FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

South Broward Hospital System d/b/a Memorial Healthcare System
Years Ended April 30, 2008 and 2007
With Report of Independent Certified Public Accountants

South Broward Hospital System
d/b/a Memorial Healthcare System

Financial Statements and
Required Supplementary Information

Years Ended April 30, 2008 and 2007

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Report of Independent Certified Public Accountants

The Board of Commissioners
South Broward Hospital System
d/b/a Memorial Healthcare System

We have audited the accompanying financial statements of the business-type activities, the discretely presented component units, and the pension trust fund of the South Broward Hospital System d/b/a Memorial Healthcare System (the System), as of and for the years ended April 30, 2008 and 2007, which collectively comprise the System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the Joe DiMaggio Children's Hospital Foundation, Inc. and the Memorial Foundation, Inc. (collectively, the Foundations), discretely presented component units of the System, which represent 100% of the assets and public support and revenues, of the discretely presented component units. Those financial statements as of and for the years ended April 30, 2008 and 2007, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, is based solely on the reports of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 of material misstatement. The financial statements of the Foundations as of and for the years ended April 30, 2008 and 2007, were not audited in accordance with *Government Auditing Standards*. We were not engaged to perform an audit of the System's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audits and the reports 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 discretely presented component units, and the pension trust fund of the System as of April 30, 2008 and 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2008, on our consideration of South Broward Hospital System d/b/a Memorial Healthcare System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages 3 through 13 and the required pension disclosure supplementary information on pages 60 through 62 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board (GASB). We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

ERNST & YOUNG LLP
Miami, Florida
June 18, 2008

S. DAVIS & ASSOCIATES, P.A.
Hollywood, Florida
June 18, 2008

South Broward Hospital System
d/b/a Memorial Healthcare System

Management's Discussion and Analysis

April 30, 2008

Required Financial Statements

The South Broward Hospital System d/b/a Memorial Healthcare System (the System), operates Memorial Regional Hospital and the Joe DiMaggio Children's Hospital at Memorial Regional Hospital, both located in Hollywood, Florida; Memorial Regional Hospital South located in Hollywood, Florida, approximately one mile south of Memorial Regional Hospital; Memorial Hospital Pembroke, located in Pembroke Pines, Florida, approximately six miles west of Memorial Regional Hospital; and Memorial Hospital West, located in Pembroke Pines, Florida, approximately ten miles west of Memorial Regional Hospital, and Memorial Hospital Miramar, located in Miramar, Florida, approximately 15 miles west of Memorial Regional Hospital. The System also operates the Urgent Care Center and Memorial Manor Nursing Home, both located in Pembroke Pines, Florida, approximately eight miles west of Memorial Regional Hospital. Other components of the Memorial Healthcare System include the Memorial Outpatient Center - Hallandale, located in Hallandale, Florida, approximately five miles east of Memorial Regional Hospital; the Memorial Home Health Services; multiple primary care and school health centers located throughout south Broward County; the Memorial Regional Cancer Institute, located on the campus of Memorial Regional Hospital; Memorial Hospital West Cancer Institute, located on the campus of Memorial Hospital West; and the Memorial Adult Day Care Center, which provides activities, meals, and select health-related services for its elderly participants, located within the Memorial Outpatient Center - Hallandale. At April 30, 2008, the System operates a total of 1,792 licensed hospital beds and 120 licensed nursing home beds.

The Memorial Hospital Pembroke facility is leased from Hospital Reality, LLC. The initial ten-year lease of the facility expired June 30, 2005. The System entered into a second ten-year term beginning July 1, 2005, which was extended to 2025 in May 2007.

The System utilizes three different funds to account for its activities: an enterprise fund, which combines the activities of the operating fund of the System; a fiduciary fund, which reports information about the net assets and changes in net assets of two foundations, which support the operations of the System; and a pension trust fund, which reports information about the net assets and changes in net assets of the System's employees' pension plan.

Complete financial statements for the two foundations which comprise the fiduciary fund can be obtained from the Memorial Foundation, Inc. and Joe DiMaggio Children's Hospital Foundation, Inc. at 3501 Johnson Street, Hollywood, Florida 33021.

Required Financial Statements (continued)

The pension trust fund does not issue separate financial statements.

The financial statements of the System's enterprise fund report information about the System's business-type activities using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The Balance Sheets include all of the System's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to the System's creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities. These statements also provide the basis for computing rate of return, evaluating the capital structure of the System, and assessing the liquidity and financial flexibility of the System.

All of the current year's revenue and expenses are accounted for in the Statements of Revenue and Expenses and Changes in Net Assets. These statements communicate the performance of the System's operations over the past two years.

The final required statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the System's cash receipts and cash payments during the reporting periods. These statements report cash receipts, cash payments, and net changes in cash and cash equivalents resulting from operating, investing, noncapital financing, and capital and related financing activities.

Summary of Financial Information

The financial statements consist of two parts: a) management's discussion and analysis and b) the audited financial statements. The audited financial statements also include notes that explain in more detail some of the information in the financial statements. The financial statements are intended to describe the results of operations, the changes in the net assets, the sources, and uses of cash and cash equivalents and the capital structure of the System. The following selected financial data as of April 30, 2008, 2007, and 2006, and for the three years then ended, for the System's enterprise fund are derived from the audited financial statements of the System. The data should be read in conjunction with the financial statements, related notes, and other financial information contained herein.

Summary of Financial Information (continued)

Years Ended April 30, 2008 and 2007

Condensed Balance Sheets – System (in thousands of dollars)

	April 30 2008	April 30 2007	Dollar Increase/ (Decrease)	Percentage Increase/ (Decrease)
Cash, cash equivalents, and investments	**$ 618,626**	$ 588,100	$ 30,526	5.2%
Patient accounts receivable, net	**130,382**	115,706	14,676	12.7
Total current assets	**791,953**	744,506	47,447	6.4
Capital assets, net	**672,578**	628,314	44,264	7.0
Total assets	**1,626,566**	1,532,793	93,773	6.1
Total current liabilities	**205,499**	199,440	6,059	3.0
Long-term debt, net of current portion	**415,028**	424,327	(9,299)	(2.2)
Total liabilities	**738,113**	736,262	1,851	0.3
Unrestricted net assets	**592,245**	551,476	40,769	7.4
Net assets invested in capital assets, net of related debt	**242,103**	193,020	49,083	25.4
Restricted net assets	**54,105**	52,035	2,070	4.0

Summary of Financial Information (continued)

Summary of Revenue and Expenses and Changes in Net Assets – System (in thousands of dollars)

	Years Ended April 30 2008	2007	Dollar Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue:				
Net patient service revenue	**$ 1,153,148**	$ 1,077,562	$ 75,586	7.0%
Other revenue	**62,268**	60,234	2,034	3.4
Total revenue	**1,215,416**	1,137,796	77,620	6.8
Expenses:				
Salaries and wages	**572,128**	516,575	55,553	10.8
Employee benefits	**114,636**	96,603	18,033	18.7
Professional fees	**25,334**	20,534	4,800	23.4
Supplies	**224,605**	205,999	18,606	9.0
Purchased services	**78,481**	67,946	10,535	15.5
Facilities	**65,784**	54,729	11,055	20.2
Depreciation and amortization	**65,837**	60,253	5,584	9.3
Interest	**17,435**	19,678	(2,243)	-11.4
Other	**56,163**	49,888	6,275	12.6
Total expenses	**1,220,403**	1,092,205	128,198	11.7
(Loss) income from operations	**(4,987)**	45,591	(50,578)	-110.9
Nonoperating gains, net (including depreciation of $3,250 and $3,367 in 2008 and 2007, respectively)	**95,551**	84,836	10,715	12.6
Excess of revenue and net nonoperating gains over expenses	**90,564**	130,427	(39,863)	-30.6
Net assets at the beginning of the year	**796,531**	664,248	132,283	19.9
Contributions and grants	**1,358**	1,856	(498)	-26.8
Net assets at the end of the year	**$ 888,453**	$ 796,531	$ 91,922	11.5%

Management's Discussion of Financial Performance

The decline in operating performance in fiscal year 2008 is due to several factors. The System absorbed approximately $19 million in losses from operations at Memorial Regional Hospital South. The System continues to believe that the added capacity that this campus provides is essential to enabling volume growth opportunities at Memorial Regional Hospital. The System experienced a decline in cardiovascular surgical cases as it pursued replacements to the former cardiovascular surgery group for purposes of enhancing the program. A full compliment of qualified cardiovascular surgeons was hired in the third quarter of fiscal year 2008. The general economic conditions nationally, within Florida and Broward County have contributed to the decline in operating performance. The winter seasonal resident population appeared to be lower than historical levels which resulted in fewer than expected hospital admissions. Broward County experienced a net decline in population as residents sought a lower cost of living. Finally, the System experienced higher levels of uncompensated care as a result of an increase in the number of uninsured and underinsured patients. In response to the decline in operating performance, the System has developed comprehensive volume/revenue growth and cost management strategies.

The System entered into a loan agreement dated as of March 1, 2008 with Bank of America, National Association and executed a promissory note as of March 24, 2008 to evidence debt incurred under the Bank of America Loan Agreement which debt was incurred for the purpose of refunding its (i) Hospital Refunding Revenue Bonds, Series 2003C Bonds, (ii) Hospital Revenue Bonds, Series 2004A Bonds, and (iii) Hospital Revenue Bonds, Series 2004B. These prior bonds were issued as auction rate securities, all of which suffered failed auctions during the 2008 fiscal year. The intent of the loan agreement was to temporarily refund the bonds until more permanent financing could be completed. On May 27, 2008, the Series 2008 Hospital Refunding Bonds were issued in the amount of $156,575,000 to (1) pay prior to maturity the principal of and accrued interest on the Bank of America Loan Agreement, and (2) pay certain costs of issuance.

