



PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA
A Department of Miami-Dade County, Florida

Financial Statements, Required Supplementary Information, and Schedules

September 30, 2014 and 2013

(With Independent Auditors' Report Thereon)

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA
A Department of Miami-Dade County, Florida

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Independent Auditors' Report

The Board of the
Public Health Trust of
Miami-Dade County, Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component unit and the pension trust fund of the Public Health Trust of Miami-Dade County (the Trust), a department of Miami-Dade County, Florida, as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Trust'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 U.S. generally accepted accounting principle; 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Jackson Memorial Foundation, Inc., which statements reflect 100% of the aggregate discretely presented component unit. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Jackson Memorial Foundation, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. The financial statements of the Jackson Memorial Foundation, Inc. were not audited in accordance with *Governmental Auditing Standards*.

An audit involves performing procedures to obtain audit 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 risks 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 circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. According, 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component unit, and the pension trust fund of the Public Health Trust of Miami-Dade County, Florida, a department of Miami-Dade County, Florida, and the respective changes in financial position, and where applicable, cash flows thereof for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As disclosed in note 2 to the financial statements, the trust adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Adoption of the new accounting guidance resulted in a restatement of beginning net position associated with previously reported deferred financing costs and a reclassification, as deferred outflows of resources or deferred inflows of resources of certain items that were previously reported as assets and liabilities. As disclosed in note 1(u) to the financial statements, the Trust adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*. Our opinion is not modified with respect to these matters.

As disclosed in note 1, the financial statements of the Trust are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only that portion of the business-type activities, the aggregate discretely presented component unit and the pension trust fund that is attributable to the transactions of the Trust. They do not purport to, and do not, present fairly the financial position of Miami-Dade County, Florida as of September 30, 2014 and 2013, the changes in its financial position, or, where applicable, its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 to 27 and the Defined-Benefit Retirement Plan Schedule of Employer Contributions, and Schedule of Funding Progress, Schedule of Changes in Net Pension Asset (Liability) and Related Ratios, Schedule of Investment Returns on pages 86 through 89, and the Postemployment Benefits Other Than Pensions Schedule of Funding Progress on page 90, be presented to supplement the basic financial statements. Such information, although not 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.



Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Trust’s basic financial statements. The accompanying other financial information on pages 91 to 93 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying other financial 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 accompanying other financial information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2015 on our consideration of the Trust’s internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust’s internal control over financial reporting and compliance.

KPMG LLP

February 12, 2015
Certified Public Accountants
Miami, Florida

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Management's Discussion and Analysis

September 30, 2014 and 2013

(Unaudited)

Financial and Operating Performance

This section of the Public Health Trust of Miami-Dade County, Florida's (the Trust) annual financial report presents management's discussion and analysis of the financial position and performance of the Trust for the years ended September 30, 2014 and 2013. This discussion has been prepared along with the basic financial statements and related note disclosures, and should be read in conjunction therewith. The purpose of this section is to provide an objective analysis of the financial and operating activities of the Trust based on currently known facts, decisions, and conditions. Financial and operating data have been prepared on the same basis as the audited financial statements.

Effective October 1, 1973, the Trust was created by county ordinance to provide for an independent governing body (the board of trustees or Board) responsible for the operation, governance, and maintenance of "designated facilities." Currently, the Trust operates six hospitals: Jackson Memorial Hospital, Holtz Children's Hospital, Jackson South Community Hospital, Jackson North Medical Center, Jackson Rehabilitation Hospital, and Jackson Behavioral Health Hospital; two skilled nursing facilities, Jackson Memorial Long-Term Care Center and Jackson Memorial Perdue Medical Center; several primary care centers, Jefferson Reaves Senior Health Center, North Dade Health Center, Rosie Lee Wesley Health Center; as well as multiple specialty care centers, school-based care programs, and the corrections health services for Miami-Dade County; and one insurance organization, JMH Health Plan. At September 30, 2014, the Trust operates a total of 2,106 licensed hospital beds and 343 licensed nursing home beds.

Jackson Memorial Hospital is a teaching hospital operating in association with the University of Miami School of Medicine, which provides staff and services under an annual operating agreement. Jackson North Medical Center is a teaching hospital operating in association with Florida International University College of Medicine.

The Trust is a department of Miami-Dade County (the County). It is the intent of the Miami-Dade Board of County Commissioners (the Commission) to promote, protect, maintain, and improve the health and safety of all residents and visitors of Miami-Dade County through a fully functioning and sustainable public health trust. The Commission finds that it is in the best interest of the public it serves to take action to preserve the Trust and to ensure its financial sustainability by requiring the Trust to notify the Commission, the Mayor, and the Commission Auditor when certain financial conditions as outlined in Chapter 25A of Miami-Dade County Code of Ordinances occur. During the current year, none of the financial conditions were met that required notification. The Public Health Trust is overseen by a 7-member board that was established to serve as the governing body of the Trust.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

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Management's Discussion and Analysis

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(Unaudited)

Condensed statements of net position as of September 30, 2014 and 2013 are presented below:

Condensed Summary of Net Position – Trust

September 30, 2014 and 2013

	<u>2014</u>	<u>2013(*)</u>	<u>2014 vs. 2013</u>	
Assets:				
Current assets	\$ 523,503,903	482,044,478	41,459,425	9%
Capital assets, net	460,591,824	444,743,651	15,848,173	4
Other assets	<u>88,273,905</u>	<u>89,494,928</u>	<u>(1,221,023)</u>	(1)
Total assets	<u>\$ 1,072,369,632</u>	<u>1,016,283,057</u>	<u>56,086,575</u>	6
Deferred outflows of resources:				
Deferred bond refunding	\$ 3,920,424	4,760,515	(840,091)	(18)
Liabilities:				
Current liabilities	\$ 503,428,805	487,741,487	15,687,318	3
Long-term debt	339,386,480	347,886,275	(8,499,795)	(2)
Other liabilities	<u>48,557,983</u>	<u>51,049,326</u>	<u>(2,491,343)</u>	(5)
Total liabilities	<u>\$ 891,373,268</u>	<u>886,677,088</u>	<u>4,696,180</u>	1
Net position (deficit):				
Net investment in capital assets	\$ 166,900,261	150,503,624	16,396,637	11
Restricted	15,129,851	13,841,935	1,287,916	9
Unrestricted	<u>2,886,676</u>	<u>(29,979,075)</u>	<u>32,865,751</u>	(110)
Total net position	<u>\$ 184,916,788</u>	<u>134,366,484</u>	<u>50,550,304</u>	38

(*) Amounts have been restated to comply with GASB No. 65.

Total assets increased by approximately \$56.1 million. This increase is primarily attributed to an increase in cash and cash equivalents of \$58.1 million, a reduction of net accounts receivable by \$30 million and an increase of net capital assets of \$15.8 million. Other assets also decreased \$1.2 million primarily attributed to the use of proceeds to fund capital projects throughout the Trust.

Estimated third-party receivables had a total increase of \$16.7 million over prior year. Day's unrestricted cash on hand was at approximately 41 days at September 30, 2014 and 28 days at September 30, 2013. Days net in accounts receivable at September 30, 2014 and 2013 were 42.1 days and 55.6 days, respectively.

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(Unaudited)

Total liabilities increased by approximately \$4.7 million. Current liabilities increased by approximately \$15.7 million primarily as a result of an increase of \$40.9 million in estimated payables due to third-party payors, offset by a decrease in accounts payable and accrued expenses of \$18.5 million as well as a decrease in other unrestricted liability of \$13.3 million. Other long-term debt decreased by approximately \$8.5 million and other liabilities decreased by approximately \$2.5 million.

The Series 2005 Bonds and Series 2009 Bonds (collectively, the Bonds) are secured by the gross revenues of the Trust. The Bonds are subject to certain covenants included in Ordinance No. 05-49 (the Ordinance) together with certain ordinances and board resolutions, which authorize and issue the Bonds by and between the Trust and the County. In addition, the Trust must comply with certain covenants included in the related insurance agreements.

The Ordinance contains restrictive covenants that must be met by the Trust, including, among other items, the requirement to maintain a minimum long-term debt service coverage ratio, the requirement to make scheduled monthly deposits to the debt service fund, maintenance of insurance on the Trust's facilities, and limitations on the incurrence of additional debt.

At September 30, 2014, the Trust was in compliance with the debt service coverage ratio covenant contained in the Ordinance.

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(Unaudited)

The Trust reported an increase in net position of \$50.6 million for the year ended September 30, 2014 and an increase in net position of \$51.5 million for the prior year ended September 30, 2013. The increase for the current fiscal year consisted of \$333.7 million from operating loss offset by \$384.2 million from nonoperating revenues, net.

Summary of Revenues, Expenses, and Changes in Net Position – Trust

Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>2014 vs. 2013</u>	
Operating revenues:				
Net patient service revenue	\$ 866,164,809	845,870,062	20,294,747	2%
Managed care revenue	24,992,524	77,243,893	(52,251,369)	(68)
Other revenue	255,647,356	241,389,204	14,258,152	6
Grants and other	<u>26,352,934</u>	<u>23,468,053</u>	<u>2,884,881</u>	12
Total operating revenues	<u>1,173,157,623</u>	<u>1,187,971,212</u>	<u>(14,813,589)</u>	(1)
Operating expenses:				
Salaries and related costs	867,238,586	819,246,312	47,992,274	6
Contractual and purchased services	368,267,572	414,947,111	(46,679,539)	(11)
Supplies and other	210,255,332	196,607,000	13,648,332	7
PMATF ⁽¹⁾	11,235,817	8,519,272	2,716,545	32
Depreciation and amortization	<u>49,816,775</u>	<u>56,768,702</u>	<u>(6,951,927)</u>	(12)
Total operating expenses	<u>1,506,814,082</u>	<u>1,496,088,397</u>	<u>10,725,685</u>	1
Operating loss	<u>(333,656,459)</u>	<u>(308,117,185)</u>	<u>(25,539,274)</u>	8
Nonoperating revenues (expenses):				
Miami-Dade County funding	137,402,000	133,127,000	4,275,000	3
Sales tax revenue	228,041,287	216,163,552	11,877,735	5
Investment income	517,926	291,153	226,773	78
Interest expense	(16,072,869)	(17,146,699)	1,073,830	(6)
Other income	<u>34,318,419</u>	<u>27,231,724</u>	<u>7,086,695</u>	26
Total nonoperating revenues, net	<u>384,206,763</u>	<u>359,666,730</u>	<u>24,540,033</u>	7
Change in net position	50,550,304	51,549,545	(999,241)	(2)
Net position, beginning of year, as restated	<u>134,366,484</u>	<u>82,816,939</u>	<u>51,549,545</u>	62
Net position, end of year	<u>\$ 184,916,788</u>	<u>134,366,484</u>	<u>50,550,304</u>	38

(1) Public Medical Assistance Trust Fund Assessment

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Management's Discussion and Analysis

September 30, 2014 and 2013

(Unaudited)

Net Patient Service Revenue

Net patient revenue for the fiscal year ended September 30, 2014 was approximately \$866 million, an increase of \$20.3 million or 2% from the prior fiscal year. The majority of the increase is a result of strengthening of patient cash collections, higher conversion of self-pay patients to Medicaid, and improved revenue cycle processes. The Trust's adjusted admissions for the current fiscal year were at 78,774 or 2,886 (3.5%) fewer adjusted admissions than the prior year.

The Trust's patient volumes, net patient service revenue, and overall financial results are highly dependent upon the state and federal governments. Over the past several years, the Medicare rate increases have not kept pace with the overall medical expense increases. The Trust is also highly dependent upon patients who are covered by health insurance, which to a large extent is dependent on the employment status of individuals treated at the Trust. A continuation or worsening of economic conditions may result in a continued increase in the unemployment rate, which will likely increase the number of patients without health insurance. Deterioration of payor mix will have an adverse impact on the Trust's financial performance.

The payor mix below is based on patient days:

	<u>2014</u>	<u>2013</u>
Medicare	15.5%	16.5%
Managed care Medicare	9.1	8.3
Medicaid	17.0	17.6
Managed care Medicaid	10.6	8.7
Medicaid pending	15.7	19.1
Commercial insurance	1.4	1.5
Managed care others	11.0	11.0
Self-pay and other	19.7	17.3
	<u>100.0%</u>	<u>100.0%</u>

Net patient service revenue for the Trust includes payments from government programs such as Medicare and Medicaid, from managed care companies under negotiated contracts, from commercial insurance companies with no negotiated contract, and directly from patients.

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Medicare

Medicare is a federal program that provides certain hospital and medical insurance benefits to persons age 65 and over, some disabled persons, and persons with end-stage renal disease and is provided without regard to income or assets. Medicare revenue in federal fiscal year 2014 for inpatient hospital services was slightly lower than payments for the same services in federal fiscal year 2013, because of the decrease in Medicare discharges.

Inpatient

Disproportionate share hospital (DSH) payments are determined annually based on certain statistical information and are calculated as a percentage addition to Medical/Surgical-Diagnosis Related Groups (MS-DRG) payments. The primary method used by a hospital to qualify for Medicare DSH payments is a complex statutory formula that results in a DSH percentage that is applied to payments on MS-DRGs.

Outpatient

Hospital outpatient services paid under prospective payment system (PPS) are classified into groups called ambulatory payment classifications (APCs). Services for each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC. Depending on the services provided, a hospital may be paid for more than one APC for a patient visit.

Rehabilitation

The Center for Medicare and Medicaid Services (CMS) reimburses inpatient rehabilitation facilities (IRFs) on a Diagnosis Related Group (DRG) basis. Under IRF DRG, reimbursement of patients are based on the patients acuity and individual hospital characteristics, including classification as a children's hospital, rural hospital, trauma center, and other characteristics that would warrant reimbursement.

Psychiatric

Inpatient hospital services furnished in psychiatric hospitals and psychiatric units of general, acute care hospitals are reimbursed under inpatient psychiatric facility DRG basis. DRG reimbursement of patients are based on the patients acuity and individual hospital characteristics, including classification as a children's hospital, rural hospital, trauma center, and other characteristics that would warrant reimbursement.

Physician Services

Physician services are reimbursed under the physician fee schedule (PFS) system, under which CMS has assigned a national relative value unit (RVU) to most medical procedures and services that reflects the various resources required by a physician to provide the services relative to all other services. Each RVU is calculated based on a combination of work required in terms of time and intensity of effort for the service, practice expense (overhead) attributable to the service, and malpractice insurance expense attributable to the service. These three elements are each modified by a geographic adjustment factor to account for local practice costs then aggregated. The aggregated amount is multiplied by a conversion factor that accounts for inflation and targeted growth in Medicare expenditures (as calculated by the sustainable growth rate) (SGR) to arrive at the payment amount for each service.

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(Unaudited)

Other

Under PPS, the payment rates are adjusted for the area differences in wage levels by a factor (wage index) reflecting the relative wage level in the geographic area compared to the national average wage level.

Medicaid

Medicaid is a federal-state program, administered by the State of Florida, which provides hospital and medical benefits to qualifying individuals who are unable to afford healthcare. Effective July 1, 2013, the State of Florida moved from a per diem-based payment to a fixed DRG payment per case. Effective July 1, 2014, the majority of Medicaid patients were transitioned into Managed care plans.

Hospitals that provide care to a disproportionately high number of low-income patients may receive Medicaid DSH payments. The federal government distributes federal Medicaid DSH funds to each state based on a statutory formula. Florida utilizes a supplemental reimbursement program for the purpose of providing reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients.

Medicaid Pending

Medicaid pending represents patients that have applied for state funding and are waiting for approval by the state. Once approved, the patients are reclassified to Medicaid. As of September 30, 2014, Medicaid Pending represents 15.7% of the overall payor mix compared to 19.1% for prior year. The Trust continues to enhance its Medicaid eligibility process in order to seek funding sources for patients.

Commercial Insurance

Private insurance carriers pay the Trust based upon the hospital's established charges and the coverage provided in the insurance policy. Commercial insurers try to limit the costs of hospital services by negotiating discounts.

Managed Care and Other Discounted Plans

The Trust's managed care agreements offer discounts from established charges to health maintenance organizations, preferred provider organizations, and other managed care plans.

Self-Pay and Other

The primary collection risks of accounts receivable relate to the uninsured patient accounts and patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. The provision for doubtful accounts relates primarily to amounts due directly from patients.

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Management's Discussion and Analysis

September 30, 2014 and 2013

(Unaudited)

Utilization

The Trust has experienced a decline in inpatient utilization.

	September 30	
	2014	2013
Inpatient services:		
Number of beds – licensed:		
Jackson Memorial Hospital	1,498	1,498
Jackson South Community Hospital	226	226
Jackson North Medical Center	382	382
Nursing Homes	343	343
Total	<u>2,449</u>	<u>2,449</u>
Hospital admissions (excluding newborn):		
Jackson Memorial Hospital	38,982	39,820
Jackson South Community Hospital	9,063	9,175
Jackson North Medical Center	8,387	8,882
Total	<u>56,432</u>	<u>57,877</u>

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	September 30	
	2014	2013
Average daily census (excluding newborn):		
Jackson Memorial Hospital	833	848
Jackson South Community Hospital	91	93
Jackson North Medical Center	140	150
Total	<u>1,064</u>	<u>1,091</u>
Total surgical cases:		
Jackson Memorial Hospital	13,522	13,987
Jackson South Community Hospital	3,576	3,585
Jackson North Medical Center	2,504	2,598
Total	<u>19,602</u>	<u>20,170</u>
Organ transplants (includes kidney, liver, heart, lung, pancreas, and multiorgan)	477	503
Outpatient services:		
Visits to emergency services (adults and pediatric):		
Jackson Memorial Hospital	121,216	123,383
Jackson Memorial Hospital Trauma	4,165	3,792
Jackson South Community Hospital	40,887	41,971
Jackson North Medical Center	41,498	43,511
Total	<u>207,766</u>	<u>212,657</u>
Observations:		
Jackson Memorial Hospital	9,362	10,158
Jackson South Community Hospital	2,040	2,564
Jackson North Medical Center	2,758	2,713
Total	<u>14,160</u>	<u>15,435</u>

In an effort to increase patient volumes, the Trust continues to focus on physician alignment and satisfaction, targeting capital spending on critical growth opportunities for hospitals, and improving the quality metrics of hospitals.

Managed Care Revenue

The JMH Health Plan's premium revenue for the fiscal years ended September 30, 2014 and 2013 was \$25 million and \$77 million, respectively, a decrease of approximately \$52 million. The decrease was a result of the termination of all lines of business to mitigate financial losses in the JMH Health Plan and to the Public Health Trust as a whole. The JMH Health Plan ceased providing the last lines of business on June 30, 2014. The JMH Health Plan will remain open until medical claims payments to its providers are completed.

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On January 15, 2014, Resolution No. PHT 01/14-007 was approved to surrender the JMH Health Plan's health maintenance organization (HMO) license and HMO healthcare provider certificate of authority to the State of Florida. The Resolution authorizes the President and Chief Executive Officer or his designee to take all actions necessary to implement the Resolution. The JMH Health Plan will retain the license until obligations with its providers have been resolved.

Other Revenue

Other revenue, which consists primarily of disproportionate share revenue and lower income pool revenue, increased by \$14.3 million for the fiscal year ended September 30, 2014; the other revenue was \$255.6 million and \$241.4 million as of September 30, 2014 and 2013, respectively.

Disproportionate Share revenue, which is revenue that the Trust receives from the state government, provides financial assistance to hospitals that serve a large number of low-income patients, increased by approximately \$2.2 million and decreased \$1.6 million for the fiscal years ended September 30, 2014 and 2013, respectively. The revenue was \$6.4 million and \$4.2 million for the fiscal years ended September 30, 2014 and 2013, respectively.

Lower Income Pool revenue, which is revenue that the Trust receives from the state and federal governments that provides financial assistance to hospitals that serve a large number of low-income patients, increased by approximately \$14.8 million in 2014 and decreased by \$39.9 million in 2013, which revenue was \$187.0 million and \$172.2 million for the fiscal years ended September 30, 2014 and 2013, respectively.

