

NORTH BROWARD HOSPITAL DISTRICT

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

June 30, 2021 and 2020

(With Report of Independent Auditors Thereon)

DRAFT

NORTH BROWARD HOSPITAL DISTRICT

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
North Broward Hospital District

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and fiduciary activities of the North Broward Hospital District (the District) as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary activities of the North Broward Hospital District as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 10, and the schedule of changes in net pension liability and related ratios – defined benefit pension plan, the schedule of employer contributions – defined benefit pension plan, the schedule of money-weighted rate of return – defined benefit pension plan and the schedule of changes in total OPEB liability and related ratios on pages 73 to 76, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining information on pages 77 to 79 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The combining information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Birmingham, Alabama

October 27, 2021

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

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 fiscal years ending June 30, 2021 and 2020. Please read this analysis in conjunction with the financial statements, which follow the section.

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

Overview of the Financial Statements

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

Required Financial Statements

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

The revenue and expenses for fiscal years 2021 and 2020 are accounted for in the statements of revenues, expenses, and changes in net position. The statements measure the annual financial performance of the District's operations and can be used to determine whether the District has recovered the entirety of its costs through net patient service revenue, ad valorem taxes, and other sources of revenue.

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

Financial Analysis of the North Broward Hospital District

The District's net position, the difference between total assets plus deferred outflows of resources and total liabilities plus deferred inflows of resources, is a way to measure financial health or financial position. Over time, increases or decreases in the District's net position is one indicator of whether its financial health is improving or deteriorating. However, the financial statement user should consider other non-

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

financial 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 statements of net position at June 30, 2021, 2020, and 2019, is presented below:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(In thousands of dollars)		
Assets:			
Current assets	\$ 888,323	\$ 871,724	\$ 805,824
Asset whose use is limited, net of amount for current obligations	30,481	32,230	32,193
Investments	323,820	218,562	228,162
Capital assets, net	565,715	567,325	560,493
Other assets	131,867	58,159	36,131
Total assets	\$ 1,940,206	\$ 1,748,000	\$ 1,662,803
Deferred outflows of resources:			
Deferred amount on debt refundings	19,635	22,377	25,117
Pension	2,201	5,721	10,915
Deferred other postemployment benefits	21,861	24,407	1,665
Total deferred outflows of resources	\$ 43,697	\$ 52,505	\$ 37,697
Liabilities:			
Current liabilities	\$ 330,647	\$ 303,977	\$ 227,020
Long-term debt	323,682	330,592	337,242
Other liabilities	107,817	212,658	189,773
Total liabilities	\$ 762,146	\$ 847,227	\$ 754,035
Deferred inflows of resources:			
Pension	\$ 77,201	\$ 30,165	\$ 23,192
Other postemployment benefits	14,782	5,243	6,347
Total deferred inflows of resources	\$ 91,983	\$ 35,408	\$ 29,539
Net position:			
Net investment in capital assets	\$ 247,375	\$ 248,546	\$ 236,624
Restricted for donor restrictions	19,917	19,877	26,968
Restricted for pension	28,231	7,209	—
Unrestricted	834,251	642,238	653,334
Total net position	\$ 1,129,774	\$ 917,870	\$ 916,926

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

The net position of the District totaled \$1,129.8, \$917.9, and \$916.9 million as of June 30, 2021, 2020, and 2019, respectively. The increase in net position of \$211.9 million in fiscal year 2021 was primarily due to \$48.2 million gain from operations net of tax revenues, gain on investments of \$138.7 million, interest expense and other non-operating costs of \$16.3 million, Cares Act stimulus funds received from the federal government of \$37.1 million, \$3.8 million in Cares Act funds received from Broward County and \$0.4 million in capital contributions.

Budgetary Highlights

In March 2020, COVID-19 was designated a pandemic. COVID-19 continues to have a significant impact to the District's patient volumes, related revenues, and expenses during fiscal year 2021. Using fiscal year 2019 as a proxy for pre-pandemic conditions, the District experienced a loss of roughly eight thousand admissions, thirty-eight hundred elective surgical cases, and sixty-five thousand emergency cases in fiscal year 2021. Other economic effects of the COVID-19 pandemic continue such as a decline in the tourism industry which was affected by cruise-line ports effectively closing resulting in a decline in patient volumes that historically, were a significant business percent of patient volumes.

From January through early April of 2021 in collaboration with the Department of Health, the District operated one of the first community vaccination sites, providing vaccination for an estimated ninety-nine thousand community members at a cost of \$2.8 million.

The District spent \$1.1 million in capital expenditures to support the treatment and/or prevention of pandemic cases, \$6.4 million in non-wage operating expenses related to surge planning and personal protective equipment and an estimated \$32.4 million in increased wages driven by supply and demand effects on the labor market specifically in the areas of nursing and respiratory therapy driven by the national impact of the pandemic.

Overall, the District performed ahead of budget by \$211.9 million, in fiscal year 2021 including a favorable one-time OPEB adjustment of \$110 million. Operationally, the District performed ahead of budget by \$84.3 million. Total operating expenses were under budget by \$97.2 million, offset by total operating revenue being under budget by \$12.9 million. Non-operating income was over budget by \$127.6 million, primarily due to \$138.7 million Gains on Investments, Cares Act funding received by the federal government in the amount of \$37.1 million and Cares Act funding received from Broward County in the amount of \$3.8 million. Inpatient admissions were under budget by 10.5%, while observations cases were over budget by 3.2%, with total hospitalized patient (Admissions plus Observation cases) under budget by 6%. Outpatient volumes were under budget by 12.7%, primarily due to fewer emergency room and clinic visits. Losses in volume were primarily driven by the COVID-19 pandemic.

Capital Assets and Debt Administration

As of June 30, 2021, 2020, and 2019, the District had net capital assets of \$565.7 million, \$567.3 million, and \$560.5 million, respectively, a decrease of \$1.6 million from 2020 to 2021 and an increase of \$6.8 million from 2019 to 2020. The decrease in 2021 was mainly composed of \$54.1 million in capital expenditures, \$54.8 million in depreciation, and a \$1.1 million loss from disposal of assets. Significant capital expenditures were comprised mainly of \$8.2 million for Information Technology projects and equipment, \$5.6 million for the renovation of the 4th Floor NICU at Broward Health Medical Center, \$2.7 million for the buildout of the Cardiac Catheterization Lab at Broward Health Imperial Point, \$2.4 million

NORTH BROWARD HOSPITAL DISTRICT

Management’s Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

for system-wide patient bed replacement program, \$2.3 million for the buildout of the Cardiac Catheterization Lab at Broward Health Medical Center, and \$2.0 million for the renovation of the Spectrum Corporate Offices.

Capital assets at June 30, 2021, 2020, and 2019, are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(In thousands of dollars)		
Land and land improvements	\$ 69,697	\$ 69,597	\$ 51,431
Buildings and building improvements	848,781	824,787	823,708
Equipment	<u>569,187</u>	<u>586,535</u>	<u>567,274</u>
	1,487,665	1,480,919	1,442,413
Less accumulated depreciation	<u>(939,196)</u>	<u>(941,828)</u>	<u>(890,785)</u>
	548,469	539,091	551,628
Construction-in-progress	<u>17,246</u>	<u>28,234</u>	<u>8,865</u>
	<u>\$ 565,715</u>	<u>\$ 567,325</u>	<u>\$ 560,493</u>

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

Revenues, Expenses, and Changes in Net Position

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

NORTH BROWARD HOSPITAL DISTRICT

Management’s Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

The following table presents the District’s condensed statements of revenues, expenses, and changes in net position for fiscal years 2021, 2020, and 2019:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(In thousands of dollars)		
Operating revenues	\$ 1,050,686	\$ 1,007,397	\$ 1,034,370
Operating expenses	<u>1,155,526</u>	<u>1,172,282</u>	<u>1,163,194</u>
Operating loss	(104,840)	(164,885)	(128,824)
Unrestricted property tax revenue	153,014	129,416	128,635
Other nonoperating revenue (expense), net	122,375	(1,421)	13,553
CARES act stimulus	40,911	37,692	—
Capital contributions	<u>444</u>	<u>142</u>	<u>103</u>
Increase in net position	211,904	944	13,467
Net position:			
Beginning of year	<u>917,870</u>	<u>916,926</u>	<u>903,459</u>
End of year	<u>\$ 1,129,774</u>	<u>\$ 917,870</u>	<u>\$ 916,926</u>

Management’s Discussion of Recent Financial Performance

Overview – Fiscal Year 2021 as Compared to Fiscal Years 2020 and 2019

In fiscal year 2021, the District experienced an increase in net position of \$211.9 million, as compared to increases in net position of \$.9 million in 2020 and \$13.5 million in 2019. Management continued its focus executing its strategic plan, expense and efficiency controls, and improvement in revenue cycle management.

Patient Volumes

Overall patient volumes continue to be negatively impacted by the COVID-19 pandemic. Inpatient volume decreased from FY 2020 by 7.5% or 3,921 inpatient admissions while observation admissions increased by 6.2% or 1,591 cases. In all, total hospitalizations decreased by 3.0% or 2,330 cases.

Medicare inpatient volume, as measured by admissions, decreased from FY 2020 by 18.5%, or 1,891 cases. Medicare observation cases decreased from FY 2020 by 0.8% or 19 cases. Total hospitalized Medicare patients (Admissions plus Observation cases) decreased by 15.0% or 1,910 cases. Correspondingly, Medicare Advantage inpatient volumes as measured by admissions decreased from FY 2020 by 0.3% or 30 cases. Medicare Advantage observation cases increased from FY 2020 by 6.8% or 494 cases. Total hospitalized Medicare Advantage patients (Admissions plus Observation cases) increased by 2.8% or 464 cases. There was a 4.1% decrease in the Medicare case mix index from year to year, measured by the Medicare Severity Diagnostic Related Groups (MS-DRGs).

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Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

During the 2015 Florida Legislative session, measures were approved that have resulted in significant changes to the Medicaid program (Medicaid Reform). The plan results in all Medicaid beneficiaries being enrolled in a managed care Medicaid plan. Overall Medicaid, including Managed Medicaid admissions, decreased over the prior year by 165 cases, or 1.4%. The District continues its efforts of the Medicaid Eligibility Unit, the Medical Options for Patient Eligibility Department, and the Department of Children and Families (DCF), working to process applications in a more timely fashion and providing additional access for patients to apply for Medicaid or the new health exchange.

Managed care, including commercial payers, the District's largest payer category, decreased by 144 admissions, or 1.1%, in fiscal year 2021. Managed Care observation cases increased from FY 2020 by 9.6% or 787 cases. Total hospitalized Managed Care patients (Admissions plus Observation cases) increased by 3.0% or 643 cases.

Outpatient volumes decreased 3.8% in fiscal year 2021 as compared to fiscal year 2020, or 26,956 visits. Total medical center visits decreased by 5.4% or 22,787 visits, driven primarily by a reduction in ER Visits offset by increases in diagnostic OP Visits and OP Surgeries. Non-medical center outpatient visits decreased by 4,169 or 1.4%. Drivers include a decrease in Clinic and UCC Visits of 3,843 or 21.9% and a decline in physician office visits of 0.4% or 1,123 visits.

Operating Revenues

Net patient revenue increased from \$929.2 million in fiscal year 2020 to \$960.0 million in fiscal year 2021.

Medicare net revenue decreased by \$7.8 million, or 4.4%. Managed Care Medicare net revenue increased by \$20.1 million, or 11.4%. Medicaid net revenue (including Managed Care Medicaid net revenue) decreased over the prior fiscal year by \$9.1 million, or 8.0%. Patient revenue was complemented by additional revenue received from the LIP and DSH programs totaling \$35.3 million, a decrease from the prior fiscal year of \$4.6 million. Commercial/Managed Care net revenue increased by \$13.9 million, or 3.4%, from fiscal year 2020.

During fiscal year 2021, charity care and other uncompensated funding costs decreased by \$13.8 million or 49.5%, and all related government funding sources increased by \$5.5 million or 1.7%. Overall community benefit costs in excess of government funding increased by \$35.5 million or 53.5%. Cost to care for documented COVID+ patients that were unqualified for other assistance were reimbursed through the HRSA program in the amount of \$12.5 million.

Operating Expenses

Operating expenses decreased by \$16.8 million, or 1.4%, primarily driven by a one-time favorable adjustment of \$110 million to the OPEB liability. Normalizing for this event would have reflected a significant increase in operating expense despite lower volumes primarily being driven by the increased cost for labor and supply costs due to supply and demand issues effecting the price points of these critical resources in addition to supply costs associated with testing and treating COVID-19 patient population. The District continued to emphasize cost-conscious initiatives without sacrificing the delivery of patient care during this very difficult time.