Total revenues and nonoperating gains of the System rose from $1.223 billion to $1.311 billion for the fiscal years ended April 30, 2007 and 2008, respectively. Total expenses rose from $1.092 billion to $1.220 billion for the same periods. The corresponding excess of revenues and net nonoperating gains over expenses decreased from $130.4 million to $90.6 million for the fiscal years ended April 30, 2007 and 2008, respectively, resulting in a net margin of 11.5% and 7.5% for the fiscal years ended April 30, 2007 and 2008, respectively. Income available for debt service was $206.4 million and $168.7 million for the fiscal years ended April 30, 2007 and 2008, respectively.

Management's Discussion of Financial Performance (continued)

The investment policy of the System is congruent with Section 218.415 of the Florida Statutes, which is designed to ensure the prudent management of financial assets. Other than for certain investments of the pension trust fund, the System does not invest in equity securities. Cash, cash equivalents and investments, excluding assets whose use is limited, rose from $588.1 million to $618.6 million at April 30, 2007 and 2008, respectively. Cash, cash equivalents and investments, including assets whose use is limited, rose from $732.7 million to $769.9 million at April 30, 2007 and 2008, respectively. The System continues to expand and improve its facilities. Additions to capital assets were $130.4 million and $114.0 million for the fiscal years ended April 30, 2007 and 2008, respectively. The System is currently engaged in expansion programs at its facilities. The estimated cost to complete all construction programs in process at April 30, 2008 is $113.8 million. The System anticipates financing these programs through a combination of currently available cash, cash equivalents and investments and future cash flows from operations.

Admissions were 76,785 and 80,316 for the years ended April 30, 2007 and 2008, respectively. Outpatient visits for the same fiscal periods were 678,852 for the year ended April 30, 2007 and 717,356 for the year ended April 30, 2008. Much of the growth in admissions is attributable to Memorial Regional South and Memorial Hospital Miramar.

The System aggressively pursues qualification of indigent patients for available Medicaid and other reimbursement programs. The System has also established effective protocols that enable early identification of denials and short pays from managed care organizations. As a result, the denial rates for managed care claims as a percentage of managed care claims was 1.6% and 1.9% in fiscal year 2007 and 2008, respectively.

Management's Discussion of Financial Performance (continued)

Years Ended April 30, 2007 and 2006

Condensed Balance Sheets – System (in thousands of dollars)

	April 30 2007	April 30 2006	Dollar Increase/ (Decrease)	Percentage Increase/ (Decrease)
Cash, cash equivalents, and investments	$ 588,100	$ 520,856	$ 67,244	12.9%
Patient accounts receivable, net	115,706	98,199	17,507	17.8
Total current assets	744,506	652,698	91,808	14.1
Capital assets, net	628,314	561,434	66,880	11.9
Total assets	1,532,793	1,379,768	153,025	11.1
Total current liabilities	199,440	165,986	33,454	20.2
Long-term debt, net of current portion	424,327	439,780	(15,453)	(3.5)
Total liabilities	736,262	715,520	20,742	2.9
Unrestricted net assets	551,476	488,696	62,780	12.8
Net assets invested in capital assets, net of related debt	193,020	114,172	78,848	69.1
Restricted net assets	52,035	61,380	(9,345)	(15.2)

Management's Discussion of Financial Performance (continued)

Summary of Revenue and Expenses and Changes in Net Assets – System (in thousands of dollars)

	Years Ended April 30 2007	2006	Dollar Increase/ (Decrease)	Percentage Increase/ (Decrease)
Revenue:				
Net patient service revenue	$ 1,077,562	$ 966,720	$ 110,842	11.5%
Other revenue	60,234	49,248	10,986	22.3
Total revenue	1,137,796	1,015,968	121,828	12.0
Expenses:				
Salaries and wages	516,575	467,076	49,499	10.6
Employee benefits	96,603	90,816	5,787	6.4
Professional fees	20,534	20,515	19	0.1
Supplies	205,999	188,541	17,458	9.3
Purchased services	67,946	64,051	3,895	6.1
Facilities	54,729	49,271	5,458	11.1
Depreciation and amortization	60,253	51,134	9,119	17.8
Interest	19,678	16,587	3,091	18.6
Other	49,888	60,826	(10,938)	(18.0)
Total expenses	1,092,205	1,008,817	83,388	8.3
Income from operations	45,591	7,151	38,440	537.5
Nonoperating gains, net (including depreciation of $3,367 and $3,251 in 2007 and 2006, respectively)	84,836	59,937	24,899	41.5
Excess revenue and net nonoperating gains over expenses	130,427	67,088	63,339	94.4
Net assets at the beginning of the year	664,248	594,785	69,463	11.7
Contributions and grants	1,856	2,512	(656)	(26.1)
Restricted donations, net of designated expenditures	–	(137)	137	100.0
Net assets at the end of the year	$ 796,531	$ 664,248	$ 132,283	19.9%

Management's Discussion of Financial Performance (continued)

Fiscal years 2007 and 2006 reflect strong operational performance. This created a strong financial position and is the result of many factors including increased patient volumes; effective managed care contracting; strong collections; efficient business operations; and the System's strategies to develop specialized services that attract paying patients from the System's primary market and beyond. During fiscal year 2007, the System completed an asset purchase agreement to acquire Memorial Regional Hospital South, formerly known as Hollywood Medical Center, Inc., from Tenet HealthSystem Hospitals, Inc. for a purchase price of $32.0 million adjusted for net working capital settlement. In fiscal year 2007, the System completed an advance refunding of the Series 2002 Hospital Revenue Bonds through the issuance of the Series 2007 Hospital Refunding Revenue Bonds in the amount of $112.7 million. This issuance was in conjunction with a rate lock agreement dated February 8, 2007 to reduce future debt service. In fiscal year 2006, the historically low interest rate environment offered the System an opportunity to refinance its 1996 Revenue Bonds and fund prior capital expenditures through the issuance of approximately $120 million of Hospital Revenue and Refunding Revenue Bonds, Series 2006.

Total revenues and nonoperating gains of the System rose from $1.076 billion to $1.223 billion for the fiscal years ended April 30, 2006 and 2007, respectively. Total expenses rose from $1.009 billion to $1.092 billion for the same periods. The corresponding excess of revenues and net nonoperating gains over expenses increased from $67.1 million to $130.4 million for the fiscal years ended April 30, 2006 and 2007, respectively, resulting in a net margin of 6.6% and 11.5% for the fiscal years ended April 30, 2006 and 2007, respectively. The increase in net margin is attributable to (1) a $19.0 million increase in the net margin for Memorial Hospital Miramar; (2) an increase in investment income of $22.1 million and (3) the losses sustained from Hurricane Wilma during the year ended April 30, 2006 of approximately $15.0 million. Income available for debt service was $140.9 million and $206.4 million for the fiscal years ended April 30, 2006 and 2007, respectively.

The investment policy of the System is congruent with Section 218.415 of the Florida Statutes, which is designed to ensure the prudent management of financial assets. Other than for certain investments of the pension trust fund, the System does not invest in equity securities. Cash, cash equivalents and investments, excluding assets whose use is limited, rose from $520.9 million to $588.1 million at April 30, 2006 and 2007, respectively. Cash, cash equivalents and investments, including assets whose use is limited, rose from $671.9 million to $732.7 million at April 30, 2006 and 2007, respectively. The decrease in assets whose use is limited is primarily attributed to the use of the Series 2002 Reserve fund as a source of funding for the Series 2007 Hospital Refunding Revenue Bonds. The System continues to expand and improve its facilities. Additions

Management's Discussion of Financial Performance (continued)

to capital assets were $98.2 million and $130.4 million for the fiscal years ended April 30, 2006 and 2007, respectively. The System is currently engaged in expansion programs at its facilities. The estimated cost to complete all construction programs in process at April 30, 2007 is $118.4 million. The System anticipates financing these programs through a combination of currently available cash, cash equivalents and investments and future cash flows from operations.

Admissions were 74,551 and 76,785 for the years ended April 30, 2006 and 2007, respectively. Outpatient visits for the same fiscal periods were 636,100 for the year ended April 30, 2006 and 678,852 for the year ended April 30, 2007. Much of the growth in admissions is attributable to Memorial Regional South and Memorial Hospital West.

The System aggressively pursues qualification of indigent patients for available Medicaid and other reimbursement programs. The System has also established effective protocols that enable early identification of denials and short pays from managed care organizations. As a result, the denial rates for managed care claims as a percentage of managed care claims was 1.6% in fiscal year 2006 and 2007, respectively.

Taxes and Uncompensated Care

The Board of Commissioners of the System is authorized to levy a tax annually upon real and personal taxable property located within the boundaries of the System at a millage rate not to exceed 2.5 mills. The taxes collected pursuant to this levy can be used for the purposes and needs of the System such as operations, debt service, and construction. Such ad valorem taxes cannot be pledged directly or indirectly to pay revenue bonds; however, there is no prohibition on the use of such taxes once collected. The System generally applies the proceeds of such taxes to offset the cost of indigent care.

The financial strength of the System minimizes the tax burden in south Broward County. In fiscal years 2008, 2007, and 2006, net tax revenues accounted for approximately 3.4%, 3.6%, and 3.8%, respectively, of total net revenues and nonoperating gains. In September 2007, the System's Board of Commissioners voted to reduce the tax millage rate to 1.1643 mills.

Management's Discussion of Financial Performance (continued)

The System's financial strength enables the System to absorb the financial burden of providing an increasing level of uncompensated care. The financial strength also enables the System to develop and support state-of-the-art facilities.

Source of Patient Charges

A substantial amount of the gross charges of the System are provided to patients insured by third-party payors. The table below lists the approximate percentages of gross charges by payor for the fiscal years ended April 30.