Total Operating Expenses

For the fiscal year ended September 30, 2014, total operating expenses increased by \$10.7 million or 1% from 2013. Operating costs as a percentage of operating revenue for the fiscal years ended September 30, 2014 and 2013:

	Year ended September 30	
	2014	2013
Operating expenses:		
Salaries and related costs	73.9%	68.9%
Contractual and purchased services	31.4	34.9
Supplies and other	17.9	16.5
PMATF ⁽¹⁾	1.0	0.7
Depreciation and amortization	4.2	4.8
	<u>128.4%</u>	<u>125.8%</u>

⁽¹⁾ Public Medical Assistance Trust Fund Assessment

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

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September 30, 2014 and 2013

(Unaudited)

Salaries and Related Costs

The Trust employed 10,142 full-time equivalents (FTE) at September 30, 2014, a 1.7% increase from the prior year, which relates to several key operating initiatives to align the staffing needs of the organization to volume. Salaries and related costs were \$867.2 million and \$819.2 million for the fiscal years ended September 30, 2014 and 2013, respectively. For the year ended September 30, 2014, FTE per adjusted occupied bed was 6.83 compared to 6.50 for prior year.

During fiscal year 2013, labor agreements were effectuated with Service Employees International Union (SEIU), Government Supervisors Association of Florida (GSAF), and American Federation of State, County and Municipal Employees (AFSCME). Under the terms of the labor agreements, the employees provided material concessions related to salary and benefits contributing partially to the decrease in salary and related cost in previous year. In fiscal year 2014, some of the salary and benefit concessions were restored to SEIU and AFSCME.

Approximately 89% of the Trust's workforce is represented by SEIU, GSAF, or AFSCME unions at September 30, 2014. The Trust, like the healthcare industry as a whole, has experienced a rate of labor inflation that is higher than general inflation. The Trust augments staff with temporary or contract personnel due to labor shortages.

Contractual and Purchased Services

Contractual and purchased services for the year ended September 30, 2014 was \$368.3 million, a decrease of \$46.7 million (11%) over the same period in the prior year. Medical claims related to the JM Health Plan are included in contractual and purchased services. Effective June 30, 2014, the JM Health Plan terminated all remaining lines of business. The termination of these remaining lines of business resulted in a decline in medical claims expense of approximately \$44.9 million from prior year.

Supplies and Other

Supplies and other related cost for the year ended September 30, 2014 was \$210.3 million, an increase of \$13.6 million (7%) over the same period in the prior year.

The Trust experienced an unfavorable supply expense as a percentage of net patient service revenue, and increased its supplies per adjusted patient day from prior year. Higher specialized implant and drug costs were the primary reasons for the significant increase in supply costs for the fiscal year ended September 30, 2014.

	Fiscal year ended September 30		
	2014	2013	Variance
Supplies per adjusted patient day	\$ 388	351	37.00
Supplies as percentage of net patient service revenue	24.3%	23.2%	1.1%

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The Trust has standardized and centralized the procurement operations to reduce total supply expense across operations with a comprehensive contract portfolio, featuring solutions for medical/surgical, pharmacy, laboratory, capital equipment, radiology, facilities and construction, food and nutrition, and purchased services. The Trust has an agreement with MedAssets, a group purchasing organization, or GPO. The Trust believes that its agreement with MedAssets continues to improve purchasing efficiency with a complete contract portfolio of quality, cost-effective products from the nation's leading manufacturers and distributors.

Risk Management

The Trust provides for self-insured funding related to medical professional and general liability claims, as well as workers' compensation claims, which are included in supplies and other operating expenses. The establishment of a self-insurance funding vehicle does not result in any transfer of risk similar to that, which occurs when commercial insurance is purchased. The Trust does not carry any commercial excess insurance. Based on the results of an actuarially determined reserve analysis, the Trust reduced the liability for medical professional and general liability claims by approximately \$286,000 during the fiscal year ended September 30, 2014.

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Total Nonoperating Revenues

Total nonoperating revenues were \$384.2 million, for the year ended September 30, 2014, an increase of \$24.5 million over the prior year. The increase is primarily due to increases in Miami-Dade County funding of approximately \$4.3 million, in sales tax revenue of \$11.9 million, and in other income of \$7.1 million.

Condensed Summary of Net Position – Trust

September 30, 2013 and 2012

	<u>2013(*)</u>	<u>2012(*)</u>	<u>2013 vs. 2012</u>	
Assets:				
Current assets	\$ 482,044,478	450,224,221	31,820,257	7%
Capital assets, net	444,743,651	462,236,836	(17,493,185)	(4)
Other revenue	<u>89,494,928</u>	<u>92,342,482</u>	<u>(2,847,554)</u>	(3)
Total assets	<u>\$ 1,016,283,057</u>	<u>1,004,803,539</u>	<u>11,479,518</u>	1
Deferred outflows of resources:				
Deferred bond refunding	<u>\$ 4,760,515</u>	<u>5,600,606</u>	<u>(840,091)</u>	(15)
Liabilities:				
Current liabilities	487,741,487	495,357,929	(7,616,442)	(2)
Long-term debt	347,886,275	356,026,070	(8,139,795)	(2)
Other liabilities	<u>51,049,326</u>	<u>76,203,207</u>	<u>(25,153,881)</u>	(33)
Total liabilities	<u>\$ 886,677,088</u>	<u>927,587,206</u>	<u>(40,910,118)</u>	(4)
Net position:				
Net investment in capital assets	\$ 150,503,624	173,751,262	(23,247,638)	(13)
Restricted	13,841,935	14,621,512	(779,577)	(5)
Unrestricted	<u>(29,979,075)</u>	<u>(105,555,835)</u>	<u>75,576,760</u>	(72)
Total net position	<u>\$ 134,366,484</u>	<u>82,816,939</u>	<u>51,549,545</u>	62

(*) Amounts have been restated to comply with GASB No. 65.

Total assets increased by \$11.5 million. This increase is primarily attributed to an increase in cash and cash equivalents of \$47.5 million, a reduction of net accounts receivable by \$19.9 million, and a reduction of net capital assets of \$17.5 million. Other assets also decreased \$2.8 million primarily attributed to the use of proceeds to fund capital projects throughout the Trust.

Estimated third-party receivables decreased by \$7.2 million for Medicare, but increased \$14 million for Medicaid over prior year. Days unrestricted cash on hand was at approximately 28 days at September 30, 2013 and 13 days at September 30, 2012. Days net in accounts receivable at September 30, 2013 and 2012 were 55.6 days and 68.3 days, respectively.

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Total liabilities decreased by \$40.9 million. Current liabilities decreased by approximately \$7.6 million primarily as a result of a decrease of \$17.8 million in estimated payables due to third-party payors. This decrease was offset by an increase in accrued salaries and accrued vacation of \$12.4 million. Other long-term debt decreased by approximately \$8.1 million and other liabilities decreased by approximately \$25.1 million of which University of Miami accounts for \$24 million of the decrease.

The Series 2005 Bonds and Series 2009 Bonds (collectively, the Bonds) are secured by the gross revenues of the Trust. The Bonds are subject to certain covenants included in Ordinance No. 05-49 (the Ordinance) together with certain ordinances and board resolutions, which authorize and issue the Bonds by and between the Trust and the County. In addition, the Trust must comply with certain covenants included in the related insurance agreements.

The Ordinance contains restrictive covenants that must be met by the Trust, including, among other items, the requirement to maintain a minimum long-term debt service coverage ratio, the requirement to make scheduled monthly deposits to the debt service fund, maintenance of insurance on the Trust's facilities, and limitations on the incurrence of additional debt.

At September 30, 2013, the Trust was in compliance with the debt service coverage ratio covenant contained in the Ordinance.

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The Trust reported an increase in net position of \$51.5 million for the year ended September 30, 2013 and an increase in fund net position of \$2.9 million for the prior year ended September 30, 2012. Prior year net position changed from \$8.2 million to \$2.9 million due to the implementation of Governmental Accounting Standards Board (GASB) Statement No. 65. The increase in net position for the current fiscal year consisted of \$308.1 million from operating loss offset by \$359.7 million from nonoperating revenues, net.

Summary of Revenues, Expenses, and Changes in Net Position – Trust

Years ended September 30, 2013 and 2012

	<u>2013(*)</u>	<u>2012(*)</u>	<u>2013 vs. 2012</u>	
Operating revenues:				
Net patient service revenue	\$ 845,870,062	797,723,708	48,146,354	6%
Managed care revenue	77,243,893	105,304,844	(28,060,951)	(27)
Other revenue	241,389,204	287,140,647	(45,751,443)	(16)
Grants and other	<u>23,468,053</u>	<u>22,100,647</u>	<u>1,367,406</u>	6
Total operating revenues	<u>1,187,971,212</u>	<u>1,212,269,846</u>	<u>(24,298,634)</u>	(2)
Operating expenses:				
Salaries and related costs	819,246,312	828,206,429	(8,960,117)	(1)
Contractual and purchased services	414,947,111	451,579,759	(36,632,648)	(8)
Supplies and other	196,607,000	189,110,377	7,496,623	4
PMATF	8,519,272	15,561,608	(7,042,336)	(45)
Depreciation and amortization	<u>56,768,702</u>	<u>66,315,860</u>	<u>(9,547,158)</u>	(14)
Total operating expenses	<u>1,496,088,397</u>	<u>1,550,774,033</u>	<u>(54,685,636)</u>	(4)
Operating loss	<u>(308,117,185)</u>	<u>(338,504,187)</u>	<u>30,387,002</u>	(9)
Nonoperating revenues (expenses):				
Miami-Dade County funding	133,127,000	133,361,996	(234,996)	—
Sales tax revenue	216,163,552	202,479,726	13,683,826	7
Investment income	291,153	472,573	(181,420)	(38)
Interest expense	(17,146,699)	(23,167,571)	6,020,872	(26)
Other income	<u>27,231,724</u>	<u>28,314,680</u>	<u>(1,082,956)</u>	(4)
Total nonoperating revenues, net	<u>359,666,730</u>	<u>341,461,404</u>	<u>18,205,326</u>	5
Change in net position	51,549,545	2,957,217	48,592,328	1,643
Net position, beginning of year, as restated	<u>82,816,939</u>	<u>79,859,722</u>	<u>2,957,217</u>	4
Net position, end of year	\$ <u>134,366,484</u>	\$ <u>82,816,939</u>	<u>51,549,545</u>	62

(*) Amounts have been restated to comply with GASB No. 65.

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Net Patient Service Revenue

Net patient revenue for the fiscal year ended September 30, 2013 was approximately \$845.9 million, an increase of \$48 million, or 6% from the prior fiscal year. The majority of the increase is a result of strengthening of patient cash collections, higher conversion of self-pay patients to Medicaid, and improved revenue cycle processes. The Trust's adjusted admissions for the current fiscal year were at 81,660 or 4,160 (5%) fewer adjusted admissions than the prior year.

The Trust's patient volumes, net patient service revenue, and overall financial results are highly dependent upon the state and federal governments. Over the past several years, the Medicare rate increases have not kept pace with the overall medical expense increases. The Trust is also highly dependent upon patients who are covered by health insurance, which to a large extent is dependent on the employment status of individuals treated at the Trust. A continuation or worsening of economic conditions may result in a continued increase in the unemployment rate, which will likely increase the number of patients without health insurance. Deterioration of payor mix will have an adverse impact on the Trust's financial performance.

The payor mix below is based on patient days:

	<u>2013</u>	<u>2012</u>
Medicare	16.5%	16.9%
Medicaid	17.6	16.1
Medicaid pending	19.1	17.8
Commercial insurance	1.5	1.8
Managed care	28.0	26.5
Self-pay and other	17.3	20.9
	<u>100.0%</u>	<u>100.0%</u>

Net patient service revenue for the Trust includes payments from government programs such as Medicare and Medicaid, from managed care companies under negotiated contracts, from commercial insurance companies with no negotiated contract, and directly from patients.

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Medicare

Medicare is a federal program that provides certain hospital and medical insurance benefits to persons age 65 and over, some disabled persons, and persons with end-stage renal disease and is provided without regard to income or assets. Medicare revenue in federal fiscal year 2013 for inpatient hospital services was slightly lower than payments for the same services in federal fiscal year 2012, because of the decrease in Medicare discharges.

Inpatient

Disproportionate share hospital (DSH) payments are determined annually based on certain statistical information and are calculated as a percentage addition to Medical/Surgical-Diagnosis Related Groups (MS-DRG) payments. The primary method used by a hospital to qualify for Medicare DSH payments is a complex statutory formula that results in a DSH percentage that is applied to payments on MS-DRGs.

Outpatient

Hospital outpatient services paid under prospective payment system (PPS) are classified into groups called ambulatory payment classifications (APCs). Services for each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC. Depending on the services provided, a hospital may be paid for more than one APC for a patient visit.

Rehabilitation

The Center for Medicare and Medicaid Services (CMS) reimburses inpatient rehabilitation facilities (IRFs) on a PPS basis. Under IRF PPS, patients are classified into case mix groups based upon impairment, age, comorbidities (additional diseases or disorders from which the patient suffers), and functional capability. IRFs are paid a predetermined amount per discharge that reflects the patient's case mix group and is adjusted for area wage levels, low-income patients, rural areas, and high cost outliers.

Psychiatric

Inpatient hospital services furnished in psychiatric hospitals and psychiatric units of general, acute care hospitals are reimbursed under inpatient psychiatric facility prospective payment system (IPF PPS), a per diem payment, with adjustments to account for certain patient and facility characteristics. IPF PPS contains an "outlier" policy for extraordinarily costly cases and an adjustment to a facility's base payment if it maintains a full-service emergency department.

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Physician Services

Physician services are reimbursed under the physician fee schedule (PFS) system, under which CMS has assigned a national relative value unit (RVU) to most medical procedures and services that reflects the various resources required by a physician to provide the services relative to all other services. Each RVU is calculated based on a combination of work required in terms of time and intensity of effort for the service, practice expense (overhead) attributable to the service, and malpractice insurance expense attributable to the service. These three elements are each modified by a geographic adjustment factor to account for local practice costs then aggregated. The aggregated amount is multiplied by a conversion factor that accounts for inflation and targeted growth in Medicare expenditures (as calculated by the sustainable growth rate) (SGR) to arrive at the payment amount for each service.

Other

Under PPS, the payment rates are adjusted for the area differences in wage levels by a factor (wage index) reflecting the relative wage level in the geographic area compared to the national average wage level.

Medicaid

Medicaid is a federal-state program, administered by the State of Florida, which provides hospital and medical benefits to qualifying individuals who are unable to afford healthcare. Effective July 1, 2013, the State of Florida moved from a per diem-based payment to a fixed DRG payment per case.

Hospitals that provide care to a disproportionately high number of low-income patients may receive Medicaid DSH payments. The federal government distributes federal Medicaid DSH funds to each state based on a statutory formula. Florida utilizes a supplemental reimbursement program for the purpose of providing reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients.

Medicaid Pending

Medicaid pending represents patients that have applied for state funding and are waiting for approval by the state. Once approved, the patients are reclassified to Medicaid. As of September 30, 2013, Medicaid Pending represents 19.1% of the overall payor mix compared to 17.8% for prior year. While challenging economic conditions continue in the market, the Trust continues to enhance its Medicaid eligibility process in order to seek funding sources for patients.

Commercial Insurance

Private insurance carriers pay the Trust based upon the hospital's established charges and the coverage provided in the insurance policy. Commercial insurers try to limit the costs of hospital services by negotiating discounts.

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Managed Care and Other Discounted Plans

The Trust's managed care agreements offer discounts from established charges to health maintenance organizations, preferred provider organizations, and other managed care plans.

Self-Pay and Other

The unemployment rate for Miami-Dade County was approximately 8.4% compared to 8.8% in prior year. The primary collection risks of accounts receivable relate to the uninsured patient accounts and patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. The provision for doubtful accounts relates primarily to amounts due directly from patients.

Utilization

The County, like the United States, has experienced a significantly depressed economy. During economic downturns, the population covered under managed care agreements declines, which results in patients postponing or canceling elective and nonemergent procedures. The Trust has experienced a decline in inpatient utilization. The number of patients categorized as short-stay observation cases partially accounts for the drop in inpatient admissions.

	September 30	
	2013	2012
Inpatient services:		
Number of beds – licensed:		
Jackson Memorial Hospital	1,498	1,498
Jackson South Community Hospital	226	226
Jackson North Medical Center	382	382
Nursing Homes	343	343
Total	<u>2,449</u>	<u>2,449</u>
Hospital admissions (excluding newborn):		
Jackson Memorial Hospital	39,820	41,220
Jackson South Community Hospital	9,175	9,394
Jackson North Medical Center	8,882	9,589
Total	<u>57,877</u>	<u>60,203</u>

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	September 30	
	2013	2012
Average daily census (excluding newborn):		
Jackson Memorial Hospital	848	797
Jackson South Community Hospital	93	102
Jackson North Medical Center	150	144
Total	<u>1,091</u>	<u>1,043</u>
Total surgical cases:		
Jackson Memorial Hospital	13,987	14,258
Jackson South Community Hospital	3,585	3,416
Jackson North Medical Center	2,598	2,660
Total	<u>20,170</u>	<u>20,334</u>
Organ transplants (includes kidney, liver, heart, lung, pancreas, and multiorgan)	503	416
Outpatient services:		
Visits to emergency services (adults and pediatric):		
Jackson Memorial Hospital	123,383	126,329
Jackson Memorial Hospital Trauma	3,792	3,433
Jackson South Community Hospital	41,971	42,439
Jackson North Medical Center	43,511	45,878
Total	<u>212,657</u>	<u>218,079</u>
Observations:		
Jackson Memorial Hospital	10,158	6,391
Jackson South Community Hospital	2,564	2,252
Jackson North Medical Center	2,713	3,187
Total	<u>15,435</u>	<u>11,830</u>

In an effort to increase patient volumes, the Trust continues to focus on physician alignment and satisfaction, targeting capital spending on critical growth opportunities for hospitals, and improving the quality metrics of hospitals.

Managed Care Revenue

The JMH Health Plan's premium revenue for the fiscal years ended September 30, 2013 and 2012 was \$77 million and \$105 million, respectively, a decrease of approximately \$28 million. The decrease was a result of the termination of the Commercial and Medicaid lines of business to mitigate financial losses in the JMH Health Plan. Also, a significant reduction in members of the Medicare Managed Care line of business happened during fiscal year 2013. The Medicare Advantage line of business lost \$694,000 in fiscal year 2013 due to the adverse selection

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of Medicare members. Management decided to terminate the Medicare Advantage line of business and return members to CMS on September 30, 2013.

JMH Health Plan

In November 2012, the Centers for Medicare and Medicaid Services (CMS) conducted an audit of the Medicare Advantage program provided by the JMH Health Plan, an HMO operating under a certificate of authority by the Florida Office of Insurance Regulation. CMS communicated to the JMH Health Plan that numerous deficiencies were found to be present during the audit and required the Plan to submit an immediate corrective action plan. A corrective action plan was submitted to CMS on December 3, 2012. CMS subsequently communicated that the corrective action plan submitted by the JMH Health Plan was insufficient to mitigate the audit findings. On December 24, 2012, the JMH Health Plan refiled the corrective action plan addressing the concerns arising from the audit. CMS subsequently communicated acceptance of the refiled corrective action plan in January 2013.

Resolution No. PHT 06/13-003 was passed authorizing the President and Chief Executive Officer of the Public Health Trust or his designee to (1) negotiate and execute an agreement between the Public Health Trust, doing business as the JMH Health Plan, and the Centers for Medicare and Medicaid Services for purposes of mutually terminating the Medicare Advantage line of business operated within the JMH Health Plan and (2) notice the Centers of Medicare and Medicaid Services of the Public Health Trust's intent to not renew the Medicare Advantage Contract for calendar year 2014.