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

Salaries and wages (inclusive of purchased service and temporary labor) increased from \$544.8 million in fiscal year 2020 to \$622.7 million in fiscal year 2021, or a 14.3% increase. Benefits decreased by \$120.7 million or 111.0% in 2021 driven by a one-time favorable OPEB liability adjustment in the amount of \$110 million. Productive hours per adjusted patient days experienced a slight decrease at 27.8 in FY 2021 vs. 27.9 in FY 2020. Salaries, wages and employee benefits as a percentage of net patient revenues were 63.6% and 70.3% for fiscal years 2021 and 2020. Normalized for one-time OPEB favorable liability reduction in FY2021, salaries, wages and benefits as a percent of net patient revenue would be 75.1%, a significant increase due to a higher level of acuity in the patient population coupled with the supply and demand issues in labor driving up the cost in the form of increased rate and the need to use outside/temporary labor at a higher premium. Normalized for the one-time OPEB event, salaries, wages and benefits increased 10.3% from 2020 or \$67.2 million.

Supply expense represents the next largest expense category for the District and is equally impacted by the care and prevention of COVID-19 during the pandemic. Supply expense increased from \$231.7 million in fiscal year 2020 to \$250.3 million in fiscal year 2021. The increase of \$18.6 million, or 8.0% was primarily driven by material increases in drug cost such as Remdesivir which were directly related to the care and treatment of COVID-19 patients as well as supplies related to testing for COVID-19. As such, supply expense as a percent to net operating revenue increased from 23.0% in fiscal year 2020 to 23.8% in fiscal year 2021.

All other fees increased by \$7.0 million compared to FY 2021, primary driver is an increase in insurance cost of \$10.1 million.

Ad Valorem Tax Revenue

For fiscal years 2021 and 2020, ad valorem tax revenues totaled \$153.0 million and \$129.4 million, respectively. As described in Note 16 to the financial statements, the District annually levies and collects ad valorem taxes for the general support of its operations, as approved by the Board. The tax rates set by the Board for fiscal years 2020 and 2019 were 1.1469 mills and 1.0324 mills, respectively. In July 2021, taxable property values within the District's geopolitical boundaries increased from \$138.4 billion to \$146.0 billion, or 5.5%. In July 2021, the Broward County property appraiser released to the District the taxable property valuations for 2021/2022. These values increased to \$155.2 billion, an increase of 6.3%.

Interest Expense

Interest expense in fiscal year 2021 was \$16.9 million, as compared to \$17.1 million in fiscal year 2020, a decrease of \$0.18 million, or 1.1%.

Liquidity and Cash Position

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

Although Broward Health has maintained a strong statement of net position and cash reserves sufficient to withstand the COVID-19 business disruption, management felt it would be prudent to secure a line of credit given the uncertainty of the situation. Therefore, on June 30, 2020, Broward Health entered into a line of credit with a bank for up to \$50 million which it maintains at FYE 2021.

NORTH BROWARD HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

June 30, 2021 and 2020

The Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Fund was signed into law to provide temporary and limited relief to individuals and business impacted by the pandemic, including the appropriation of funds for healthcare providers for reimbursement of expenses and lost revenue attributable to COVID-19. In total, as of June 30, 2021, Broward Health received \$78.6 million under the CARES Act with \$37.1 million received during FY 2021 from federal resources and \$3.8m received from Broward County.

Broward Health also opted to participate in the Medicare Accelerated Payment Program and the Employer Payroll Tax Deferral Provisions also authorized under the CARES Act. Broward Health received \$78.6 million in accelerated Medicare payments through June 30, 2020. \$7.9 million of these funds were repaid during FY 2021 and the remainder is expected to be repaid in Fiscal Years 2022 and 2023. As of June 30, 2021, approximately \$22.1 million in employer payroll taxes were deferred and are expected to be repaid in fiscal years 2022 and 2023.

At June 30, 2021, unrestricted cash and investments totaled \$952.6 million, an increase of \$116.8 million compared to FY20's total of \$835.8 million. Days cash on hand (DCOH) also increased from 270 days at June 30, 2020, to 312 days at June 30, 2021. The increase in cash and DCOH was primarily due to market appreciation on investments. Cash to Debt increased to 306% as of June 30, 2021 from 267% as of June 30, 2020. Average days' net revenue in accounts receivable has decreased to 47.3 days as of June 30, 2021, from 54 days as of June 30, 2020.

Credit Ratings

The District has received underlying credit ratings of Baa2, Stable Outlook and BBB+, Stable Outlook from Moody's Investors Service and Standard & Poor's, respectively. Moody's Investor Service affirmed the rating and the outlook in FY 2021.

Request for Information

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

BASIC FINANCIAL STATEMENTS

DRAFT

NORTH BROWARD HOSPITAL DISTRICT

Statements of Net Position

June 30, 2021 and 2020

(In thousands of dollars)

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 60,813	\$ 147,883
Cash and investments externally restricted by donors	13,220	11,812
Short-term investments	567,945	469,375
Assets whose use is limited required for current liabilities – Investments	9,296	7,272
Due from patients and others, net of allowance for uncollectibles of \$258,215 (\$273,025 in 2020)	151,273	133,794
Inventories	36,167	35,684
Estimated third-party payor settlements	11,077	30,049
Other current assets	38,532	35,855
Total current assets	<u>888,323</u>	<u>871,724</u>
Assets whose use is limited – Cash and investments:		
Amounts designated for self-insurance	39,777	39,502
	<u>39,777</u>	<u>39,502</u>
Less amount required to meet current obligations	<u>(9,296)</u>	<u>(7,272)</u>
Assets whose use is limited, net	<u>30,481</u>	<u>32,230</u>
Investments	323,820	218,562
Capital assets, net	565,715	567,325
Net pension asset	103,231	31,653
Other assets	28,636	26,506
Total noncurrent assets	<u>1,021,402</u>	<u>844,046</u>
Total assets	<u>\$ 1,940,206</u>	<u>\$ 1,748,000</u>
Deferred Outflows of Resources		
Loss on debt refundings	\$ 19,635	\$ 22,377
Deferred pension amounts	2,201	5,721
Deferred other postemployment benefits	21,861	24,407
Total deferred outflows of resources	<u>\$ 43,697</u>	<u>\$ 52,505</u>
Liabilities		
Current liabilities:		
Current maturities of revenue bonds payable	\$ 5,540	\$ 5,280
Accounts payable and accrued expenses	125,237	104,018
Accrued salaries, benefits, and payroll taxes	48,939	39,090
Accrued personal leave	30,505	29,024
Current portion of lease obligations	3,595	1,844
Estimated third-party payor settlements	107,499	117,449
Current portion of self-insurance program liability	9,296	7,272
Interest payable	36	—
Total current liabilities	<u>330,647</u>	<u>303,977</u>
Revenue bonds, net of current maturities	323,682	330,592
Lease obligations, net of current portion	5,158	3,440
Self-insurance program liability, net of current portion	23,178	20,930
Other postemployment benefit program liability	68,394	188,288
Accrued payroll taxes	11,087	—
Total liabilities	<u>\$ 762,146</u>	<u>\$ 847,227</u>
Deferred Inflows of Resources		
Deferred pension amounts	\$ 77,201	\$ 30,165
Deferred other postemployment benefits	14,782	5,243
Total deferred inflows of resources	<u>\$ 91,983</u>	<u>\$ 35,408</u>
Net Position		
Net investment in capital assets	\$ 247,375	\$ 248,546
Restricted for donor restrictions	19,917	19,877
Restricted for pension	28,231	7,209
Unrestricted	834,251	642,238
Total net position	<u>\$ 1,129,774</u>	<u>\$ 917,870</u>

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT
Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2021 and 2020
(In thousands of dollars)

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Net patient service revenue (net of provision for uncollectible accounts of \$220,277 in 2021 and \$485,023 in 2020)	\$ 959,964	\$ 929,166
Other operating revenue	90,722	78,231
Total operating revenues	<u>1,050,686</u>	<u>1,007,397</u>
Operating expenses:		
Salaries	565,911	528,840
Employee benefits	(11,929)	108,733
Professional fees	62,559	62,406
Purchased services and temporary labor	56,759	15,995
Outside services	29,779	33,527
Supplies	250,305	231,748
Insurance	15,214	5,073
Utilities	18,932	18,041
Repairs and maintenance	18,881	18,196
State assessments	13,355	12,336
Depreciation and amortization	54,773	54,300
Other	80,987	83,087
Total operating expenses	<u>1,155,526</u>	<u>1,172,282</u>
Operating loss	<u>(104,840)</u>	<u>(164,885)</u>
Nonoperating revenues (expenses):		
Ad valorem tax revenue	153,014	129,416
Investment income, net	138,648	20,532
Interest expense	(16,870)	(17,057)
CARES Act Stimulus	40,911	37,692
Other	597	(4,896)
Total nonoperating revenues	<u>316,300</u>	<u>165,687</u>
Gain before capital contributions	211,460	802
Capital contributions	<u>444</u>	<u>142</u>
Increase in net position	211,904	944
Net position:		
Beginning of year	<u>917,870</u>	<u>916,926</u>
End of year	<u>\$ 1,129,774</u>	<u>\$ 917,870</u>

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(In thousands of dollars)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from third-party payors and patients	\$ 958,941	\$ 932,539
Payments to employees	(660,397)	(631,917)
Payments to suppliers and contractors	(449,848)	(413,283)
Other receipts and payments, net	8,433	2,761
Net cash used in operating activities	<u>(142,871)</u>	<u>(109,900)</u>
Cash flows from noncapital financing activities:		
Medicaid county funding	(8,815)	(8,721)
Ad valorem property taxes, net	153,098	129,150
Net contributions receipts	2,552	1,779
CARES Act Stimulus	40,911	37,692
Medicare accelerated payments	—	78,638
Other	449	142
Net cash provided by noncapital financing activities	<u>188,195</u>	<u>238,680</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(46,755)	(61,202)
Proceeds from disposal of capital assets	157	7
Payments of interest on revenue bonds, swaps, and lease facilities	(15,463)	(15,686)
Principal paid on revenue bonds and lease facilities	(9,122)	(6,774)
Capital contributions	444	142
Net cash used in capital and related financing activities	<u>(70,739)</u>	<u>(83,513)</u>
Cash flows from investing activities:		
Interest and dividends on investments and assets whose use is limited	11,906	11,791
Distribution received from investment in CCP	5,150	—
Purchases of investments	(376,075)	(291,539)
Proceeds from the sale and maturity of investments	299,741	354,551
Net cash (used in) provided by investing activities	<u>(59,278)</u>	<u>74,803</u>
Net (decrease) increase in cash and cash equivalents	(84,693)	120,070
Cash and cash equivalents:		
Beginning of year	<u>167,353</u>	<u>47,283</u>
End of year	<u>\$ 82,660</u>	<u>\$ 167,353</u>

NORTH BROWARD HOSPITAL DISTRICT

Statement of Cash Flows (Continued)

Years ended June 30, 2021 and 2020

(In thousands of dollars)

	<u>2021</u>	<u>2020</u>
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$ 60,813	\$ 147,883
Cash and cash equivalents included in cash and investments externally restricted by donors	12,458	11,162
Cash and cash equivalents included in assets whose use is limited - Cash and investments		
Amounts designated for self-insurance	<u>9,389</u>	<u>8,308</u>
Total cash and cash equivalents	<u>\$ 82,660</u>	<u>\$ 167,353</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (104,840)	\$ (164,885)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	54,773	54,300
Provision for uncollectible accounts	220,277	485,023
Other	627	4,510
Changes in assets and liabilities:		
Due from patients and others	(230,323)	(473,504)
Inventories	(483)	(451)
Other assets	(3,174)	8,786
Accounts payable and accrued expenses	13,391	(18,081)
Accrued salaries, benefits, and payroll taxes	20,936	9,761
Accrued personal leave	1,481	(916)
Estimated third-party payor settlements	9,023	(8,146)
Self-insurance program liability	4,272	(3,118)
Net pension asset/liability and related deferred outflows and inflows	(21,022)	(7,633)
Other postemployment benefit program liability and related deferred outflows and inflows	<u>(107,809)</u>	<u>4,454</u>
Net cash used in operating activities	<u>\$ (142,871)</u>	<u>\$ (109,900)</u>
Supplemental noncash investing, capital, and financing activities:		
Property and equipment acquired through accounts payable	\$ 3,396	\$ (2,474)
Property and equipment acquired through capital lease obligations	7,311	-
Property and equipment acquired through donation	(1,050)	(1,151)
Change in fair value of investments	81,118	(15,386)

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT

Statements of Fiduciary Net Position – Pension Trust Fund

June 30, 2021 and 2020

(In thousands of dollars)