	Percentage of Gross Charges		
	Years Ended April 30		
	2008	**2007**	**2006**
Medicare	**19.2%**	19.3%	19.2%
Medicaid	**9.9**	10.1	11.8
Managed care	**54.1**	53.7	53.4
Other	**16.8**	16.9	15.6
Total	**100.0%**	100.0%	100.0%

South Broward Hospital District
d/b/a Memorial Healthcare System

Balance Sheets – System

	April 30 2008	April 30 2007
	(In Thousands)	
Assets		
Current assets:		
Cash and cash equivalents	**$ 100,959**	$ 182,954
Investments	**517,667**	405,146
Patient accounts receivable, net of estimated uncollectibles of $242,412 and $204,945 at April 30, 2008 and 2007, respectively	**130,382**	115,706
Ad valorem taxes receivable	**3,047**	1,492
Inventories	**20,047**	19,676
Other current assets	**19,851**	19,532
Total current assets	**791,953**	744,506
Assets whose use is limited:		
By Board for capital improvements	**83,441**	79,483
By Board for employee disability	**14,812**	13,883
Under indenture agreement	**17**	1,686
Under self-insurance trust agreements	**46,319**	43,395
Externally restricted by donors	**6,725**	6,131
Total assets whose use is limited	**151,314**	144,578
Capital assets, net	**672,578**	628,314
Deferred charges, net	**6,619**	13,392
Other assets	**4,102**	2,003
Total assets	**$ 1,626,566**	$ 1,532,793

	April 30	
	2008	2007
	(In Thousands)	
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued expenses	**$ 117,672**	$ 109,919
Accrued compensation and payroll taxes	**63,647**	72,507
Estimated third-party payor settlements	**5,834**	2,074
Current installments of long-term debt	**4,959**	4,820
Current portion of estimated claims liability	**6,835**	5,336
Other current liabilities	**6,552**	4,784
Total current liabilities	**205,499**	199,440
Long-term portion of estimated claims liability	**58,646**	58,453
Other noncurrent liabilities	**58,940**	54,042
Long-term debt	**415,028**	424,327
Total liabilities	**738,113**	736,262
Net assets:		
Invested in capital assets, net of related debt	**242,103**	193,020
Restricted:		
For debt service	**17**	1,686
By donors	**7,769**	6,954
Under self-insurance trust agreements	**46,319**	43,395
Unrestricted	**592,245**	551,476
Total net assets	**888,453**	796,531
Total liabilities and net assets	**$ 1,626,566**	$ 1,532,793

See accompanying notes.

South Broward Hospital District
d/b/a Memorial Healthcare System

Statements of Revenue and Expenses and
Changes in Net Assets – System

	Years Ended April 30	
	2008	**2007**
	(In Thousands)	
Revenue:		
Net patient service revenue	**$ 1,153,148**	$ 1,077,562
Other revenue	**62,268**	60,234
Total revenue	**1,215,416**	1,137,796
Expenses:		
Salaries and wages	**572,128**	516,575
Employee benefits	**114,636**	96,603
Professional fees	**25,334**	20,534
Supplies	**224,605**	205,999
Purchased services	**78,481**	67,946
Facilities	**65,784**	54,729
Depreciation and amortization	**65,837**	60,253
Interest	**17,435**	19,678
Other	**56,163**	49,888
Total expenses	**1,220,403**	1,092,205
(Loss) income from operations	**(4,987)**	45,591
Nonoperating gains, net (including depreciation of $3,250 in 2008 and $3,367 in 2007)	**95,551**	84,836
Excess of revenue and net nonoperating gains over expenses	**90,564**	130,427
Contributions and grants	**1,358**	1,856
Increase in net assets	**91,922**	132,283
Net assets at the beginning of the year	**796,531**	664,248
Net assets at the end of the year	**$ 888,453**	$ 796,531

See accompanying notes.

South Broward Hospital District
d/b/a Memorial Healthcare System

Statements of Cash Flows – System

	Years Ended April 30	
	2008	**2007**
	(In Thousands)	
Operating activities		
Receipts from third-party payors and patients	**$ 1,142,233**	$ 1,058,969
Payments to vendors	**(433,399)**	(385,525)
Other receipts	**63,649**	59,615
Payments to employees	**(653,548)**	(560,513)
Claims and self-insurance payments	**(44,403)**	(35,235)
Net cash provided by operating activities	**74,532**	137,311
Noncapital financing activities		
Contributions and grants	**1,358**	1,856
Ad valorem tax receipts, net	**43,425**	43,193
Net cash provided by noncapital financing activities	**44,783**	45,049
Capital and related financing activities		
Acquisition and construction of capital assets, net	**(110,511)**	(96,983)
Acquisition of Hollywood Medical Center, Inc.	**–**	(31,654)
Principal payments on long-term debt	**(157,445)**	(124,712)
Debt issuance cost	**4,902**	(1,470)
Net proceeds from issuance of long-term debt	**147,796**	108,824
Interest payments on long-term debt	**(19,608)**	(20,414)
Net cash used in capital and related financing activities	**(134,866)**	(166,409)
Investing activities		
Proceeds from sales, maturities, or repayment of investments	**135,890**	195,055
Cost of investments acquired	**(246,811)**	(141,924)
Investment income received	**44,477**	37,421
Net cash (used in) provided by investing activities	**(66,444)**	90,552
Net (decrease) increase in cash and cash equivalents	**(81,995)**	106,503
Cash and cash equivalents at beginning of year	**182,954**	76,451
Cash and cash equivalents at end of year	**$ 100,959**	$ 182,954

Continued on next page.

South Broward Hospital District
d/b/a Memorial Healthcare System

Statements of Cash Flows – System (continued)

	Years Ended April 30	
	2008	**2007**
	(In Thousands)	
Reconciliation of excess of revenue and net nonoperating gains over expenses to net cash provided by operating activities		
Excess of revenue and net nonoperating gains over expenses	**$ 90,564**	$ 130,427
Adjustments to reconcile excess of revenue and net nonoperating gains over expenses to net cash provided by operating activities:		
Depreciation and amortization, including depreciation reported in nonoperating gains	**69,087**	63,620
Interest expense	**17,435**	19,678
Provision for doubtful accounts	**277,041**	218,960
Loss on disposal of capital assets	**1,045**	1,456
Ad valorem tax revenue and unrestricted investment income, net	**(98,801)**	(88,203)
Decrease (increase) in:		
Patient accounts receivable	**(291,717)**	(236,468)
Other current assets and inventories	**319**	(6,831)
Other assets	**(2,098)**	267
Deferred charges	**1,031**	(1,670)
Increase (decrease) in:		
Accounts payable and accrued expenses	**7,370**	15,483
Accrued compensation and payroll taxes	**(8,860)**	17,351
Estimated third-party payor settlements	**3,760**	(1,086)
Other current liabilities	**2,438**	19
Other liabilities	**4,898**	2,849
Estimated claims liability	**1,020**	1,459
Net cash provided by operating activities	**$ 74,532**	$ 137,311

See accompanying notes.

Joe DiMaggio Children's Hospital Foundation, Inc.

Statements of Financial Position

	April 30	
	2008	**2007**
	(In Thousands)	
Assets		
Cash and cash equivalents	**$ 127**	$ 107
Investments, at market value, cost $21,878 in 2008 and $15,981 in 2007	**21,102**	17,279
Unconditional promises to give, net	**11,573**	5,804
Due from affiliated organization	**2**	3
Plant and equipment, at cost, net of $39 in 2008 and $38 in 2007 accumulated depreciation	**34**	34
Other assets	**50**	53
Total assets	**$ 32,888**	$ 23,280
Liabilities		
Accounts payable	**$ 109**	$ 173
Annuities payable	**218**	239
Due to Memorial Healthcare System	**5,421**	4,409
Total liabilities	**5,748**	4,821
Net assets:		
Unrestricted	**4,509**	4,442
Temporarily restricted	**20,633**	12,415
Permanently restricted	**1,998**	1,602
Total net assets	**27,140**	18,459
Total liabilities and net assets	**$ 32,888**	$ 23,280

See accompanying notes.

Joe DiMaggio Children's Hospital Foundation, Inc.

Statements of Activities

For the Years Ended April 30, 2008 and 2007
(In Thousands)

	2008				2007			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Revenue and other support:								
Contributions	**$ 1,017**	**$ 8,687**	**$ 408**	**$ 10,112**	$ 400	$ 2,569	$ –	$ 2,969
Special events	**–**	**1,956**	**–**	**1,956**	453	1,163	–	1,616
Other support	**250**	**–**	**–**	**250**	250	–	–	250
Interest and investment income	**667**	**–**	**22**	**689**	505	–	15	520
Realized and unrealized (losses) gains on investment, net	**(1,085)**	**–**	**(34)**	**(1,119)**	1,192	–	43	1,235
Net assets released from restrictions:								
Satisfaction of program restrictions	**2,425**	**(2,425)**	**–**	**–**	1,939	(1,939)	–	–
Total revenue and other support	**3,274**	**8,218**	**396**	**11,888**	4,739	1,793	58	6,590
Expenses:								
Program services	**1,484**	**–**	**–**	**1,484**	1,899	–	–	1,899
Management and general	**791**	**–**	**–**	**791**	783	–	–	783
Fund raising	**932**	**–**	**–**	**932**	864	–	–	864
Total expenses	**3,207**	**–**	**–**	**3,207**	3,546	–	–	3,546
Changes in net assets	**67**	**8,218**	**396**	**8,681**	1,193	1,793	58	3,044
Net assets – beginning of year	**4,442**	**12,415**	**1,602**	**18,459**	3,249	10,622	1,544	15,415
Net assets – end of year	**$ 4,509**	**$ 20,633**	**$ 1,998**	**$ 27,140**	$ 4,442	$ 12,415	$ 1,602	$ 18,459

See accompanying notes.

Memorial Foundation, Inc.

Statements of Financial Position

	April 30	
	2008	**2007**
	(In Thousands)	
Assets		
Cash and cash equivalents	**$ 112**	$ 71
Investments, at market value, cost $5,554 in 2008 and $4,589 in 2007	**5,435**	5,035
Unconditional promises to give, net	**746**	720
Plant and equipment, at cost, net of $46 in 2008 and $45 in 2007 accumulated depreciation	**19**	20
Other assets	**27**	8
Total assets	**$ 6,339**	$ 5,854
Liabilities		
Accounts payable	**$ 90**	$ 30
Annuities payable	**2**	2
Due to affiliated organization	**2**	3
Due to Memorial Healthcare System	**390**	271
Total liabilities	**484**	306
Net assets:		
Unrestricted	**681**	1,076
Temporarily restricted	**4,802**	4,126
Permanently restricted	**372**	346
Total net assets	**5,855**	5,548
Total liabilities and net assets	**$ 6,339**	$ 5,854

See accompanying notes.