On January 15, 2014, Resolution No. PHT 01/14-007 was approved to surrender the JMH Health Plan's health maintenance organization (HMO) license and HMO healthcare provider certificate of authority to the State of Florida. The Resolution authorizes the President and Chief Executive Officer or his designee to take all actions necessary to implement the Resolution.

Other Revenue

Other revenue, which consists primarily of disproportionate share revenue and lower income pool revenue, decreased by \$45.8 million for the fiscal year ended September 30, 2013; the other revenue was \$241.4 million and \$287.1 million for the years ended September 30, 2013 and 2012, respectively.

Disproportionate Share revenue, which is revenue that the Trust receives from the state government that provides financial assistance to hospitals that serve a large number of low-income patients, decreased by approximately \$1.6 million and \$3.6 million for the fiscal years ended September 30, 2013 and 2012, respectively, which revenue was \$4.2 million and \$5.8 million, respectively.

Lower Income Pool revenue, which is revenue that the Trust receives from the state and federal governments that provides financial assistance to hospitals that serve a large number of low-income patients, decreased by approximately \$39.9 million in 2013 and decreased by \$12.8 million in 2012, which revenue was \$172.2 million and \$212.1 million for the fiscal years ended September 30, 2013 and 2012, respectively.

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Total Operating Expenses

For the fiscal year ended September 30, 2013, total operating expenses decreased by \$54.7 million or 4% from 2012. Operating costs as a percentage of operating revenue for the fiscal years ended September 30, 2013 and 2012:

	Year ended September 30	
	2013	2012
Operating expenses:		
Salaries and related costs	68.9%	68.3%
Contractual and purchased services	34.9	37.3
Supplies and other	16.5	15.6
PMATF	0.7	1.3
Depreciation and amortization	4.8	5.5
	<u>125.8%</u>	<u>128.0%</u>

Salaries and Related Costs

The Trust employed 9,970 full-time equivalents (FTE) at September 30, 2013, a 9% decrease from the prior year, which relates to several key operating initiatives to align the staffing needs of the organization to volume. Salaries and related costs were \$819.2 million and \$828.2 million for the fiscal years ended September 30, 2013 and 2012, respectively. For the year ended September 30, 2013, FTE per adjusted occupied bed was 6.50 compared to 6.76 for prior year.

During fiscal year 2012, labor agreements were effectuated with Service Employees International Union (SEIU), Government Supervisors Association of Florida (GSAF) and American Federation of State, County and Municipal Employees (AFSCME). Under the terms of the labor agreements, the employees provided material concessions related to salary and benefits contributing partially to the decrease in salary and related cost in previous year. In fiscal year 2013, some of the salary and benefit concessions were restored to only SEIU.

Approximately 89% of the Trust's workforce is represented by SEIU, GSAF, or AFSCME unions at September 30, 2013. The Trust, like the healthcare industry as a whole, has experienced a rate of labor inflation that is higher than general inflation. The Trust augments staff with temporary or contract personnel due to labor shortages.

Contractual and Purchased Services

Contractual and purchased services for the year ended September 30, 2013 was \$414.9 million, a decrease of \$36.6 million (8%) over the same period in the prior year. Medical claims related to the JMH Health Plan are included in contractual and purchased services. Effective January 1, 2012, the JMH Health Plan transitioned out of the Medicaid and commercial lines of business. The Trust employees and dependents were transitioned to the County's self-insured health insurance plan at the same time. The termination of these two lines of business resulted in a decline in medical claims expense of approximately \$22 million from prior year.

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There was a decrease of \$14.7 million compared to the prior year in the Annual Operating Agreement contract expenses, specifically in Programmatic and Indigent Care expenses of \$7.6 million and \$5.8 million, respectively. These reductions in expenses were a result of the fiscal year 2013 negotiations between the University of Miami and the Trust.

Supplies

The Trust experienced a favorable supply expense as a percentage of net patient service revenue, but increased its supplies per adjusted patient day from prior year. Higher specialized implant and drug costs were the primary reasons for the significant increase in supply costs for the fiscal year ended September 30, 2013.

	Fiscal year ended September 30		
	2013	2012	Variance
Supplies per adjusted patient day	\$ 351	343	8.00
Supplies as percentage of net patient service revenue	23.2%	23.4%	(0.2)%

The Trust has standardized and centralized the procurement operations to reduce total supply expense across operations with a comprehensive contract portfolio, featuring solutions for medical/surgical, pharmacy, laboratory, capital equipment, radiology, facilities and construction, food and nutrition, and purchased services. The Trust has an agreement with MedAssets, a group purchasing organization, or GPO. The Trust believes that its agreement with MedAssets continues to improve purchasing efficiency with a complete contract portfolio of quality, cost-effective products from the nation's leading manufacturers and distributors.

Risk Management

The Trust provides for self-insured funding related to medical professional and general liability claims, as well as workers' compensation claims, which are included in supplies and other operating expenses. The establishment of a self-insurance funding vehicle does not result in any transfer of risk similar to that, which occurs when commercial insurance is purchased. The Trust does not carry any commercial excess insurance. Based on the results of an actuarially determined reserve analysis, the Trust reduced the liability for medical professional and general liability claims by approximately \$694,000 during the fiscal year ended September 30, 2013.

Economic Outlook

On November 3, 2014 and December 11, 2014, the Board of Trustees of the Public Health Trust (PHT) approved the 2014-2017 collective bargaining agreements between Miami-Dade County, the PHT and Service Employees International Union (SEIU) and American Federation of State County and Municipal Employees (AFSCME). These agreements were forwarded to and ratified by the Board of County Commissioners for Miami-Dade County. These agreements cover four bargaining units and include over 7,000 employees of the PHT.

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The impact of this agenda item affects all full-time and part-time employees, and eligible per diem employees of the Jackson Health System that are members of the SEIU and AFSCME. The fiscal impact of this Agreement would be an estimate of \$56.9 million dollars for the three-year term of the contract. It would be funded from operating revenues as documented in the PHT financial statements. In no event would capital revenues, including proceeds from any general-obligation bond, be used to fund this program.

These Agreements are a product of good-faith negotiations between management's negotiating team and SEIU and AFSCME. All the parties recognize the financial challenges faced by the PHT, and have thus agreed to work collaboratively to address them. As a result, the parties have agreed to forego previously negotiated terms in the 2011-2014 Collective Bargaining Agreement, which were due to be effective September 30, 2014.

This is a three-year Agreement covering the period of October 1, 2014 through September 30, 2017.

Request for Information

This report is designed to provide a general overview of the Trust's finances. Questions or requests for additional information should be made in writing to the Chief Financial Officer at 1611 N.W. 17th Avenue Miami, Florida 33136.

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Statements of Net Position – Trust

September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 163,462,176	105,367,168
Restricted cash and cash equivalents	3,213,078	7,466,625
Restricted short-term investments	8,310,799	8,307,122
Assets limited as to use – cash and investments	3,005,230	7,826,566
Patients' accounts receivable, less allowances for doubtful accounts and contractual adjustments of approximately \$535,030,000 and \$464,531,000, respectively	100,077,590	130,113,459
Estimated receivables due from other third-party payors	164,612,236	147,892,590
Due from Miami-Dade County	39,418,988	35,511,220
Other receivables – unrestricted	6,754,462	7,713,551
Other receivables – restricted	4,095,074	3,228,174
Supplies	25,860,134	24,245,173
Prepaid expenses and other current assets	4,694,136	4,372,830
Total current assets	<u>523,503,903</u>	<u>482,044,478</u>
Assets limited as to use – cash and investments	33,644,818	28,581,595
Restricted long-term investments	53,226,206	59,441,123
Other assets	1,402,881	1,472,210
Capital assets, net	<u>460,591,824</u>	<u>444,743,651</u>
Total noncurrent assets	<u>548,865,729</u>	<u>534,238,579</u>
Total assets	1,072,369,632	1,016,283,057
Deferred outflows of resources:		
Deferred bond refunding	<u>3,920,424</u>	<u>4,760,515</u>
Total assets and deferred outflows of resources	<u>\$ 1,076,290,056</u>	<u>1,021,043,572</u>

See accompanying notes to financial statements.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Statements of Net Position – Trust

September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Current liabilities:		
Accounts payable and accrued expenses	\$ 98,311,795	116,781,952
Accrued interest payable	5,631,939	5,750,919
Accrued salaries and payroll taxes withheld	66,636,916	63,135,544
Accrued vacation and sick pay benefits	80,004,742	78,677,143
Refunds due for patient services	8,280,881	7,410,731
Current portion of estimated self-insured liability	6,616,374	4,790,154
Estimated payables due to other third-party payors	179,898,382	139,036,304
Due to Miami-Dade County	20,909,080	15,207,137
Due to University of Miami	18,616,264	20,867,414
Other – unrestricted	9,088,785	22,388,304
Other – restricted	1,428,647	6,050,885
Current portion of long-term debt	8,005,000	7,645,000
Total current liabilities	<u>503,428,805</u>	<u>487,741,487</u>
Long-term debt, excluding current portion	339,386,480	347,886,275
Estimated self-insured liability, excluding current portion	35,399,131	37,601,137
Due to University of Miami, excluding current portion	12,111,537	12,300,780
Other	1,047,315	1,147,409
Total noncurrent liabilities	<u>387,944,463</u>	<u>398,935,601</u>
Total liabilities	<u>891,373,268</u>	<u>886,677,088</u>
Net position (deficit):		
Net investment in capital assets	166,900,261	150,503,624
Restricted for:		
Debt service	8,310,799	8,307,121
Capital projects	3,446,713	2,910,388
Federal and donor programs	3,372,339	2,624,426
Unrestricted (deficit)	2,886,676	(29,979,075)
Total net position	<u>\$ 184,916,788</u>	<u>134,366,484</u>

See accompanying notes to financial statements.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Statements of Revenue, Expenses, and Changes in Net Position – Trust

Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Net patient service revenue	\$ 866,164,809	845,870,062
Managed care revenue	24,992,524	77,243,893
Other revenue	255,647,356	241,389,204
Grants and other	26,352,934	23,468,053
Total operating revenues	<u>1,173,157,623</u>	<u>1,187,971,212</u>
Operating expenses:		
Salaries and related costs	867,238,586	819,246,312
Contractual and purchased services	368,267,572	414,947,111
Supplies and other operating expenses	210,255,332	196,607,000
Public Medical Assistance Trust Fund assessment	11,235,817	8,519,272
Depreciation and amortization	49,816,775	56,768,702
Total operating expenses	<u>1,506,814,082</u>	<u>1,496,088,397</u>
Operating loss	<u>(333,656,459)</u>	<u>(308,117,185)</u>
Nonoperating revenues (expenses):		
Miami-Dade County funding	137,402,000	133,127,000
Sales tax revenue	228,041,287	216,163,552
Investment income	517,926	291,153
Interest expense	(16,072,869)	(17,146,699)
Other income	34,318,419	27,231,724
Total nonoperating revenues, net	<u>384,206,763</u>	<u>359,666,730</u>
Increase in net position	50,550,304	51,549,545
Net position, beginning of the year, as restated (note 2)	<u>134,366,484</u>	<u>82,816,939</u>
Net position, end of the year	<u>\$ 184,916,788</u>	<u>134,366,484</u>

See accompanying notes to financial statements.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Statements of Cash Flows – Trust

Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating activities:		
Cash received from patients, tenants, and third-party payors	\$ 1,262,138,263	1,214,877,962
Cash payments for interfund services used	(38,200,973)	(42,560,534)
Cash paid to suppliers	(602,895,211)	(616,710,152)
Cash paid to employees for services	(880,385,333)	(822,009,360)
Net cash used in operating activities	<u>(259,343,254)</u>	<u>(266,402,084)</u>
Noncapital financing activities:		
Funds contributed by Miami-Dade County	137,402,000	133,127,000
Funds contributed from sales tax revenue	224,133,519	213,899,480
Funds contributed by federal, state, and miscellaneous sources	34,318,419	27,231,724
Net cash provided by noncapital financing activities	<u>395,853,938</u>	<u>374,258,204</u>
Capital and related financing activities:		
Principal payments on long-term debt	(7,645,000)	(7,325,000)
Interest paid	(15,846,554)	(16,656,873)
Purchases of capital assets	(65,664,948)	(39,275,517)
Net cash used in capital and related financing activities	<u>(89,156,502)</u>	<u>(63,257,390)</u>
Investing activities:		
Proceeds from sales and maturities of investments	6,036,694	7,022,594
Realized gains on investments, interest, and dividends.	450,585	176,936
Net cash provided by investing activities	<u>6,487,279</u>	<u>7,199,530</u>
Net increase in cash and cash equivalents	53,841,461	51,798,260
Cash and equivalents, beginning of year	<u>112,833,793</u>	<u>61,035,533</u>
Cash and equivalents, end of year	\$ <u>166,675,254</u>	\$ <u>112,833,793</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (333,656,459)	(308,117,185)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	49,816,775	56,768,702
Provision for doubtful accounts	471,553,884	442,284,502
(Increase) decrease in assets:		
Patients – accounts receivables and other receivables	(458,145,471)	(424,627,598)
Supplies	(1,614,961)	(391,561)
Prepaid expenses and other assets	(251,977)	664,388
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(12,771,036)	597,338
Due to Miami-Dade County	5,701,943	(8,584,305)
Due to other third-party payors	40,862,078	(17,784,423)
Other current liabilities	(20,172,907)	20,219,765
Estimated self-insurance liability	(375,786)	(3,275,230)
Other long-term liabilities	(289,337)	(24,156,477)
Total adjustments	<u>74,313,205</u>	<u>41,715,101</u>
Net cash used in operating activities	\$ <u>(259,343,254)</u>	\$ <u>(266,402,084)</u>
Noncash investing activity:		
Net increase in the fair value of investments	\$ 67,341	114,217

See accompanying notes to financial statements.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Statements of Financial Position – Foundation (Component Unit)

September 30, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash and cash equivalents	\$ 2,437,793	4,917,925
Pledges receivable – current portion, net	1,439,429	1,566,209
Other current assets	80,057	74,418
Total current assets	3,957,279	6,558,552
Deposits	16,101	23,468
Investments	5,653,579	3,089,617
Trust agreement receivable – charitable remainder trust	74,000	130,000
Pledges receivable less current portion, net	2,107,956	2,018,976
Property and equipment, net	276,849	43,791
Total assets	\$ 12,085,764	11,864,404
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 905,245	444,025
Due to Jackson Health System	—	145,697
Total current liabilities	905,245	589,722
Commitments and contingencies		
Net assets:		
Unrestricted	211,753	294,983
Temporarily restricted	10,968,766	10,979,699
Total net assets	11,180,519	11,274,682
Total liabilities and net assets	\$ 12,085,764	11,864,404

See accompanying notes to financial statements.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Statements of Activities – Foundation (Component Unit)

Years ended September 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Public support and revenues:			
Donations for International Kids Fund program	\$ —	2,041,895	2,041,895
General gifts revenues	862,555	4,487,844	5,350,399
Provision for estimated uncollectible pledges and change in present value discount of pledges receivable	(59,403)	(5,240)	(64,643)
Special events, net of direct costs totaling \$767,028	—	1,016,890	1,016,890
Net public support	803,152	7,541,389	8,344,541
Interest income and dividends, net of investment fee	36,325	4,651	40,976
Net realized and unrealized gain on investments	141,652	67,519	209,171
Total public support and revenues before net assets released from restrictions	981,129	7,613,559	8,594,688
Net assets released from restrictions:			
Satisfaction of program restrictions	7,624,492	(7,624,492)	—
Total public support and revenues	8,605,621	(10,933)	8,594,688
Expenses including direct support payments:			
Program services:			
Jackson Health System	3,952,439	—	3,952,439
International Kids Fund	2,840,871	—	2,840,871
Total program services	6,793,310	—	6,793,310
Management and general	760,468	—	760,468
Fund-raising	1,135,073	—	1,135,073
Total expenses including direct support payments	8,688,851	—	8,688,851
Change in net assets	(83,230)	(10,933)	(94,163)
Net assets at beginning of year	294,983	10,979,699	11,274,682
Net assets at end of year	\$ 211,753	10,968,766	11,180,519

See accompanying notes to financial statements.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Statements of Activities – Foundation (Component Unit)

Years ended September 30, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Public support and revenues:			
Donations for International Kids Fund program	\$ —	2,191,193	2,191,193
General gifts revenues	541,733	1,592,354	2,134,087
Provision for estimated uncollectible pledges and change in present value discount of pledges receivable	(138,705)	(684,033)	(822,738)
Special events, net of direct expenses totaling \$487,019	—	680,500	680,500
Net public support	<u>403,028</u>	<u>3,780,014</u>	<u>4,183,042</u>
Interest income and dividends, net of investment fee	49,319	12,185	61,504
Net realized and unrealized gain on investments	<u>123,389</u>	<u>219,358</u>	<u>342,747</u>
Total public support and revenues before net assets released from restrictions	575,736	4,011,557	4,587,293
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>5,217,631</u>	<u>(5,217,631)</u>	<u>—</u>
Total public support and revenues	<u>5,793,367</u>	<u>(1,206,074)</u>	<u>4,587,293</u>
Expenses including direct support payments:			
Program services:			
International Kids Fund	2,268,988	—	2,268,988
Jackson Memorial Hospital	<u>3,207,724</u>	<u>—</u>	<u>3,207,724</u>
Total program services	5,476,712	—	5,476,712
Management and general	634,498	—	634,498
Fund-raising	<u>1,039,296</u>	<u>—</u>	<u>1,039,296</u>
Total expenses including direct support payments	<u>7,150,506</u>	<u>—</u>	<u>7,150,506</u>
Change in net assets	(1,357,139)	(1,206,074)	(2,563,213)
Net assets at beginning of year	<u>1,652,122</u>	<u>12,185,773</u>	<u>13,837,895</u>
Net assets at end of year	\$ <u>294,983</u>	<u>10,979,699</u>	<u>11,274,682</u>

See accompanying notes to financial statements.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Statements of Fiduciary Net Position – Pension Trust Fund

September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets:		
Cash	\$ 8,101,067	14,826,658
Investments:		
Domestic:		
Mutual funds	39,761,801	44,071,021
Equities	277,280,870	269,527,562
Corporate debt securities	36,243,823	36,119,673
U.S. Government and Agency obligations	14,245,024	14,528,118
Total domestic	<u>367,531,518</u>	<u>364,246,374</u>
International:		
Mutual funds	77,606,792	79,450,548
Equities	9,192,890	10,727,625
Corporate debt securities	9,901,327	8,737,221
Total international	<u>96,701,009</u>	<u>98,915,394</u>
Venture Capital and Limited Partnership	28,083,925	25,010,453
Real estate	43,323,444	39,752,678
Hedge funds	20,432,135	—
Total assets	<u>564,173,098</u>	<u>542,751,557</u>
Net position held in trust for employees’ pension benefits	<u>\$ 564,173,098</u>	<u>542,751,557</u>

See accompanying notes to financial statements.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Statements of Changes in Fiduciary Net Position – Pension Trust Fund

Years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Net position reserved for employees' pension benefits:		
Additions:		
Employer contributions	\$ 12,012,499	12,745,216
Employee contributions	12,248,903	11,937,174
Total contributions made	<u>24,261,402</u>	<u>24,682,390</u>
Investment income:		
Interest income	3,407,179	6,404,954
Dividends	3,565,086	4,372,381
Net realized and unrealized gains on pension trust fund investments	<u>32,170,457</u>	<u>51,998,283</u>
Total investment income	39,142,722	62,775,618
Less investment expense:		
Investment managers and custodial fees	<u>(1,851,915)</u>	<u>(2,368,803)</u>
Total investment expense	<u>(1,851,915)</u>	<u>(2,368,803)</u>
Net investment income	<u>37,290,807</u>	<u>60,406,815</u>
Total additions	<u>61,552,209</u>	<u>85,089,205</u>
Deductions:		
Participants benefit expense	39,678,826	4,805,726
Administrative expenses	<u>451,842</u>	<u>149,716</u>
Total deductions	<u>40,130,668</u>	<u>4,955,442</u>
Change in net position	21,421,541	80,133,763
Net position held in trust for employees pension benefits, at beginning of year	<u>542,751,557</u>	<u>462,617,794</u>
Net position held in trust for employees pension benefits, at end of year	<u>\$ 564,173,098</u>	<u>542,751,557</u>

See accompanying notes to financial statements.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Notes to Financial Statements

September 30, 2014 and 2013

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

Effective October 1, 1973, the Public Health Trust of Miami-Dade County, Florida (the Trust) was created by county ordinance to provide for an independent governing body (the board of trustees or Board) responsible for the operation, governance, and maintenance of “designated facilities.” Currently, the Trust operates six hospitals: Jackson Memorial Hospital, Holtz Children’s Hospital, Jackson South Community Hospital, Jackson North Medical Center, Jackson Rehabilitation Hospital, and Jackson Behavioral Health Hospital; two skilled nursing facilities, Jackson Memorial Long-Term Care Center and Jackson Memorial Perdue Medical Center; several primary care centers, Jefferson Reaves Senior Health Center, North Dade Health Center, Rosie Lee Wesley Health Center; one insurance organization, JMH Health Plan (the Health Plan), as well as multiple specialty care centers, school-based care programs, and the corrections health services for Miami-Dade County. At September 30, 2014 and 2013, the Trust operated a total of 2,106 licensed hospital beds and 343 licensed nursing home beds.