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 5,539	\$ 6,392
Accrued interest receivable	768	693
Investments:		
Fixed income	50,470	50,362
Stocks	78,748	87,642
Real estate	51,872	38,110
Infrastructure	24,337	14,463
Mutual funds	191,953	137,794
Alternative investments	41,100	37,266
Total investments	<u>438,480</u>	<u>365,637</u>
Total assets	<u>\$ 444,787</u>	<u>\$ 372,722</u>
 Liabilities and net position restricted for pensions		
Payables:		
Accrued expenses	\$ 755	\$ 566
Total liabilities	<u>755</u>	<u>566</u>
Total net position	<u>\$ 444,032</u>	<u>\$ 372,156</u>

DRAFT

See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT

Statements of Changes in Fiduciary Net Position – Pension Trust Fund

Years ended June 30, 2021 and 2020

(In thousands of dollars)

	<u>2021</u>	<u>2020</u>
Additions:		
Contributions:		
Employer contributions	\$ 10,725	\$ 16,000
Investment income:		
Interest and dividends	6,314	5,773
Net increase in fair value of investments	<u>87,679</u>	<u>6,242</u>
Net investment income	<u>93,993</u>	<u>12,015</u>
Total additions	<u>104,718</u>	<u>28,015</u>
Deductions:		
Benefit payments	30,808	28,351
Administrative expenses	<u>2,034</u>	<u>2,207</u>
Total deductions	<u>32,842</u>	<u>30,558</u>
Net increase (decrease) in net position	71,876	(2,543)
Net position restricted for pension:		
Beginning of year	<u>372,156</u>	<u>374,699</u>
End of year	\$ <u><u>444,032</u></u>	\$ <u><u>372,156</u></u>

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See accompanying notes to financial statements.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

(1) Organization and Description of Business

Reporting Entity

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

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

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

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

Hospital Division

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

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

Community Health Services Division

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

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

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

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

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

Physician Services Division

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

Insurance Management Division

The District's Insurance Management Division is operated through Total Claims Administration, Inc. (TCA), which provides claims administration and other third-party administrative services to the District's employee health insurance plan. TCA is considered a component unit of the District because the Board appoints the voting majority of the board of directors of TCA and the District has the ability to impose its will on TCA. TCA is presented as a blended component unit of the District because it provides services exclusively to the District. It is anticipated that the District will dissolve this component unit in FY2022.

Other

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

The District established a separate not-for-profit corporation, Broward Health ACO Services, Inc. (BH ACO). The purpose of the BH ACO is to provide healthcare services through independent contractors and others to patients pursuant to contracts with third-party payors. BH ACO is considered a component unit of the District because the Board appoints the voting majority of the board of directors of BH ACO and the District has the ability to impose its will on BH ACO. BH ACO is reported as a blended component unit of the District as the governing body of BH ACO is substantially the same as the District and the District has operational responsibility for BH ACO.

Joint Venture

The District is an equal partner of the Community Care Plan (CCP), a managed care network governed by an agreement between two governmental entities: the District and the South Broward Hospital District.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

CCP administers various programs, including the Title XXI – Children Medical Services Network, Title XIX – Children Medical Services Medicaid Network, and the “PSN” operating under Florida’s Medicaid Reform program. The PSN is a network of hospitals, physicians, and other ancillary care providers developed to provide integrated, managed care services to a population of Medicaid covered enrollees in Broward County. Activity from CCP is accounted for as an investment and is included in other assets.

(2) Summary of Significant Accounting Policies

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

(a) *Basis of Presentation*

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

(b) *Cash and Cash Equivalents*

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

(c) *Investments*

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

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

As of June 30, 2021, the equity investments in private equity, real estate investments, infrastructure investments and hedge funds make up approximately 5.5%, 6.9%, 3.2%, and 2.2%, respectively, of total cash and cash equivalents and investments in the accompanying statement of net position. As of June 30, 2020, the equity investments in private equity, real estate investments, infrastructure investments, and hedge funds make up approximately 4%, 5.6%, 2%, and 2.3%, respectively, of total cash and cash equivalents and investments in the accompanying statement of net position. Because private equity, real estate investments, infrastructure investments, and hedge funds are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material. Unrealized gains or losses on investments resulting from fair value fluctuations are recorded in the statements of revenue, expenses, and changes in net position as investment income, net, in the period such fluctuations occur.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

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

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

(e) *Net Patient Accounts Receivable*

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

(f) *Inventories*

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

(g) *Other Current Assets*

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

(h) *Capital Assets*

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

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

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

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

(i) *Impairment*

Capital assets are reviewed for impairment in accordance with the methodology prescribed in Governmental Accounting Standards Board (GASB) Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. Asset impairment, as defined by this standard, is a significant, unexpected decline in the service utility of a capital asset and

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

is not a function of the recoverability of the carrying amount of the asset. Service utility is the usable capacity of the asset that was expected to be used at the time of acquisition and is not related to the level of actual utilization, but the capacity for utilization. Indicators that the service utility of an asset has significantly declined include: (a) evidence of physical damage; (b) changes in legal or environmental circumstances; (c) technological development or evidence of obsolescence; (d) a change in the manner or expected duration of use of the asset; and (e) construction stoppage. The District has determined that no capital asset impairment exists at June 30, 2021 and 2020.

(j) *Deferred Outflows and Inflows of Resources*

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

(k) *Accrued Personal Leave*

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

(l) *Pensions and Other Postemployment Benefits (OPEB)*

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

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

(m) *Net Position*

Net position is categorized as "net investment in capital assets," "restricted for donor restrictions," and "unrestricted." Net investment in capital assets is intended to reflect the portion of net position that is associated with capital assets, reduced by the outstanding balances due on borrowings that are attributable to the acquisition, construction, or improvement of those assets, as well as the deferred outflow of resources related to loss on refunding. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources, if any, related to those assets. Restricted for pension are net amounts related to the defined benefit pension plan. The restrictions placed in the use

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

of these assets are through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, constitutional provisions, or enabling legislation. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

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

(n) *Classifications of Revenues and Expenses*

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

(o) *Net Patient Service Revenue*

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

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

Medicare

The District's healthcare facilities participate in the Federal Medicare program (Medicare) administered by CMS. Approximately 39.9% of the District's net patient service revenue was derived from services to Medicare beneficiaries in fiscal year 2021, 38.8% in fiscal year 2020 (inclusive of HMO products). Inpatient acute care services rendered to Medicare beneficiaries are reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

Effective for discharges occurring on or after January 27, 2020, the Medicare program began to reimburse an additional 20% for COVID-19 positive patients as an add-on to the DRG payment for these cases under Section 3710 of the CARES Act. This increase in reimbursement will continue through the duration of the COVID-19 period. CMS has provided specific diagnosis codes for the billing of these services before and after March 31, 2020. Effective September 1, 2020 the guidance was updated to include the requirement of a positive COVID-19 laboratory test and effective November 1, 2020 the guidance was updated to include a procedure code indicating the treatment included Remdesivir and/or Convalescent Plasma in order to obtain the 20% add-on. Medicare also

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

began to reimburse for COVID-19 testing and treatment related to Uninsured COVID-19 patients at fee for service rates, effective February 4, 2020, subject to available funding.

Inpatient Acute, Inpatient Exempt, Outpatient, and Defined Capital Costs related to services provided to Medicare beneficiaries are reimbursed based upon a variety of prospective reimbursement methodology systems. The health care facilities' classification of patients under the Medicare program and the appropriateness of their admission and services are subject to an independent review based on detailed and specific criteria. As of June 30, 2021, the Medicare cost reports were final audited, pending final settlement, by the health care facilities' Medicare fiscal intermediary through June 30, 2017 for all facilities. In fiscal year 2021, the District recorded increases to net patient service revenue related to various prior year Medicare settlements of \$0.2 million (\$1.4 million in fiscal year 2020).

Medicaid

Approximately 15% of the District's net patient service revenue was derived under the Medicaid program for fiscal year 2021, 16.3% in 2020 (inclusive of HMO products, Disproportionate Share Hospital and Low Income Pool). Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid based upon prospectively determined rates. Inpatient per discharge services are paid using APR-DRG's effective July 1, 2013, while outpatient utilizes Enhanced Ambulatory Patient Groupings (EAPG's) effective July 1, 2017. These rates vary according to patient classification systems that are based on clinical, diagnostic, and other factors. Prior to these prospective type systems, health care facilities were reimbursed for Medicaid services based on a tentative rate sheet calculation, with final settlement determined after submission of annual cost reports by the health care facilities and audits by the Medicaid fiscal intermediary. The Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2015, for BHMC, BHN, BHIP, and BHCS and they have been processed by AHCA for the applicable inpatient and outpatient rate periods.

In addition to the prospectively determined rates received by the District for the provision of health care services to Medicaid beneficiaries, the State of Florida provided additional supplemental payments of \$39.9 million to Broward Health for Disproportionate Share, Low Income Pool, and Graduate Medical Education initiatives during fiscal year 2021 (\$44.09 million in 2020.) These payment adjustments are to help cover the additional costs associated with treating the Medicaid population in the District's service area and these amounts are reflected in net patient service revenues in the accompanying statements of revenue, expenses, and changes in net position.

Other Third-Party Payors

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

(p) Charity Care

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

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

(q) *Ad Valorem Tax Revenue*

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

(r) *Restricted Donations*

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

(s) *Grant Funding*

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

(t) *Risk Management*

The District is exposed to various risks from torts including allegations of personal injury, medical malpractice, property loss, destruction of assets, business interruption, errors and omissions, worker's compensation claims, employer's liability for alleged wrongful termination of employees or other wrongful acts, natural disasters, communicable diseases, employee healthcare, etc. Many layers of excess commercial insurance coverage are purchased; however, most claims resolve well within Broward Health's self-insurance retention. In the past three (3) years no settled claim has penetrated or required the use of excess indemnity insurance.

(u) *Use of Estimates*

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

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

(v) ***Income Taxes***

The District is not subject to income tax.

(w) ***Subsequent Events***

The District has evaluated the impact of subsequent events through **October XX, 2021**, the date on which the financial statements were issued.

(x) ***New Accounting Pronouncements***

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

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interests*. This statement modifies previous guidance for reporting a government's majority equity interest in a legally separate organization and also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The adoption of this statement for fiscal year ended June 30, 2021, had no impact on the District's financial statements.

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

In January 2020, the GASB issued GASB Statement No. 92, *Omnibus 2020*. The primary objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation of certain GASB Statements. The statement made changes as follows effective for periods beginning after June 15, 2021; the requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74, the requirements related to application of

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

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Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities, the requirements related to the measurement of liabilities (and assets, if any) associated with asset retirement obligations in a government acquisitions occurring after the effective date. Additionally, the requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. Early application is encouraged and is permitted by topic. The adoption of the provisions of this statement that were effective immediately during fiscal year ended June 30, 2020, had no financial impact on the District's financial statements. The District has not elected to implement the remaining provisions of this statement early; however, management is still evaluating the impact, if any, of those provisions in the year of adoption.

In March 2020, the GASB issued GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The primary objectives of this statement are to establish accounting and financial reporting requirements related to the replacement of Interbank Offered Rates (IBORs), including the London Interbank Offered Rates (LIBOR), for hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments. The requirement of this statement for the removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020. Earlier application is encouraged. The adoption of the provisions of this statement effective for fiscal year ended June 30, 2021, had no impact on the District's financial statements. The District has not elected to implement the remaining provisions of this statement early, however, management is still evaluating the impact the remaining provisions of this statement, if any, in the year of adoption.