Memorial Foundation, Inc.

Statements of Activities

For the Years Ended April 30, 2008 and 2007
(In Thousands)

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:								
Contributions	**$ 163**	**$ 1,199**	**$ 26**	**$ 1,388**	$ 166	$ 1,227	$ 10	$ 1,403
Other support	**250**	–	–	**250**	250	–	–	250
Interest and investment income	**171**	–	**13**	**184**	144	–	13	157
Realized and unrealized (losses) gains on investment, net	**(290)**	–	–	**(290)**	382	–	–	382
Net assets released from restrictions: Satisfaction of program restrictions	**536**	**(523)**	**(13)**	**–**	335	(322)	(13)	–
Total revenue and other support	**830**	**676**	**26**	**1,532**	1,277	905	10	2,192
Expenses:								
Program services	**556**	–	–	**556**	285	–	–	285
Management and general	**369**	–	–	**369**	365	–	–	365
Fund raising	**300**	–	–	**300**	236	–	–	236
Total expenses	**1,225**	–	–	**1,225**	886	–	–	886
Changes in net assets	**(395)**	**676**	**26**	**307**	391	905	10	1,306
Net assets – beginning of year	**1,076**	**4,126**	**346**	**5,548**	685	3,221	336	4,242
Net assets – end of year	**$ 681**	**$ 4,802**	**$ 372**	**$ 5,855**	$ 1,076	$ 4,126	$ 346	$ 5,548

See accompanying notes.

South Broward Hospital District
d/b/a Memorial Healthcare System

Balance Sheets – Pension Trust Fund

	April 30	
	2008	**2007**
	(In Thousands)	
Assets		
Assets whose use is limited:		
Externally restricted under pension plan agreement	**$ 219,073**	$ 211,129
	$ 219,073	$ 211,129
Liabilities and restricted net assets		
Restricted net assets reserved for employees' pension benefits	**$ 219,073**	$ 211,129
	$ 219,073	$ 211,129

See accompanying notes.

South Broward Hospital District
d/b/a Memorial Healthcare System

Statements of Changes in Plan Net Assets – Pension Trust Fund

	Years Ended April 30	
	2008	**2007**
	(In Thousands)	
Net assets reserved for employees' pension benefits:		
Balance at beginning of year	**$ 211,129**	$ 181,024
Additions:		
Pension contributions	**18,914**	17,095
Net realized and unrealized (losses) gains on pension trust fund investments	**(4,552)**	18,554
	14,362	35,649
Deductions:		
Pension benefit payments	**5,025**	4,577
Administrative expenses	**1,393**	967
	6,418	5,544
Net increase in net assets reserved for employees' pension benefits	**7,944**	30,105
Balance at end of year	**$ 219,073**	$ 211,129

See accompanying notes.

1. Organization and Summary of Significant Accounting Policies

Organization

The South Broward Hospital System d/b/a Memorial Healthcare System (the System), operates Memorial Regional Hospital and the Joe DiMaggio Children's Hospital at Memorial Regional Hospital, both located in Hollywood, Florida; Memorial Regional Hospital South located in Hollywood, Florida, approximately one mile south of Memorial Regional Hospital; Memorial Hospital Pembroke, located in Pembroke Pines, Florida, approximately six miles west of Memorial Regional Hospital; and Memorial Hospital West, located in Pembroke Pines, Florida, approximately ten miles west of Memorial Regional Hospital, and Memorial Hospital Miramar, located in Miramar, Florida, approximately fifteen miles west of Memorial Regional Hospital. The System also operates the Urgent Care Center and Memorial Manor Nursing Home, both located in Pembroke Pines, Florida, approximately eight miles west of Memorial Regional Hospital. Other components of the Memorial Healthcare System include the Memorial Outpatient Center - Hallandale, located in Hallandale, Florida, approximately five miles east of Memorial Regional Hospital; the Memorial Home Health Services; multiple primary care and school health centers located throughout south Broward County; the Memorial Regional Cancer Institute, located on the campus of Memorial Regional Hospital; Memorial Hospital West Cancer Institute, located on the campus of Memorial Hospital West; and the Memorial Adult Day Care Center, which provides activities, meals, and select health-related services for its elderly participants, located within the Memorial Outpatient Center - Hallandale. At April 30, 2008, the System operates a total of 1,792 licensed hospital beds and 120 licensed nursing home beds.

On December 1, 2006, the System acquired certain assets of Memorial Regional Hospital South, formerly known as Hollywood Medical Center, Inc., for $32.0 million adjusted for net working capital from an unrelated third party. The transaction was accounted for as a purchase and the operating results of Memorial Regional South have been included in the System's operations since the date of acquisition. As the fair value of assets acquired exceeded the purchase price, no goodwill was recognized as a result of this transaction

Basis of Presentation

The accounts of the System are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenue, and expenses, as appropriate.

1. Organization and Summary of Significant Accounting Policies (continued)

The System is accounted for in an enterprise fund which consists of unrestricted net assets, restricted net assets, and net assets invested in capital assets, net of related debt. The enterprise fund is used to account for the System's ongoing activities. Significant intercompany accounts and transactions have been eliminated in the combination of these funds.

The Memorial Foundation, Inc. and the Joe DiMaggio Children's Hospital Foundation, Inc. (the Foundations) are legally separate, tax-exempt component units of the System governed by separate independent boards of directors. The Foundations act primarily as fund-raising organizations to supplement the resources that are available to the System in support of its programs. The Foundations' boards are self-perpetuating and consist of community members. Although the System does not control the timing or amount of receipts from the Foundations, the majority of resources, or income thereon, that the Foundations hold and invest are restricted to the activities of the System by the donors. Because these restricted resources held by the Foundations can only be used by, or for the benefit of, the System, the Foundations are considered component units of the System and are discretely presented in the System's financial statements.

During the years ended April 30, 2008 and 2007, the Foundations distributed approximately \$2,936,000 and \$2,184,000, respectively, to the System for both restricted and unrestricted purposes.

The pension trust fund is a fiduciary fund used to account for the assets held in trust by Wachovia Bank for the benefit of the employees of the System who participate in the Retirement Plan for Employees of the South Broward Hospital System (the Plan).

The financial statements of the pension trust fund use the full accrual basis of accounting whereby employer contributions to the Plan are recognized when due, and benefits are recognized when due and payable in accordance with the terms of the Plan.

Proprietary Fund Accounting

The System utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis.

1. Organization and Summary of Significant Accounting Policies (continued)

Charity Care

The System provides care, without charge, to patients who meet certain financial criteria based upon the Federal Income Poverty Guidelines. Because the System does not pursue collection of amounts due from patients who meet the System's criteria for charity care, such amounts are not reported as revenue.

Cash and Cash Equivalents

The System considers all highly liquid investments with a maturity of three months or less when purchased, except those classified as assets whose use is limited or those included in the System's investment program, to be cash equivalents.

Investments

The System records its investments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 40 (GASB 40), *Deposit and Investment Risk Disclosures*, which amended GASB Statement No. 3, *Deposits with Financial Institutions*, *Investments (including Repurchase Agreements) and Reverse Purchase Agreements*.

All investments have been recorded at fair value based on quoted market prices in the financial statements.

Inventories

Inventories, consisting primarily of medical, surgical, and other supplies, are stated at the lower of cost (principally determined by the first-in, first-out method) or market.

1. Organization and Summary of Significant Accounting Policies (continued)

Assets Whose Use is Limited

Assets whose use is limited includes assets set aside by the Board for future capital improvements and anticipated future payments under the System's employee disability policy, over which the Board retains control and may at its discretion subsequently use for other purposes. Assets whose use is limited also includes assets held by trustees under indenture agreements, and self-insurance trust arrangements, as well as restricted resources limited by donors to a specific period or purpose.

Capital Assets

Capital assets, including improvements to existing facilities, are recorded at cost, except for donated items, which are recorded at fair value at the date of the contribution. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for buildings and improvements range from 20 to 40 years and for equipment range from three to ten years. 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. Routine maintenance and repairs which do not extend the life of the assets are charged to expense as incurred, and major renovations or improvements are capitalized. The System capitalizes all assets with an initial cost of $1,000 or greater.

Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Deferred financing costs are amortized over the period the obligation is outstanding using the effective interest method.

Income Taxes

The System is exempt from income tax as it is a political subdivision of the State of Florida.

1. Organization and Summary of Significant Accounting Policies (continued)

Restricted Net Assets

Restricted net assets are those whose use by the System has been limited by donors to a specific time period or purpose or whose use has been limited under bond indenture or self-insurance trust fund arrangements.

Gifts of cash and other assets are reported at fair value as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, restricted funds are transferred to unrestricted net assets. In cases in which the restrictions for such expenditures are met in the same period the resources are received, the receipts are recorded in unrestricted net assets. Transfers used for current operations are included in the Statements of Revenue and Expenses and Changes in Net Assets – System as a reduction of the related expense. The System first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Statements of Revenue and Expenses and Changes in Net Assets – System

For purposes of presentation, transactions determined to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Peripheral, incidental or transactions not considered to be central to the provision of health care services are reported as nonoperating gains and losses.

Net Patient Service Revenue

Net patient service revenue is reported at net realizable amounts due from patients, third-party payors, and others for services rendered.

Settlements with certain third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Accounting for Pensions by State and Local Governmental Employers

The System conforms to the requirements of GASB Statement No. 27 (Statement No. 27), *Accounting for Pensions by State and Local Governmental Employers*. Pursuant to Statement No. 27, certain employers that participate in defined benefit pension plans are required to measure and disclose an amount for annual pension cost on the accrual basis of accounting.

Accounting Standards

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the System has elected not to apply the provisions of pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 unless specifically adopted in a GASB pronouncement.

