Matters Identified in an Audit*, of the AICPA Professional Standards includes the following definitions of a deficiency, a significant deficiency and a material weakness:

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

We are providing you with a full detail report of the significant deficiency and operational or business observations that came to our attention in performing our audit.

Additionally, our audit was conducted in accordance with Chapter 10.550, *Rules of the Auditor General,* which governs the conduct of local government entity audits performed in the State of Florida and requires that the "Letter of Comments and Communications" address the following matters:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address recommendations made in the preceding annual financial audit report.

  There were no findings or recommendations made in the preceding annual financial audit report. Corrective action has been taken in relation to observations in the prior year "Letter of Comments and Recommendations".

- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes regarding the investment of public funds.

  In connection with our audit, we determined that the District complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management.

  In connection with our audit, we did not have any such recommendations.

- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance.

  In connection with our audit, we did not have any such findings.

- Section 10.554(1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements.

  North Broward Hospital District d/b/a Broward Health, is an special independent taxing district created pursuant to Chapter 27438, Laws of Florida, Special Acts of 1951, as amended, for purposes of establishing and operating the necessary health care facilities for the preservation of public health and well-being for the citizens of the North Broward Hospital District.

- Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statues, and identification of the specific condition(s) met.

  In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

- Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the District for the fiscal year ended June 30, 2014, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended June 30, 2014.

  In connection with our audit, we determined that these two reports were in agreement.

- Pursuant to Sections 10.554(1)(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

  In connection with our audit, our procedures did not disclose deteriorating financial conditions as defined in the aforementioned section.

This letter is intended solely for the information and use of the Audit Committee, Board of Commissioners, the Florida Auditor General, Federal and State granting agencies, management and others within the District and is not intended to be and should not be used by anyone other than these specified parties.

If you would like any further information or would like to discuss any of the issues raised, please contact Ann Payne, Engagement Partner, at (305) 937-8612.

Yours very truly,

PricewaterhouseCoopers LLP

Contents

I. Significant Deficiency

2014-SD-1: Significant Deficiency Related to the Review of Alternative Investment Balances

The District invests in certain alternative investments for which it relies on an investment advisor to provide expertise with respect to valuation services. In the course of performing audit procedures at year-end, we noted that the investment advisor was using inappropriate data to value a certain alternative investment at June 30, 2014.

Management does not have a formal process in place to independently review the fair values provided by the investment advisor. As a result of not having a supervisory review in place, a misstatement was noted with respect to the valuation of the alternative investment.

Management should develop a formal process, including documenting policies and procedures, to independently review the reasonableness of the fair values provided by the investment advisor on a periodic basis and to ensure such amounts are appropriately reflected in the general ledger. In addition, this periodic review should be evidenced when performed.

Management's Response:

Management acknowledges its responsibility for the fair value of the alternative investment balances presented in the consolidated basic financial statements. Management will continue to use an investment advisor to assist in valuing the alternative investments but is in the process of developing a more formalized review process over the information provided. This process will include formalized meetings on a quarterly basis following the Pension and Investment Committee meeting with different levels of management to monitor performance of the investments as well as performing certain high level analytical procedures to assess the reasonableness of reported values. In addition, management will prepare documentation to evidence this review.

II. Current Year Comments and Recommendations

2014-ML-1: Implementation of New Pronouncements Should be Addressed by Management

In the past few years, a number of new Governmental Accounting Standards Board ("GASB") pronouncements have been finalized, which will need to be adopted by the District in the coming years. The adoption of some of these pronouncements may already be in the process of being evaluated by Management.

In addition to GASB Statement No. 68, which was communicated last year and included below for reference, the following additional new pronouncement, which is an amendment of GASB No. 68, has been issued in fiscal year 2014. Both of these pronouncements will need to be adopted by the District for the year ended June 30, 2015.

- **GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27,*** improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, GASB Statement No. 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. In addition, GASB Statement No. 68 details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. GASB Statement No. 68 is effective for fiscal years beginning after June 15, 2014.

- **GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68,** addresses an issue regarding application of the transition provisions of GASB Statement No. 68. This Statement amends paragraph 137 of GASB Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. GASB Statement 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB Statement 68.