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

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

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

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Notes to the Financial Statements

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(3) Cash, Cash Equivalents, and Investments

The composition and credit ratings of the District's cash and cash equivalents, investments, and assets whose use is limited as of June 30, 2021, is as follows:

	Fair value	Investment Maturities			
		Less than 1 year	1–5 years	6–10 years	More than 10 years
U.S. government securities	\$ 111,925	—	82,254	14,646	15,025
U.S. government agency securities	18,559	—	18,559	—	—
Corporate bonds	151,732	29,235	93,507	15,225	13,765
Mortgage-backed securities	42,558	—	3,537	3,865	35,156
	324,774	29,235	197,857	33,736	63,946
Common stock	97,040				
Mutual funds	333,151				
Private equity	50,749				
Hedge funds	21,845				
Real estate	69,445				
Infrastructure	32,559				
Money markets	42,565				
Bank deposits	33,447				
	<u>\$ 1,005,575</u>				

	Fair value	Ratings					
		AAA	AA	A	BBB	<BBB	Not rated
U.S. government securities	\$ 111,925	111,925	—	—	—	—	—
U.S. government agency securities	18,559	17,760	—	—	—	—	799
Corporate bonds	151,732	3,163	10,941	75,989	42,418	2,218	17,003
Mortgage-backed securities	42,558	11,750	—	—	—	98	30,710
	<u>\$ 324,774</u>	<u>144,598</u>	<u>10,941</u>	<u>75,989</u>	<u>42,418</u>	<u>2,316</u>	<u>48,512</u>

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

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

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

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

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

	<u>2021</u>	<u>2020</u>
	(In thousands of dollars)	
Cash and cash equivalents	\$ 60,813	\$ 147,883
Cash and investments externally restricted by donors	13,220	11,812
Short-term investments	567,945	469,375
Amounts designated for self-insurance (including current portion of \$9,296)	39,777	39,502
Investments	<u>323,820</u>	<u>218,562</u>
Total	<u>\$ 1,005,575</u>	<u>\$ 887,134</u>

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Notes to the Financial Statements

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Investment Risk Factors

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

a) Credit Risk

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

b) Concentration of Credit Risk

Investments in any one issuer that represent 5% or more of the District's investment portfolio are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. As of June 30, 2021, the District did not have any investments that equaled or exceeded this threshold. The investment policy includes an overall asset deployment policy which sets allowable ranges per asset class. During fiscal year 2018 the Board approved a new asset allocation plan. The asset allocation continues to be monitored and managed. The approved asset allocation includes an overall asset deployment target which sets allowable ranges per asset class. Liquid asset allocation may include up to: Large Cap Equity (9% – 19%), Small/Mid Cap Equities (0% – 11%), International Equities (7% – 17%), Emerging Market Equities (0% – 8%), Core Fixed Income (15% – 25%), Unconstrained Fixed Income including High Yielding (5% – 15%), Real Estate (7% – 17%), Hedge Funds (0%–5%), Private Equity (5% – 10%), Multi Asset Class Solution (MACS) (2% – 12%), and Infrastructure (0% – 10%).

c) Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Refer to the distribution of the District's investment in fixed-income securities by maturity as of June 30, 2021 and 2020, in the preceding investment composition table.

d) Foreign Currency Risk

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

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

e) *Custodial Credit Risk*

Investments

As of June 30, 2021 and 2020, the District's investments were not exposed to custodial credit risk since the full amount of investments were insured or registered in the District's name.

Deposit Risk

In addition to insurance provided by the Federal Depository Insurance Corporation, all demand deposits are held in banking institutions approved by the State of Florida state treasurer to hold public funds. Under the Florida Statutes Chapter 280, *Florida Security for Public Deposits Act* (Chapter 280), the state treasurer requires all qualified public depositories to deposit with the treasurer or another banking institution eligible collateral equal to amounts ranging from 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses in excess of amounts insured and collateralized. At June 30, 2021 and 2020, the District's deposits were entirely covered by federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, *Florida Statutes*.

(4) **Fair Value Measurements**

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

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

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in an active market with daily pricing that a government can access at the measurement date. At June 30, 2021 and 2020, the type of investments included in Level 1 consists of money market accounts, bank deposits, and debt and equity securities.

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

Level 3 – Inputs are unobservable for an asset or liability. Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include the use of discounted cash flow models or similar techniques. At June 30, 2021 and 2020, Level 3 securities include private equity funds in limited partnerships and investments in real estate and infrastructure.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

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

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

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

Private Equity Funds: This type of investment includes investment in private equity limited partnerships that invest in a diversified portfolio of private companies. The District participates in these partnerships as a limited partner. These investments can never be redeemed with the funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets of the fund. If these investments were held, it is expected that the majority of the underlying assets of the funds would be liquidated over five to eight years. However, as of June 30, 2021, it is probable that all of the investments in this type will be sold at an amount different from the net asset value (NAV) per share (or its equivalent) of the District's ownership interest in the partners' capital. Therefore, the fair values of the investment in this type have been determined by the general partners using the recent observable transaction information for similar investments, valuation multiples of revenues and/or EBITDA, and nonbinding bids received from potential buyers of investments.

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

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

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Notes to the Financial Statements

June 30, 2021 and 2020

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

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

The following table presents financial instruments that are measured at fair value on a recurring basis as of June 30, 2021:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments by fair value level:				
Money Markets	\$ 42,565	42,565	—	—
Bank Deposits	33,447	33,447	—	—
Debt Securities				
U.S. government securities	111,925	111,925	—	—
U.S. government agency securities	18,559	18,559	—	—
Corporate bonds	151,732	151,732	—	—
Mortgage-backed securities	42,558	42,558	—	—
Total Debt Securities	<u>324,774</u>	<u>324,774</u>	<u>—</u>	<u>—</u>
Equity Securities				
Common stock	97,040	97,040	—	—
Mutual funds	333,151	333,151	—	—
Total Equity Securities	<u>430,191</u>	<u>430,191</u>	<u>—</u>	<u>—</u>
Private Equity	50,749	—	—	50,749
Real Estate	69,445	—	—	69,445
Infrastructure	32,559	—	—	32,559
Total investments by fair value level	983,730	<u>830,977</u>	<u>—</u>	<u>152,753</u>
Investments measured at net asset value (NAV):				
Hedge Funds	<u>21,845</u>			
Total investments measured at fair value	<u>\$ 1,005,575</u>			

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Notes to the Financial Statements

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

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

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

The hedge funds that the District invests in include various limits on the redemption frequency of those investments, as well as redemption notice periods. The limits on redemption frequency generally range from being non-redeemable to a redemption frequency that is daily, monthly, quarterly, semi-annually, or annually. The redemption notice periods generally range from daily to notice periods of 5, 15, 30, 60, 75, or 90 days. The private equity, real estate, and infrastructure funds that the District invests include unfunded commitments as of June 30, 2021, totaling approximately \$35.5 million, \$17.9 million, and \$11.6 million, respectively.

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Notes to the Financial Statements

June 30, 2021 and 2020

(5) Capital Assets

A summary of changes in capital assets during fiscal years 2021 and 2020 is as follows:

	<u>Balance at June 30, 2020</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Balance at June 30, 2021</u>
Capital assets not being depreciated:				
Land	\$ 60,904	—	—	60,904
Construction-in-progress	28,234	52,023	(63,011)	17,246
Total capital assets not being depreciated	<u>89,138</u>	<u>52,023</u>	<u>(63,011)</u>	<u>78,150</u>
Capital assets being depreciated:				
Buildings and improvements	824,787	23,994	—	848,781
Land improvements	8,693	100	—	8,793
Equipment	576,580	38,971	(57,780)	557,771
Equipment under capital lease	9,955	1,461	—	11,416
Total capital assets being depreciated	<u>1,420,015</u>	<u>64,526</u>	<u>(57,780)</u>	<u>1,426,761</u>
Accumulated depreciation:				
Buildings and improvements	464,002	23,120	—	487,122
Land improvements	7,285	211	—	7,496
Equipment	465,901	29,333	(57,405)	437,829
Equipment under capital lease	4,640	2,109	—	6,749
Total accumulated depreciation	<u>941,828</u>	<u>54,773</u>	<u>(57,405)</u>	<u>939,196</u>
Total	<u>\$ 567,325</u>	<u>61,776</u>	<u>(63,386)</u>	<u>565,715</u>

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Notes to the Financial Statements

June 30, 2021 and 2020

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

The estimated cost-to-complete construction-in-progress at June 30, 2021 and 2020, totaled approximately \$50.4 million and \$68 million, respectively.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

(6) Long-Term Obligations

Changes in long-term liabilities for the years ended June 30, 2021 and 2020, were as follows:

	<u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2021</u>	<u>Amount due in one year</u>
Revenue bonds	\$ 308,200	—	(5,280)	302,920	5,540
Bond premium	27,672	—	(1,370)	26,302	—
Lease obligations	5,284	7,311	(3,842)	8,753	3,595
Self-insurance program	28,202	11,717	(7,445)	32,474	9,296
	<u>\$ 369,358</u>	<u>19,028</u>	<u>(17,937)</u>	<u>370,449</u>	<u>18,431</u>

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

(7) Revenue Bonds

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

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

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

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

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

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

The refunding of the bonds resulted in a loss of defeasance of approximately \$29.3 million. At June 30, 2021 and 2020, the unamortized deferred balance is approximately \$19.6 and \$22.4 million, respectively, and is reported as deferred outflows of resources.

The Series 2017B Bonds are fixed rate bonds and are callable on or after January 1, 2028. Interest commenced on July 1, 2018 and will be due on each January 1 and July 1 thereafter. Interest on the Series 2017B Bonds is computed on a basis of a 360-day year comprised of twelve 30-day months.

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

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

	<u>Principal on Serial Bonds due January 1, 2038</u>	<u>Principal on Term Bonds due January 1, 2042</u>	<u>Principal on Term Bonds due January 1, 2048</u>	<u>Total debt service Principal</u>	<u>Total debt service Interest</u>
	(In thousands of dollars)				
Years ending June 30:					
2022	\$ 5,540	—	—	5,540	15,146
2023	5,815	—	—	5,815	14,869
2024	6,115	—	—	6,115	14,578
2025	6,415	—	—	6,415	14,273
2026	6,730	—	—	6,730	13,952
2027-2031	39,065	—	—	39,065	64,359
2032-2036	49,880	—	—	49,880	53,565
2037-2041	23,620	40,030	—	63,650	39,785
2042-2046	—	14,705	66,545	81,250	22,199
2047-2048	—	—	38,460	38,460	2,908
	<u>\$ 143,180</u>	<u>54,735</u>	<u>105,005</u>	<u>302,920</u>	<u>255,634</u>

(8) Line of Credit

On July 1, 2021, the District renewed its Line of Credit for short-term borrowings with a bank under which up to \$50,000,000 may be borrowed on such terms as outlined by the Revolving Line of Credit Agreement (“Agreement”). The District has pledged collateral on the same terms as the Master Trust Indenture and issued the North Broward Hospital District Obligated Group – Series 2020A Related Debt Obligation pursuant to the Third Supplemental Master Trust Indenture dated July 1, 2021. The term of the agreement expires June 30, 2022. Interest on the used line of credit is LIBOR plus 125 basis points. The District did not draw on the line of credit during fiscal year 2021 or 2020.

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(9) Lease Obligations

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

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

	<u>Principal</u>	<u>Interest</u>
	(In thousands of dollars)	
Years ending June 30:		
2022	\$ 3,595	200
2023	3,740	110
2024	871	22
2025	384	9
2026	163	1
Total due	<u>8,753</u>	<u>342</u>
Amount due within one year	<u>(3,595)</u>	
Amount due, excluding due within one year	<u>\$ 5,158</u>	

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(10) Defined-Benefit Pension Plan

a) Plan Description

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

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

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

Number of employees covered:	<u>2021</u>	<u>2020</u>
Active employees	6,446	6,381
Inactive employees currently receiving benefits	1,800	1,733
Inactive employees entitled to but not yet receiving benefits	<u>1,419</u>	<u>1,397</u>
Total membership	<u><u>9,665</u></u>	<u><u>9,511</u></u>

b) Contributions

The annual contribution for each year was determined by management and the Board. While the District's independent actuary annually determines a range for the annual contributions, the District is not required to contribute an amount equal to the total funding contribution. The Plan's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. All contributions to the Plan are made by the employer and are intended to fund both the actuarially determined costs, as well as the Plan's operating costs. The District's practice is to make sufficient annual contributions in accordance with the actuarial funding requirements of the Florida Statutes. The contributions to the Plan for fiscal years 2021 and 2020 totaled \$10.7 million and \$16.0 million, respectively. The contributions represent approximately 2.75% and 4.41% of current

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covered payroll for fiscal years 2021 and 2020, respectively. Maximum actuarial contributions are based upon the funding levels that would be required of an ERISA plan.

c) Net Pension Liability (Asset)

The District’s net pension liability (asset) was measured as of June 30, 2021, based upon rolling forward the results of the actuarial valuation as of July 1, 2020. The District’s net pension liability (asset) was measured as of June 30, 2020, based upon rolling forward the results of the actuarial valuation as of July 1, 2019.

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

	<u>2021</u>	<u>2020</u>
Inflation	2.20%	2.20%
Investment rate of return	6.25%	6.25%
Projected salary increases	4.50%	4.50%
Cost-of-living adjustment	None	None

For active members, inactive members, and retirees, the Pub-2010 with generational projection per MP-2020 tables are used for 2021. For 2020 the RP-2000 Combined Healthy Mortality with generational projection per Scale BB tables are used.