The Foundations are private nonprofit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundations' financial information in the System's financial reporting entity for these differences.

2. Uncompensated Care

The System maintains records to identify and monitor the level of uncompensated care it provides. These records include the amount of charges forgone for services provided under the System's charity care policy, as well as a provision for uncollectible accounts included in the accompanying Statements of Revenue and Expenses and Changes in Net Assets – System. The following information measures the level of uncompensated care provided during the years ended April 30, 2008 and 2007 (in thousands).

	2008	2007
Uncompensated care, based on established rates	**$ 614,035**	$ 497,501
Percentage of uncompensated care patients to all patients served based upon total charges	**13.7%**	13.1%

For the years ended April 30, 2008 and 2007, uncompensated care includes $336,994,000 and $278,541,000, respectively, of charges forgone for services provided under the System's charity care policy.

3. Net Patient Service Revenue

The System has contractual agreements with third-party payors (Medicare, Medicaid, and large commercial insurance payors) that provide for prospective reimbursement at contractually established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare and Medicaid

Most of the System's Medicare patients are covered under the Medicare Prospective Payment System which establishes predetermined rates for diagnosis–related groups. However, certain patient services are reimbursed under cost based or other formulas. Reimbursement for certain services subject to special reimbursement formulas under the Medicare program is subject to audit and settlement by the Medicare fiscal intermediary. Such audits and final settlements have been completed for all years through 2006 for Memorial Hospital West and Memorial

3. Net Patient Service Revenue (continued)

Hospital Miramar, and through 2005 for Memorial Hospital Pembroke and Memorial Regional Hospital. Medicare program beneficiaries accounted for approximately 19% of the System's gross charges in 2008 and 2007.

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost-based formula. The System's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through 2005. Medicaid program beneficiaries accounted for approximately 10% of the System's gross charges in fiscal year 2008 and 2007.

As a result of the filing of the cost reports and the settlement of prior cost reports, the System increased reimbursement recorded in prior years by approximately $7,918,000 and $7,035,000 in 2007 and 2008, respectively.

Insurance and Other

The System has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to the System under these agreements includes prospectively determined rates per discharge, allowances from established charges and prospectively determined daily rates.

The difference between customary charges and the contractually established rates, for the above programs, is accounted for as a contractual adjustment. The System's customary charges, charity care write-offs, provision for doubtful accounts and contractual adjustments for the years ended April 30 are as follows (in thousands):

	2008	**2007**
Gross patient charges	**$ 4,476,998**	$ 3,799,430
Charity care	**(336,994)**	(278,541)
Provision for doubtful accounts	**(277,041)**	(218,960)
Contractual adjustments	**(2,709,815)**	(2,224,367)
Net patient service revenue	**$ 1,153,148**	$ 1,077,562

4. Cash, Cash Equivalents, and Investments – Enterprise Fund

The book value of the System's unrestricted bank accounts is $60,572,000 and $133,093,000 at April 30, 2008 and 2007, respectively. The book value of the System's bank accounts restricted by donors, included in assets whose use is limited, is $6,725,000 and $6,131,000 at April 30, 2008 and 2007, respectively. These bank accounts are insured by a combination of federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions, which comply with the requirements of Florida Statutes and have been designated as qualified public depositories by the State Treasurer.

Investments and Cash Equivalents

At April 30, 2008 and 2007, respectively, the System's investments, including those included in cash and cash equivalents, are as follows (in thousands):

	Fair Value	
	2008	**2007**
Unrestricted cash equivalents	**$ 40,387**	$ 49,861
Unrestricted investments	**517,667**	405,146
Assets whose use is limited:		
By Board	**98,253**	93,366
By others	**46,336**	45,081
	$ 702,643	$ 593,454

Interest Rate Risk

To the extent possible, the System attempts to match investment maturities with known cash needs and anticipated cash flow requirements. The System's investment policy segments its investment portfolio into pools with identified asset allocation percentages that attempt to match its liquidity requirements. Investments of bond reserves, construction funds, and other indenture-restricted funds have maturities set in accordance with the relevant documents.

4. Cash, Cash Equivalents, and Investments – Enterprise Fund (continued)

At April 30, 2008 and 2007, respectively, the System had the following investments with the respective effective durations. (Fair value in thousands and effective durations in years.)

	2008		**2007**	
	Fair Value	**Effective Duration**	**Fair Value**	**Effective Duration**
Cash and SEC registered money market funds	**$ 10,656**	**N/A**	$ 9,252	N/A
US Treasuries	**137,728**	**0.61**	43,477	0.16
US Agencies	**327,540**	**1.14**	342,350	0.85
US Agency mortgage bonds	**20,570**	**0.04**	21,398	1.10
Repurchase agreements	**23,916**	**N/A**	–	N/A
Commercial paper	**16,469**	**N/A**	49,860	N/A
Corporate debt	**119,406**	**0.30**	106,919	0.28
Municipal securities	**46,358**	**0.19**	20,198	0.08
	$ 702,643	**2.28**	$ 593,454	2.47

Credit Risk

The System has adopted an investment policy that authorizes the following instruments for investment by the System: (1) the trust fund known as the Local Government Surplus Funds Trust Fund as created by Florida Statutes; (2) bankers' acceptances; (3) commercial paper of prime quality rated by at least two nationally recognized debt rating agencies in the highest letter and numerical ratings of each agency or secured by a letter of credit provided by a commercial bank that carries a credit rating in one of the two highest ratings; (4) interest-bearing time deposits or savings accounts at institutions that are Qualified Public Depositories; (5) negotiable direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by, the United States Government; (6) obligations of Federal Agencies and Instrumentalities; (7) interest-bearing notes, bonds, debentures, and other such evidence of indebtedness with a fixed maturity of any domestic listed corporation within the United States that when purchased carry ratings in one of the two highest classifications of at least two nationally recognized debt rating agencies or be secured by a letter of credit provided by a commercial bank that carries a credit rating in one of the two highest ratings; (8) repurchase

4. Cash, Cash Equivalents, and Investments – Enterprise Fund (continued)

agreements and reverse repurchase agreements may be entered into with a member bank of the Federal Reserve System or a primary dealer in United States Government Securities provided such repurchase agreements and reverse repurchase agreements are fully collateralized by the types of securities disclosed in sections (5) and (6) above; (9) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; and (10) municipal bond investments that carry ratings in one of the top two classifications of at least two nationally recognized rating agencies or such debt may be secured by bond insurance or a letter or credit by a commercial bank in one of the top two classifications.

The System's bond indentures stipulate permitted "Eligible Investments" for related bond funds. To the extent permitted by law, the System must invest bond funds in (1) U.S. Treasury obligations; (2) certain direct or guaranteed obligations of Federal Agencies; (3) certificates of deposit; (4) registered money market funds rated in the two highest rating categories by Standard & Poor's (S&P) and Moody's Investors Service (Moody's); (5) commercial paper rated Prime-1 by Moody's and A-1 or better by S&P; municipal securities rated in the two highest rating categories by S&P and Moody's; (6) repurchase agreements; (7) investment agreements, including GICs acceptable to any credit facility provider; and (8) Federal funds and bankers' acceptances from banks rated Prime-1 or A3 by Moody's and A-1 or A by S&P.

4. Cash, Cash Equivalents, and Investments – Enterprise Fund (continued)

At April 30, 2008 and 2007, respectively, the System's investment securities have the following credit ratings as shown below (in thousands):

	2008		2007	
	Fair Value	**Credit Rating***	**Fair Value**	**Credit Rating***
Cash and SEC registered money market funds	**$ 10,656**	**AAA**	$ 9,252	AAA
US Treasuries	**137,728**	**TSY**	43,477	TSY
US Agency discount notes	**–**	**–**	17,822	A-1+
US Agencies	**326,571**	**AAA**	324,528	AAA
US Agencies	**969**	**AA**	–	–
US Agency mortgage bonds	**20,570**	**AAA**	21,398	AAA
Repurchase agreements	**23,916**	**A-1+**	–	–
Commercial paper	**8,984**	**A-1+**	29,918	A-1+
Commercial paper	**7,485**	**A-1**	19,942	A-1
Corporate debt	**44,813**	**AA**	36,034	AAA
Corporate debt	**7,762**	**AA+**	14,831	AA+
Corporate debt	**26,321**	**AA**	36,811	AA
Corporate debt	**35,682**	**AA-**	13,964	AA-
Corporate debt	**3,710**	**A+**	4,791	A+
Corporate debt	**504**	**A**	488	A
Corporate debt	**491**	**BBB+**	–	–
Corporate debt	**123**	**BBB**	–	–
Municipal securities	**25,683**	**AAA**	15,065	AAA
Municipal securities	**3,049**	**AA+**	1,908	AA+
Municipal securities	**3,885**	**AA-**	925	AA-
Municipal securities	**11,076**	**AA**	2,202	AA
Municipal securities	**1,644**	**A+**	98	A+
Municipal securities	**1,021**	**A-**	–	–
	$ 702,643		$ 593,454	

*Standard & Poor's ratings or comparable

4. Cash, Cash Equivalents, and Investments – Enterprise Fund (continued)

Concentration of Credit Risk

The System's investment policy has established asset allocation and issuer limitations on the following investments, which are designated to reduce concentration of credit risk of the System's investments.

Local Government Surplus Funds Trust Fund. A maximum of 50% of the portfolio.

Bankers' acceptances. A maximum of 20% of the investment portfolio. Further limitations include original maturity of 210 days or less and no more than 5% in a single issuer.

Commercial paper. Maximum of 30% of the portfolio. Further limitations include maximum maturity of 270 days from date of purchase and no more than 5% in a single issuer.

Interest-bearing time deposits. A maximum of 30% of the portfolio further subject to total the lesser of 15% of the financial institution's capital or net worth or $20 million and maximum maturity of one (1) year.

Government securities. A maximum of 100% of the portfolio and minimum of 50% will be invested in government securities that include direct obligations of the U.S. Treasury, obligations guaranteed by the U.S. Government, bonds, notes, debentures and callable debt instruments issued or guaranteed by U.S. Agencies. Further limitations include a 25% maximum limitation on adjustable interest rate and collateralized mortgage obligations and a 30-year maximum term.