Jackson Memorial Hospital is a teaching hospital operating in association with the University of Miami School of Medicine, which provides staff and services under an annual operating agreement. Jackson North Medical Center is a teaching hospital operating in association with Florida International University College of Medicine.

The Trust is a department of Miami Dade County (the County). It is the intent of the Miami-Dade Board of County Commissioners (the Commission) to promote, protect, maintain, and improve the health and safety of all residents and visitors of Miami-Dade County through a fully functioning and sustainable Public Health Trust. The Commission finds that it is in the best interest of the public it serves to take action to preserve the Trust and to ensure its financial sustainability by requiring the Trust to notify the Commission, the Mayor, and the Commission Auditor when certain financial conditions as outlined in Chapter 25A of Miami-Dade County Code of Ordinances occur. Some of these financial conditions occurred in a prior fiscal year, and the Commission established a Financial Recovery Board, which requires the preparation and oversight of a recovery plan.

The Financial Recovery Board exercised supervisory control over the operation, maintenance, and governance of all designated facilities and of all functions and activities taking place in connection with the operation of designated facilities and is authorized to exercise such powers as provided for in Section 25A-4 (powers and duties of the Trust).

In December 2012, the Board of County Commissioners of Miami-Dade County approved the dissolution of the Financial Recovery Board effective April 2013. At such time, a new seven-member Public Health Trust Board was established to serve as the governing body of the Trust. Existing Financial Recovery Board members were eligible to become members of the new Board.

The accompanying financial statements are not intended to be a complete presentation of the financial position of the County and the results of its operations and cash flows of its proprietary fund types, in conformity with accounting principles generally accepted in the United States (GAAP). Transactions between entities that make up the Trust are eliminated in the accompanying financial statements.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Notes to Financial Statements

September 30, 2014 and 2013

(b) Basis of Accounting and Presentation

The accounting policies of the Trust conform to GAAP as applicable to governmental agencies. The Trust's accounts are used to account for the Trust's activities that are financed and operated in a manner similar to a private business enterprise. Accordingly, the Trust maintains its records on the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred.

Nonexchange transactions, in which the Trust receives value without directly giving equal value in return, include grants from federal, state, and local governments. On an accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the Trust on a reimbursement basis.

Jackson Memorial Foundation, Inc. (the Foundation) is a legally separate, tax-exempt component unit of the Trust governed by a separate independent board of directors. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the Trust in support of its programs. The board of the Foundation is self-perpetuating and consists of community members. Although the Trust does not control the timing or amount of receipts from the Foundation, the majority of resources or income that the Foundation holds and invests are restricted to the activities of the Trust by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the Trust, the Foundation is considered a component unit of the Trust and is discretely presented in the Trust's financial statements.

During the years ended September 30, 2014 and 2013, the Foundation distributed approximately \$5,640,000 and \$4,354,000, respectively, to the Trust. Complete financial statements of the Foundation can be obtained from the Foundation at 901 N.W. 17th Street, Plaza Park East – Suite G, Miami, Florida 33136.

The Pension Trust Fund is a fiduciary fund used to account for assets held by Northern Trust Bank for the benefits of employees of the Trust who participate in the Public Health Trust Defined-Benefit Retirement Plan (the Plan). The financial statements of the pension trust fund use the full-accrual basis of accounting, whereby employer and employee contributions to the Plan are recognized when due, and benefits are recognized when due and payable to the plan participants in accordance with the terms of the Plan. The plan operates on a calendar year with a year-end of December 31.

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

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Notes to Financial Statements

September 30, 2014 and 2013

(d) *Cash and Cash Equivalents*

The Trust considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. The Trust invests its surplus operating funds in money market mutual funds and overnight repurchase agreements. These funds generally invest in highly liquid U.S. government and agency obligations.

(e) *Investments*

Investments include U.S. government securities, U.S. government agency securities, commercial paper, U.S. Treasury bills, Real Estate, and Venture Capital/Limited Partnership which are reported at fair value based upon quoted market prices or estimated fair value as determined by the general partner using the latest available information at the valuation date.

(f) *Assets Limited as to Use – Cash and Investments*

Assets limited as to use include self-insurance trust arrangements; designated assets set aside by the Board or the County for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes; and assets set aside in accordance with agreements with third-party payors, the County, and the Florida Department of Financial Services Office of Insurance Regulation. Amounts required to meet current liabilities have been classified as current assets in the accompanying statements of net position.

(g) *Supplies*

Supplies, consisting primarily of pharmaceutical and medical-surgical supplies, are principally determined using average cost or market.

(h) *Capital Assets*

The Trust capitalizes all items with an initial cost of \$5,000 or greater and an expected useful life of two years or more, or groups of 10 or more like items with a cost of \$1,000 or greater. The Trust's capital assets are stated at cost or if donated property, at fair value at the date of donation. Assets under capital leases are stated at the present value of future minimum lease payments at the inception of the lease and are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the respective lease or the life of the related asset. Such amortization is included in depreciation and amortization in the financial statements. Routine maintenance and repairs that do not extend the life of the assets are charged to expense as incurred and major renovations or improvements are capitalized.

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Notes to Financial Statements

September 30, 2014 and 2013

Commencing in fiscal year 2012, depreciation is provided for using the half-year convention for the first and final year with a straight-line method over the estimated useful lives of the related assets based on the American Hospital Association guidelines as summarized below:

	<u>Useful life</u>
Land improvements	2–25 years
Buildings	5–40 years
Fixed equipment	5–20 years
Movable equipment	3–20 years

Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. Interest costs associated with that portion of the Trust’s revenue bonds used to construct qualifying assets, less interest earned on the temporary investment of the unexpended proceeds of those borrowings, are also capitalized as a component of the cost of acquiring the qualifying assets. The amount of interest cost capitalized during the years ended September 30, 2014 and 2013 approximated \$1,461,000 and \$1,055,000, respectively.

Management evaluates whether there has been a significant unexpected decline in the utility of a capital asset that could indicate an impairment in the capital asset. If there is an indication that an asset may be impaired, the Trust follows GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, to determine whether an impairment should be recognized. The Trust concluded that no impairment exists as of September 30, 2014 and 2013.

(i) Bonds Payable

The Trust is not empowered to borrow funds. Long-term financing is generally accomplished by the issuance of bonds or other debt by the County, which is reflected as long-term debt in the accompanying financial statements.

(j) Bond Premium, Discounts, and Refundings of Debt

Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method and are reflected as an element of the carrying cost of the debt. Current and advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense using the straight-line method over the remaining life of the old debt or the life of the new debt, whichever is shorter. Such deferred amounts are classified as deferred outflows of resources in the accompanying financial statements.

(k) Self-Insurance Programs

The provision for estimated self-insured programs-general professional liability claims and workers’ compensation-includes estimates of the ultimate costs for both reported claims and claims incurred but

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

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Notes to Financial Statements

September 30, 2014 and 2013

not reported. The estimates for self-insured claims are continually reviewed and adjusted as necessary as experience develops or new information becomes known.

(l) Net Position Classification

Net position is classified and displayed in three components:

- Net investment in capital assets – consist of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation. The Trust first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.
- Unrestricted net position – consists of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

(m) Classification of Revenues and Expenses

All transactions deemed by management to be ongoing, major, or central to the provision of healthcare services are considered to be operating activities and are reported as operating revenue and operating expenses. Investment income, interest expense, sales tax revenue, funding from the County, and peripheral or incidental transactions are reported as nonoperating revenues and expenses.

(n) Net Patient Service Revenue

The Trust has agreements with third-party payors that provide for payments to the Trust at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in the year of final settlement as an adjustment to net patient service revenue in that year’s statement of revenues, expenses, and changes in net position. Final settlements under these programs are subject to administrative review and audit by third-party payors. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Adjustments to revenues, related to prior periods decreased net patient service revenue by approximately \$23,571,000 and \$5,121,000 for the years ended September 30, 2014 and 2013, respectively. In the opinion of management, adequate provision has been made in the accompanying financial statements for adjustments that may result from such reviews and audits.

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(o) Charitable Services

In pursuing its mission, the Trust provides services to financially disadvantaged individuals in the community in which it operates, despite the lack or adequacy of reimbursement for those services.

The Trust maintains records to identify and monitor the level of such services as follows:

The Trust provides care to patients regardless of their ability to pay. All, or a portion, of the charges incurred at established rates are classified as charity by reference to the Trust's established policies. Essentially, these policies define charitable services as those for which no payment is anticipated. In assessing a patient's ability to pay, the Trust uses generally recognized poverty income levels for the community but also includes certain cases where incurred charges are considered to be beyond the patient's ability to pay. Because the Trust does not pursue the collection of amounts determined to meet the criteria under its charity care policy, such amounts are not reported as revenue.

The Trust provides services to other indigent patients under various State of Florida programs that pay healthcare providers amounts that are less than the cost of the services provided to the recipients. The difference between the cost of services provided to these indigent persons and the expected reimbursement is also considered to be charitable service.

In addition to the services that are provided to financially disadvantaged individuals, the Trust provides certain community health services at no charge to the public, including various educational programs. Costs related to these services are included in operating expenses.

(p) Managed Care Revenue

Primarily consists of premium revenue, which is recognized by the JMH Health Plan during the period in which the JMH Health Plan is obligated to provide services to its members.

(q) Other Revenue

Other revenue primarily consists of Disproportionate share (DSH)/Low income pool (LIP) revenue, parking, rent, physician billing, and miscellaneous billing and is recognized when earned.

(r) Unpaid Medical Claims

The unpaid medical claims related to the JMH Health Plan are included in accounts payable and accrued expenses. The unpaid medical claims include accruals for hospital and other medical claims incurred as well as those incurred but not reported. The accrual is based on a per diem rate for outstanding bed days for inpatient claims and on experience trends for inpatient, outpatient, and other medical claims.

(s) Income Taxes

The Trust is an integral part of Miami-Dade County, Florida, and as such, is not subject to income tax. The Foundation is exempt from income taxes under Internal Revenue Code (IRC) Section 501(a) as an entity described in IRC Section 501(c)(3).

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(t) Significant Accounting Policies – Foundation

The Foundation is a private, nonprofit organization that reports under the standards of the Financial Accounting Standards Board (FASB), including the Accounting Standards Codification 958-605. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board (GASB) revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Trust's financial reporting entity for these differences.

Contributions

In accordance with an accounting standard issued by the FASB, contributions received or made, including promises to give or pledges, are recognized at fair value in the period in which they are received or made.

Contributions received, including unconditional promises to give, are recognized as revenues when the donor's commitment is received. Conditional promises are recorded when donor stipulations are substantially met. Unconditional promises are recognized at the estimated present value of the future cash flows using a risk-free rate. Promises and contributions of noncash assets are recorded at their fair value.

Donated Services

Board members and volunteers have donated significant time to the Foundation's activities. However, the value of these services is not reflected in the accompanying financial statements, since such services are not the type that would qualify for recognition.

Cash and Cash Equivalents

Cash and cash equivalents include money market funds at various financial institutions. The Foundation considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments

The Foundation reports its investments under an accounting standard issued by the FASB on accounting for certain investments held by not-for-profit organizations. Under the standard, a not-for-profit organization is required to report investments in equity securities with readily determinable fair values and all investments in debt securities at fair value.

Purchased securities are stated at fair value based on the most recently traded price of the security at the financial statement date. Donated securities are recorded at fair value and sold immediately. Realized and unrealized gains and losses are recorded in the statement of activities.

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Pledges Receivable

Pledges receivable, less an estimate for uncollectible amounts, represent uncollected promises and are stated at the estimated present value of the future cash flows using a rate of return appropriate for the expected term of the promise to give at the time initially recognized. The majority of pledges are designated by the donors for distribution to Jackson Health System (JHS). Such amounts subject to collection and fund-raising costs and administration fees, when applicable, are distributed to JHS as designated by the donor. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. Additions and major improvements are capitalized, and repairs and maintenance costs are expensed. Upon retirement or sale, any resulting gain or loss is recognized in the appropriate period. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

(u) New Accounting Pronouncements

Effective for periods beginning after December 15, 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The impact to the financial statements related to the adoption of GASB Statement No. 65 was the reclassification as Deferred of Outflows of Resources related to deferred bond refunding and the write-off of bond issue costs (note 2).

Effective for periods beginning after December 15, 2012, GASB issued Statement No. 66, *Technical Corrections – 2012, and Amendment of GASB Statements No. 10 and No. 62*. This statement eliminates the requirement in GASB that risk financing activities be accounted for either in the general fund or an internal service fund. It amends the guidance in GASB 62 for: accounting for operating lease payments that vary from a straight line; purchase of a loan or group of loans, and accounting for servicing fees related to mortgage loans. There was no impact on the financial statements related to the adoption of GASB Statement No. 66.

Effective for pension plan years beginning after December 15, 2012, GASB issued Statement No. 67 *Financial Reporting for Pension Plans, an Amendment of GASB 25*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessment of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 25 and No. 50, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The impact to the financial statements related to the adoption of GASB Statement No. 67 is the new disclosures and required supplementary information.

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Effective for periods beginning after June 15, 2014, GASB issued Statement No. 68 *Accounting and Financial Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The Trust has not determined the impact of GASB Statement No. 68.

Effective for periods beginning after December 15, 2012, GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement established accounting and reporting standards for financial guarantees that are nonexchange transactions (a guarantee of an obligation of a legally separate entity to indemnify a third-party obligation holder). There was no impact on the financial statements related to the adoption of GASB Statement No. 70.

(v) **Reclassifications**

Certain reclassifications have been made to 2013 amounts to conform to 2014 presentation.

(2) **Restatement of Prior Year Basic Financial Statements**

GASB No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Under GASB No. 65, bond issuance costs, with the exception of bond insurance guaranty costs, are expensed at the time of issuance and gains and losses on early extinguishment of debt are deferred and amortized over the life of the refunded debt or refinancing debt, whichever is earlier.

The effect of adopting GASB No. 65 was as follows:

Net position at September 30, 2012 (as previously reported)	\$ 88,059,480
Decrease in unamortized bond issuance costs	<u>(5,242,541)</u>
Net position at September 30, 2012 (as restated)	<u><u>\$ 82,816,939</u></u>

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(3) Financial Condition

The Trust's net position increased approximately \$50,550,000 during fiscal year 2014, and at September 30, 2014, the Trust has a working capital surplus of approximately \$20,075,000. Days cash on hand was approximately 41 days and 28 days at September 30, 2014 and 2013, respectively. As of September 30, 2014, the Trust was in compliance with the required debt service coverage ratio covenant related to the outstanding long-term debt. See note 11 for discussion.

Historically, the Trust has relied on funding from the County and sales tax revenue to defray the costs of its general operations. The amount of future funding from the County is dependent, in part, on the availability of ad valorem and nonad valorem taxes to do so, while the level of sales tax revenue is dependent on general economic conditions.

The Trust entered into a Consent Order with the Office of Insurance Regulation (OIR) in October 2011. Pursuant to the Consent Order, the Trust agreed, among other things, that: (i) if JMH Health Plan does not report year-to-date profitability by December 31, 2012, JMH Health Plan will wind down its operations and voluntarily surrender its Certificate of Authority; (ii) file monthly financial statements and other requested reports until the OIR provides written documentation indicating monthly reports are no longer required; and (iii) provide necessary capital infusion should the JMH Health Plan experience impaired statutory surplus as evidenced by the monthly required reporting. On August 26, 2014, JMH Health Plan requested to OIR seeking approval to cease filing monthly financial statements. The request has been approved. JMH Health Plan must file only quarterly and calendar financial statements through the final run out of claim payments. As of September 30, 2014, the Plan has been in compliance with the OIR Consent Order.

The Medicare Advantage contract within the Public Health Trust doing business as JMH Health Plan and the Centers for Medicare and Medicaid Services (CMS) was terminated September 30, 2013; claims liability reserve have been established.

The Trust has implemented and continues to evaluate cost reduction initiatives directed at reducing operating expenses. These initiatives have included reductions in contractual and purchased services expenses and the partnership with a group purchasing organization.

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(4) Cash, Cash Equivalents, and Investments

At September 30, 2014 and 2013, cash, cash equivalents, and investments, including assets limited as to use, at fair value included the following:

	<u>2014</u>	<u>2013</u>
Fixed investments – federal treasuries and federal agency securities	\$ 59,457,054	61,359,586
Money market accounts	2,079,951	6,388,659
Total investments	<u>61,537,005</u>	<u>67,748,245</u>
Deposits	<u>203,325,302</u>	<u>149,241,954</u>
Total cash, cash equivalents, and investments	<u>\$ 264,862,307</u>	<u>216,990,199</u>

The Trust and the County pooled cash and investment accounts are required to be maintained in accordance with legal restrictions. The Trust's equity share of the total pooled cash and investments is included in restricted short-term and long-term investments in the accompanying statements of net position.

(a) Deposits

The Trust's investment authority is derived from Florida Statutes, Chapter 218.415, and by county ordinance. Time deposits made in banks and savings and loans associations must be made with qualified public depositories in accordance with Chapter 280, *Florida Statutes*. All qualified public depositories, as defined under Florida Statutes, are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. At September 30, 2014 and 2013, the Trust's deposits were entirely covered by federal depository insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, *Florida Statutes*.

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Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Trust will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Policy requires that bank deposits be secured per Chapter 280, *Florida Statutes*. This requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida and creates the Public Deposits Trust Fund, a multiple financial institution pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. The Policy requires the execution of a Custodial Safekeeping Agreement (CSA) for all purchased securities and shall be held for the credit of the Trust in an account separate and apart from the assets of the financial institution.

The carrying value of the Trust's bank deposit accounts was approximately \$203,325,000 and \$149,242,000 at September 30, 2014 and 2013, respectively.

At September 30, 2014 and 2013, approximately \$61,537,000 and \$67,748,000, respectively, of the Trust's deposits and investments were held in a pooled account at the County. Earnings generated by the investment pool are allocated based on each investing organization's balance as a percentage of total investments held in the pool.