Management's Response:

Management agrees with the recommendation and will evaluate and implement the new GASB pronouncements, GASB Statement Nos. 68 and 71 for fiscal year 2015.

2014-ML-2: Management Should Ensure the Internal Audit Function has Adequate Resources to Perform its Duties

The healthcare industry in which the District operates is heavily regulated and has been experiencing significant changes in recent years. This increased regulation and changing environment has placed additional stress on resources throughout the entity. In addition, the District continues to grow by diversifying the services provided and the location in which new and existing services are provided.

Management should consider performing an analysis of the resources in the Internal Audit Department to ensure that there are adequate resources to address the duties and responsibilities assigned to this department, including addressing new and changing risks faced by the District.

Management's Response:

Management agrees that the healthcare environment is very complex and ever changing. Management also understands the importance of having an internal audit function with adequate resources to perform its duties in and effective and efficient manner. Recently an additional position was requested by Internal Audit and approved by management. the District will continue to monitor its resources in the future.

2014-ML-3: Changing Compliance Requirements Should be Addressed by Management

Given the rapidly changing healthcare environment and the impact that non-compliance issues can have on the organization, the District should continue to monitor regulatory web sites and other industry sources for operational details and new statutory and regulatory requirements enacted. Additionally, the District should continue to provide the Board of Commissioners with education on changes in the healthcare environment, key compliance risks to the organization and the role and responsibility of the Board with respect to compliance risk oversight.

Management's Response:

Management agrees that the healthcare environment is very complex and ever changing. In response to this fact the District is always looking for ways to improve its compliance programs. One way the District is aiming to improve its compliance program is that it has commissioned an independent assessment of its compliance program by a third party. The results of this assessment will be used to evaluate any changes necessary to the District's overall compliance program.

III. Status of Prior Year's Recommendations

In connection with an audit of the District's June 30, 2013 consolidated basic financial statements, we made certain comments and recommendations, which have been reviewed in order to determine the status of implementation. A summary of the status of prior year's recommendations is as follows:

Recommendations	Status
• 2013-ML-1: Implementation of New Pronouncements Should be Addressed by Management	Management continues to evaluate and implement the new GASB pronouncements as necessary for fiscal year 2015 and beyond, as applicable.

Section Two – The Sharpton Group, P.A.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND THE REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

To the Board of Commissioners
of North Broward Hospital District
Fort Lauderdale, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the North Broward Hospital District's (the "District") compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of the District's major federal programs and state projects for the year ended June 30, 2014. The District's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs and state major projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program and State Project

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program and state major project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program or state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

The Shopton Group, P.A.

October 2, 2014

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	**Unmodified Opinion**
Internal control over financial reporting:	
Material weakness(es) identified?	____ Yes __X_ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	__X_ Yes ___ No
Noncompliance material to financial statements noted?	____ Yes __X_ No

The auditors' report and opinion on the consolidated basic financial statements, and report on compliance and internal control based on the audit of the consolidated basic financial statements were issued by other auditors.

Federal Awards:

Internal control over major programs:	
Material weakness(es) identified?	____ Yes __X_ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ Yes __X_ No
Type of auditor's report issued on compliance for major programs:	**Unmodified Opinion**
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	____ Yes __X_ No

Identification of major federal programs:

CFDA Number(s)	***Name of Federal Program or Cluster***
93.224	Consolidated Health Centers (Health Care for the Homeless)
93.527	Affordable care Act (ACA) Grants for New and Expanded Services under the Health Center Program
93.940	HIV Prevention Activities (High Impact Prevention) and Expanded Test Initiative
93.395	Cancer Treatment Research
*93.153	Coordinated Services and Access to Research for Women, Infants, Children, and Youth (CFAP)
*93.242	Mental Health Research Grant
*93.361	Nursing Research- Longitudinal Pediatric Care
*93.865	Child Health and Human Development Extramural Research

Section I – Summary of Auditor's Results (cont'd)

Dollar threshold used to distinguish between	
Type A and Type B programs (District):	$300,000
*Type A and Type B programs (CDTC):	$300,000
Auditee qualified as low-risk auditee?	_X_ Yes ___ No

