

**ANNUAL REPORT**  
**FOR THE FISCAL YEAR AND QUARTER ENDED**

**April 30, 2016**

Memorial Healthcare System Disclosure Representative

David M. Smith

Senior Vice President and Chief Financial Officer

3111 Stirling Road

Fort Lauderdale, Florida 33312

(954) 265-5696

DSmith@mhs.net

## **Important Information**

In accordance with undertakings of the South Broward Hospital District d/b/a Memorial Healthcare System (the “Issuer”), regarding secondary market disclosure made pursuant to SEC Rule 15c2-12(b)(5)(i), by various continuing disclosure certificates, attached is the annual financial information (hereinafter collectively called the “Fiscal Year 2016 Annual Information”) and operating data for the Fiscal Year ended April 30, 2016 (“FY 16”). This information also satisfies the requirement for year-to-date financial information and operating data for the fiscal quarter ended April 30, 2016. The information in this Annual Report should be read in connection with the Audited Financial Statements (filed separately) including the Management's Discussion and Analysis, narratives and Notes to the Annual Financial Statements.

The provision of this information is not intended as an offer to sell any securities. It is provided solely to comply with the contractual undertakings made by the Issuer with respect to certain outstanding obligations of the Issuer, which contractual undertaking require the provision of limited financial information and operating data with respect to the Issuer. It is not intended to be and is not an update of all of the information included in the Issuer’s prior Official Statements. Other events may have occurred since the date of the Issuer’s prior Official Statements which might be material to investors in the Issuer’s bonds including, without limitation, changes in regulation of the healthcare industry and certain other risk factors. No representation is made as to whether any such other events have occurred with respect to the Issuer or its outstanding debt that might be material or important to owners of the Issuer’s outstanding debt. No representation is made as to the materiality or completeness of the Fiscal Year 2016 Annual Information. No representation is made that the Fiscal Year 2016 Annual Information is indicative of financial or operating results of the Issuer since the end of FY 16 or of future financial or operating results.

In connection with the sale of each bond issue, the Issuer delivered Official Statements. Capitalized terms used herein shall have the meanings ascribed to such terms in the applicable Official Statement.

This report may contain, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. The information and any expression of opinion contained herein are subject to change without notice, and the delivery of this report will not, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or other matters described.

This report may contain additional information that is not required to be provided under the terms of the continuing disclosure undertakings entered into by the Issuer. Any such additional information is provided on a voluntary basis and may be excluded from future reports without notice.

## SELECTED FINANCIAL INFORMATION ABOUT THE ISSUER

### Sources of Patient Revenue

The table below lists the approximate percentages of gross charges by category for the fiscal years ended April 30, 2015 and 2016.

<u>Percentage of Gross Charges</u>	<u>April 30, 2015</u>	<u>April 30, 2016</u>
Medicare	17.9%	<b>17.1%</b>
Medicaid	8.4%	<b>5.2%</b>
Managed Care	59.2%	<b>63.4%</b>
Other	<u>14.5%</u>	<u><b>14.3%</b></u>
Total	100.0%	<b>100.0%</b>

### Levy and Collection of Taxes (\$ in Thousands)

The following table sets forth, for the fiscal years 2015 and 2016 the millage and final assessed valuations, and gross taxes levied.

	<u>2015</u>	<u>2016</u>
Millage	0.1863	<b>0.1737</b>
Assessed Valuation	\$43,400,000	<b>\$46,833,337</b>
Taxes Levied	\$8,084	<b>\$8,135</b>

### Summary of Historical Financial Information (\$ in Thousands)

The following selected financial data as of April 30, 2015 and 2016 and for the years then ended are derived from the audited financial statements of the Issuer. The financial data presented should be read in conjunction with the financial statements and related notes for the respective fiscal year.

	<u>Fiscal Year Ended April 30</u>	
	<u>2015</u>	<u>2016</u>
Cash, cash equivalents and investments	\$ 1,560,164	\$ <b>1,746,513</b>
Designated investments	19,437	<b>19,093</b>
Total current assets	1,866,207	<b>2,094,342</b>
Total assets incl. Deferred outflows	\$ 2,768,325	\$ <b>3,035,692</b>
Total current liabilities	267,848	<b>315,870</b>
Long term debt	614,396	<b>602,664</b>
Net position	\$ 1,812,044	\$ <b>1,882,729</b>
Debt-to-Capitalization Ratio	25%	24%
Days Cash on Hand	395	404