Corporate debt. A maximum of 30% of the portfolio. Further limitations include no more than 10% in AAA-rated asset-backed securities, single industry concentration of 10%, no more than 5% to a single issuer and maximum maturity of ten years. The maximum amount of corporate investments (total of commercial paper and corporate debt) will not exceed 50% of the investment portfolio.

Repurchase/reverse repurchase agreements. Maximum term six months and subject to Public Securities Association (PSA) documentation requirements.

4. Cash, Cash Equivalents, and Investments – Enterprise Fund (continued)

SEC registered money market funds. A maximum of 50% of the portfolio.

Municipal securities. A maximum of 30% of the portfolio. Further limitations include no more than 5% in any one issuer and a maximum maturity of 10 years.

The System's bond indentures stipulate permitted "Eligible Investments" for related bond funds. Asset allocation and issuer limitations are not stipulated in the related bond documents.

The following table shows the composition of the System's investments at April 30, 2008 and 2007, respectively (in thousands):

	2008		**2007**	
	Fair Value	**Percentage of Portfolio**	**Fair Value**	**Percentage of Portfolio**
Cash and SEC registered money market funds	**$ 10,656**	**1%**	$ 9,252	2%
US Treasuries	**137,728**	**20**	43,477	7
US Agencies	**327,540**	**47**	342,350	58
US Agency mortgage bonds	**20,570**	**3**	21,398	4
Repurchase agreements	**23,916**	**3**	–	–
Commercial paper	**16,469**	**2**	49,860	8
Corporate debt	**119,406**	**17**	106,919	18
Municipal securities	**46,358**	**7**	20,198	3
	$ 702,643	**100%**	$593,454	100%

At April 30, 2008, investments in any one issuer representing 5% or more of the System's total investments are as follows: $145,438,000 (21%) invested in issues of the Federal National Mortgage Association; $97,496,000 (14%) invested in issues of the Federal Home Loan Mortgage Corporation; and $73,911,000 (11%) invested in issues of the Federal Home Loan Bank. The System's investment policy does not have an issuer limitation for U.S. Treasury securities.

4. Cash, Cash Equivalents, and Investments – Enterprise Fund (continued)

Custodial Credit Risk

Pursuant to Florida Statute 218.415, securities, with the exception of certificates of deposit, are held with a third-party custodian; and all securities purchased by, and all collateral obtained by the System is properly designated as an asset of the System. The securities are held in an account separate and apart from the assets of the financial institution. At April 30, 2008 and 2007, the System's investment securities were held by U.S. Bank, a third-party custodian as required by the System's investment policy.

The System's bond indentures stipulate that all bond and trustee held funds be maintained in separate accounts with a bond trustee. U.S. Bank is the trustee for all the System's outstanding bonds and revenue certificate indebtedness. All bond and trustee held investments are held in accounts separate and apart from the assets of the financial institution.

5. Capital Assets

A summary of the activity in the capital assets and the related accumulated depreciation accounts for the years ended April 30, 2008 and 2007 is as follows (in thousands):

	Balance at May 1, 2007	Additions	Transfers	Deletions	Balance at April 30, 2008
Land improvements	$ 14,285	$ –	$ 8	$ –	**$ 14,293**
Buildings and improvements	666,781	3,288	76,389	–	**746,458**
Equipment	303,414	30,271	18,452	(8,225)	**343,912**
Depreciable assets	984,480	33,559	94,849	(8,225)	**1,104,663**
Accumulated depreciation	(440,669)	(68,589)	–	7,157	**(502,101)**
Net depreciable assets	543,811	(35,030)	94,849	(1,068)	**602,562**
Land	25,101	3,518	–	–	**28,619**
Construction in progress	59,402	76,880	(94,849)	(36)	**41,397**
Capital assets, net	$ 628,314	$ 45,368	$ –	$ (1,104)	**$ 672,578**

5. Capital Assets (continued)

	Balance at May 1, 2006	Additions	Transfers	Deletions	Balance at April 30, 2007
Land improvements	$ 13,625	$ 660	$ –	$ –	$ 14,285
Buildings and improvements	599,503	24,447	43,406	(575)	666,781
Equipment	267,277	28,356	29,282	(21,501)	303,414
Depreciable assets	880,405	53,463	72,688	(22,076)	984,480
Accumulated depreciation	(399,417)	(62,111)	–	20,859	(440,669)
Net depreciable assets	480,988	(8,648)	72,688	(1,217)	543,811
Land	18,424	6,677	–	–	25,101
Construction in progress	62,022	70,307	(72,688)	(239)	59,402
Capital assets, net	$ 561,434	$ 68,336	$ –	$ (1,456)	$ 628,314

The System is currently engaged in expansion programs at its facilities. The estimated cost to complete all construction programs in process at April 30, 2008 is $ 113,821,000.

6. Self-Insurance

The System 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 certain employee health plan costs, and natural disasters. The System believes it is more economical to manage its risks internally and set aside assets for claim settlement. Commercial insurance is carried on property, directors and officers, accidents, and vehicles. The System's commercial property insurance program excludes windstorm coverage.

The System, as a subdivision of the State of Florida, has sovereign immunity in tort actions. Therefore, in accordance with Chapter 768.28 of the Florida Statutes, for claims with occurrence dates subsequent to September 30, 1981, the System is not liable to pay a claim or judgment by any one person which exceeds the sum of $100,000 or any claim or judgments, or portions thereof, which when totaled with all other claims or judgments paid by the State or its agencies or subdivisions arising out of the same incident or occurrence exceeds the sum of $200,000.

Chapter 768.28 also provides that judgments may be claimed or rendered in excess of these limits; however, these amounts must be reported to, and approved by, the Florida Legislature. The System's management estimates and accrues for the cost of unreported claims based on historical data and actuarial projections. Accrued claims have been discounted by the System's

6. Self-Insurance (continued)

actuary based on an interest rate of 5.0% for both 2008 and 2007. The System has established a trust fund for the purpose of setting aside assets to fund future self-insurance losses. The trust assets can only be used for payment of losses and administrative expenses. Earnings on investments in the self-insurance trust are reported as nonoperating gains in the Statements of Revenue and Expenses and Changes in Net Assets – System and are retained as part of the fund. A rollforward of the System's claims liability for self-insurance claims is as follows (in thousands):

Year Ended April 30	Liability at Beginning of Fiscal Year	Current Year Claims and Changes in Estimates	Claim Payments	Liability at End of Fiscal Year	Amount Due Within One Year
2007	62,814	36,210	(35,235)	63,789	5,336
2008	**63,789**	**46,095**	**(44,403)**	**65,481**	**6,835**

7. Long-Term Debt

The following is a summary of long-term debt as of April 30 (in thousands):

	2008	2007
Bank Loan Agreement	**$ 152,625**	$ –
Unamortized loss on defeasance, net	**(4,829)**	–
	147,796	–
Series 2007 Hospital Refunding Revenue Bonds – $112,744 authorized and issued: Serial Bonds, interest rate of 4.75% maturing amounts ranging from $4,695 to $6,595 through May 1, 2024	**16,200**	16,200
4.75% Term Bond due May 1, 2028	**34,214**	34,214
4.75% Term Bond due May 1, 2032	**62,330**	62,330
	112,744	112,744
Unamortized loss on defeasance, net	**(6,884)**	(7,173)
Unamortized premium, net	**3,122**	3,253
	108,982	108,824

7. Long-Term Debt (continued)

	2008	2007
Series 2006 Hospital Revenue and Refunding Revenue Bonds – $120,000 authorized and issued: Serial Bonds, interest rates of 4.00% to 5.00% maturing amounts ranging from $930 to $8,735 through May 1, 2023.	**$ 50,150**	$ 50,150
4.375% Term Bond due May 1, 2025	**7,440**	7,440
4.50% Term Bond due May 1, 2030	**20,865**	20,865
5.00% Term Bond due May 1, 2035	**27,595**	27,595
4.50% Term Bond due May 1, 2037	**13,950**	13,950
	120,000	120,000
Unamortized loss on defeasance, net	**(4,493)**	(4,869)
Unamortized premium, net	**2,440**	2,525
	117,947	117,656
Series 2004 A Hospital Revenue Bonds $60,000 and Series 2004 B Hospital Revenue Bonds $60,000 authorized and issued: Term Bonds, maturing in amounts ranging from $600 to $20,500 through May 1, 2037 with auction rate certificates interest rate for Series 2004 A of 3.63% and Series B 3.60% at April 30, 2007	**–**	120,000
Series 2003 A Refunding Revenue Bonds – $39,945 and Series 2003 B Revenue Bonds – $5,065 authorized and issued: Serial Bonds, interest rates of 3.00% to 5.25% maturing in amounts ranging from $380 to $4,155, through May 1, 2015	**23,512**	27,264
Unamortized premium, net	**980**	1,125
Unamortized loss on defeasance, net	**(824)**	(562)
	23,668	27,827
Series 2003 C Refunding Revenue Bonds – $32,625 authorized and issued: Term Bonds, auction rate certificates interest rate of 3.60% at April 30, 2007, maturing in amounts ranging from $2,050 to $3,025, through May 1, 2028.	**–**	32,625
Unamortized loss on defeasance, net	**–**	(445)
	–	32,180

7. Long-Term Debt (continued)

	2008	2007
Series 2001 Revenue Certificate – $10,000 authorized and issued: Payable in annual installments of $400 commencing May 1, 2002, through and including May 1, 2011, and a balloon payment of $6,400 due on November 1, 2011. Interest is payable semiannually based on the following formula [(one month LIBOR + 0.55%)/ 1.5037]. The LIBOR Rate at April 30, 2008 was 2.186%.	**7,200**	7,600
Series 2000 Revenue Certificate – $10,000 authorized and issued: Payable in annual installments ranging from approximately $206 to $400 commencing May 1, 2002, through and including May 1, 2015, and a balloon payment of approximately $6,300 due on November 1, 2015. The interest rate is fixed at 5.155%.	**8,394**	8,660
Series 1998 Revenue Certificate – $10,000 authorized and issued: Payable in annual installments of $400 through and including May 1, 2017, and a balloon payment of $2,400 due May 1, 2018. The interest rate is fixed at 4.374%.	**6,000**	6,400
	419,987	429,147
Less current portion	**(4,959)**	(4,820)
	$ 415,028	$ 424,327

During 2008 and 2007, interest cost of $3,426,000 and $1,282,000, respectively, was capitalized. During 2008 and 2007, interest earned on invested Revenue Certificates and bond proceeds was $204,100 and $408,000, respectively, and is netted against capitalized interest. Net capitalized interest is included in capital assets.