* Programs administered by the Children's Diagnostic & Treatment Center, Inc. (CDTC)

State Projects:

Type of auditor's report issued: **Unmodified Opinion**

Internal control over major projects:

Material weakness(es) identified?	____ Yes _X_ No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	____ Yes _X_ No

Type of auditor's report issued on compliance for major projects: **Unmodified Opinion**

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550 "Rules of the Auditor General?"	____ Yes _X_ No

Identification of major state projects:

CSFA Numbers	***Name of State Projects***
64.075	Trauma Center Financial Support- Red Light
65.002	Alzheimer Model Day Care, Memory Disorder Clinics, and Alzheimer Special Projects

Dollar threshold used to distinguish between Type A and Type B projects:	$300,000

Section II – Financial Statement Current Year Findings

Finding 2014-SD-1: Significant Deficiency Related to the Review of Alternative Investment Balances

The District invests in certain alternative investments for which it relies on an investment advisor to provide expertise with respect to valuation services. During the testing of the valuation of certain alternative investments as of June 30, 2014 it was noted that the investment advisor was using inappropriate data to value a certain alternative investment. The use of this incorrect data resulted in the District's investment balance to be understated by approximately $2.0 million. This misstatement indicates a significant deficiency in the valuation of alternative investments as management does not have a formal process in place to independently review the fair values provided by the investment advisor.

We recommend that management should develop a formal process, including documenting policies and procedures, to independently review the reasonableness of the fair values provided by the investment advisor on a periodic basis and to ensure such amounts are appropriately reflected in the general ledger. In addition, this periodic review should be evidenced when performed.

Management Response

Management acknowledges its responsibility for the fair value of the alternative investment balances presented in the consolidated basic financial statements. Management will continue to use an investment advisor to assist in valuing the alternative investments but is in the process of developing a more formalized review process over the information provided. This process will include formalized meetings on a quarterly basis following the Pension and Investment Committee meeting with different levels of management to monitor performance of the investments as well as performing certain high level analytical procedures to assess the reasonableness of reported values. In addition, management will prepare documentation to evidence this review.

Section III - Financial Statement Prior Year Findings

There were no prior year findings related to the financial statements, which are required to be reported in accordance with Government Auditing Standards.

Section IV - Federal Awards and State Projects Current Year Findings and Questioned Costs

There were no current year findings or questioned costs related to the major federal programs and major state projects which are required to be reported.

Section V - Federal Awards and State Projects Prior Year Findings and Questioned Costs

There were no prior year findings or questioned costs related to the major federal programs and major state projects which are required to be reported.

North Broward Hospital District
Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2014