(b) Restricted Investments

The Trust's share in the County's investments included the following at September 30, 2014 and 2013:

Investment type	Fair value	
	2014	2013
U.S. Treasury bills	\$ —	555,537
Federal Farm Credit Banks	10,756,668	12,919,590
Federal Home Loan Banks	16,498,071	15,859,864
Federal National Mortgage Association	19,371,849	18,759,489
Federal Home Loan Mortgage Corporation	12,830,466	13,265,106
Money market accounts	2,079,951	6,388,659
Total restricted investments	\$ 61,537,005	67,748,245

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Assets Limited as to Use – Cash and Investments

Assets limited as to use – cash and investments that are required for obligations classified as current liabilities are reported in current assets. The composition of assets limited as to use at September 30, 2014 and 2013 is set forth in the following table. Investments are stated at fair value based on quoted market prices.

	<u>2014</u>	<u>2013</u>
By board for self-insurance program:		
Cash	\$ 29,160,235	25,512,736
By board for other needs:		
Cash	98,674	91,639
By board and/or regulators for the health plan:		
Cash	<u>7,391,139</u>	<u>10,803,786</u>
Total assets limited as to use	36,650,048	36,408,161
Less current portion	<u>(3,005,230)</u>	<u>(7,826,566)</u>
	<u>\$ 33,644,818</u>	<u>28,581,595</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Trust's Investment Policy (the Policy) minimizes credit risk by restricting authorized investments to: Local Government Surplus Funds Trust Fund (the Pool) or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act; money market funds registered with the Securities and Exchange Commission (SEC) that have the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits or savings accounts in qualified public depositories, pursuant to *Florida Statutes*, Chapter 280.02, which are defined as banks, savings banks, or savings associations organized under the laws of the United States with an office in Florida that is authorized to receive deposits and has deposit insurance under the provisions of the Federal Deposit Insurance Act; direct obligations of the United States Treasury; federal agencies and instrumentalities; securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio is limited to the obligations of the U.S. government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such U.S. government obligations and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian; commercial paper of prime quality with a stated maturity of 270 days or less from the date of its issuance, which has the highest letter and numerical rating as provided for by at least one nationally recognized rating service; bankers' acceptances that have a stated maturity of 180 days or less from the date of their issuance, have the highest letter and numerical rating as provided for by at least one nationally recognized rating service, and are drawn on and accepted by commercial banks and that are eligible for purchase by the Federal Reserve Bank; and investments in repurchase agreements collateralized by securities authorized by the Policy.

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At September 30, 2014, the Trust's restricted investment securities had the following credit ratings:

	<u>Fair value</u>	Credit rating (S&P*/ Moody's/Fitch) (N/A = not rated)
Money market accounts	\$ 2,079,951	N/A
U.S. government agency securities, by issuer:		
Federal Farm Credit Banks	10,756,668	AA+/A-1+
Federal Home Loan Banks	16,498,071	AA+/A-1+
Federal National Mortgage Association	19,371,849	AA+/A-1+
Federal Home Loan Mortgage Corporation	12,830,466	AA+/A-1+
	<u>\$ 61,537,005</u>	

* Standard and Poor's

At September 30, 2013, the Trust's restricted investment securities had the following credit ratings:

	<u>Fair value</u>	Credit rating (S&P*/ Moody's/Fitch) (N/A = not rated)
Money market accounts	\$ 6,388,659	N/A
U.S. government agency securities, by issuer:		
Federal Farm Credit Banks	12,919,590	AA+/A-1+
Federal Home Loan Banks	15,859,864	AA+/A-1+
Federal National Mortgage Association	18,759,489	AA+/A-1+
Federal Home Loan Mortgage Corporation	13,265,106	AA+/A-1+
U.S. Treasury bills	555,537	AA+/A-1+
	<u>\$ 67,748,245</u>	

* Standard and Poor's

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of investments in a single issuer. The Policy establishes limitations on portfolio composition by investment type and by issuer to limit its exposure to concentration of credit risk. The Policy provides that a maximum of 50% of the portfolio may be invested in the Pool; however, bond proceeds may be temporarily deposited in the Pool until other investments have been purchased. Prior to any investment in the Pool, approval must be received by the Board; a maximum of 30% of the portfolio may be invested in SEC-registered money market funds with no more than 10% to any single money market fund; a maximum of 20% of

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the portfolio may be invested in nonnegotiable, interest-bearing time certificates of deposit savings accounts with no more than 5% deposited with any one issuer, with no limits on individual issuers (investment in agencies containing call options shall be limited to a maximum of 25% of the total portfolio). There is no limit on the percentage of the total portfolio that may be invested in direct obligations of the U.S. Treasury or federal agencies, and instrumentalities; a maximum of 5% of the portfolio may be invested in open-end or closed-end funds; a maximum of 50% of the portfolio may be invested in prime commercial paper with a maximum of 5% with any one issuer; a maximum of 20% of the portfolio may be invested in bankers' acceptances with a maximum of 25% with any one issuer; a maximum of 60% of the portfolio may be invested in both commercial paper and bankers' acceptances; and a maximum of 10% of the portfolio may be invested with any one institution.

At September 30, 2014 and 2013, the composition of the Trust's restricted investments by investment type that represent greater than 5% of total investments was as follows:

	Percentage of portfolio	
	2014	2013
U.S. government agency securities, by issuer:		
Federal Farm Credit Banks	17.5%	19.1%
Federal Home Loan Banks	26.8	23.4
Federal National Mortgage Association	31.5	27.7
Federal Home Loan Mortgage Corporation	20.9	19.6
U.S. Treasury bills	—	0.8
Money market accounts	3.3	9.4

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Policy limits interest rate risk by requiring the matching of known cash needs and anticipated net cash outflow requirements, following historical spread relationships between different security types and issuers, and evaluating both interest rate forecasts and maturity dates to consider short-term market expectations. The Policy requires that investments made with current operating funds shall maintain a weighted average maturity of no longer than one year. Investments for bond reserves, construction funds, and other nonoperating funds shall have a term appropriate to the need for funds and in accordance with debt covenants. The Policy limits the maturity of an investment to a maximum of five years.

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As of September 30, 2014 and 2013, the Trust had the following restricted investments with the respective weighted average maturity in years:

	Weighted average maturity	
	2014	2013
U.S. government agency securities, by issuer:		
Federal Farm Credit Banks	1.19	1.12
Federal Home Loan Banks	0.66	0.73
Federal National Mortgage Association	0.71	1.12
Federal Home Loan Mortgage Corporation	0.50	0.41
U.S. Treasury bills	—	0.13

(5) Net Patient Service Revenue

The Trust has agreements with third-party payors that provide for payments to the Trust at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the Trust's established rates for services and amounts reimbursed by third-party payors. A summary of the payment arrangements with major third-party payors is as follows:

Medicare – Approximately 22% and 21% of the Trust's patient service revenue was derived from services rendered to patients under the Medicare program during fiscal years 2014 and 2013, respectively. Medicare inpatient services for acute and rehabilitation services are paid at diagnostic related groups (DRG) bases. These rates vary according to a patient classification system based on clinical, diagnostic, and treatment factors. Psychiatric services are also reimbursed based on DRG. Outpatient services are reimbursed on a prospectively determined fee schedule with final settlement determined after audit of the annual cost report submitted by the Trust.

The Trust's annual Medicare cost reports are subject to audit and approval of the Medicare program authorities. In connection with this audit and approval process, the Trust may be required to revise its previous estimate of amounts due to or from the Medicare program. Differences between the Trust's original estimate and estimates based on subsequent determinations, resulting from the audit and approval process mentioned above, are recorded in operations by the Trust in the period the determination is made. The Trust's Medicare cost reports have been audited and settled by the Medicare fiscal intermediary through September 30, 2010. The Trust has filed Medicare cost reports through September 30, 2013. Estimated provisions, if any, have been made for years through September 30, 2014 and have been reflected in the accompanying financial statements.

Medicaid – Approximately 17% and 24% of the Trust's patient service revenue was derived from services rendered to patients under the Medicaid program for fiscal years 2014 and 2013, respectively. Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed prospectively for covered services on the basis of historical cost as determined under regulations of the Medicaid program. Effective with admissions on or after July 1, 2013, the Medicaid program changed the reimbursement for inpatient stays to a DRG-based methodology. The Trust is reimbursed at a tentative rate with final settlement

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determined after submission of annual cost reports by the Trust and audits thereof by the Medicaid fiscal intermediary. The Trust's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through September 30, 2007. The Trust has filed Medicaid cost reports through September 30, 2013. Estimated provisions, if any, have been made for years through September 30, 2014 and have been reflected in the accompanying financial statements. Effective July 1, 2014, the majority of Medicaid patients were transitioned into Managed care plans.

Other – Approximately 49% and 40% of the Trust's patient service revenue was derived from services rendered under various other provider agreements during fiscal years 2014 and 2013, respectively. The Trust has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to the Trust under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates. The remaining 12% and 15% for fiscal years 2014 and 2013, respectively, represents revenue derived from self-pay and patients that may qualify for state assistance on the condition that state funding is available.

Net patient service revenue consisted of the following for the years ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Patient service revenue:		
Inpatient service	\$ 2,998,764,913	2,872,953,141
Ambulatory services	1,198,434,290	1,180,577,502
Total gross patient charges	<u>4,197,199,203</u>	<u>4,053,530,643</u>
Charity care	(336,125,009)	(365,352,219)
Provision for doubtful accounts	(471,553,884)	(442,284,502)
Contractual adjustments	<u>(2,523,355,501)</u>	<u>(2,400,023,860)</u>
Total deductions from gross charges	<u>(3,331,034,394)</u>	<u>(3,207,660,581)</u>
Net patient service revenue	<u>\$ 866,164,809</u>	<u>845,870,062</u>

(6) Concentration of Credit Risk

Patients' accounts receivable consist primarily of receivables from patients and third-party payors. In the course of providing healthcare services, the Trust grants credit to patients, substantially all of whom are residents of the County. The Trust generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignments of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, health maintenance organizations, preferred provider organizations, and commercial insurance policies).

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The mix of receivables from patients and third-party payors based on gross patient charges at September 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Medicaid	34%	42%
Medicare	11	11
Patients	19	20
Managed care	32	22
Commercial	4	5
	<u>100%</u>	<u>100%</u>

The allowance for doubtful accounts represents amounts, which, in the Trust's judgment, will be adequate to absorb write-offs of existing patient receivable balances, which may become uncollectible. Estimation of the allowance for doubtful accounts is based on several factors, which include, but are not limited to, analytical review of loss experience of the various payor classes in relation to outstanding receivables and judgment with respect to the impact of current economic conditions. The Trust believes that the allowance for doubtful accounts is adequate.

(7) Transactions with the County

Under the terms of the 2014 and 2013 operating agreement (the Agreement) between the County and the Trust, the County funded the Trust approximately \$137,402,000 and \$133,127,000, respectively, from ad valorem and nonad valorem taxes to defray the costs of its general operations. Such amounts have been included in nonoperating revenues in the accompanying statements of revenues, expenses, and changes in net position. The amounts of future funding from the County are dependent, in part, on the availability of ad valorem and nonad valorem taxes to do so.

The County provided various services to the Trust under the terms of the Agreement, such as legal, direct, and indirect costs, which for 2014 and 2013 amounted to approximately \$6,090,000 and \$2,574,000, respectively. These services are billed at cost. At September 30, 2014 and 2013, the Trust's accumulated payables to the County for these and other services were approximately \$146,000 and \$192,000, respectively, which is included in due to Miami-Dade County in the accompanying statements of net position.

The Trust participated in the County's partially self-insured employee health insurance program starting January 1, 2012. The risk-sharing assessment from the County resulted in a liability of approximately \$5,763,000 and \$15,000 for the years ended September 30, 2014 and 2013, respectively, which is included in due to Miami-Dade County in the accompanying statements of net position. Prior to January 1, 2012, the Trust's employees were insured through the JMH Health Plan.

In addition to the above matters, at September 30, 2014 and 2013, due to Miami-Dade County in the accompanying statements of net position included \$15,000,000, due from the Trust to the County under the Agreement to partially fund the County's obligation to the State of Florida under the Medicaid program.

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At September 30, 2014 and 2013, the Trust recorded a receivable from the County of approximately \$39,419,000 and \$35,511,000, respectively, in due from Miami-Dade County in the accompanying statements of net position for sales taxes receivable.

In December 2012, Miami-Dade County entered into a \$75 million revolving line of credit on behalf of the Public Health Trust. The line-of-credit facility was requested by the Trust to (a) assist with cash flow needs in anticipation of reimbursements from the State of Florida, (b) pay any cost of issuance, finance charges, late charges, collection costs, or other amounts due under the line of credit, and (c) pay other short-term working capital needs. The facility is secured by the County covenant to annually budget and appropriate from all legally available nonad valorem revenues. Pursuant to the Memorandum of Understanding between the County and the Trust, the Trust shall pay all principal and interest and all costs associated with the line of credit within the time lines set forth in the terms of the line of credit. No outstanding balance is due as of September 30, 2014 or 2013.

In the event the Trust fails to pay the principal and interest and/or issuance costs, the County has the right (i) to pay such principal and interest and issuance costs from the (a) one-half cent (0.05%) discretionary sales surtax imposed pursuant to Chapter 212, Florida Statutes collected by the County before it is remitted to the Trust and/or (b) County funds and such amounts shall be deducted from the County funds to be remitted to the Trust pursuant to the maintenance-of-effort requirement imposed pursuant to Chapter 212, Florida Statutes; and (ii) not to approve additional draw requests.

(8) Sales Tax Revenue

On September 3, 1991, the voters of the County approved a half-cent sales tax to support the operations of the Trust, effective January 1, 1992. During the years ended September 30, 2014 and 2013, the Trust recognized approximately \$228,041,000 and \$216,164,000, respectively, of sales tax revenue, which is included in nonoperating revenues in the accompanying statements of revenues, expenses, and changes in net position.

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(9) Capital Assets

A summary of the activity in the capital assets and the related accumulated depreciation account for the years ended September 30, 2014 and 2013 is as follows:

	Balance at September 30, 2013	Additions	Transfers	Sales, retirement, and adjustments	Balance at September 30, 2014
Land improvements	\$ 32,027,385	29,400	2,961,746	—	35,018,531
Buildings	706,656,445	276,417	19,022,733	(452,825)	725,502,770
Fixed equipment	99,870,566	1,104,141	357,403	(18,981)	101,313,129
Movable equipment	<u>370,546,190</u>	<u>12,023,615</u>	<u>2,787,321</u>	<u>(2,646,103)</u>	<u>382,711,023</u>
Depreciable assets	1,209,100,586	13,433,573	25,129,203	(3,117,909)	1,244,545,453
Accumulated depreciation	<u>(838,276,969)</u>	<u>(49,816,775)</u>	—	2,919,964	<u>(885,173,780)</u>
Net depreciable assets	370,823,617	(36,383,202)	25,129,203	(197,945)	359,371,673
Land	36,634,927	—	—	—	36,634,927
Construction in progress	27,557,504	31,518,517	(23,021,310)	(438,752)	35,615,959
Projects in progress	<u>9,727,603</u>	<u>21,349,555</u>	<u>(2,107,893)</u>	—	<u>28,969,265</u>
Capital assets, net	\$ <u>444,743,651</u>	<u>16,484,870</u>	<u>—</u>	<u>(636,697)</u>	<u>460,591,824</u>

	Balance at September 30, 2012	Additions	Transfers	Sales, retirement, and adjustments	Balance at September 30, 2013
Land improvements	\$ 31,989,526	—	37,859	—	32,027,385
Buildings	671,287,353	8,463,551	26,905,541	—	706,656,445
Fixed equipment	98,047,670	105,915	1,716,981	—	99,870,566
Movable equipment	<u>365,731,546</u>	<u>7,422,432</u>	<u>(1,035,205)</u>	<u>(1,572,583)</u>	<u>370,546,190</u>
Depreciable assets	1,167,056,095	15,991,898	27,625,176	(1,572,583)	1,209,100,586
Accumulated depreciation	<u>(783,068,664)</u>	<u>(56,768,702)</u>	—	1,560,397	<u>(838,276,969)</u>
Net depreciable assets	383,987,431	(40,776,804)	27,625,176	(12,186)	370,823,617
Land	36,634,927	—	—	—	36,634,927
Construction in progress	30,588,914	17,094,022	(17,248,640)	(2,876,792)	27,557,504
Projects in progress	<u>11,025,564</u>	<u>9,078,575</u>	<u>(10,376,536)</u>	—	<u>9,727,603</u>
Capital assets, net	\$ <u>462,236,836</u>	<u>(14,604,207)</u>	<u>—</u>	<u>(2,888,978)</u>	<u>444,743,651</u>

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(10) Long-Term Obligations

Activity with respect to long-term debt and other liabilities for the years ended September 30, 2014 and 2013 was as follows:

	Balance at September 30, 2013	Additions	Reductions	Balance at September 30, 2014	Amount due within one year
Bonds payable	\$ 347,370,000	—	(7,645,000)	339,725,000	8,005,000
Less deferred amounts:					
For issuance discount	(322,602)	—	12,448	(310,154)	—
Add deferred amounts:					
For issuance premium	8,483,877	—	(507,243)	7,976,634	—
Total bonds payable, net	355,531,275	—	(8,139,795)	347,391,480	8,005,000
Estimated self-insurance	42,391,291	7,607,351	(7,983,137)	42,015,505	6,616,374
Other liabilities	1,147,409	—	(100,094)	1,047,315	—
Total	\$ 399,069,975	7,607,351	(16,223,026)	390,454,300	14,621,374

	Balance at September 30, 2012	Additions	Reductions	Balance at September 30, 2013	Amount due within one year
Bonds payable	\$ 354,695,000	—	(7,325,000)	347,370,000	7,645,000
Less deferred amounts:					
For issuance discount	(335,050)	—	12,448	(322,602)	—
Add deferred amounts:					
For issuance premium	8,991,121	—	(507,244)	8,483,877	—
Total bonds payable, net	363,351,071	—	(7,819,796)	355,531,275	7,645,000
Estimated self-insurance	45,666,521	3,727,186	(7,002,416)	42,391,291	4,790,154
Other liabilities	1,518,401	—	(370,992)	1,147,409	—
Total	\$ 410,535,993	3,727,186	(15,193,204)	399,069,975	12,435,154

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(11) Long-Term Debt and Interest Expense

The composition of long-term debt at September 30, 2014 and 2013 is set forth in the following table:

	September 30	
	2014	2013
Public Facilities Revenue Bonds (Series 2005A), net of unamortized bond premium of approximately \$2,237,000 and \$2,334,000 at September 30, 2014 and 2013, respectively. Interest rate from 4.38% to 5.00%	\$ 150,771,706	150,868,954
Public Facilities Revenue Refunding Bonds (Series 2005B), net of unamortized bond premium of approximately \$5,740,000 and \$6,150,000 at September 30, 2014 and 2013, respectively. Interest rate from 3.5% to 5.00%.	119,569,927	126,074,922
Public Facilities Revenue Bonds (Series 2009), net of unamortized bond discount of approximately \$310,000 and \$323,000 at September 30, 2014 and 2013, respectively Interest rate from 4.00% to 5.75%	<u>77,049,847</u>	<u>78,587,399</u>
Total long-term debt	347,391,480	355,531,275
Less current portion	<u>(8,005,000)</u>	<u>(7,645,000)</u>
	<u>\$ 339,386,480</u>	<u>347,886,275</u>

On September 27, 2005, the County issued Public Facilities Revenue Bonds and Public Facilities Revenue Refunding Bonds in the original combined amount of \$300,000,000 (Series 2005 Bonds) to (i) pay or reimburse the Trust for the cost of certain additions to the Trust's healthcare facilities; (ii) fund a Debt Service Reserve Fund; (iii) refund all of the County's outstanding Public Facilities Revenue Bonds (Jackson Memorial Hospital), Series 1993 Public Facilities Revenue Refunding Bonds (Jackson Memorial Hospital), Series 1993A and Series 1998 Public Facilities Revenue Bonds (Jackson Memorial Hospital); and (iv) pay certain costs incurred in connection with the issuance of the Series 2005 Bonds, including the premium for a municipal bond insurance policy. The deferred loss on refunding was reclassified from the long-term debt liability for the Bond Series 2005B, due to the implementation of GASB Statement No. 65.