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

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

The following is the Plan’s adopted asset allocation policy and long-term expected rate of return as of June 30, 2021:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Long-Term Expected Geometric Real Rate of Return
US Core Fixed Income	14.00%	1.36%	1.28%
US High Yield Bonds	4.00%	4.07%	3.57%
Global Bonds	4.00%	0.06%	0.35%
US Large Caps	20.00%	4.55%	3.33%
US Small & Mid Caps	10.00%	5.84%	3.96%
Non-US Equity	15.00%	6.50%	4.84%
Emerging Markets Equity	4.00%	8.40%	5.53%
Private Real Estate Property	10.00%	3.85%	3.13%
Private Equity	7.50%	9.55%	5.68%
Infrastructure	5.50%	5.30%	4.21%
Hedge FOF Diversified	3.00%	1.92%	1.66%
Hedge Funds-Multi Strategy	3.00%	3.32%	2.94%
Assumed Inflation - Mean		2.30%	2.30%
Assumed Inflation - Standard Deviation		1.16%	1.16%
Portfolio Real Mean Return		5.06%	4.19%
Portfolio Nominal Mean Return		7.36%	6.58%
Portfolio Standard Deviation			12.49%
Long-Term Expected Rate of Return			6.25%

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

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

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

Discount Rate – The discount rate used to measure the total pension liability was 6.25% for fiscal years 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that the District's contributions will be made at rates equal to the actuarially determined contribution rates. Based upon those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on plan assets was applied to all periods of projected benefit payments to determine the total pension liability. The following section discusses the sensitivity of the net pension liability to changes in the discount rate.

NORTH BROWARD HOSPITAL DISTRICT

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June 30, 2021 and 2020

d) Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
	<u>(In thousands of dollars)</u>		
Balance as of June 30, 2020	\$ 339,754	372,156	(32,402)
Changes for the year:			
Service cost	13,588	—	13,588
Interest on total pension liability	21,136	—	21,136
Effect of economic/demographic gains or losses	1,891	—	1,891
Effect of assumptions changes or inputs	(5,405)	—	(5,405)
Benefit payments	(30,808)	(30,808)	—
Employer contributions	—	10,725	(10,725)
Net investment income	—	93,993	(93,993)
Administrative expenses	—	(2,034)	2,034
Balance as of June 30, 2021	\$ <u>340,156</u>	<u>444,032</u>	<u>(103,876)</u>

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

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Sensitivity Analysis – The following presents the net pension liability (asset) of the District as of June 30, 2021, calculated using the discount rate of 6.25%, as well as what the District’s net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.25%) or 1 percentage point higher (7.25%) than the current rate.

	1% Decrease 5.25%	Current Discount Rate 6.25%	1% Increase 7.25%
	(In thousands of dollars)		
Net pension liability (asset)	\$ (83,034)	(103,876)	(122,502)

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

The following tables present the composition and credit ratings of the defined-benefit pension plan’s cash and cash equivalents and investments as of June 30, 2021:

	Fair Value	Investment Maturities			
		Less than 1 year	1–5 years	6–10 years	More than 10 years
U.S. government securities	\$ 15,867	—	3,813	6,888	5,166
Corporate bonds	18,812	749	7,909	3,850	6,304
Mortgage-backed securities	15,791	—	916	1,323	13,552
	50,470	749	12,638	12,061	25,022
Common stock	78,748				
Mutual funds	191,953				
Private equity	30,027				
Hedge funds	11,073				
Real estate	51,872				
Infrastructure	24,337				
Money markets	5,552				
	\$ 444,032				

	Fair Value	Ratings					
		AAA	AA	A	BBB	<BBB	Not rated
U.S. government securities	\$ 15,867	15,867	—	—	—	—	—
Corporate bonds	18,812	—	744	3,615	12,655	903	895
Mortgage-backed securities	15,791	4,729	—	—	—	92	10,970
	\$ 50,470	20,596	744	3,615	12,655	995	11,865

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June 30, 2021 and 2020

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

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

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

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The following table presents information about the fair value measurements of the Plan's fiduciary net position as of June 30, 2021.

	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Quoted Prices in Active Markets For Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Plan investments by fair value level:				
Money Markets	\$ 5,552	5,552	—	—
Debt Securities				
U.S. government securities	15,867	15,867	—	—
Corporate bonds	18,812	18,812	—	—
Mortgage-backed securities	15,791	15,791	—	—
Total debt securities	<u>50,470</u>	<u>50,470</u>	<u>—</u>	<u>—</u>
Equity Securities				
Common stock	78,748	78,748	—	—
Mutual funds	191,953	191,953	—	—
Total Equity Securities	<u>270,701</u>	<u>270,701</u>	<u>—</u>	<u>—</u>
Private Equity	30,027	—	—	30,027
Real Estate	51,872	—	—	51,872
Infrastructure	24,337	—	—	24,337
Total Plan investments by fair value level	<u>432,959</u>	<u>326,723</u>	<u>—</u>	<u>106,236</u>
Plan investments measured at net asset value (NAV):				
Hedge Funds	<u>11,073</u>			
Total investments measured at fair value	<u>\$ 444,032</u>			

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June 30, 2021 and 2020

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

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

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

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

The hedge funds that the Plan invests in include various limits on the redemption frequency of those investments, as well as redemption notice periods. The limits on redemption frequency generally range from being non-redeemable to a redemption frequency that is daily, monthly, quarterly, semi-annually, or annually. The redemption notice periods generally range from daily to notice periods of 5, 15, 30, 60, 75, or 90 days. The private equity, real estate, and infrastructure funds that the Plan invests include unfunded commitments as of June 30, 2021, totaling approximately \$30.5 million, \$12 million, and \$8.7 million, respectively.

e) Pension Expense

The pension expense (credit) for the years ended June 30, 2021 and 2020, is \$(10.2) million and \$8.4 million, respectively.

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f) Deferred Inflows/Outflows of Resources

A summary of deferred outflows and deferred inflows of resources as of June 30, 2021, is as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	(In thousands of dollars)	
Differences between expected and actual experience	\$ 1,471	\$ (5,346)
Changes of assumptions	493	(16,332)
Net difference between projected and actual earnings	—	(54,739)
 Total	\$ 1,964	\$ (76,417)

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

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

The net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of June 30, 2021, will be recognized as a reduction in pension expense during the next four years as follows:

Year ending June 30:	
2022	\$ (23,744)
2023	(19,908)
2024	(16,128)
2025	(14,673)
	\$ (74,453)

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(11) Defined-Contribution Plan

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

The District's total payroll for fiscal years 2021 and 2020 was \$565.9 million and \$528.8 million, respectively. The total covered payroll for eligible employees during the same periods is not determinable. For fiscal year June 30, 2021, the District's contribution was \$6.9 million, representing 1.2% of total payroll. The employees' contributions for fiscal year June 30, 2021, were \$26.2 million, representing 4.6% of total payroll. For fiscal year June 30, 2020, the District's contribution was \$6.7 million, representing 1.3% of total payroll. The employees' contributions for fiscal year June 30, 2020, were \$25.5 million, representing 4.8% of total payroll.

(12) Florida Retirement System

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

The following amounts have been recorded in the District's financial statements as of and for the year ended June 30, 2021 and 2020, representing its proportionate share of the net pension liability and the related pension expense and deferred outflows/inflows of resources of the FRS Plan:

	<u>2021</u>		<u>2020</u>
	(In thousands of dollars)		(In thousands of dollars)
Net pension liability	\$ 645	\$	749
Deferred outflows of resources	237		298
Deferred inflows of resources	(784)		(867)
Pension expense (credit)	(78)		(6)

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

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(13) Other Postemployment Benefits (OPEB)

In addition to providing pension benefits, the District provides certain healthcare and life insurance benefits for approximately 1,347 and 1,279 eligible retired employees in fiscal year 2021 and 2020, respectively, which include those at the healthcare facilities. Many of the District's employees may become eligible for those benefits if they reach retirement age while working for the District.

a) Plan Description

The District maintains a single-employer defined-benefit healthcare plan, providing OPEB for all full-time employees of the District. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75; this is a pay-as-you-go plan. Benefit payments are recognized when due and payable in accordance with the benefit terms. The District does not issue separate financial statements for their healthcare plan. The authority to establish and amend benefit provisions of the District's plan is held by the CEO of the District.

b) Benefits Provided

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

Eligible retirees are those grandfathered employees who attained age 55 with 5 years of service or attained Rule of 80 (age and service equal 80) as of June 30, 2012. Of the grandfathered employees, those who qualified for the Rule of 80 will contribute active employee rates for medical, dental and vision coverage if they or their spouses are not Medicare eligible (age 65). Those retirees and dependent spouses that meet the Rule of 80 and are Medicare eligible receive a subsidy of \$2,850 for retiree and \$2,150 for spouse to enroll in the Retiree Health Exchange. If they remain on the Broward Health Group Plan, they will pay the full premium rate. Those who did not meet the Rule of 80 will contribute the full premium rate for medical, dental, and vision coverage for themselves and for dependent spouses. The plan also provides eligible retirees with life insurance coverage based on age and pay prior to retirement. Retirees younger than age 65 receive coverage of 100% of annual pre-retirement pay (up to a maximum of \$50,000). Retirees age 65 and older receive coverage of 25% of annual pre-retirement pay (up to a maximum of \$10,000). Retirees younger than age 65 are required to contribute a portion of the premium for life insurance coverage at \$.05 per month per \$1,000 of coverage. All premiums are paid for retirees age 65 and older.

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

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

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

Number of employees covered:	2021	2020
Inactive employees receiving benefits through Broward Health Group Plan	488	1,083
Inactive employees receiving benefits through Retiree Health Exchange	650	—
Inactive employees entitled to but not yet receiving benefit payments	—	—
Active employees	<u>7,131</u>	<u>6,582</u>
Total membership	<u>8,269</u>	<u>7,665</u>

d) Contribution Requirements

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

The table below shows the monthly rates for the retiree of the optional plans for medical and dental for the 2021 calendar year.

Aetna Best Choice Medical	Rule of 80	Not Rule of 80
Retiree younger than age 65	\$ 125.15	\$ 549.90
Retiree older than age 65	498.74	498.74
Retiree and Spouse younger than 65	302.97	1,142.81
Retiree and Spouse older than 65	1,047.35	1,047.35
Retiree and Spouse (mixed)	1,047.35	1,047.35
Retiree and children (pre 65)	209.00	841.30
Retiree and children (post 65)	748.11	748.11
Retiree and Family (both pre 65)	436.80	1,555.86
Retiree and Family (both post 65)	1,546.09	1,546.09
Retiree and Family (mixed)	1,546.09	1,546.09
Aetna Select EPO Medical		
Retiree younger than age 65	\$ 172.12	\$ 590.83
Retiree older than age 65	487.26	487.26
Retiree and Spouse younger than 65	402.62	1,227.91
Retiree and Spouse older than 65	1,023.25	1,023.25
Retiree and Spouse (mixed)	1,023.25	1,023.25
Retiree and children (pre 65)	281.74	903.93
Retiree and children (post 65)	730.89	730.89
Retiree and Family (both pre 65)	573.71	1,671.73
Retiree and Family (both post 65)	1,510.51	1,510.51

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

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	Rule of 80 (Pre-65)	All other Retirees
Reliance Dental		
Retiree	\$ 11.38	\$ 22.75
Retiree and Spouse	23.65	47.30
Retiree and Children	22.13	44.26
Family	37.56	75.11
Aetna Dental		
Retiree	\$ 8.19	\$ 16.37
Retiree and Spouse	15.55	31.10
Retiree and Children	14.72	29.44
Family	18.12	36.24
Aetna Vision		
Retiree	\$ 2.09	\$ 4.18
Retiree and Spouse	4.11	8.22
Retiree and Children	3.75	7.50
Family	5.77	11.54

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

	Rule of 80	Not Rule of 80
Aetna Best Choice Medical		
Retiree younger than age 65	\$ 119.15	\$ 523.54
Retiree older than age 65	88.56	501.07
Retiree and Spouse younger than 65	288.45	1,088.03
Retiree and Spouse older than 65	219.24	1,041.34
Retiree and Spouse (mixed)	258.16	1,065.56
Aetna Select EPO Medical		
Retiree younger than age 65	\$ 156.47	\$ 537.12
Retiree older than age 65	117.60	517.07
Retiree and Spouse younger than 65	366.02	1,116.28
Retiree and Spouse older than 65	278.96	1,068.35
Retiree and Spouse (mixed)	327.15	1,093.23
Aetna Choice POS Medical		
Retiree younger than age 65	\$ 17.53	\$ 442.71
Retiree older than age 65	10.62	423.72
Retiree and Spouse younger than 65	77.27	920.07
Retiree and Spouse older than 65	56.62	880.57
Retiree and Spouse (mixed)	70.36	901.08
Reliance Dental		
Retiree	\$ 10.34	\$ 22.68
Retiree and spouse	21.49	43.00
Aetna Dental		
Retiree	\$ 7.61	\$ 15.22
Retiree and spouse	14.45	28.92

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Rule of 80 retirees under age 65 pay the same rates as active employees. Other retirees pay the premium equivalent funding rate. For fiscal years June 30, 2021 and 2020, the District contributed \$5.5 million and \$6.4 million, respectively, to the healthcare plan, which is net of the retiree contributions.

e) Actuarial Methods and Assumptions

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

In the actuarial valuations, the entry age normal actuarial cost method was used. Benefit liabilities were reported as of June 30, 2021 and 2020, and were valued based on a measurement date as of June 30, 2021 and 2020. The actuarial valuation included participant census data as of January 1, 2021 and June 30, 2019, and were valued to those dates, respectively. The actuarial assumptions included a 2.16% and a 2.21% discount rate for 2021 and 2020, respectively. The selected discount rate for 2021 and 2020, reflects a snapshot as of the Measurement Date of the 20-year Governmental Obligation Index published by Bond Buyer.