Grantor/Program or Cluster Title	CFDA No.	Contract Grant No.	Federal Expenditures	Transfers to Sub-recipients
U.s. Department of Health and Human Services				
U.S. Department of Health and Human Services direct programs				
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6 H76HA00210-16-02 & 5 H76HA00210-17-00	$ 960,997	$ 86,217
Ryan White Title III HIV Capacity Development and Planning Grants	93.918	1 P06HA26535-01-00	16,157	-
Affordable Care Act (ACA) Grants for School Based Health Centers Capital Program	93.501	C12CS21903-01-02	36,011	-
Affordable Care Act (ACA) Grants for School Based Health Centers Capital Program	93.501	C12CS25488AC	436	-
Total Affordable Care Act (ACA) Grants for School Based Health Centers Capital Program			36,447	-
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	6H12HA24787-01-02	201,140	-
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	6H12HA24787-02-03	1,658,778	-
Total Coordinated Services and Access to Research for Women, Infants, Children, and Youth			1,859,918	-
Health centers cluster:				
Consolidated Health Centers (Health Care for the Homeless)	93.224	6 H80CS00019-12-06	304,826	19,809
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Centers Program	93.527	6 H80CS00019-12-06	214,323	13,441
Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Centers Program	93.527	5 H80CS00019-13-02	1,084,454	66,499
Total Affordable Care Act (ACA) Grants for New and Expanded Services Under the Health Centers Program			1,298,777	79,940
Total health centers cluster			1,603,603	99,749
U.S. Department of Health and Human Services direct programs			4,477,122	185,966
Pass-through Broward County:				
HIV Emergency Relief Project Grants (RW Part A - Out Patient Medical)	93.914	11-CP-HCS-8111-RW Renewal Letter (Mar.'13 - Feb.'14) OAM	1,086,560	-
HIV Emergency Relief Project Grants (MAI - RW Part A - Out Patient Medical)	93.914	12-CP-HCS-8111-MAI-RW (Mar.'13 through Feb.'14) Rnewal Letter	123,622	-
HIV Emergency Relief Project Grants (RW Part A - Out Patient Medical)	93.914	11-CP-HCS-8111-RW Renewal Letter (Mar.'13 - Feb.'14) OAM	232,874	-
HIV Emergency Relief Project Grants (RW Part A - Out Patient Medical)	93.914	12-CP-HCS-8111-MAI-RW (Mar.'13 through Feb.'14) Rnewal Letter	25,311	-
HIV Emergency Relief Project Grants (RW Part A - Out Patient Medical)	93.914	11-CP-HCS-8111-RW Renewal Letter (Mar.'14 - Feb.'15) OAM	263,314	
HIV Emergency Relief Project Grants (MAI - RW Part A - Out Patient Medical)	93.914	12-CP-HCS-8111-MAI-RW (Mar.'14 through Feb.'15) Rnewal Letter	229,353	-
HIV Emergency Relief Project Grants (RW Part A - Out Patient Medical)	93.914	11-CP-HCS-8111-RW Renewal Letter (Mar.'14 - Feb.'15) OAM	46,240	-
HIV Emergency Relief Project Grants (MAI - RW Part A - Out Patient Medical)	93.914	12-CP-HCS-8111-MAI-RW (Mar.'14 through Feb.'15) Rnewal Letter	18,774	-
HIV Emergency Relief Project Grants (RW CM)	93.914	11-CP-HCS-8111-RW Renewal Letter (Mar.'13 - Feb.'14) MCM	81,457	-
HIV Emergency Relief Project Grants (RW CM)	93.914	11-CP-HCS-8111-RW Renewal Letter (Mar.'14 - Feb.'15) MCM	35,753	-
HIV Emergency Relief Project Grants (RW Pharmacy)	93.914	11-CP-HCS-8111-RW Renewal Letter (Mar.'13 - Feb.'14) APA	11,099	-
HIV Emergency Relief Project Grants (RW Pharmacy)	93.914	11-CP-HCS-8111-RW Renewal Letter (Mar.'14 - Feb.'15) APA	2,968	-
Total HIV Emergency Relief Project Grants			2,157,325	-
Pass-through State of Florida:				
HIV Prevention Activities (High Impact Prevention)	93.940	BW277 & BW377	204,023	-
Expanded Test Initiative (ETI)	93.940	BW350	111,365	
Targeted Outreach for Pregnant Women Act (TOPWA)	93.940	CODFT	25,210	-
Total HIV Prevention Activities			340,598	-

The accompanying notes are an integral part of this schedule.

North Broward Hospital District
Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)
Year Ended June 30, 2014