On September 2, 2009, the County issued Public Facilities Revenue Bonds in the original amount of \$83,315,000 (Series 2009 Bonds) to provide funds to (i) pay or reimburse the Trust for the cost of certain additions to the Trust's healthcare facilities, including infrastructure; (ii) fund a deposit to the Debt Service Reserve Fund established under the Master Ordinance; and (iii) pay certain costs incurred in connection with the issuance of the Series 2009 Bonds, including the premium for a financial guaranty insurance policy.

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The Series 2005 Bonds and Series 2009 Bonds (collectively, the Bonds) are secured by the gross revenues of the Trust. The Bonds are subject to certain covenants included in Ordinance No. 05-49 (the Ordinance), together with certain ordinances and board resolutions, which authorize and issue the Bonds by and between the Trust and the County. In addition, the Trust must comply with certain covenants included in the related insurance agreements.

The Ordinance contains restrictive covenants that must be met by the Trust, including, among other items, the requirement to maintain a minimum long-term debt service coverage ratio, the requirement to make scheduled monthly deposits to the debt service fund, maintenance of insurance on the Trust's facilities, and limitations on the incurrence of additional debt.

At September 30, 2014, the Trust was in compliance with the debt service coverage ratio covenant contained in the Ordinance No. 05-49, Section 8.18, paragraph B. The Trust had previously engaged an independent consultant who specializes in healthcare and has implemented the reasonable and material recommendations of the consultant, subject to any government restrictions, as defined in the Ordinance.

The approximate maturities of long-term debt for the next five years and thereafter are as follows:

	<u>Principal payments</u>	<u>Interest payments</u>	<u>Total debt service</u>
Year(s) ending September 30:			
2015	\$ 8,005,000	16,895,794	24,900,794
2016	8,385,000	16,513,694	24,898,694
2017	8,790,000	16,111,194	24,901,194
2018	9,225,000	15,671,694	24,896,694
2019	9,690,000	15,210,444	24,900,444
2020–2024	55,985,000	68,514,519	124,499,519
2025–2029	71,260,000	53,238,481	124,498,481
2030–2034	91,270,000	33,202,063	124,472,063
2035–2039	77,115,000	9,171,645	86,286,645
	<u>\$ 339,725,000</u>	<u>244,529,528</u>	<u>584,254,528</u>

Interest expense for the years ended September 30, 2014 and 2013 is summarized as follows:

	<u>2014</u>	<u>2013</u>
Interest on bonds	\$ 16,014,641	17,008,809
Other interest	58,228	137,890
	<u>\$ 16,072,869</u>	<u>17,146,699</u>

The Trust did not have any outstanding amounts previously defeased held in escrow during fiscal year 2014.

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General Obligation Bond 2014

In November 2013, voters of Miami Date County approved in a referendum the issuance of a General Obligation Bonds for \$830 million. This bond is a general obligation of the County and is payable from unlimited ad valorem taxes on all taxable real and tangible personal property within the County. These funds will be utilized for upgrades, new equipment, the expansion of urgent care centers and a new rehabilitation Hospital. No amounts were outstanding at September 30, 2014 or 2013.

(12) Risk Management

The Trust is exposed to various risks of loss related to professional liability; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Trust manages its risks for professional and general liability internally and sets aside assets for claims settlement.

(a) *Professional and General Liability*

The Trust established a self-insurance program for professional and general liability claims beginning in 1975. As an agency of a political subdivision of the State of Florida, the Trust has sovereign immunity from such claims, except for the waiver of such immunity, to the extent of \$200,000 per claimant or \$300,000 per incident. The maximum limitation has been considered in estimating the reserve for self-insured claims. The Board, at its discretion, has funded approximately \$29,160,000 and \$25,513,000 at September 30, 2014 and 2013, respectively, of its estimated liability. Such amounts are reflected in the accompanying statements of net position as assets limited as to use.

Incidents that might result in claims are required to be reported to the risk management department of the Trust for investigation. At any one time, claims are in various stages of processing, including being handled by counsel. In addition, claims may not have been presented for all reported incidents. Management of the Trust, based on advice of counsel and its consulting actuaries and determinations made by the risk management department, estimates the reserve necessary to provide for claims based on incidents that have occurred based on the appropriate sovereign immunity limitation. Accrued professional and general liabilities losses have been discounted using a rate of 3% at both September 30, 2014 and 2013. The total liability as of September 30, 2014 and 2013 approximated \$19,358,000 and \$19,644,000, respectively.

As a result of favorable claims experience, during fiscal years 2014 and 2013, the Trust reduced the liability for professional and general claims by approximately \$286,000 and \$694,000, respectively. This change in estimate reduced other operating expenses in the accompanying statements of revenues, expenses, and changes in net position – Trust.

(b) *Workers' Compensation*

The Trust participated in the County's self-insured workers' compensation program until the first quarter of fiscal year 2008, at which time a third-party administrator began processing claims, and the Trust established its own self-insurance program for workers' compensation. The workers' compensation assessment resulted in a liability at September 30, 2014 and 2013, of approximately \$22,658,000 and \$22,748,000, respectively, of which approximately \$18,644,000 and \$19,303,000, respectively, is included in long-term estimated self-insured liability, and approximately \$4,014,000

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and \$3,445,000, respectively, is included in current estimated self-insured liability in the accompanying statements of net position. The Trust's workers' compensation expense under this program for the years ended September 30, 2014 and 2013 was approximately \$4,998,000 and \$3,312,000, respectively. No stop-loss insurance policy has been purchased for claims exceeding a certain dollar amount.

The changes in the self-insurance programs for the years ended September 30, 2014 and 2013 are as follows:

	<u>Workers'</u> <u>compensation</u>	<u>Professional</u> <u>liability</u>	<u>Total</u>
Balance at September 30, 2012	\$ 25,328,746	20,337,775	45,666,521
Claims paid	(5,893,311)	(1,109,105)	(7,002,416)
Claims and changes in estimates	<u>3,312,296</u>	<u>414,890</u>	<u>3,727,186</u>
Balance at September 30, 2013	22,747,731	19,643,560	42,391,291
Claims paid	(5,088,688)	(2,894,449)	(7,983,137)
Claims and changes in estimates	<u>4,998,618</u>	<u>2,608,733</u>	<u>7,607,351</u>
Balance at September 30, 2014	<u>\$ 22,657,661</u>	<u>19,357,844</u>	<u>42,015,505</u>

(13) Leases

The Trust leases various equipment and facilities under operating leases. Rent expense for all operating leases was approximately \$14,611,000 and \$15,542,000 in fiscal years 2014 and 2013, respectively, and is included in contractual and purchased services in the accompanying financial statements. At September 30, 2014, future minimum lease payments by year under noncancelable operating leases are as follows:

Year ending September 30:	
2015	\$ 10,470,806
2016	9,008,693
2017	6,016,083
2018	<u>8,200,462</u>
	<u>\$ 33,696,044</u>

(14) Public Medical Assistance Trust Fund Assessment

The State of Florida's Health Care Consumer Protection Awareness Act (the Act) calls for an assessment equal to 1.5% of hospital net patient revenue, as defined, to be provided for care of indigents in the State of Florida. The Florida Legislative session of 2000 passed the Patient Protection Act of 2000, which provided that the assessment be lowered to 1% for certain services. The assessments are paid to the State of Florida in quarterly increments with the first installment due no more than six months after the Trust's fiscal year-end. The assessment was approximately \$11,236,000 and \$8,519,000 in 2014 and 2013, respectively. The

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increase in the fiscal year 2014 assessment was primary due to a \$3,000,000 credit received in the prior year from Agency for Health Care Administration (AHCA).

(15) Pension Plans

(a) Florida Retirement System

The Trust participates in the Florida Retirement System (System), a multiple-employer, cost-sharing, public-employee retirement plan that covers certain of the Trust's full-time and part-time employees. Through the year ended September 30, 2010, the System was noncontributory and is administered by the State of Florida. Effective July 1, 2011, all System investment plan and pension plan members except those in the Deferred Retirement Option Program were required to make a 3% pretax employee contribution. The System was created in 1970 by consolidating several employee retirement systems. All eligible employees (as defined by the State of Florida) who were hired after 1970, and those employed prior to 1970 who elect to be enrolled, are covered by the System. Benefits under the plan vest after 10 years of service. Employees who retire at or after age 62 with six years of credited service are entitled to an annual retirement benefit payable monthly for life. The System also provides for early retirement at reduced benefits and death and disability benefits. These benefit provisions and all other requirements are established by state statute.

For the years ended September 30, 2014, 2013, and 2012, the Trust contributed (including portion paid by employee) 100%, 100%, and 100%, respectively, of the required contributions. These contributions totaled \$17,411,925, \$14,988,232, and \$14,318,728, which represent 10.6%, 8.4%, and 7.5%, respectively, of covered payroll for fiscal years ended September 30, 2014, 2013, and 2012, respectively.

A copy of the System's latest available annual report can be obtained by writing to the Division of Retirement, Cedars Executive Center, P.O. Box 9000, Tallahassee, Florida 32315 or by calling 877-FRS-IFRS (877-377-1377).

(b) Public Health Trust of Miami-Dade County, Florida, Defined-Benefit Retirement Plan

The Plan was created in 1996. The Plan has a calendar year-end of December 31 and does not issue stand-alone financial statements.

Defined Benefit Retirement Plans

The Trust has implemented GASB Statement No. 67, *Financial Reporting for Pension Plans* for the fiscal year ending September 30, 2014. This statement replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan. GASB Statement No. 67 requires plans to calculate a net pension asset (liability) to be measured as the total pension liability less the amount of the pension plan's fiduciary net position.

GASB Statement No. 68, *Accounting and Reporting for Pensions*, is effective for periods beginning after June 15, 2014. This Statement will be implemented in fiscal year 2015, and will require employers

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and nonemployer contributing entities to report their net pension liability on their financial statements. Under current standards (GASB Statement No. 27, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*), the employer reports a net pension obligation (or NPO) which allows the employer to amortize the past service cost of the pension liability over a period of time. Implementing GASB Statement No. 68 will result in a change in the amount of the liability that will be reported and disclosures about that liability.

Neither of these new Statements affects the way that a government may choose to fund their pension obligations. While GASB Statement No. 68 changes the amount of the pension liability that is reported on the financial statements, governments may continue to fund their plans by calculating an actuarially determined contribution and measuring their funded status as it relates to that actuarially determined contribution.

In order to provide the necessary disclosures that are required under the various GASB Statements, the disclosures below are separated into three sections. The first section, Disclosures about the Defined Benefit Retirement Plan, offers disclosures about the plan itself – descriptions of the plan and who is covered; an analysis of the membership of the plan as of the end of the fiscal year; a discussion of benefits provided, and the financial statements. The second section, Net Pension Asset (Liability) and Disclosures required by GASB Statement No. 67, provides the information that is required by GASB Statement No. 67 – the calculation of the net pension asset (liability); the actuarial assumptions and census data that were used in calculating that net pension asset (liability); the discount rate that was used in the calculations; and the sensitivity of the net pension asset (liability) to changes in the discount rate. The third section, Funding the Plans and the Actuarial Accrued Liability, provides funding information based on the actuarially determined contribution – calculation of the annual pension cost and net pension obligation, including current year calculations and three year trend information; actuarial assumptions and census data that were used to calculate the NPO; and the funded status and funding progress of the Plan.

1. Disclosures about the Defined Benefit Retirement Plan

This first section provides the disclosures about the defined benefit retirement plan required by GASB Statement No. 67, including the Statements of Net Plan Position and the Statements of Changes in Plan Net Position for the fiscal years ended September 30, 2014 and 2013.

Eligibility

All employees working in a full-time or part-time regularly established position who were hired after January 1, 1996 are covered by the Plan.

Contributions

The Trust intends to make contributions to fund the Plan at such times and in such amounts as certified by an independent actuary as being no less than amounts required to be contributed under Section 112, Florida Statutes; any actuarial gain arising under the Plan shall be used to reduce future Trust contributions to the Plan and shall not be applied to increase retirement benefits to participants. Effective April 1, 2012, all plan members were required to make a 3% pretax employee contribution.

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Benefits

Benefits under the Plan vest after six years of service. The normal retirement age for employees hired before April 1, 2012 is age 62 with six years of credited service or completion of 30 years of continuous service. The normal retirement age for employees hired after March 30, 2012 is age 65 with six year of credited service or completion of 30 years of continuous service. All employees are entitled to either an annual retirement benefit payable monthly for life or one lump-sum payment. The lump-sum payment option became effective for plan members as of October 1, 2013. The Plan also provides for early retirement at reduced benefits and death and disability benefits.

Payment of Expenses

Expenses associated with administering the Plan will be paid out of the Plan unless, at the discretion of the Trust, paid by the Trust.

Plan Termination

The Trust has the right to terminate this Plan at any time. In the event of such termination, all affected participants shall be 100% vested.

Membership

Membership of the Plan consisted of the following at January 1, 2014 and 2013, the dates of the latest actuarial valuations:

	<u>2014</u>	<u>2013</u>
Retirees and beneficiaries currently receiving benefits	522	417
Terminated plan members entitled to but not yet receiving benefits	1,615	1,461
Active plan members	<u>6,148</u>	<u>6,162</u>
Total	<u>8,285</u>	<u>8,040</u>
Number of participating employers	1	1

Deposits and Investments

The Plan's investment authority is derived from the authorization of the Board and is in accordance with the Florida Statute 215.47 (the Statute) and the Employment Retirement Income Security Act of 1974, as amended.

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The following is a summary of the fair value (based on quoted market prices) of assets held in the pension trust fund at September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Cash and short-term investments	\$ 8,101,067	14,826,658
Investments, at fair value:		
Domestic investments:		
Mutual funds	39,761,801	44,071,021
Equities	277,280,870	269,527,562
Corporate debt securities	36,243,823	36,119,673
U.S. government and agency obligations	14,245,024	14,528,118
Total domestic investments	<u>367,531,518</u>	<u>364,246,374</u>
International investments:		
Mutual funds	77,606,792	79,450,548
Equities	9,192,890	10,727,625
Corporate debt securities	9,901,327	8,737,221
Total international investments	<u>96,701,009</u>	<u>98,915,394</u>
Venture Capital and Limited Partnership	28,083,925	25,010,453
Real estate	43,323,444	39,752,678
Hedge Funds	20,432,135	—
Total	<u>\$ 564,173,098</u>	<u>542,751,557</u>

Credit Risk

The Plan's investment policy (the Investment Policy) is designed to minimize credit risk by restricting authorized investments to only those investments permitted by the Statute, subject to certain additional limitations. These additional limitations consist of prohibitions against investments in derivative securities, options, futures, or short positions; however, the Investment Policy allows for investments in mortgage pass-through securities. Generally, the Statute permits investments in the Florida State Board of Administration Pooled Investment account (the SBA Pool), U.S. government and agency securities, common and preferred stock of domestic and foreign corporations, repurchase agreements, commercial paper and other corporate obligations, bankers' acceptances, state or local government taxable or tax-exempt debt, real estate and real estate securities, venture capital, private equity, hedge equity, multimanager/multistrategy funds, and money market funds. With the exception of obligations directly issued or guaranteed by the U.S. government, investments in the SBA Pool, and certain state or local government debt instruments, the Statute provides limits as to the maximum portion of the Plan's portfolio that can be invested in any one investment category or issuer.

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September 30, 2014 and 2013

At September 30, 2014, the Plan's investment securities had the following credit ratings:

<u>Investment type</u>	<u>Fair value</u>	<u>Credit rating*</u>
Domestic investments:		
Mutual funds	\$ 39,761,801	Not rated
U.S. government agency securities, by issuer:		
Federal National Mortgage Association	2,602,452	AA+
Federal Home Loan Mortgage Corporation	1,048,876	AA+
Municipal/Provincial	322,806	AA+
U.S. Treasury bills	7,534,534	Aaa**
Federal National Mortgage Association	2,736,356	NR
Total U.S. government and agency obligations	<u>14,245,024</u>	
Equities – common stock	<u>277,280,870</u>	Not rated
Corporate debt securities:		
Corporate bonds	1,637,164	AAA
Corporate bonds	628,964	AA+
Corporate bonds	2,316,632	AA
Corporate bonds	556,822	AA-
Corporate bonds	1,590,996	A+
Corporate bonds	3,534,872	A
Corporate bonds	5,486,164	A-
Corporate bonds	3,243,587	BBB+
Corporate bonds	3,769,218	BBB
Corporate bonds	6,952,352	BBB-
Corporate bonds	1,228,542	BB+
Corporate bonds	795,593	BB
Corporate bonds	1,688,851	BB-
Corporate bonds	537,622	B+
Corporate bonds	342,361	B
Corporate bonds	245,055	B-
Corporate bonds	409,650	CCC+
Corporate bonds	50,286	CCC
Corporate bonds	14,918	CCC-
Corporate bonds	680,214	Aaa **
Corporate bonds	232,751	A2 **
Corporate bonds	99,173	A3 **
Corporate bonds	61,269	Baa1 **
Corporate bonds	<u>140,767</u>	NR
Total corporate debt securities	<u>36,243,823</u>	

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<u>Investment type</u>	<u>Fair value</u>	<u>Credit rating*</u>
International investments:		
Mutual funds	\$ 77,606,792	Not rated
Equities – common stock	9,192,890	Not rated
Corporate debt securities:		
International bonds	361,137	AA
International bonds	970,215	AA-
International bonds	201,694	A+
International bonds	1,125,863	A
International bonds	572,658	A-
International bonds	888,354	BBB+
International bonds	1,516,951	BBB
International bonds	3,271,370	BBB-
International bonds	306,309	BB+
International bonds	25,046	BB
International bonds	157,387	BB-
International bonds	504,343	Ba1**
Total corporate debt securities	9,901,327	
Venture Capital and Limited Partnership	28,083,925	Not rated
Real estate	43,323,444	Not rated
Hedge funds	20,432,135	Not rated
Cash	8,101,067	Not rated
Total	\$ 564,173,098	

* Standards and Poor's ratings

**Moody's investor services ratings

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At September 30, 2013, the Plan's investment securities had the following credit ratings:

<u>Investment type</u>	<u>Fair value</u>	<u>Credit rating*</u>
Domestic investments:		
Mutual funds	\$ 44,071,021	Not rated
U.S. government agency securities, by issuer:		
Federal National Mortgage Association	6,209,271	AA+
Federal Home Loan Mortgage Corporation	1,324,422	AA+
U.S. Treasury bills	6,690,667	AA+
Municipal/Provincial	303,758	AA+
Total U.S. government and agency obligations	<u>14,528,118</u>	
Equities – common stock	269,527,562	Not rated
Corporate debt securities:		
Corporate bonds	1,593,370	AAA
Corporate bonds	819,472	AA+
Corporate bonds	1,863,085	AA
Corporate bonds	107,420	AA-
Corporate bonds	853,149	A+
Corporate bonds	4,369,101	A
Corporate bonds	3,811,511	A-
Corporate bonds	4,250,348	BBB+
Corporate bonds	7,764,992	BBB
Corporate bonds	5,632,775	BBB-
Corporate bonds	448,050	BB+
Corporate bonds	614,504	BB
Corporate bonds	987,893	BB-
Corporate bonds	567,319	B+
Corporate bonds	359,290	B
Corporate bonds	184,767	B-
Corporate bonds	462,508	CCC+
Corporate bonds	47,586	CCC
Corporate bonds	908,227	Aaa **
Corporate bonds	74,882	B1 **
Corporate bonds	43	Caa3 **
Corporate bonds	399,381	NR
Total corporate debt securities	<u>36,119,673</u>	
International investments:		
Mutual funds	79,450,548	Not rated
Equities – common stock	10,727,625	Not rated

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<u>Investment type</u>	<u>Fair value</u>	<u>Credit rating*</u>
Corporate debt securities:		
International bonds	\$ 632,319	A
International bonds	848,983	A-
International bonds	1,176,148	AA-
International bonds	411,765	BBB+
International bonds	3,377,468	BBB
International bonds	1,007,313	BBB-
International bonds	331,852	BB
International bonds	56,328	BB-
International bonds	119,545	B
International bonds	457,674	Bal **
International bonds	317,826	Baa1-Baa3 **
International bonds		
Total corporate debt securities	<u>8,737,221</u>	
Venture Capital and Limited Partnership	25,010,453	Not rated
Real estate	39,752,678	Not rated
Cash	<u>14,826,658</u>	Not rated
Total	<u>\$ 542,751,557</u>	

* Standards and Poor's ratings

** Moody's investor services ratings

Custodial Credit Risk

GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires governments to disclose deposits and investments exposed to custodial credit risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government may not be able to recover the value of investment or collateral securities that are in the possession of an outside party. As of September 30, 2014 and 2013, the Plan's investment portfolio was held with a single third-party custodian.