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

	<u>2021</u>	<u>2020</u>
Salary increases including inflation	4.50%	4.50%
Mortality trend rates	RP 2000 Mortality – separate tables for Healthy Employees and Annuitants- generational projection per Scale BB	RP 2000 Mortality – separate tables for Healthy Employees and Annuitants- generational projection per Scale BB
Inflation	2.30%	2.30%
Healthcare cost trend rates	The trend rates of incurred claims represent the rate of increase in employer claims payments	The trend rates of incurred claims represent the rate of increase in employer claims payments

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

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Notes to the Financial Statements

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For June 30, 2021, the trend was calculated assuming an implied inflation rate of 2.3% per year, and actual premiums. The short-term trend rate for Pre-65 retirees starts off at 6.1%, and at 5.5% for post-65 retirees and reflects the repeal of the ACA Excise Tax effective 2022.

For June 30, 2020, the trend was calculated assuming an implied inflation rate of 2.3% per year, and actual premiums. The short-term trend rate for Pre-65 retirees starts off at 4.1%, and at 4.4% for post-65 retirees and reflects the repeal of the ACA Excise Tax effective 2022.

	<u>2021</u>	<u>2020</u>
Medical annual rates of increase:		
Initial trend rate pre-65	6.10%	4.10%
Initial trend rate post-65	5.50%	4.40%
Ultimate trend rate pre-65	3.70%	4.00%
Ultimate trend rate post-65	3.70%	4.00%
Year that the rate reaches the ultimate trend rate pre-65	2074	2097
Year that the rate reaches the ultimate trend rate post-65	2074	2091
Dental annual rates of increase:		
Initial trend rate	4.00%	4.81%
Ultimate trend rate	3.70%	3.76%
Year that the rate reaches the ultimate trend rate	2074	2075

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NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

f) Discount Rate

A single discount rate of 2.16% and 2.21% was used to measure the total OPEB liability for June 30, 2021 and 2020, respectively. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate.

g) OPEB Liability

At June 30, 2021 and 2020, the District reported a total OPEB liability of \$68.4 million and \$188.3 million, respectively. The total OPEB liability as of June 30, 2021, was determined by an actuarial valuation as of the valuation date of January 1, 2021 which was then projected forward to the measurement date of June 30, 2021, calculated based on the discount rate of 2.16%, and various key actuarial assumptions. The total OPEB liability as of June 30, 2020, was determined by an actuarial valuation as of the valuation date of June 30, 2019, which was then projected forward to the measurement date of June 30, 2020, calculated based on the discount rate of 2.21%, and various key actuarial assumptions. There were no significant changes between the valuation date and the fiscal year end.

h) Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
	<u> </u>
	(In thousands of dollars)
Balance as of June 30, 2020	\$ 188,288
Changes for the year:	
Service cost	2,603
Interest on total OPEB liability	4,158
Effect of plan changes	(110,357)
Effect of economic/demographic gains or losses	(12,207)
Effect of assumptions changes or inputs	1,438
Benefit payments	<u>(5,529)</u>
Balance as of June 30, 2021	\$ <u><u>68,394</u></u>

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

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

i) Plan Changes and Changes in Assumptions

In 2021 the plan changes were as follows: Rule of 80 retirees were given the choice if they were Medicare eligible (age 65) to enroll in the Aon Retiree Health Exchange (ARHE) Medical or Prescription Plan and receive an annual subsidy of \$2,850 for the retiree and \$2,150 for the spouse. If either of the retiree or spouse are under age 65, he/she will remain on the Broward Health plan and continue to pay the employee rate. If they are age 65 and older and chose to remain on the Broward Health plan, they will pay the total premium costs. If one is under age 65 and the other is 65 or older, then it's considered a split plan. If the age 65 retiree decides to enroll in the ARHE he/she will receive the appropriate subsidy. If they both remain on the BH plan, they will pay the total premium costs with no subsidy. There were no plan changes during 2020.

j) Sensitivity Analysis

The following presents the total OPEB liability of the District as of June 30, 2021, calculated using the discount rate of 2.16%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1 percent point lower (1.16%) or 1 percent higher (3.16%) than the current rate.

		1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
		<u>(In thousands of dollars)</u>		
Total OPEB liability	\$	77,742	68,394	60,743

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

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The following presents the total OPEB liability of the District as of June 30, 2021, calculated using the current healthcare cost trend rates, as well as, what the District's total OPEB liability would be if it were calculated using trend rates that are 1 percent point lower or 1 percent point higher than the current trend rates. The current trend rates for 2021 were 6.1% for costs prior to age 65 and 5.5% for costs after age 65.

	<u>1% Decrease</u>	Healthcare Current Cost Trend Rates	<u>1% Increase</u>
	(In thousands of dollars)		
Total OPEB liability	\$ 66,066	68,394	\$ 71,195

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

For the year ended June 30, 2021, the District recognized expense of \$(102.28) million. For the year ended June 30, 2020, the District recognized expense of \$10.86 million.

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following resources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
	(In thousands of dollars)	
Differences between expected and actual experience	\$ —	\$ (11,785)
Changes of assumptions	<u>21,861</u>	<u>(2,997)</u>
Total	<u>\$ 21,861</u>	<u>\$ (14,782)</u>

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

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

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Notes to the Financial Statements

June 30, 2021 and 2020

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of June 30, 2021, will be recognized in OPEB expense as follows:

Year ending June 30:	(In thousands of dollars)
2022	\$ 1,316
2023	1,316
2024	1,316
2025	1,715
2026	2,164
Thereafter	<u>(748)</u>
	<u>\$ 7,079</u>

(14) Charity Care

The District provides charity care to patients that meet the eligibility criteria under the Districts Financial Assistance Program (FAP) Policy. Eligibility into the FAP includes the following: income requirements and final approval. The District charges eligible charity patients for services and supplies rendered. The total gross charges of charity care provided during fiscal year 2021 and 2020 was \$80.7 million and \$95.7 million, respectively. Total gross charges of charity care provided reflects inpatient services of \$29.6 million and outpatient services of \$51.1 million for fiscal year 2021. For fiscal year 2020 total gross charges of charity care provided reflects inpatient services of \$41.5 million and outpatient services of \$54.2 million. The estimated cost of charity care was \$19.8 million for fiscal year 2021, comprised of \$6 million for inpatient services and \$13.8 million for outpatient services. The estimated cost of charity care for fiscal year 2020 was \$23.8 million, comprised of \$8.1 million for inpatient services and \$15.7 million for outpatient services. The estimated costs were derived using a cost accounting system, which included indirect and direct costs.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

(15) Net Patient Service Revenue

Net patient service revenue for fiscal years 2021 and 2020 consisted of the following:

	<u>2021</u>		<u>2020</u>
	(In thousands of dollars)		
Gross patient service revenue:			
Medicare	\$ 1,803,517	\$	1,648,324
Medicaid	991,227		862,791
HMO/PPO	1,335,549		1,150,687
Indigent Write-Off	80,675		95,726
Other	<u>689,280</u>		<u>662,620</u>
	<u>4,900,248</u>		<u>4,420,148</u>
Allowances:			
Medicare	1,420,120		1,275,681
Medicaid	883,083		746,450
HMO/PPO	930,965		797,401
Indigent Write-Off	80,675		95,726
Other	<u>405,164</u>		<u>90,701</u>
Total allowances	3,720,007		3,005,959
Provision for uncollectible amounts	<u>220,277</u>		<u>485,023</u>
Total deductions from patient service revenue	<u>3,940,284</u>		<u>3,490,982</u>
Net patient service revenue	\$ <u>959,964</u>	\$	\$ <u>929,166</u>

In fiscal year 2021, the District started providing certain discounts at the time of service for some of the Self-Pay patients. This change resulted in an increase in Self-Pay allowances of \$196.2 million included in Other allowances. The change also resulted in a reduction in the Provision for Uncollectible Accounts when compared to fiscal year 2020.

(16) Ad Valorem Tax Revenue

The Board of the District is empowered and directed to annually levy upon all real and personal taxable property within the boundaries of the District a sufficient tax, not to exceed 2.5 mills, to accomplish the purposes of the District, as determined by the Board. For fiscal years 2021 and 2020, the levies were 1.1469 mills and 1.0324 mills, respectively. The total assessed value for which fiscal years 2021 and 2020 levies were based was approximately \$146.9 billion and \$139.4 billion, respectively, with total taxes, net of associated fees, levied at the District level aggregating \$153.0 million and \$129.4 million for fiscal years 2021 and 2020, respectively. The Broward County Property Appraiser assesses and the Broward County Tax Collector collects all ad valorem taxes within Broward County.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied and are due and payable on November 1 of each year or as soon thereafter as the assessment roll is certified and delivered to the revenue collector. The District has a legal claim to the property taxes at the assessment date,

NORTH BROWARD HOSPITAL DISTRICT

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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.

(17) Concentrations of Credit Risk

The District grants credit without collateral to its patients, most of whom are local residents and are covered under third-party payor agreements. The mix of receivables, net of contractual allowance reserves and provision for uncollectible accounts from patients and third-party payors at June 30, 2021 and 2020, is detailed below. The District establishes reserves against these receivables based upon estimated collectability and credit risk. Self-pay receivables are, by nature, high risk, and estimated collectability is low.

	<u>2021</u>	<u>2020</u>
Medicare	28.6%	31.6%
Managed care	44.1	38.9
Medicaid	9.8	12.9
Commercial insurance	11.4	10.0
Self-pay and all other	6.1	6.6
	<u>100.0%</u>	<u>100.0%</u>

(18) Risk Management

The District's exposures are subject to Florida's sovereign immunity laws, limiting the exposure to \$200,000 indemnity per person and \$300,000 per occurrence. Lawsuit claims exceeding the sovereign immunity limits must be passed via a claims bill through the Florida Legislature and signed by the governor.

Public Liability, Medical Malpractice, and Workers' Compensation

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

The District provides for losses in the self-insurance program based on limits set by sovereign immunity, except for the waiver of such immunity, relating to medical professional and general liability. Effective October 1, 2011, the limits increased from \$0.1 million to \$0.2 million per claimant and from \$0.2 million to \$0.3 million per incident. In November 1995, the District purchased a commercial umbrella insurance

NORTH BROWARD HOSPITAL DISTRICT

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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 \$2.2 million (self-insured retention) up to a maximum annual aggregate limit of \$25.0 million by the insurer.

The District established a current and noncurrent liability in the total amount of \$32.5 million and \$28.2 million at June 30, 2021 and 2020, respectively, to cover losses resulting from asserted and unasserted claims. The liability includes estimates of the ultimate costs of both reported claims and claims incurred but not reported. Management believes these reserves are adequate to cover losses from such claims after considering the limits provided by Florida Statutes as set forth above. The current year claims expense is included within insurance expenses in the respective statements of revenues, expenses, and changes in net position.

Changes in the District's self-insurance program claims liability during fiscal years 2021 and 2020 were as follows:

	2021	2020
	(In thousands of dollars)	(In thousands of dollars)
Liability at beginning of year	\$ 28,202	\$ 31,320
Current year claims expense	11,754	2,353
Current year claims payments	(7,482)	(5,471)
Liability at end of year	\$ 32,474	\$ 28,202

Medical Health Benefits

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

The estimated reserve for the District's health benefits as of June 30, 2021 and 2020, for non-retirees is \$8.6 million and \$8.0 million, respectively, and is included in accrued salaries, benefits, and payroll taxes in the accompanying statements of net position. The District considered the need for a margin for adverse deviation from the best estimate of reserve based on the variability of claims and has included a 10% explicit margin. The liability includes estimates of the ultimate costs of both reported claims and claims incurred but not reported. Management believes these reserves are adequate to cover such claims.

Changes in the District's health plan liability during fiscal years 2021 and 2020 were as follows:

	2021	2020
	(In thousands of dollars)	(In thousands of dollars)
Liability at beginning of year	\$ 8,014	\$ 9,430
Current year claims expense	81,018	76,051
Current year claims payments	(80,385)	(77,467)
Liability at end of year	\$ 8,647	\$ 8,014

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

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

Since dental became fully insured as of January 1, 2012, and vision became fully insured as of January 1, 2014, there is no remaining self-insured plan run-out reserve liability as of June 30, 2021 and 2020.