	<u>Fiscal Year Ended April 30</u>	
	<u>2015</u>	<u>2016</u>
Total revenue	\$ 1,764,207	\$ <b>1,897,074</b>
Total expenses	<u>1,571,873</u>	<u><b>1,701,546</b></u>
Income from operations	192,334	<b>195,528</b>
Non-operating losses, net	<u>(2,583)</u>	<u><b>(7,503)</b></u>
Excess of revenues and net non-operating gains over expenses	\$ 189,751	\$ <b>188,025</b>
Net margin	10.8%	<b>9.9%</b>
Depreciation and amortization	\$ 111,208	\$ <b>101,225</b>
Interest	\$ 28,156	\$ <b>31,578</b>

### Maximum Annual Debt Service (\$ in Thousands)

The Issuer's maximum annual debt service for the Outstanding Indebtedness for the fiscal years ended April 30, 2015 and 2016 was approximately \$44.3 million and \$44.3 million, respectively. The net income available for debt service and the maximum annual debt service on Outstanding Indebtedness is computed below for the years ended April 30, 2015 and 2016 as provided in Section 3.07 of the Issuer's Master Trust Indenture ("MTI"). The MTI provides for the amortization of balloon payments over 30 years and stipulates an interest rate equal to the rate borne by such indebtedness on the date calculated, and variable rate indebtedness assumes a 1.5% per annum interest rate.

	Maximum Annual Debt Service Coverage (in thousands)	
	Fiscal Year Ended April 30	
	2015	2016
Net excess of revenue and net nonoperating gains over expenses	\$ 189,751	\$ 188,025
Average of unrestricted contributions and grants for the prior three years	7,118	2,031
Unrealized gains on investments	(7,687)	(5,806)
Interest expense	28,156	31,578
Depreciation and amortization expense	113,373	103,485
Loss on disposal of capital assets	343	1,474
Net income available for debt service	\$ 331,054	\$ 320,787
Maximum Annual Debt Service	44,331	44,337
Percentage to adjust pursuant to MTI	110%	110%
Adjusted Maximum Annual Debt Service	\$ 48,764	\$ 48,771
Long Term Debt Service Coverage Ratio	6.79	6.58

### Capitalization (\$ in Thousands)

The following table sets forth the Issuer's capitalization as of April 30, 2015 and 2016.

	As of April 30	
	2015	2016
Long-term debt including Current portion	\$ 623,661	\$ 612,314
Capital lease obligations including Current portion	6,614	4,690
Total Long-term debt and Capital leases	\$ 630,275	\$ 617,004
Net Position	<u>\$ 1,812,044</u>	<u>\$ 1,882,729</u>
Total capitalization	\$ 2,442,319	\$ 2,499,733
Debt to Capitalization Ratio (incl. Current portion)	26%	25%

### Liquidity (\$ in Thousands)

The following table sets forth the Issuer's liquidity position and days cash on hand as of April 30, 2015 and 2016.

	<u>As of April 30</u>	
	<u>2015</u>	<u>2016</u>
Cash and cash equivalents	\$ 449,070	\$ <b>545,209</b>
Investments	\$ 1,111,094	\$ <b>1,201,304</b>
Designated Investments	\$ 19,437	\$ <b>19,093</b>
Total Cash on Hand	\$ 1,579,601	\$ <b>1,765,606</b>
Operating Expenses	\$ 1,571,873	\$ <b>1,701,546</b>
Depreciation and amortization	\$ (111,208)	\$ <b>(101,225)</b>
Interest Expense	\$ 28,156	\$ <b>31,578</b>
Days Cash On Hand	395	<b>404</b>

### **HISTORICAL UTILIZATION STATISTICS**

The table below presents certain historical utilization statistics of the Issuer.

	<u>Fiscal Year Ended April 30</u>	
	<u>2015</u>	<u>2016</u>
Admissions	72,125	<b>74,093</b>
Observation Discharges	<u>45,208</u>	<u><b>52,868</b></u>
Total	117,333	<b>126,961</b>
Patient Days	(1) 370,084	<b>394,229</b>
Observation Days	<u>54,271</u>	<u><b>64,268</b></u>
Total	424,355	<b>458,497</b>
Average Length of Stay (Days)	(1) 5.13	<b>5.32</b>
Average Daily Census	(2) 1,163	<b>1,253</b>
Percent of Occupancy	(2) 61.2%	<b>65.7%</b>
Licensed Beds	(3) 1,900	<b>1,906</b>
Hospital Outpatient Visits	466,639	<b>494,505</b>
Urgent Care Center Visits	60,710	<b>65,900</b>
South Broward Community Health Services (SBCHS) Visits	79,059	<b>71,715</b>
Home Health Visits	<u>53,971</u>	<u><b>61,036</b></u>
Total Outpatient, UCC, SBCHS and HH	660,379	<b>693,156</b>
Emergency Room Visits	399,271	<b>413,878</b>

(1) Inpatients only

(2) Combined inpatient and observation patients

(3) Represents the weighted average number of licensed beds during the period