



**ANNUAL REPORT**

**FOR THE FISCAL YEAR AND QUARTER ENDED**

**April 30, 2017**

Memorial Healthcare System Disclosure Representative

David M. Smith

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## **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 2017 Annual Information”) and operating data for the Fiscal Year ended April 30, 2017 (“FY 17”). This information also satisfies the requirement for year-to-date financial information and operating data for the fiscal quarter ended April 30, 2017. 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 2017 Annual Information. No representation is made that the Fiscal Year 2017 Annual Information is indicative of financial or operating results of the Issuer since the end of FY 17 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, 2016 and 2017.

<u>Percentage of Gross Charges</u>	<u>April 30, 2016</u>	<u>April 30, 2017</u>
Medicare	17.1%	<b>17.5%</b>
Medicaid	5.2%	<b>4.6%</b>
Managed Care	63.4%	<b>64.2%</b>
Other	<u>14.3%</u>	<u>13.7%</u>
Total	100.0%	<b>100.0%</b>

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

The following table sets forth, for the fiscal years 2016 and 2017 the millage and final assessed valuations, and gross taxes levied.

	<u>2016</u>	<u>2017</u>
Millage	0.1737	<b>0.1615</b>
Assessed Valuation	\$46,833,337	<b>\$46,833,337</b>
Taxes Levied	\$8,135	<b>\$7,564</b>

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

The following selected financial data as of April 30, 2016 and 2017 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.

	<b>Fiscal Year Ended April 30</b>	
	<b>2016</b>	<b>2017</b>
Cash, cash equivalents and investments	\$ 1,746,513	\$ <b>1,834,888</b>
Designated investments	19,093	<b>18,495</b>
Total current assets	2,094,342	<b>2,179,224</b>
Total assets incl. Deferred outflows	\$ 3,035,692	\$ <b>3,404,635</b>
Total current liabilities	315,870	<b>330,971</b>
Long term debt	602,664	<b>765,559</b>
Net position	\$ 1,882,729	\$ <b>2,016,867</b>
Debt-to-Capitalization Ratio	24%	<b>28%</b>
Days Cash on Hand	404	<b>395</b>

	<b>Fiscal Year Ended April 30</b>	
	<b>2016</b>	<b>2017</b>
Total revenue	\$ 1,897,074	\$ <b>1,937,591</b>
Total expenses	<u>1,701,546</u>	<u><b>1,800,230</b></u>
Income from operations	195,528	<b>137,361</b>
Non-operating losses, net	<u>(7,503)</u>	<u><b>(5,334)</b></u>
Excess of revenues and net non-operating gains over expenses	\$ 188,025	\$ <b>132,027</b>
Net margin	9.9%	<b>6.55%</b>
Depreciation and amortization	\$ 101,225	\$ <b>86,306</b>
Interest	\$ 31,578	\$ <b>33,007</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, 2016 and 2017 was approximately \$44.3 million and \$39.6 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, 2016 and 2017 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	
	2016	2017
Net excess of revenue and net nonoperating gains over expenses	\$ 188,025	\$ 132,027
Average of unrestricted contributions and grants for the prior three years	2,031	1,661
Unrealized (gain) loss on investments	(5,806)	15,558
Interest expense	31,578	33,007
Depreciation and amortization expense	103,485	88,724
Loss on disposal of capital assets	1,474	3,356
Net income available for debt service	\$ 320,787	\$ 274,333
Maximum Annual Debt Service	44,337	39,597
Percentage to adjust pursuant to MTI	110%	110%
Adjusted Maximum Annual Debt Service	\$ 48,771	\$ 43,557
Long Term Debt Service Coverage Ratio	6.58	6.30

### Capitalization (\$ in Thousands)

The following table sets forth the Issuer's capitalization as of April 30, 2016 and 2017.

	As of April 30	
	2016	2017
Long-term debt including Current portion	\$ 612,314	\$ 775,844*
Capital lease obligations including Current portion	4,690	2,359
Total Long-term debt and Capital leases	\$ 617,004	\$ 778,203
Net Position	\$ 1,882,729	\$ 2,016,867
Total capitalization	\$ 2,499,733	\$ 2,795,070
Debt-to-Capitalization Ratio (incl. Current portion)	25%	28%

- \* Includes Series 2009 Bond principal which was fully refunded by the Series 2016A Bonds. Proceeds from refunding are held in an irrevocable escrow located within Restricted Assets – Under Indenture Agreements on the Statement of Net Position as reported in the 2017 Audited Financial Statements.

## Liquidity (\$ in Thousands)

The following table sets forth the Issuer's liquidity position and days cash on hand as of April 30, 2016 and 2017.

	<u>As of April 30</u>	
	<u>2016</u>	<u>2017</u>
Cash and cash equivalents	\$ 545,209	\$ <b>424,558</b>
Investments	\$ 1,201,304	\$ <b>1,410,330</b>
Designated Investments	\$ 19,093	\$ <b>18,465</b>
Total Cash on Hand	\$ 1,765,606	\$ <b>1,853,353</b>
Operating Expenses	\$ 1,701,546	\$ <b>1,800,230</b>
Depreciation and amortization	\$ (101,225)	\$ <b>(86,306)</b>
Days Cash On Hand	404	<b>395</b>

## **HISTORICAL UTILIZATION STATISTICS**

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

	<u>Fiscal Year Ended April 30</u>	
	<u>2016</u>	<u>2017</u>
Admissions	74,093	<b>75,898</b>
Observation Discharges	<u>52,868</u>	<u><b>52,761</b></u>
Total	126,961	<b>128,659</b>
Patient Days	(1) 394,229	<b>409,966</b>
Observation Days	<u>64,268</u>	<u><b>64,621</b></u>
Total	458,497	<b>474,587</b>
Average Length of Stay (Days)	(1) 5.32	<b>5.40</b>
Average Daily Census	(2) 1,253	<b>1,300</b>
Percent of Occupancy	(2) 65.7%	<b>68.4%</b>
Licensed Beds	(3) 1,906	<b>1,900</b>
Hospital Outpatient Visits	494,505	<b>511,635</b>
Urgent Care Center Visits	65,900	<b>70,052</b>
South Broward Community Health Services (SBCHS) Visits	71,715	<b>97,855</b>
Home Health Visits	<u>61,036</u>	<u><b>62,311</b></u>
Total Outpatient, UCC, SBCHS and HH	693,156	<b>741,853</b>
Emergency Room Visits	413,878	<b>412,337</b>

(1) Inpatients only

(2) Combined inpatient and observation patients

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