(19) Related Parties

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

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

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

As of June 30, 2021 and 2020, the District's investment in CCP was approximately \$22.8 million and \$20.1 million, respectively, which are included in other assets. For June 30, 2021 and 2020, the District recorded earnings of \$7.8 million and \$4.2 million, respectively. During March 2021, the District received a distribution of approximately \$5.1 million from CCP and recorded the distribution as a reduction in the District's investment in CCP for the year ended June 30, 2021.

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Summarized financial information taken from the audited financial statements of CCP as of December 31, 2020 and 2019, was as follows:

	<u>2020</u>	<u>2019</u>
	(In thousands of dollars)	
Assets		
Current assets	\$ 77,479	54,444
Capital assets, net	1,046	714
Other assets	<u>2,716</u>	<u>2,716</u>
Total assets	<u>\$ 81,241</u>	<u>57,874</u>
Liabilities and Net Position		
Current liabilities	\$ 35,304	22,722
Long-term liabilities	<u>461</u>	<u>—</u>
Total liabilities	<u>35,765</u>	<u>22,722</u>
Net position	<u>45,476</u>	<u>35,152</u>
Total liabilities and net position	<u>\$ 81,241</u>	<u>57,874</u>
2020		
2019		
(In thousands of dollars)		
Revenue	\$ 174,838	143,449
Expenses:		
Medical services expenses	130,331	117,493
General administrative expenses	<u>34,858</u>	<u>27,474</u>
Total expenses	<u>165,189</u>	<u>144,967</u>
Operating income (loss)	9,649	(1,518)
Other income	<u>675</u>	<u>966</u>
Increase (decrease) in net position	10,324	(552)
Net position:		
Beginning of year	35,152	35,704
End of year	<u>\$ 45,476</u>	<u>35,152</u>

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

(20) Public Medical Assistance Trust Fund

In 1984, the Agency for Healthcare Administration created a Public Medical Assistance Trust Fund to collect assessments from all hospitals in the state of Florida to fund enhancements to the Medicaid program. Hospitals in the state of Florida are required to deposit into the fund an amount equal to 1.5% of the hospital’s prior year net inpatient revenue and 1.0% of the hospital’s prior year net outpatient revenue. During fiscal years 2021 and 2020, approximately \$12.4 million and \$11.8 million, respectively, was recorded as an operating expense in the accompanying statements of revenues, expenses, and changes in net position.

(21) Commitments and Contingencies

a) Operating Leases

The District leases various equipment and facilities under operating lease arrangements. Total rental expense under operating leases in fiscal years 2021 and 2020 was \$12.6 million and \$11.2 million, respectively, which are included in other expenses in the accompanying statements of revenues, expenses, and changes in net position.

Future minimum lease payments under operating leases as of June 30, 2021, with initial or remaining lease terms in excess of one year, are as follows (in thousands of dollars):

Years ending June 30:		
2022	\$	6,188
2023		4,145
2024		2,470
2025		1,553
2026		1,244
Thereafter		1,987
	\$	<u>17,587</u>

b) Litigation

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

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

The District has been named as a defendant in a number of malpractice lawsuits. In the event that a claimant obtains a tort judgment in excess of the statutory cap the claimant must petition the Florida Legislature to seek an appropriation to pay the judgment. 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. Florida Statute §768.28 imposes a \$200,000 limit

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

per person and a \$300,000 limit per incident on the collectability of any tort judgment. In order for the District to incur liability in excess of the sovereign immunity cap, a claimant must first obtain a judgment in excess of sovereign immunity limits, and after exhausting all available remedies the claimant must petition the Legislature. The claims bill must be presented and sponsored by a senator or representative of the State of Florida. The claims bill is then typically referred to a Special Master, whereby the claimant has the burden to prove elements of negligence by preponderance of the evidence. If the claims bill passes both houses of the Legislature, the Governor may sign it or allow it to become law without signature. The deadline to file new claims bills for the March 1, 2022 session was August 1, 2021, and the District had no new claims bills filed for the upcoming session.

c) Other Industry Risks

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

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

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

d) Corporate Integrity Agreement

The Corporate Integrity Agreement (CIA) was entered into between the District and the Office of Inspector General (OIG) to "promote compliance with the statutes, regulations, and written directives of Medicare, Medicaid, and all other Federal health care programs." The CIA became effective on August 31, 2015 (the Effective Date), and the period of compliance assumed by the District under the CIA was five years from the Effective Date.

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

North Broward Hospital District's Report for the Fifth and Final Reporting Period Under the HHS-OIG Corporate Integrity Agreement Executed August 31, 2015 was submitted to the OIG on December 15, 2020. Broward Health has received notification from the OIG that the CIA ended August 30, 2020. Official notification was received April 21, 2021 confirming official closing with no remaining obligations.

(22) Significant Business Risk

The District receives a significant amount of reimbursement from Medicaid. The Florida State Legislature, the Centers for Medicare, and Medicaid Services (CMS), and the Florida Medicaid Agency continually evaluate the terms of the Medicaid Program. If the terms of the Medicaid program change, the District cannot determine what impact this will have on future funding. This poses a significant business risk to the organization.

(23) Coronavirus (COVID-19)

The COVID-19 pandemic's impact on the Districts operating results and financial condition will continue to be driven by many factors that are beyond the District's control and ability to forecast. These include adversely impacted global commercial activity, volatility in financial markets, government responses, disruption in global supply chains; and supply/demand challenges in the labor market. The fluidity of the situation precludes any prediction as to the ultimate material adverse impact of the novel coronavirus. Nevertheless, the novel coronavirus presents material uncertainty and risk with respect to the District, its performance, and its financial results.

As part of the response to the coronavirus pandemic, the federal government passed legislation, referred to as the Coronavirus Aid, Relief, and Economic Security (CARES) Act, on March 27, 2020 that included, among other things, financial assistance to offset some of the financial burden expected to be incurred by providers such as the District in responding to the pandemic. As a result of this legislation, the District received approximately \$78.6 million from funds established under the CARES Act in the form of a grant that, as long as certain terms and conditions are met by the District, is not required to be repaid by the District. The District has met the terms and conditions as required by the grants and has recognized \$40.9 million (\$3.8 million of which was granted through Broward County) in fiscal year 2021 and \$37.7 million in fiscal year 2020 of the relief funds in non-operating revenues to offset lost revenues and additional expenses incurred through June 30, 2021.

During 2020, the District received approximately \$78.6 million in accelerated Medicare payments from one of the Medicare Administrative Contractors (MAC). The repayment period is 29 months with no claims offset for the first 12 months, a 25% payment offset for the next 11 months and 50% offset for the final six months. Any amount not recouped by the MAC within 29 months from the receipt of the accelerated payment is to be repaid by the District within 30 days. The \$78.6 million of accelerated payments is included with estimated third-party payor settlements on the 2020 Statement of Net Position and is reported as a non-capital financing activity on the Statement of Cash Flow. As of June 30, 2021, the District has repaid approximately \$7.9 million of the \$78.6 million. Funds will continue to be repaid in FY 2022 and FY 2023.

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

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

(24) Condensed Financial Information – Component Units

The following tables represent the condensed financial information of the District's component units at June 30, 2021 (in thousands of dollars):

	Children's Diagnostic & Treatment Center	Broward Health Foundation	Total Claims Administration	Broward Health ACO	Total of Blended Component Units
Assets:					
Other current assets	5,617	15,300	1,876	13,193	35,986
Total current assets	5,617	15,300	1,876	13,193	35,986
Capital assets, net	1,229	—	—	146	1,375
Other assets	2,439	4,566	3,269	136	10,410
Total assets	9,285	19,866	5,145	13,475	47,771
Deferred outflows of resources	492	19	76	54	641
Liabilities:					
Due to other components	3,840	156	301	67	4,364
Other current liabilities	6,554	14,030	122	16,074	36,780
Total current liabilities	10,394	14,186	423	16,141	41,144
Other long-term liabilities	2,149	54	460	171	2,834
Total liabilities	12,543	14,240	883	16,312	43,978
Deferred inflows of resources	2,086	81	99	136	2,402
Net position:					
Net investment in capital assets	1,229	—	—	146	1,375
Restricted net position	140	19,777	—	—	19,917
Restricted for pension	697	22	16	42	777
Unrestricted net position	(6,918)	(14,235)	4,223	(3,107)	(20,037)
Total net position \$	<u>(4,852)</u>	<u>5,564</u>	<u>4,239</u>	<u>(2,919)</u>	<u>2,032</u>

NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

	Children's Diagnostic & Treatment Center	Broward Health Foundation	Total Claims Administration	Broward Health ACO	Total of Blended Component Units
Operating revenues	\$ 18,399	—	1	546	18,946
Operating expenses	18,112	1,003	496	1,429	21,040
Operating income (loss)	287	(1,003)	(495)	(883)	(2,094)
Nonoperating revenues (expenses)	604	(304)	504	—	804
Capital contributions	40	—	—	—	40
Increase (decrease) in net position	931	(1,307)	9	(883)	(1,250)
Net position:					
Beginning of year,	(5,783)	6,871	4,230	(2,036)	3,282
End of year	\$ (4,852)	5,564	4,239	(2,919)	2,032

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NORTH BROWARD HOSPITAL DISTRICT

Notes to the Financial Statements

June 30, 2021 and 2020

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

	Children's Diagnostic & Treatment Center	Broward Health Foundation	Total Claims Administration	Broward Health ACO	Total of Blended Component Units
Assets:					
Due from other components	\$ —	270	—	—	270
Other current assets	4,226	14,137	2,724	12,646	33,733
Total current assets	4,226	14,407	2,724	12,646	34,003
Capital assets, net	1,223	—	—	850	2,073
Other assets	784	5,652	2,500	24	8,960
Total assets	6,233	20,059	5,224	13,520	45,036
Deferred outflows of resources	639	27	75	64	805
Liabilities:					
Due to other components	657	—	295	15,005	15,957
Other current liabilities	6,408	13,020	216	220	19,864
Total current liabilities	7,065	13,020	511	15,225	35,821
Other long-term liabilities	4,811	169	466	349	5,795
Total liabilities	11,876	13,189	977	15,574	41,616
Deferred inflows of resources	779	26	92	46	943
Net position:					
Net investment in capital assets	1,223	—	—	850	2,073
Restricted net position	128	19,749	—	—	19,877
Restricted for pension	215	5	15	10	245
Unrestricted net position	(7,349)	(12,883)	4,215	(2,896)	(18,913)
Total net position	\$ (5,783)	6,871	4,230	(2,036)	3,282

NORTH BROWARD HOSPITAL DISTRICT

Notes to Financial Statements

June 30, 2021 and 2020

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

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REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

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NORTH BROWARD HOSPITAL DISTRICT

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

June 30, 2015 Through June 30, 2021

(in thousands of dollars)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability							
Service cost	\$ 13,588	12,604	14,202	11,692	11,114	10,603	9,775
Interest on total pension liability	21,136	22,525	22,571	25,251	25,255	24,568	25,875
Effect of economic/demographic gains or losses	1,891	(8,793)	(1,684)	(3,996)	(2,843)	(2,600)	—
Effect of assumption changes or inputs	(5,405)	(19,993)	(4,753)	20,211	(4,654)	965	(5,629)
Benefit payments	<u>(30,808)</u>	<u>(28,351)</u>	<u>(30,555)</u>	<u>(31,731)</u>	<u>(27,411)</u>	<u>(25,626)</u>	<u>(24,520)</u>
Net change in total pension liability	402	(22,008)	(219)	21,427	1,461	7,910	5,501
Total pension liability, beginning	<u>339,754</u>	<u>361,762</u>	<u>361,981</u>	<u>340,554</u>	<u>339,093</u>	<u>331,184</u>	<u>325,683</u>
Total pension liability, ending (a)	\$ <u><u>340,156</u></u>	\$ <u><u>339,754</u></u>	\$ <u><u>361,762</u></u>	\$ <u><u>361,981</u></u>	\$ <u><u>340,554</u></u>	\$ <u><u>339,094</u></u>	\$ <u><u>331,184</u></u>
Fiduciary Net Position							
Employer contributions	\$ 10,725	16,000	16,000	16,010	17,000	15,200	17,600
Investment income net of investment expenses	93,993	12,015	25,602	39,513	42,243	(1,210)	15,583
Benefit payments	(30,808)	(28,351)	(30,555)	(31,731)	(27,411)	(25,626)	(24,520)
Administrative expenses	<u>(2,034)</u>	<u>(2,207)</u>	<u>(1,867)</u>	<u>(2,131)</u>	<u>(2,273)</u>	<u>(2,126)</u>	<u>(2,533)</u>
Net change in plan fiduciary net position	71,876	(2,543)	9,180	21,661	29,559	(13,762)	6,130
Fiduciary net position, beginning	<u>372,156</u>	<u>374,699</u>	<u>365,519</u>	<u>343,858</u>	<u>314,299</u>	<u>328,061</u>	<u>321,931</u>
Fiduciary net position, ending (b)	\$ <u><u>444,032</u></u>	\$ <u><u>372,156</u></u>	\$ <u><u>374,699</u></u>	\$ <u><u>365,519</u></u>	\$ <u><u>343,858</u></u>	\$ <u><u>314,299</u></u>	\$ <u><u>328,061</u></u>
Net pension (asset) liability, ending = (a) - (b)	\$ <u><u>(103,876)</u></u>	\$ <u><u>(32,402)</u></u>	\$ <u><u>(12,937)</u></u>	\$ <u><u>(3,538)</u></u>	\$ <u><u>(3,304)</u></u>	\$ <u><u>24,795</u></u>	\$ <u><u>3,123</u></u>
Fiduciary net position as a % of total pension liability	130.54%	109.54%	103.58%	100.98%	100.97%	92.69%	99.06%
Covered payroll	\$ 389,554	362,948	377,071	375,867	376,441	353,296	351,806
Net pension (asset) liability as a % of covered payroll	-26.67%	-8.93%	-3.43%	-0.94%	-0.88%	7.02%	0.89%

See accompanying independent auditors' report.