The Bank Loan Agreement and Revenue Bonds are secured by gross revenues and certain pledge funds and have been issued as Parity Debt under the Trust Indenture.

7. Long-Term Debt (continued)

On September 12, 2003, the System executed and delivered the Master Trust Indenture dated as of September 1, 2003 (Master Indenture). Upon execution and delivery of the Master Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture and the Fifth Supplemental Indenture, respectively, and together with certain amended and unamended portions of the Trust Indenture became what is referred to in the Master Indenture as the Bond Indentures for the respective series of revenue bonds which were issued thereunder. After the execution and delivery of the Master Indenture, the System, pursuant to the Master Indenture issued Obligations to the Trustee under the Trust Indenture, as Bond Trustee for each of the series of revenue bonds issued thereunder and to each of the Revenue Certificate Holders to evidence their security under the Master Indenture. The Master Indenture provides that the System becomes part of an obligated group. Currently, the System is the only member of the obligated group. The Obligations issued under the Master Indenture are payable solely from and are secured by a pledge of and a lien on the Gross Revenues of the obligated group (currently the System) and any future member of the obligated group and certain Accounts created under the Master Indenture, provided, however, the lien and pledge of the Accounts under the Master Indenture does not extend to Obligations issued for the benefit of the Revenue Certificate Holders.

The Series 2003A and Series 2003C Refunding Revenue Bonds (described below) were issued to provide funds, to currently refund the Series 1993 Refunding and Revenue Bonds, and the Series 2003B Revenue Bonds were issued, to provide funds, together with other available funds, to pay the costs of acquisition, construction and equipping of certain improvements to the hospital facilities, including the reimbursement of certain funds advanced by the System. The computations performed in accordance with GASB Statement No. 23 for the current refunding of the 1993 Revenue and Refunding Bonds resulted in a loss on defeasance of $1,559,000 and is reported in the accompanying financial statements as a deduction from long-term debt. At April 30, 2008, the unamortized value of the deferred amount is $824,000. The deferred amount is being charged to operations through the year 2028 using an effective interest amortization method. The Series 2003A Refunding Revenue Bonds and the Series 2003B Revenue Bonds maturing after May 1, 2013 are callable at par and in such proportion within maturities as may be directed by the System.

The Series 2003C Refunding Revenue Bonds were issued as Auction Rate Certificates (ARC) in a seven-day Auction Period mode and are not subject to a mandatory put to the System in the event of a failed auction. The System may change the Auction Period to a 35-day Auction Period or convert the Bonds to another Interest Rate Period as provided in the Indenture.

7. Long-Term Debt (continued)

As long as there is no continuing Event of Default under the terms of the Indenture, the Auction Rate Certificates shall be subject to redemption prior to stated maturity by the System, on any ARC Interest Payment Date, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

The Series 2004 Hospital Revenue Bonds were issued in two series, Series 2004A and Series 2004B, in equal $60 million series. The Series 2004 Bonds were issued to (1) acquire, construct and equip Memorial Hospital Miramar and certain other improvements for the System and its existing hospital facilities, including reimbursement to the System for moneys advanced from its internal funds for a portion of such costs, (2) refund all of the 1997 and 1999 Revenue Certificates and (3) to pay certain costs of issuance. The Series 2004 Bonds were issued as Auction Rate Securities (ARS) in a seven-day Auction Period and are not subject to a mandatory put to the System in the event of a failed auction. At the election of the System, the Series 2004 Bonds may be converted to a Daily, seven-, 28- or 35-day Auction Period, a Short-Term Interest Rate Period or a Long-Term Interest Rate Period as provided in the Indenture. As long as there is no continuing Event of Default under the terms of the Indenture, the Auction Rate Securities shall be subject to redemption prior to stated maturity by the System, on any ARS Interest Payment Date, in whole or in part, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued but unpaid interest to the redemption date, without premium.

During April 2004, the final maturities of the 1998 and 2000 Revenue Certificates were extended to provide for lower balloon payments. During April 2005, the 2001 Revenue Certificate was extended to provide for lower balloon payments.

The Series 2006 Hospital and Hospital Revenue Refunding Bonds were issued in the amount of $120 million. The Series 2006 Bonds were issued to (1) reimburse the System for prior capital expenditures for the acquisition, construction and equipping of certain facilities and routine equipment purchased by the System; (2) to currently refund all the Series 1996 Revenue Refunding Bonds; and (3) to pay certain costs of issuance. The Series 2006 Bonds were issued as fixed rate bonds and are callable after May 2, 2016 at par, without premium.

7. Long-Term Debt (continued)

The System completed the current refunding of its Series 1996 Hospital Refunding Revenue Bonds as a part of the Series 2006 Hospital Refunding Revenue Bonds to reduce its total debt service payments and to extend the maturity of the debt. On a matched-maturity basis, the cash flow savings not including the funds held in related bond debt service accounts was approximately $7,056,000. The economic gain (the difference between the present values of the old and new debt service payments taken together with the return of certain bond fund monies) of the current refunding on a matched-maturity basis was approximately $2,652,000.

The computations performed in accordance with GASB Statement No. 23 for the current refunding of the Series 1996 Revenue Refunding Bonds resulted in a loss on defeasance of approximately $5,246,000 and is reported in the accompanying financial statements as a deduction from long-term debt. At April 30, 2008, the unamortized value of the deferred amount is approximately $4,493,000. The deferred amount is being charged to operations through the year 2021 using an effective interest amortization method.

The Series 2007 Hospital Refunding Revenue Bonds were issued in the amount of $112.7 million. The Series 2007 Bonds were issued to (1) advance refund all the outstanding Series 2002 Revenue Bonds; (2) to pay an Issuer settlement amount to the provider of a rate lock agreement dated February 8, 2007; and (3) to pay certain costs of issuance. The Series 2007 bonds were issued as fixed rate bonds and are callable after May 1, 2017 at par, without premium.

The System completed the advance refunding of its Series 2002 Revenue Bonds in conjunction with a rate lock agreement dated February 8, 2007 to reduce future debt service. On a match-maturity basis, the cash flow savings not including the funds held in related bond debt service accounts was approximately $8,113,000. The advance refunding reduced the annual gross debt service of the System by approximately an average of $1,520,000 over the life of the Series 2007 bonds. The net proceeds of the Series 2007 Bonds of approximately $113.1 million plus other available funds of approximately $15.8 million were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 2002 Revenue Bonds through May 1, 2012 at which time the remaining Series 2002 Revenue Bonds will be called for redemption at a redemption price of 101% of the principal amount. As a result, the $120 million in remaining Series 2002 Revenue Bonds are considered defeased and the liability for those bonds has been removed from the April 30, 2008 Balance Sheet – System.

7. Long-Term Debt (continued)

The computations performed in accordance with GASB Statement No. 23 for the advance refunding of the Series 2002 Hospital Revenue Bonds resulted in a loss on defeasance of approximately $7,197,000 and is reported in the accompanying financial statements as a deduction from long-term debt. At April 30, 2008, the unamortized value of the deferred amount is approximately $6,884,000. The deferred amount is being charged to operations through the year 2032 using an effective interest amortization method.

On March 1, 2008, the System entered into a loan agreement with Bank of America, National Association and executed a promissory note as of March 24, 2008 to evidence debt incurred under the Bank of America Loan Agreement which debt was incurred for the purpose of refunding its (i) Series 2003C, Refunding Revenue Bonds, (ii) Series 2004A, Hospital Revenue Bonds, and (iii) Series 2004B, Hospital Revenue Bonds. These prior bonds were issued as auction rate certificates all of which experienced failed auctions during the 2008 fiscal year. The intent of the loan agreement was to temporarily refund the bonds until more permanent financing could be completed. On May 27, 2008, the Series 2008 Hospital Refunding Revenue Bonds were issued in the amount of $156,575,000 to (1) pay prior to maturity the principal of and accrued interest on the Bank of America Loan Agreement, and (2) pay certain costs of issuance. The computations performed in accordance with GASB Statement No. 23 for the current refunding of the Hospital Refunding Revenue Bonds, Series 2003C Bonds, (ii) Hospital Revenue Bonds, Series 2004A Bonds, and (iii) Hospital Revenue Bonds, Series 2004B resulted in a loss on defeasance of $4,829,000 and is reported in the accompanying financial statements as a deduction from long-term debt. The deferred amount is being charged to operations through the year 2028 using an effective interest amortization method. The Series 2008 bonds were issued as fixed rate bonds and are callable after May 1, 2018 at par, without premium.

The fair value of the System’s long-term debt, based primarily on quoted market prices, was $422,049,000 and $439,920,000 at April 30, 2008 and 2007, respectively.

7. Long-Term Debt (continued)

Maturities of long-term debt for the next five years and thereafter are (in thousands):

	Principal Payments	Estimated Interest Payments	Estimated Total Debt Service
Years ending April 30:			
2009	$ 6,539	$ 20,246	$ 26,785
2010	6,748	20,606	27,355
2011	7,007	20,289	27,296
2012	7,285	19,958	27,243
2013	7,585	19,603	27,188
2014-2018	43,930	92,640	136,570
2019-2023	52,160	81,393	133,553
2024-2028	88,320	66,004	154,324
2029-2033	120,100	41,473	161,573
2034-2038	94,750	10,089	104,839
	$ 434,424	$ 392,301	$ 826,725

For purposes of determining estimated future interest payments for the System's variable interest rate debt, estimated future interest payments were calculated using the rates in effect at April 30, 2008. The maturities for Series 2008 Hospital Refunding Revenue Bonds replaced the loan agreement with Bank of America in the above table.