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Concentration of Credit Risk

The Investment Policy establishes limitations on portfolio composition by investment type and by issuer to limit its exposure to concentration of credit risk. The Investment Policy in place at September 30, 2014 was as follows:

<u>Asset class/style</u>	<u>Policy target</u>	<u>Allowable range</u>
U.S. equity:	34%	+/-5%
Large cap total:		80% of U.S. equity +/-5%
Passive/index management		20% of U.S. equity +/-5%
Growth		30% of U.S. equity +/-5%
Value		30% of U.S. equity +/-5%
Small cap total		20% of U.S. equity +/-5%
Non-U.S. equity	29	+/-5%
Fixed income	19	+/-5%
Alternative investments:		
High yield	5	+/-2%
Hedge fund of funds	5	+/-2%
REITs (real return)	8	+/-3%

At September 30, 2014 and 2013, the composition of the Plan's investments by investment type as a percentage of total investments was as follows:

	<u>Percentage of Portfolio</u>	
	<u>2014</u>	<u>2013</u>
Domestic investments:		
Mutual funds	7.1%	8.1%
Equities	49.1	49.7
Venture Capital Partnership	5.0	4.6
Real estate	7.7	7.3
Hedge fund	3.6	—
Corporate debt securities	6.4	6.7
U.S. government and agency obligations	2.5	2.7
International investments:		
Mutual funds	13.8%	14.6%
Equities	1.6	2.0
Corporate debt securities	1.8	1.6
Other:		
Cash and short-term investments	1.4%	2.7%

There were no individual investments in excess of 5%.

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Interest Rate Risk

The Plan manages its exposure to rising interest rate risk in fair value by forecasting cash outflows and inflows. To the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements.

As of September 30, 2014 and 2013, the Plan had the following investments with the respective weighted average maturity in years:

	<u>2014</u>	<u>2013</u>
Domestic investments:		
Corporate debt securities:		
Corporate bonds	9.00	12.40
U.S. Government and Agency Obligations:		
Federal National Mortgage Association	26.49	27.18
Federal Home Loan Mortgage Corporation	18.83	22.11
U.S. Treasury bills	1.40	6.15
Municipal/Provincial	31.16	0.23
International investments:		
Corporate debt securities	5.99	11.22

Foreign Currency Risk

GASB Statement No. 40 requires governments to disclose deposits or investments exposed to foreign currency risk, the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

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The Plan's exposure to foreign currency risk at September 30, 2014 and 2013 is as follows (in U.S. dollars):

	Currency	Fair value	
		2014	2013
International equities:			
Common stock	Canadian dollar	\$ 3,622,769	3,306,346
Common stock	Euros	1,428,730	1,906,960
Common stock	British pounds	1,044,465	1,883,202
Common stock	Chinese yuan renminbi	3,096,926	2,226,833
Common stock	Bermudian dollar	—	1,404,284
		<u>\$ 9,192,890</u>	<u>10,727,625</u>
International corporate debt securities:			
Corporate bonds	Canadian dollar	\$ 2,414,440	2,930,188
Corporate bonds	Euro	1,366,800	1,613,148
Corporate bonds	Japanese yen	203,872	202,200
Corporate bonds	Swiss franc	573,363	278,721
Corporate bonds	Bermudian dollar	271,250	—
Corporate bonds	Colombian peso	768,807	715,245
Corporate bonds	Caymanian dollar	—	85,961
Corporate bonds	Brazilian real	932,675	1,078,737
Corporate bonds	Peruvian Nuevo Sol	125,029	289,570
Corporate bonds	Mexican peso	625,404	695,875
Corporate bonds	British pounds	1,731,738	658,278
Corporate bonds	Australian dollar	439,090	—
Corporate bonds	Chilean peso	448,859	189,298
		<u>\$ 9,901,327</u>	<u>8,737,221</u>

In addition, at September 30, 2014 and 2013, the Plan's investments include approximately \$39,762,000 and \$44,071,000, respectively, in mutual funds that principally invest in international stocks and other international securities. Although these mutual funds are U.S. dollar-denominated and U.S. exchange-traded, the underlying investments expose the Plan to an additional degree of foreign currency risk.

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The Plan's financial statements as of and for the years ended September 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Assets:		
Cash and short-term investments	\$ 8,101,067	14,826,658
Investments:		
Domestic:		
Mutual funds	39,761,801	44,071,021
Equities	277,280,870	269,527,562
Corporate debt securities	36,243,823	36,119,673
U.S. Government and Agency obligations	14,245,024	14,528,118
Total domestic	<u>367,531,518</u>	<u>364,246,374</u>
International:		
Mutual funds	77,606,792	79,450,548
Equities	9,192,890	10,727,625
Corporate debt securities	9,901,327	8,737,221
Total international	<u>96,701,009</u>	<u>98,915,394</u>
Venture Capital and Limited Partnership	28,083,925	25,010,453
Real estate	43,323,444	39,752,678
Hedge funds	20,432,135	—
Total assets	<u>564,173,098</u>	<u>542,751,557</u>
Net position held in trust for employees' pension benefits	<u>\$ 564,173,098</u>	<u>542,751,557</u>

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	<u>2014</u>	<u>2013</u>
Net position reserved for employees' pension benefits:		
Additions:		
Employer contributions	\$ 12,012,499	12,745,216
Employee contributions	<u>12,248,903</u>	<u>11,937,174</u>
Total contributions made	<u>24,261,402</u>	<u>24,682,390</u>
Investment income:		
Interest income	3,407,179	6,404,954
Dividends	3,565,086	4,372,381
Net realized and unrealized gains on pension trust fund investments	<u>32,170,457</u>	<u>51,998,283</u>
Total investment income	39,142,722	62,775,618
Less investment expense:		
Investment managers and custodial fees	<u>(1,851,915)</u>	<u>(2,368,803)</u>
Total investment expense	<u>(1,851,915)</u>	<u>(2,368,803)</u>
Net investment income	<u>37,290,807</u>	<u>60,406,815</u>
Total additions	<u>61,552,209</u>	<u>85,089,205</u>
Deductions:		
Participants benefit expense	39,678,826	4,805,726
Administrative expenses	<u>451,842</u>	<u>149,716</u>
Total deductions	<u>40,130,668</u>	<u>4,955,442</u>
Change in net position	21,421,541	80,133,763
Net position held in trust for employees pension benefits, at beginning of year	<u>542,751,557</u>	<u>462,617,794</u>
Net position held in trust for employees pension benefits, at end of year	\$ <u><u>564,173,098</u></u>	\$ <u><u>542,751,557</u></u>

2. Net Pension Asset (Liability) and Disclosures required by GASB Statement No. 67

This section includes the information that is required to be presented by GASB Statement No. 67. Separate valuations were performed by the Trust's actuary to calculate the net pension asset (liability) in accordance with this new standard for financial reporting by pension plans. The Plan elected to base the valuations on the last valuation and used update procedures to roll forward the total pension liability to the fiscal year end. In addition to presenting the net pension asset (liability), this section also includes information on the actuarial assumptions and census data used in the valuation, the discount rate that was used to calculate the net pension asset (liability), and disclosures as to the sensitivity of the net pension asset (liability) to changes in the discount rate.

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GASB Statement No. 67 requires that pension plans disclose the net pension asset (liability) and other related disclosures; however, the reporting of the net pension liability in the financial statements of the employer and noncontributing employer entity are not required until implementation of GASB Statement No. 68 in fiscal year 2015.

Net Pension Asset (Liability)

The components of the net pension asset (liability) at September 30, 2014 and 2013 are as shown as follows:

	<u>2014</u>	<u>2013</u>
Total pension liability	\$ (544,202,762)	(497,736,075)
Plan fiduciary net position	<u>564,173,098</u>	<u>542,751,557</u>
Net pension asset (liability)	<u>\$ 19,970,336</u>	<u>45,015,482</u>
Plan fiduciary net position as a percentage of total pension liability	103.7%	109.0%

Additional information regarding changes in the net pension asset (liability) for the years ended September 30, 2014 and 2013 can be found in the Required Supplementary Information section of these financial statements.

Actuarial Assumptions

The actuarial cost method is the aggregate actuarial cost method. Under this method, the excess of the present value of projected benefits over the actuarial value of assets is spread evenly over the expected future compensation of active participants presently under normal retirement age. Gains and losses resulting from fluctuations in plan experience are similarly amortized as part of the normal cost. The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods including in the measurement:

<u>Valuation date</u>	<u>January 1, 2014</u>
Inflation assumptions	2.5%
Investment rate of return	7.5%
Projected salary increases	4.0% per year for employees with less than 10 years and 3.0% for employees with more than 10 years
Assumed annual rate of cost-of-living increases	3.0% for benefits earned prior to April 1, 2012

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Mortality rates are based on RP 2000 mortality table, sex-distinct, with a 25-year projection using Scale AA.

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the period from January 1, 2009, through January 1, 2013. Actuarial valuations attempt to estimate costs associated with the plan based on a number of demographic, economic, and retirement experience assumptions. To the extent assumptions are at variance to experience, this can result in actuarial gains and losses ultimately impacting contribution rates and the development of the actuarially required contribution. Experience studies are performed every three years to review actual experience in comparison to these assumptions and to provide recommended changes to assumptions.

The long-term expected rate of return on pension plan investments was determined using best-estimate ranges of expected future nominal rates of return (expected returns, net of investment expense and inflation) developed for each major asset class using an econometric model that forecasts a variety of economic environments and then calculates asset class returns based on functional relationships between the economic variables and the asset classes. These best estimate ranges were combined to produce forecasts of the short, intermediate, and longer term horizons by weighting the expected future nominal rates of return by the target asset allocation percentage. The various time horizons in the forecast are intended to capture more recent economic and capital market conditions as well as other plausible environments that could develop in the future over economic cycles. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of September 30, 2014 and 2013 are summarized in the following table:

2014		
Asset class	Target asset allocation	Long-term expected real rate of return
Equity	63.00%	6.98%
Fixed income	19.00%	3.67%
Alternatives	18.00%	5.69%

2013		
Asset class	Target asset allocation	Long-term expected real rate of return
Equity	63.00%	6.98%
Fixed income	19.00%	3.67%
Alternatives	18.00%	5.69%

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Nominal long-term expected rates of return for these asset classes are equal to the sum of the above expected long-term real rates and the expected long-term inflation rate of 3.0%.

Discount Rate

The discount rate used to measure the total pension liability was 7.5% at September 30, 2014 and 2013. The projection of cash flows used to determine the discount rate assumed that contributions will continue to be made in accordance with the current funding policy. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current Plan members, through the fiscal year ending June 30, 2109. Therefore, a blended rate incorporating a municipal bond rate is not needed. The assumed discount rate has been determined in accordance with the method prescribed by GASB Statement No. 67.

The annual money-weighted rate of return on pension plan investments calculated as the internal rate of return on pension plan investments, net of pension plan investment expenses for the years ended September 30, 2014 and 2013 were 6.97% and 12.79%, respectively. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

Sensitivity of the Net Pension Asset (Liability) to Changes in the Discount Rate

The following presents the net pension asset (liability), calculated using the discount rates determined above, as well as what the Plan's net pension asset (liability) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate:

	<u>2014</u>	<u>2013</u>
One-percent decrease:		
Discount rate	6.5%	6.5%
Net pension asset (liability)	\$ (83,397,768)	(9,621,403)
Net pension asset (liability), as reported:		
Discount rate	7.5%	7.5%
Net pension asset (liability)	\$ 19,970,336	45,015,482
On-percent increase:		
Discount rate	8.5%	8.5%
Net pension asset (liability)	\$ 107,770,108	154,501,965

3. Funding the Plan and the Actuarially Accrued Liability

The Plan's actuary prepared a valuation of the Plan to determine the actuarially determined contribution necessary to fund the Plan. This section includes information on the funding valuation, including the annual pension costs and net pension obligation, as well as funded status and funding progress of the unfunded actuarial accrued liability for the Plan.

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Annual Pension Cost and Net Pension Obligation

GASB Statement No. 68, *Accounting and Reporting for Pensions*, which determines how employers and nonemployer contributing entities will report their pension liabilities on their financial statements, is effective for years beginning after June 15, 2014. Until that statement is implemented, the Trust continues to report its annual pension cost and net pension obligation in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employees*.

Funded Status and Funding Progress (Unaudited)

The funded status of the Plan as of January 1, 2014, the date of the latest actuarial valuation, was as follows (dollar amounts in thousands) (unaudited):

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	(Funded) unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Estimated covered payroll (c)	UAAL as percentage of covered payroll (b-a)/c
January 1, 2012	\$ 426,182	411,464	(14,718)	103.58%	\$ 439,993	(3.35)%
January 1, 2013	471,030	458,037	(12,993)	102.84%	393,422	(3.30)%
January 1, 2014	539,411	534,084	(5,327)	101.00%	\$ 402,411	(1.32)%

The required schedule of funding progress presented as required supplementary information (immediately following the notes to the financial statements) provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The contribution rate for normal cost is determined using the aggregate actuarial cost method. Under this method, the excess of the present value of projected benefits over the actuarial value of assets is spread evenly over the expected future salaries of the active participants presently under normal retirement age. This method does not identify or separately amortize unfunded actuarial liabilities. Gains and losses resulting from fluctuations in plan experience are similarly amortized as part of normal cost. The significant assumptions used to compute the annual required contribution include a 7.5% rate of return on investments, salaries are assumed to increase at 4% per year and 3% per year for employees with less than 10 years or more than 10 years, respectively.

The Plan uses the aggregate actuarial cost method, which cannot be used to prepare a schedule of funding progress because it does not separately determine actuarial accrued liabilities. In order to provide information that serves as a surrogate for the funding progress of the plan per GASB Statement No. 50, the entry age normal cost method has been used to calculate the funded status. The information has been calculated using the entry age normal cost method, which calculates the funding progress by a ratio of the actuarial value of assets to the Actuarial Accrued Liability (AAL). The aggregate actuarial cost method used does not identify or separately amortize unfunded actuarial liabilities.

The asset valuation method was the five-year smoothing of market value.

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Funding Policy

The Trust's funding policy provides for actuarially determined rates deemed sufficient to pay benefits as due; the rate was 5.82% at January 1, 2014 and 5.98% at January 1, 2013, respectively, of covered payroll. Effective April 1, 2012, employees were required to contribute 3.0% of the required contribution, thus the employer contribution rate was 2.82% and 2.98% for the years ended September 30, 2014 and 2013, respectively. The assumptions used to compute the contribution requirements are the same as those used to compute pension benefits earned. The Trust has traditionally contributed the annual required contribution.

Annual Pension Cost and Net Pension Obligation

The Trust's annual pension cost is calculated based upon the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with accounting standards for governmental entities. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed 30 years.

The Trust's annual pension cost and net pension obligation for the years ended September 30, 2014 and 2013 are as follows:

Net pension obligation, September 30, 2012	\$ 613,374
Annual required contribution	24,127,594
Contributions made	<u>(24,682,390)</u>
Change in net pension obligation	<u>(554,796)</u>
Net pension obligation, September 30, 2013	<u>58,578</u>
Annual required contribution	24,202,824
Contributions made	<u>(24,261,402)</u>
Change in net pension obligation	<u>(58,578)</u>
Net pension obligation, September 30, 2014	\$ <u><u>—</u></u>

Three-year trend information for the Plan is presented below:

<u>Year ended</u>	<u>Annual pension cost (APC)</u>	<u>Amount contributed</u>	<u>Percentage of APC contributed</u>	<u>NPO</u>
September 30, 2012	\$ 34,527,704	33,970,936	98.4	613,374
September 30, 2013	24,127,594	24,682,390	102.3	58,578
September 30, 2014	24,202,824	24,261,402	100.0	—

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(16) Postemployment Benefits Other than Pensions

(a) Plan Description

The Trust administers a single-employer defined-benefit healthcare plan (the Benefit Plan) that provides postretirement medical and dental coverage to retirees as well as their eligible spouses and dependents. Benefits are provided through the Trust's group health insurance plan, which covers both active and retired members. The Benefit Plan does not issue a publicly available financial report.

Eligibility – To be eligible to receive retiree medical and dental benefits, participants must be eligible for retirement benefits under the System or the Benefit Plan and pay required contributions.

Regular class (all employees not identified as members of the special risk class):

- Eligibility for unreduced pension benefits
 - Age 62 with 6 years of service if eligible prior to April 2012
 - Age 65 with 6 years of service if eligible following April 2012
 - 30 years of service (no age requirement)
- Eligibility for reduced pension benefits
 - 6 years of service

Benefits – The medical plans offered provide hospital, medical, and pharmacy coverage. Pre-65 retirees are able to select from the medical plans as follows:

- AvMed POS
- AvMed HMO High Option
- AvMed HMO Low Option
- AvMed Select HMO

Post-65 retirees are able to select from the medical plans as follows. The Trust only contributes to post-65 retirees electing an AvMed Medicare Supplement Plan.

- AvMed Medicare Supplement High Option with RX
- AvMed Medicare Supplement Low Option with RX
- AvMed Medicare Supplement High Option without RX

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Participation in the Benefit Plan consisted of the following at October 1, 2013, the date of the latest actuarial valuation:

Actives	7,610
Eligible spouses age 65 and over	26
Eligible spouses under age 65	68
Retirees age 65 and over	95
Retirees under age 65	509
Total covered participants	<u>8,308</u>

(b) Funding Policy

The Trust contributes to both the pre-65 and post-65 retiree medical coverage. Retirees pay the full cost of dental coverage. Medical contributions vary based on plan and tier. For pre-65 retirees, the Trust explicitly contributed an average of 15% of the cost for the AvMed POS plan and 33% for the AvMed HMO High and AvMed HMO Low plans. The JMH HMO plans receive no explicit contribution. However, it is the Trust's policy that after fiscal year 2008 its per capita contribution for retiree healthcare benefits will remain at the 2008-dollar level.

The pre-65 retirees also receive an implicit subsidy from the Trust since they are underwritten with the active employees. The implicit contribution is approximately 3% of the cost. The pre-65 cost is approximately 37% greater than the combined pre-65 and active cost. The post-65 retiree contributions also vary by plan and tier, with the Trust contributing an average of 30% of the entire plan cost.

For the years ended September 30, 2014, 2013, and 2012, the Trust contributed approximately \$6,545,000, \$4,975,000, and \$4,244,000, respectively, to the Benefit Plan.

The postretirement medical and dental benefits are currently funded on a pay-as-you-go basis (i.e., the Trust funds on a cash basis as benefits are paid). No assets have been segregated and restricted to provide postretirement benefits.