NORTH BROWARD HOSPITAL DISTRICT

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

July 1, 2011 Through June 30, 2021
(in thousands of dollars)

Fiscal Year Ending June 30	Actuarially Determined Contribution*	Actual Employer Contribution**	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2021	\$ 0	\$ 10,725	\$ (10,725)	\$ 389,554	2.75%
2020	4,271	16,000	(11,729)	362,948	4.41%
2019	9,758	16,000	(6,242)	377,071	4.24%
2018	9,028	16,010	(6,982)	375,867	4.26%
2017	11,052	17,491	(6,439)	376,441	4.65%
2016	11,834	15,656	(3,822)	353,296	4.43%
2015	14,957	18,126	(3,169)	351,806	5.15%
2014	15,688	18,169	(2,481)	336,524	5.40%
2013	17,205	20,204	(2,999)	345,555	5.85%
2012	17,120	19,587	(2,467)	335,101	5.85%

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

**Interest adjusted to plan year-end.

Notes to Schedule

Assumed rate of return on investments	6.25%
Mortality basis	Pub-2010 with generational projection per MP-2020, per Florida State Statute
Amortization method	Level dollar layered
Existing amortization period	About 12 years, based on the weighted average of the remaining amortization period of existing outstanding balances
Asset valuation method	
Smoothing period	Three years
Corridor	90% to 110% of Market
Assumed inflation rate	2.20%
Salary increases	4.50%
Cost of living adjustments	None
Actuarial cost method	Entry age normal with Frozen Initial Liability Modification

See accompanying independent auditors' report.

NORTH BROWARD HOSPITAL DISTRICT

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

Fiscal Years Ending June 30, 2012 Through June 30, 2021

Fiscal Year Ending June 30	Net Money-Weighted Rate of Return
2012	N/A
2013	N/A
2014	N/A
2015	4.87%
2016	-0.38%
2017	13.96%
2018	11.71%
2019	7.09%
2020	3.58%
2021	24.70%

See accompanying independent auditors' report.

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NORTH BROWARD HOSPITAL DISTRICT
Schedule of Changes in Total OPEB Liability and Related Ratios (Unaudited)
Fiscal Years Ending June 30, 2018 Through June 30, 2021
(in thousands of dollars)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 2,603	2,587	2,246	3,066
Interest on total OPEB liability	4,158	5,579	6,083	8,217
Effect of plan changes	(110,357)	—	—	(68,863)
Effect of economic/demographic gains or losses	(12,207)	—	(1,906)	—
Effect of assumption changes or inputs	1,438	26,543	1,921	(6,393)
Benefit payments	<u>(5,529)</u>	<u>(6,408)</u>	<u>(6,532)</u>	<u>(8,563)</u>
Net change in total OPEB liability	(119,894)	28,301	1,812	(72,536)
Total OPEB liability, beginning	<u>188,288</u>	<u>159,987</u>	<u>158,175</u>	<u>230,711</u>
Total OPEB liability, ending	<u>\$ 68,394</u>	<u>188,288</u>	<u>159,987</u>	<u>158,175</u>
Covered payroll	\$ 390,359	391,701	385,993	428,904
Total OPEB liability as a % of covered payroll	17.52%	48.07%	41.45%	36.88%

See accompanying independent auditors' report.

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SUPPLEMENTAL COMBINING INFORMATION

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NORTH BROWARD HOSPITAL DISTRICT

Combining Schedule of Net Position

June 30, 2021

(In thousands of dollars)

Assets	Broward Health Medical Center	Broward Health North	Broward Health Imperial Point	Broward Health Coral Springs	Foundation	Other Non-Hospital Entities	Eliminations	Total
Current assets:								
Cash and cash equivalents	\$ 8	3	2	3	—	60,797	—	60,813
Cash and investments externally restricted by donors	—	—	—	—	13,080	140	—	13,220
Short-term investments	—	—	—	—	—	567,945	—	567,945
Assets whose use is limited required for current liabilities	4,226	1,976	978	963	—	1,153	—	9,296
Due from patients and other, net of allowance for uncollectibles	75,993	31,489	12,426	22,423	—	8,942	—	151,273
Inventories	16,026	9,539	2,634	3,332	—	4,636	—	36,167
Estimated third-party payor settlements	5,204	4,816	647	181	—	229	—	11,077
Other current assets	3,817	1,513	823	738	2,220	63,812	(34,391)	38,532
Total current assets	105,274	49,336	17,510	27,640	15,300	707,654	(34,391)	888,323
Assets whose use is limited – Cash and investments:								
Amounts designated for self-insurance	18,206	7,400	6,074	4,883	—	3,214	—	39,777
	18,206	7,400	6,074	4,883	—	3,214	—	39,777
Less amount required to meet current obligations	(4,226)	(1,976)	(978)	(963)	—	(1,153)	—	(9,296)
Assets whose use is limited, net	13,980	5,424	5,096	3,920	—	2,061	—	30,481
Investments	—	—	—	—	—	323,820	—	323,820
Due from/(to) affiliates	742,341	148,994	81,943	193,271	(156)	(1,166,393)	—	—
Capital assets, net	186,623	101,252	40,838	100,079	—	136,923	—	565,715
Net pension asset	37,510	18,613	10,478	13,991	88	22,551	—	103,231
Other assets	—	—	—	—	4,478	24,158	—	28,636
Total assets	1,085,728	323,619	155,865	338,901	19,710	50,774	(34,391)	1,940,206
Deferred outflows of resources:								
Loss on debt refundings	14,453	1,580	880	600	—	2,122	—	19,635
Deferred pension amounts	1,287	121	104	164	2	523	—	2,201
Deferred other postemployment benefits	7,773	3,915	2,195	2,937	17	5,024	—	21,861
Total deferred outflows of resources	23,513	5,616	3,179	3,701	19	7,669	—	43,697

NORTH BROWARD HOSPITAL DISTRICT

Combining Schedule of Net Position (Continued)

June 30, 2021

(In thousands of dollars)

Liabilities	Broward Health Medical Center	Broward Health North	Broward Health Imperial Point	Broward Health Coral Springs	Foundation	Other Non-Hospital Entities	Eliminations	Total
Current liabilities:								
Current maturities of revenue bonds payable	\$ 2,522	373	338	361	—	1,946	—	5,540
Accounts payable and accrued expenses	52,384	22,207	9,542	15,452	13,976	46,067	(34,391)	125,237
Accrued salaries, benefits, and payroll taxes	11,511	5,989	3,228	4,571	43	23,597	—	48,939
Accrued personal leave	10,453	5,286	2,583	3,951	10	8,222	—	30,505
Current portion of lease obligations	446	174	377	696	—	1,902	—	3,595
Estimated third-party payor settlements	57,364	23,480	11,066	14,177	—	1,412	—	107,499
Current portion of self-insurance program liability	4,226	1,976	978	963	—	1,153	—	9,296
Interest payable	—	20	—	—	—	16	—	36
Total current liabilities	138,906	59,505	28,112	40,171	14,029	84,315	(34,391)	330,647
Revenue bonds, net of current maturities	147,378	21,804	19,755	21,111	—	113,634	—	323,682
Lease obligations, net of current portion	407	1,287	624	890	—	1,950	—	5,158
Self-insurance program liability, net of current portion	7,276	3,545	3,507	1,765	44	7,041	—	23,178
Other postemployment benefit program liability	27,986	10,450	6,215	7,979	10	15,754	—	68,394
Accrued payroll taxes	—	—	—	—	—	11,087	—	11,087
Total liabilities	321,953	96,591	58,213	71,916	14,083	233,781	(34,391)	762,146
Deferred inflows of resources:								
Deferred pension amounts	27,496	13,154	7,481	9,964	68	19,038	—	77,201
Deferred other postemployment benefits	5,297	2,588	1,453	1,929	14	3,501	—	14,782
Total deferred inflows of resources	32,793	15,742	8,934	11,893	82	22,539	—	91,983
Net position:								
Net investment in capital assets	50,321	79,193	20,623	77,621	—	19,617	—	247,375
Restricted for donor restrictions	—	—	—	—	19,777	140	—	19,917
Restricted for pension	11,301	5,580	3,101	4,191	22	4,036	—	28,231
Unrestricted	692,873	132,129	68,173	176,981	(14,235)	(221,670)	—	834,251
Total net position	\$ 754,495	216,902	91,897	258,793	5,564	(197,877)	—	1,129,774

See accompanying independent auditors' report.

NORTH BROWARD HOSPITAL DISTRICT
Combining Schedule of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2021

(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)	\$ 422,088	221,922	100,699	177,181	—	38,074	—	959,964
Other operating revenue	29,550	9,639	610	1,399	—	64,149	(14,625)	90,722
Total operating revenues	<u>451,638</u>	<u>231,561</u>	<u>101,309</u>	<u>178,580</u>	<u>—</u>	<u>102,223</u>	<u>(14,625)</u>	<u>1,050,686</u>
Operating expenses:								
Salaries	180,393	96,792	48,790	71,131	674	168,131	—	565,911
Employee benefits	(6,026)	(1,731)	(1,894)	(2,529)	(5)	256	—	(11,929)
Professional fees	35,661	16,794	6,540	9,463	—	2,055	(7,954)	62,559
Purchased services and temporary labor	21,392	12,310	5,744	16,154	—	1,159	—	56,759
Outside services	9,421	2,528	989	3,505	124	13,213	(1)	29,779
Supplies	116,556	64,927	22,917	32,740	10	13,155	—	250,305
Insurance	4,670	2,527	1,614	1,938	7	4,458	—	15,214
Utilities	6,717	2,922	1,670	2,295	2	5,326	—	18,932
Repairs and maintenance	6,104	4,469	2,612	2,996	—	2,700	—	18,881
State assessments	6,206	2,868	1,335	2,048	—	898	—	13,355
Depreciation and amortization	20,165	9,962	4,530	8,438	—	11,678	—	54,773
Other	75,237	42,573	23,021	30,048	191	(83,413)	(6,670)	80,987
Total operating expenses	<u>476,496</u>	<u>256,941</u>	<u>117,868</u>	<u>178,227</u>	<u>1,003</u>	<u>139,616</u>	<u>(14,625)</u>	<u>1,155,526</u>
Operating income (loss)	<u>(24,858)</u>	<u>(25,380)</u>	<u>(16,559)</u>	<u>353</u>	<u>(1,003)</u>	<u>(37,393)</u>	<u>—</u>	<u>(104,840)</u>
Nonoperating revenues (expenses):								
Ad valorem tax revenue	64,335	42,643	17,306	19,597	—	9,133	—	153,014
Investment income, net	103	42	652	1,069	170	136,612	—	138,648
Interest expense	(8,196)	(1,234)	(1,045)	(1,052)	—	(5,343)	—	(16,870)
CARES Act Stimulus	17,078	607	3,997	19,229	—	—	—	40,911
Other	(5,117)	(1,837)	(108)	(728)	(474)	8,861	—	597
Total nonoperating revenues (expenses)	<u>68,203</u>	<u>40,221</u>	<u>20,802</u>	<u>38,115</u>	<u>(304)</u>	<u>149,263</u>	<u>—</u>	<u>316,300</u>
Income (loss) before capital contributions	43,345	14,841	4,243	38,468	(1,307)	111,870	—	211,460
Capital contributions	5	—	—	—	—	439	—	444
Increase (decrease) in net position	43,350	14,841	4,243	38,468	(1,307)	112,309	—	211,904
Net position:								
Beginning of year	711,145	202,061	87,654	220,325	6,871	(310,186)	—	917,870
End of year	<u>\$ 754,495</u>	<u>216,902</u>	<u>91,897</u>	<u>258,793</u>	<u>5,564</u>	<u>(197,877)</u>	<u>—</u>	<u>1,129,774</u>

See accompanying independent auditors' report.