Grantor/Program or Cluster Title	CFDA No.	Contract Grant No.	Federal Expenditures	Transfers to Sub-recipients
Pass-through Broward Healthy Start Coalition, Inc.:				
Medical Assistance Program	93.778	BHCC10 R2	253,754	-
Maternal and Child Health Services Block Grant to the States	93.994	BHCC10 R2	46,203	-
Pass-through Areawide Council on Aging:				
National Family Caregiver Support, Title III, Part E	93.052	JA013-50-2013	7,922	-
National Family Caregiver Support, Title III, Part E	93.052	JA114-50-2014	5,701	-
Total National Family Caregiver Support			13,623	-
Research and Development Cluster:				
Pass-through National Childhood Cancer Foundation:				
Cancer Treatment Research (COG Trial)	93.395	020833(Amend#1)-CA98543-09	17,850	-
Pass-through University of Michigan:				
Cancer Treatment Research (SWOG Trial) NBMC	93.395	CA-32102	940	-
Cancer Treatment Research (SWOG Trial) BGMC	93.395	CA-32102	12,410	-
Total Cancer Treatment Research			31,200	-
*** Programs administered by the Children's Diagnostic & Treatment Center, Inc. (CDTC)**				
Pass-through University of Alabama at Birmingham:				
Child Health and Human Development Extramural Research (ATN-071)	93.865	032-ATN 071(5U01HD040533-12)	19,198	-
Pass-through Harvard School of Public Health:				
Child Health and Human Development Extramural Research (ATN Community)	93.865	5U01 HD052102-08 Amend #2	9,653	-
Child Health and Human Development Extramural Research (ATN Community)	93.865	5U01 HD052102-09 Amend #1	140,824	-
Child Health and Human Development Extramural Research (SMAART)	93.865	5U01 HD052102-08 Amend #2	22,625	-
Child Health and Human Development Extramural Research (SMAART)	93.865	5U01 HD052102-09	263,505	-
Total Child Health and Human Development Extramural Research			455,805	-
Pass-through The Regents of the University of California:				
Mental Health Research Grant (AMP)	93.242	5R01MH084794-04(PO10305962-004)	7,245	-
Mental Health Research Grant (AMP)	93.242	5R01MH084794-04(PO10305962-005)	13,208	-
Total Mental Health Research Grant			20,453	-
Pass-through University of Miami:				
AMP MITO SUB	93.361	5R01NR012885-04	1,200	-
Pass-through Children's Research Institute:				
Nursing Research - Longitudinal Pediatric Care	93.361	R01NR012711-Subaward#30000163-13-05	22,284	-
Total Research and Development Cluster			530,942	-
Total U.S dept of health and human services			7,819,567	185,966
U.S Department of Education				
Early Intervention Services (IDEA) Cluster:				
Pass-through State of Florida Department of Health:				
Special Education-Grants for Infants and Families(EIP)	84.181	COQTW	2,245,347	-
Total U.S department of education			2,245,347	-
Total expenditures of federal awards			$ 10,064,914	$ 185,966

The accompanying notes are an integral part of this schedule.

North Broward Hospital District
Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance (continued)
Year Ended June 30, 2014

State Agency/ State Project	CSFA No.	Contract Grant No.	State Expenditures
State of Florida Department of Health			
Primary Care (Expansion Grant) 10-12 to 9-13	64.126	BW161	$ 119,879
Primary Care (Expansion Grant) 10-13 to 9-14	64.126	BW161-R1A3	319,533
Total Primary Care (Expansion Grant)			439,412
Deerfield Beach Health Center	64.049	COHA6	367,149
Trauma Center Financial Support (Red Light)	64.075	MOU-TRA04 R	505,249
Trauma Center Financial Support (Red Light)	64.075	MOU-TRA13 R	261,935
Total Trauma Center Financial Support			767,184
Total State of Florida Department of Health			1,573,744
State of Florida Department of Children and Families			
Baker Act (Adult Mental Health) 7-13 to 6-14	60.006	BBHC#34327/JH330 Amendment #0002	61,724
State of Florida Department of Elder Affairs			
Alzheimer Model Day Care, Memory Disorder Clinics & Alzheimer Special Projects	65.002	XZ305	222,801
Total expenditures of state financial assistance			$ 1,858,269

The accompanying notes are an integral part of this schedule.

North Broward Hospital District
Note to the Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2014

General
The accompanying Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance (the "Schedule") presents the activity of all federal awards and state projects of the North Broward Hospital District (the "District") for the year ended June 30, 2014. All federal awards and state projects expended from federal and state agencies, and federal awards passed through other government agencies are included in the Schedule.

Basis of Presentation
The accompanying Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance include the federal and state grant activity of the North Broward Hospital District and are presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and Chapter 10.550 "Rules of the Auditor General." Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of the financial statements.

Summary of Significant Accounting Policies
Expenditures reported on the Consolidated Schedule of Expenditures of Federal Awards and State Financial Assistance are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Contingencies
Grant monies received and disbursed by the District are for specific purposes and are subject to review by the grantor agencies. Such audit may result in requests for reimbursements due to disallowed expenditures. Based upon prior experiences, the District does not believe that such disallowance, if any, would have a material effect on the financial position of the District.