(c) Annual OPEB Cost and Net OPEB Obligation

The Trust's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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September 30, 2014 and 2013

The Trust's annual OPEB cost for fiscal years 2014 and 2013, and related information, is as follows (dollar amounts in thousands):

	<u>2014</u>	<u>2013</u>
Annual required contribution	\$ 5,263	5,613
Interest on net OPEB obligation	381	353
Amortization of net OPEB obligation	<u>(376)</u>	<u>(364)</u>
Annual OPEB cost	5,268	5,602
Contributions made	<u>6,545</u>	<u>4,975</u>
(Decrease) increase in net OPEB obligation	(1,277)	627
Net OPEB obligation – beginning of year	<u>8,660</u>	<u>8,033</u>
Net OPEB obligation – end of year	\$ <u><u>7,383</u></u>	\$ <u><u>8,660</u></u>

The Trust's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal years 2014, 2013, and 2012 are as follows (dollar amounts in thousands):

<u>Fiscal year ended</u>	<u>Annual OPEB cost</u>	<u>Percentage of annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
September 30, 2014	\$ 5,268	124.24%	\$ 7,383
September 30, 2013	5,602	88.81	8,660
September 30, 2012	5,363	79.13	8,033

(d) Funded Status and Funding Progress

The table below shows the balance of the AAL, all of which was unfunded as of September 30, 2014 (dollar amounts in thousands) (unaudited):

<u>Actuarial valuation date</u>	<u>Actuarial value of assets (a)</u>	<u>Actuarial accrued liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded ratio (a/b)</u>	<u>Estimated annual covered payroll (c)</u>	<u>UAAL as percentage of covered payroll ((b-a)/c)</u>
October 1, 2013	\$ —	70,061	70,061	—%	\$ 489,286	14.32%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions by the Trust are subject to continual revision as actual results are

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September 30, 2014 and 2013

compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(e) Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Trust and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Starting in 2014 due to the Patient Protection and Affordable Care Act, the individuals who fail to maintain coverage face financial penalties. Due to these penalties, it is possible that more retirees will elect to stay on the PHT plan. However, the exchanges are expected to be a more attractive offer for some retirees, so the actuarial analysis made no changes to the pre-65 participation assumption.

The actuarial-cost method used in the valuation to determine the AAL and the ARC was the projected unit credit method with service prorated. Under this method, the total present value of benefits is determined by projecting the benefit to be paid after the expected retirement date (or other event) and discounting those amounts to the valuation date. The normal cost is computed by dividing the total present value of benefits by the participant's total service (actual plus expected service) at retirement. The AAL under this method represents the total present value of benefits multiplied by the ratio of the participant's actual service to date and divided by expected service at retirement. The AAL for participants currently receiving payments and deferred vested participants is calculated as the actuarial present value of future benefits expected to be paid. No normal cost for these participants is payable. The AAL and normal costs were calculated at the measurement date, which is the beginning of the applicable fiscal year using standard actuarial techniques.

The following table summarizes other significant methods and assumptions used in valuing the AAL and benefits under the Plan:

Actuarial valuation date	October 1, 2013
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Actuarial assumptions:	
Discount rate	4.4%
Payroll growth assumption	3.5%
Healthcare cost trend rates	8% initial to 5% ultimate
Mortality table	RP 2000 projected to 2020

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September 30, 2014 and 2013

Furthermore, the valuation assumes that the Trust will continue to fund the liability on a pay-as-you-go basis and that the Trust's policy is that its' per capita contribution for retiree benefits will remain at the 2008 level. As a result, the retiree contributions will be increased to the extent necessary so that they are sufficient to provide for the difference between the gross costs and the fixed Trust contributions.

(17) Commitments and Contingencies

(a) Construction and Equipment

The Trust has several construction projects currently in progress at September 30, 2014. The estimated total cost to date and cost to complete such projects, exclusive of capitalized interest, is approximately \$32,777,000 and \$70,446,000, respectively.

(b) Annual Operating Agreement

In accordance with the annual operating agreement between the Trust and the University of Miami (the University), the Trust pays certain amounts for staff and services provided by the University to the Trust. Under the annual operating agreement, costs incurred by the Trust for the years ended September 30, 2014 and 2013 were approximately \$110,433,000 and \$111,017,000, respectively, and are included in contractual and purchased services in the accompanying statements of revenues, expenses, and changes in net position. At September 30, 2014, the Trust had a liability to the University of approximately \$30,728,000. At September 30, 2013, the Trust had a liability to the University of approximately \$33,168,000.

(c) Litigation

The Trust is involved in litigation and regulatory investigations arising in the ordinary course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Trust's financial position, results from operations, or liquidity.

(d) Healthcare Industry

The healthcare industry is highly regulated, and there can be no assurance that the regulatory environment in which the Trust operates will not change significantly and adversely in the future. In general, regulation of healthcare providers and companies is increasing.

Federal and state laws regulate the healthcare industry, the relationship between hospitals and physicians, and the relationship among physicians and other providers of healthcare services.

Several laws, including fee-splitting, anti kickbacks laws, and prohibition of the corporate practice of medicine, have civil and criminal penalties and have been subject to limited judicial and regulatory interpretation. They are enforced by regulatory agencies vested with broad discretion in interpreting them. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Although the Trust believes that its operations are conducted so as to comply with all of the applicable laws, there can be no assurance such operations will not be challenged to be in violation of one or more of such laws.

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There have been numerous initiatives at the federal and state levels for comprehensive reforms affecting the availability of, and payment for, healthcare. The Trust believes that such initiatives will continue during the foreseeable future. Certain proposed reforms could, if adopted, have a material effect on the Trust.

(18) Subsequent Events

- (a) On November 3, 2014 and December 11, 2014, the Board of Trustees of the Public Health Trust (PHT) approved the 2014 2017 collective bargaining agreements between Miami Dade County, the PHT and Service Employees International Union (SEIU) and American Federation of State County and Municipal Employees (AFSCME). These agreements were forwarded to and ratified by the Board of County Commissioners for Miami Dade County. These agreements cover four bargaining units and include over 7,000 employees of the PHT.

The impact of this agenda item affects all full time and part time employees, and eligible per diem employees of the Jackson Health System that are members of the SEIU and AFSCME. The fiscal impact of this Agreement would be an estimate of \$56.9 million dollars for the three-year term of the contract. It would be funded from operating revenues as documented in the PHT financial statements. In no event would capital revenues, including proceeds from any general obligation bond, be used to fund this program.

These Agreements are a product of good faith negotiations between management's negotiating team and SEIU and AFSCME. All the parties recognize the financial challenges faced by the PHT, and have thus agreed to work collaboratively to address them. As a result, the parties have agreed to forego previously negotiated terms in the 2011 2014 Collective Bargaining Agreement, which were due to be effective September 30, 2014.

This is a three year Agreement covering the period of October 1, 2014 through September 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

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Required Supplementary Information

Defined-Benefit Retirement Plan

Schedule of Employer Contributions (Unaudited)

September 30, 2014

(Dollars in thousands)

<u>Year ended January 1,</u>	<u>Actuarially determined contributions</u>	<u>Annual required contribution</u>	<u>Percentage contributed</u>	<u>Covered payroll</u>	<u>Actual contribution as a percentage of covered payroll</u>
2008	\$ 39,038	\$ 39,038	100%	\$ 413,953	9.43
2009	42,000	42,000	100	489,730	8.58
2010	43,649	43,649	100	507,365	8.60
2011	40,363	40,363	100	451,944	8.93
2012	30,255	30,255	100	439,993	6.88
2013	24,478	24,478	100	393,422	6.22
2014	24,203	24,203	100	402,411	6.01

* Information prior to 2008 is not available.

See accompanying report of independent certified public accountants.

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Required Supplementary Information

Defined-Benefit Retirement Plan

Schedule of Funding Progress (Unaudited)

September 30, 2014

(Dollars in thousands)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Estimated covered payroll (c)	UAAL as percentage of covered payroll ((b-a)/c)
January 1, 2008	\$ 228,617	\$ 233,619	\$ 5,002	98%	\$ 413,953	1.21%
January 1, 2009	244,340	301,792	57,452	81	489,730	11.73
January 1, 2010	317,499	366,833	49,334	87	507,365	9.72
January 1, 2011	375,610	434,326	58,716	86	451,944	12.99
January 1, 2012	426,182	411,464	(14,718)	104	439,993	(3.35)
January 1, 2013	471,030	458,037	(12,993)	103	393,422	(3.30)
January 1, 2014	539,411	534,084	(5,327)	101	402,411	(1.32)

The Public Health Trust of Miami-Dade County, Florida, Defined-Benefit Retirement Plan (the Plan) uses the aggregate actuarial cost method, which cannot be used to prepare a schedule of funding progress because it does not separately determine actuarial liabilities. In order to provide information that serves as a surrogate for the funding progress of the Plan per Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures*, the entry age normal cost method has been used to calculate the funded status. This method calculates the funding progress by a ratio of the actuarial value of assets to the actuarial accrued liability (AAL).

* Information prior to 2008 is not available.

Notes to Schedule:

Asset valuation method: Five-year smoothing of market value

Investment rate of return: 7.50%

Projected salary increases: Salaries are assumed to increase at 4% per year and 3% per year for employers with less than 10 years or more than 10 years, respectively.

Cost of living adjustments: Calculated based on years of service before April 1, 2012, divided by total years of service at retirement multiplied by 3%. No COLA on health insurance subsidy. First year COLA is prorated if participant has not been retired a full year at time of increase.

See accompanying report of independent certified public accountants.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

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Required Supplementary Information

Defined-Benefit Retirement Plan

Schedule of Changes in Net Pension Asset (Liability) and Related Ratios (Unaudited)

September 30, 2014

	<u>2014</u>	<u>2013</u>
Total pension liability:		
Service cost	\$ (24,479,804)	(28,030,791)
Interest	(38,954,162)	(35,938,185)
Differences between expected and actual experience	(6,387,403)	14,565,209
Changes in assumptions	(16,324,144)	—
Benefit payments, including refunds of member contributions	<u>39,678,826</u>	<u>4,805,726</u>
Net change in total pension liability	(46,466,687)	(44,598,041)
Total pension liability, beginning of year	<u>(497,736,075)</u>	<u>(453,138,034)</u>
Total pension liability, end of year	<u>(544,202,762)</u>	<u>(497,736,075)</u>
Plan fiduciary net position:		
Contributions – employer	12,012,499	12,745,216
Contributions – member	12,248,903	11,937,174
Net investment income	37,290,807	60,406,815
Benefit payments, including refunds of member contributions	(39,678,826)	(4,805,726)
Administrative expense	<u>(451,842)</u>	<u>(149,716)</u>
Net change in plan fiduciary net position	21,421,541	80,133,763
Plan fiduciary net position, beginning of year	<u>542,751,557</u>	<u>462,617,794</u>
Plan fiduciary net position, end of year	<u>564,173,098</u>	<u>542,751,557</u>
Net pension asset (liability), end of year	\$ <u><u>19,970,336</u></u>	\$ <u><u>45,015,482</u></u>
Plan fiduciary net position as a percentage of the total pension asset (liability)	103.7%	109.0%
Covered employee payroll	\$ 402,411,000	393,422,000
Net pension asset (liability) as a percentage of covered-employee payroll	5.0%	11.4%
Dollar weighted rate of return	6.97%	12.79%

Notes to Schedule:

Benefit changes since September 30, 2013: Effective October 31, 2013, the Plan was amended to allow eligible terminated vested employees to receive a lump sum cash payment, which is the actuarial equivalent of the members entire benefit under the Plan.

Changes of assumptions since September 30, 2013: Demographic assumption changes included changes in rates of retirement, termination and mortality.

GASB No. 67 required supplementary information is not available for fiscal years prior to 2013. Data for future years will be added prospectively.

See accompanying report of independent certified public accountants.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

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Required Supplementary Information

Defined-Benefit Retirement Plan

Schedule of Investment Returns (Unaudited)

September 30, 2014

	<u>2014</u>	<u>2013</u>
Annual money-weighted rate of return, net of investment expense	6.97%	12.79%

See accompanying report of independent certified public accountants.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

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Required Supplementary Information

Postemployment Benefits Other Than Pensions

Schedule of Funding Progress (Unaudited)

September 30, 2014

(Dollars in thousands)

Actuarial valuation date	Actuarial contribution assets (a)	Actuarial accrued liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded ratio (a/b)	Estimated covered payroll (c)	UAAL as percentage of covered payroll ((b-a)/c)
October 1, 2008	\$ —	45,558	45,558	—	582,258	7.82
October 1, 2009	—	55,230	55,230	—	617,718	8.94
October 1, 2010	—	59,065	59,065	—	636,249	9.28
October 1, 2011	—	61,575	61,575	—	493,981	12.47
October 1, 2012	—	62,531	62,531	—	508,800	12.29
October 1, 2013	—	70,061	70,061	—	489,286	14.32

See accompanying report of independent certified public accountants.

OTHER FINANCIAL INFORMATION

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Schedule by Account
Schedule of Assets, Deferred Outflows of Resources, Liabilities, and Net Position

September 30, 2014

(Dollars in thousands)

<u>Assets</u>	<u>(1)</u> <u>Hospitals</u>	<u>(2)</u> <u>Primary</u> <u>Care Centers</u>	<u>(3)</u> <u>Skilled</u> <u>Nursing</u> <u>Facilities</u>	<u>Jackson</u> <u>Medical</u> <u>Towers</u>	<u>Eliminations</u>	<u>Total</u>
Current assets:						
Cash and cash equivalents	\$ 163,337	8	109	9	—	163,463
Restricted cash and cash equivalents	3,213	—	—	—	—	3,213
Restricted short-term investments	8,311	—	—	—	—	8,311
Assets limited as to use	3,005	—	—	—	—	3,005
Patients' accounts receivable, net	93,840	2,684	3,554	—	—	100,078
Estimated receivables due from other third-party payers:						
Due from Miami-Dade County	164,612	—	—	—	—	164,612
Other receivables – unrestricted	39,419	—	—	—	—	39,419
Other receivables – restricted	6,809	—	—	(54)	—	6,755
Due from restricted funds	4,095	—	—	—	—	4,095
Supplies	420,964	2,429	—	—	(423,393)	—
Prepaid expenses and other current assets	25,525	147	188	—	—	25,860
	4,669	25	—	—	—	4,694
Total current assets	<u>937,799</u>	<u>5,293</u>	<u>3,851</u>	<u>(45)</u>	<u>(423,393)</u>	<u>523,505</u>
Assets limited as to use	33,645	—	—	—	—	33,645
Restricted long-term investments	53,226	—	—	—	—	53,226
Capital assets, net	454,034	668	3,741	2,149	—	460,592
Other	955	—	—	448	—	1,403
Total noncurrent assets	<u>541,860</u>	<u>668</u>	<u>3,741</u>	<u>2,597</u>	<u>—</u>	<u>548,866</u>
Total assets	<u>1,479,659</u>	<u>5,961</u>	<u>7,592</u>	<u>2,552</u>	<u>(423,393)</u>	<u>1,072,371</u>
Deferred outflows of resources:						
Deferred bond refunding	3,920	—	—	—	—	3,920
Total	<u>\$ 1,483,579</u>	<u>5,961</u>	<u>7,592</u>	<u>2,552</u>	<u>(423,393)</u>	<u>1,076,291</u>

(1) Includes Jackson Memorial Hospital, JMH Health Plan, Jackson South, Jackson North, and Community Medical Practices

(2) Includes North Dade Primary Health Care Facility, Infant Shelter, Home Health Care, Liberty City Medical Center, Downtown Family Medical Center, North Miami Center, Southeast Dental Medical Center, Corrections Health Services, and Juanita Mann Center

(3) Includes Perdue Medical Center and Human Resource Health Center

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A Department of Miami-Dade County, Florida

Schedule by Account
Schedule of Assets, Deferred Outflows of Resources, Liabilities, and Net Position

September 30, 2014

(Dollars in thousands)

Liabilities and Fund Net Assets (Deficit)	(1) Hospital	(2) Primary Care Centers	(3) Skilled Nursing Facilities	Jackson Medical Towers	Eliminations	Total
Current liabilities:						
Current portion of long-term debt	\$ 8,005	—	—	—	—	8,005
Accounts payable and accrued expenses	97,478	834	—	—	—	98,312
Accrued interest payable	5,632	—	—	—	—	5,632
Accrued salaries and payroll taxes withheld	66,637	—	—	—	—	66,637
Accrued vacation and sick pay benefits	80,005	—	—	—	—	80,005
Refunds due for patient services	7,657	624	—	—	—	8,281
Current portion of estimated self-insured liability	6,616	—	—	—	—	6,616
Estimated payables due to other third-party payors	179,898	—	—	—	—	179,898
Due to Miami-Dade County	20,909	—	—	—	—	20,909
Due to University of Miami	18,616	—	—	—	—	18,616
Other – unrestricted	150,186	235,103	55,459	(8,266)	(423,393)	9,089
Other – restricted	1,429	—	—	—	—	1,429
Total current liabilities	<u>643,068</u>	<u>236,561</u>	<u>55,459</u>	<u>(8,266)</u>	<u>(423,393)</u>	<u>503,429</u>
Long-term debt, excluding current portion	339,386	—	—	—	—	339,386
Estimated self-insured liability, excluding current portion	35,399	—	—	—	—	35,399
Due to University of Miami, excluding current portion	12,112	—	—	—	—	12,112
Other	1,047	—	—	—	—	1,047
Total noncurrent liabilities	<u>387,944</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>387,944</u>
Total liabilities	<u>1,031,012</u>	<u>236,561</u>	<u>55,459</u>	<u>(8,266)</u>	<u>(423,393)</u>	<u>891,373</u>
Deferred inflows of resources:						
Total deferred inflows of resources	—	—	—	—	—	—
Total fund net position (deficit)	<u>\$ 452,566</u>	<u>(230,600)</u>	<u>(47,867)</u>	<u>10,818</u>	<u>—</u>	<u>184,917</u>

See accompanying report of independent certified public accountants.

PUBLIC HEALTH TRUST OF MIAMI-DADE COUNTY, FLORIDA

A Department of Miami-Dade County, Florida

Schedule by Account
Schedule of Revenues and Expenses

Year ended September 30, 2014

(Dollars in thousands)

	(1) Hospitals	(2) Primary Care Centers	(3) Skilled Nursing Facilities	Jackson Medical Towers	Eliminations	Total
Operating revenues:						
Net patient service revenue	\$ 840,946	1,858	24,482	—	(1,121)	866,165
Other revenue	274,564	787	(117)	5,406	—	280,640
Grants and other	25,142	1,211	—	—	—	26,353
Total operating revenues	1,140,652	3,856	24,365	5,406	(1,121)	1,173,158
Operating expenses:						
Salaries and related costs	808,429	34,209	23,790	811	—	867,239
Contractual and purchased services	354,633	9,388	4,091	1,277	(1,121)	368,268
Supplies and other operating expenses	204,451	2,554	2,846	404	—	210,255
Public Medical Assistance Trust Fund assessment	11,236	—	—	—	—	11,236
Depreciation and amortization	48,963	131	507	216	—	49,817
Total operating expenses	1,427,712	46,282	31,234	2,708	(1,121)	1,506,815
Operating (loss) income	(287,060)	(42,426)	(6,869)	2,698	—	(333,657)
Nonoperating revenues (expenses):						
Miami-Dade County funding	137,402	—	—	—	—	137,402
Sales tax revenue	228,041	—	—	—	—	228,041
Investment income	518	—	—	—	—	518
Interest expense	(15,738)	—	—	(335)	—	(16,073)
Other income (losses)	34,321	(2)	—	—	—	34,319
Total nonoperating revenues (expenses), net	384,544	(2)	—	(335)	—	384,207
Increase (decrease) in net position	\$ 97,484	(42,428)	(6,869)	2,363	—	50,550

(1) Includes Jackson Memorial Hospital, JM Health Plan, Jackson South, Jackson North, and Community Medical Practices

(2) Includes North Dade Primary Health Care Facility, Home Health Care, Liberty City Medical Center, Downtown Family Medical Center, North Miami Center, Southeast Dental Medical Center, Corrections Health Services, and Juanita Mann Center

(3) Includes Perdue Medical Center and Human Resource Health Center

See accompanying report of independent certified public accountants.