Activity related to long-term debt is summarized as follows (in thousands):

	Years Ended April 30	
	2008	**2007**
Balance at beginning of year	**$ 429,148**	$ 444,492
Issuance of long-term debt, net of premium or discount	**147,796**	108,824
Principal payments on long-term debt	**(157,445)**	(124,712)
Amortization of premiums, discounts, and loss on defeasance, net	**488**	544
Balance at end of year	**$ 419,987**	$ 429,148

8. Pension Plan

The System administers a single employer, noncontributory defined benefit pension plan covering substantially all full-time regular employees. The Plan does not issue a stand-alone financial report.

Employees are eligible for the Plan after completing one year of service and the attainment of age 21. Benefits are 100% vested after five years of service. Normal retirement age under the Plan is the earlier of age 65 with five years of service, age 62 with 20 years of service, or age 55 with 30 years of service. The annual retirement benefit amount is based upon years of service and the participants' average earnings during the highest consecutive five-year period in the ten years preceding retirement or termination. The Board has the authority to establish and amend the benefit provisions of the Plan. Contributions by the System are actuarially determined amounts, which, together with investment earnings, are sufficient to fund the Plan. The actuarial assumptions used to determine the System's contributions to the Plan are subject to review by the State of Florida Division of Retirement and the System is required under Part VII of Chapter 112 of the Florida Statutes to fund the Plan in accordance with these actuarial assumptions. There are no employee contributions. Beginning with the Plan year ended April 30, 1996, liabilities and contributions are computed to take into account a complex funding arrangement in accordance with an agreement between the System and the State of Florida. The agreement includes contributions for employees not yet participating in the Plan under a phase-in approach. Data shown in this disclosure is for actual Plan participants except for the contribution amount, which includes the appropriate phase-in amount under the agreement.

Listed below is information regarding payroll and participant data used in the calculation of current year actuarial information:

Participant data as of May 1, 2007:	
Active	6,052
Retired	866
Terminated vested	1,722
Total	8,640

8. Pension Plan (continued)

The Plan funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The contribution rate for normal cost is determined using the projected unit credit actuarial funding method with proration based on service. The actuary uses the level percentage of payroll method to amortize the unfunded liability over a weighted average of 17 years for changes in benefits or actuarial assumptions and five-year smoothing for actuarial gains and losses. The significant actuarial assumptions used to compute the annual required contribution include an 8% rate of return on investments and an age related salary increase scale (from 7.25% below age 35 to 5.25% for age 55 and older). The rate of return on investments and the projected salary increase rate include projected inflation of 4%.

The annual required contributions to the Plan for 2007/2008 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of May 1, 2007. The System's annual pension cost for the years ended April 30, 2008, 2007, and 2006 was approximately $18,914,000, $17,095,000 and $14,191,000, respectively. The System's contributions to the Plan during the years ended April 30, 2008, 2007, and 2006 were equal to or in excess of 100% of annual pension cost for all three years. As of April 30, 2008, 2007, and 2006, the System's net pension obligation was zero.

8. Pension Plan (continued)

At April 30, 2008 and 2007, the Plan had the following investments with the respective effective durations. (Fair value in thousands and effective durations in years.)

	2008		2007	
Investments	**Fair Value**	**Effective Duration**	**Fair Value**	**Effective Duration**
Domestic Investments:				
Equities	**$ 91,085**	**N/A**	$ 94,156	N/A
US Government and agency obligations	**34,445**	**1.30**	28,389	4.01
Corporate debt	**37,997**	**2.50**	33,519	3.80
Municipal bonds	**186**	**0.02**	261	8.09
SEC Registered Money Market Funds	**2,045**	**N/A**	5,236	N/A
International Investments:				
JP Morgan EAFE Plus Fund	**51,994**	**N/A**	48,965	N/A
Other:				
Cash	**1,321**	**N/A**	603	N/A
	$ 219,073		$ 211,129	

Credit Risk

The Plan has adopted an investment policy that authorizes the following instruments for investment: (1) *Domestic Large Cap Equity*: U.S. large capitalization securities are defined as securities of companies which have greater than $4.0 billion in market capitalization. The following list of investments may be purchased in the large capitalization domestic equity portfolio: common and preferred stock; securities convertible into common stock, including offerings under Securities Act Rule 144, limited to 10% of the portfolio at market value; warrants; American Depositary Receipts (ADRs) listed on a major U.S. exchange, limited to 5% of the portfolio at market value; no-load mutual funds; bank, trust, or insurance company pooled funds; and cash or cash equivalents. (2) *Domestic Small Cap Equity*: U.S. small capitalization securities are defined as securities of companies which have less than $4.0 billion in market capitalization. The following list of investments may be purchased in the small capitalization domestic equity portfolio: common and preferred stock; securities convertible into common

8. Pension Plan (continued)

stock, including offerings under Securities Act Rule 144, limited to 10% of the portfolio at market value; warrants; ADRs listed on a major U.S. exchange, limited to 5% of the portfolio at market value; no-load mutual funds, bank, trust, or insurance company pooled funds; and cash or cash equivalents. (3) *International Equity*: The following list of investments may be purchased in an international equity portfolio: common and preferred stock; securities convertible into common stock, including offerings under Securities Act Rule 144, limited to 10% of the portfolio at market value; warrants; ADRs listed on a major U.S. exchange; forward contracts for foreign currency to be used in defensive hedging only (any speculative or opportunistic country exposure to currencies is strictly prohibited); World Equity Benchmarks (WEBs); U.S. companies with significant exposure to international markets (i.e., over 50% of their sales overseas), limited to 5% of the portfolio at market value; no-load mutual funds; bank, trust, or insurance company pooled funds; and cash or cash equivalents, limited to 10% of the portfolio at market value. (4) *Fixed Income*: The following list of investments may be purchased in the core fixed–income portfolio: U.S. Treasury obligations, Treasury Inflation Protected Bonds, Government Agencies and Government Sponsored Agency debentures and mortgage pass-throughs; mortgage–backed To-Be-Announced (TBAs) notes; collateralized mortgage obligations are limited to 25% of the portfolio; non-agency issued mortgages originated in Florida – Statute 215.47(2)(b)(c)(d); commercial mortgage-backed securities; corporate bonds and other corporate obligations including equipment trust certificates; asset-backed securities; indexed notes, floaters and other variable rate obligations; pooled accounts or other collective investment funds; certificates of deposit, bankers' acceptances and commercial paper rated at least A-1 by S&P or P-1 by Moody's; mutual funds; municipal bonds; complex tranches of collateralized mortgage obligations, asset–backed securities and commercial mortgage–backed securities (including interest only, principal only, super floaters, inverse floaters and support bonds), limited to 10% of the portfolio at market value. Investments not listed above may be purchased only if the investment manager receives written approval from the System's Finance Committee.

8. Pension Plan (continued)

At April 30, 2008 and 2007, the Plan's investment securities have the following credit ratings as shown below (in thousands):

	2008		2007	
Investments	**Fair Value**	**Credit Rating***	**Fair Value**	**Credit Rating***
Domestic Investments:				
Equities	**$ 91,085**	**Not Rated**	$ 94,156	Not Rated
US Treasuries	**14,238**	**TSY**	15,115	TSY
US Agencies	**13,635**	**AAA**	10,701	AAA
US Agencies	**83**	**AA-**	73	AA-
US Agency mortgage bonds	**6,489**	**AAA**	2,499	AAA
Corporate debt	**19,212**	**AAA**	20,808	AAA
Corporate debt	**517**	**AA+**	–	AA+
Corporate debt	**591**	**AA**	–	AA
Corporate debt	**1,623**	**AA-**	315	AA-
Corporate debt	**2,640**	**A+**	493	A+
Corporate debt	**3,902**	**A**	2,091	A
Corporate debt	**1,310**	**A-**	955	A-
Corporate debt	**1,690**	**BBB+**	2,328	BBB+
Corporate debt	**3,679**	**BBB**	4,592	BBB
Corporate debt	**2,172**	**BBB-**	1,938	BBB-
Corporate debt	**134**	**BB+**	–	BB+
Corporate debt	**159**	**BB**	–	BB
Corporate debt	**145**	**B-**	–	B-
Corporate debt	**223**	**CCC+**	–	CCC+
Municipal bonds	**–**	**AAA**	128	AAA
Municipal bonds	**–**	**AA**	81	AA
Municipal bonds	**50**	**A+**	52	A+
Municipal bonds	**136**	**BBB-**	–	BBB-
SEC Registered Money Market Funds	**2,045**	**AAA**	5,236	AAA
International Investments:				
JP Morgan EAFE Plus Fund	**51,994**	**Not Rated**	48,965	Not Rated
Other:				
Cash	**1,321**		603	
	$ 219,073		$ 211,129	

*Standard & Poor's ratings

8. Pension Plan (continued)

Concentration of Credit Risk

The Plan's investment policy has established asset allocation and issuer limitations on the following investments, which are designated to reduce concentration of credit risk of the Plan's investments.

Domestic equity investments in any individual company should not exceed 10% at cost and no more than 10% of a portfolio's market value. No more than 45% of the portfolio's market value may be invested in any one sector, as defined by S&P. Investments in any individual company on a "Total Plan" basis shall not exceed 3%. Holdings of any single issue in a portfolio should not exceed 5% of the market value of the total outstanding common stock of any one company. The permissible range of investment in U.S. large capitalization securities will typically be in companies with greater than $4.0 billion in market capitalization. Within the small capitalization mandate, the permissible range of investment will typically be in companies with less than $4.0 billion in market capitalization.

International equity investments in any individual company should not exceed 5% at cost and no more than 8% of a portfolio's market value. No more than 45% of the portfolio's market value may be invested in any one sector, as defined by S&P. Holdings of any single issue in a portfolio should not exceed 5% of the market value of the total outstanding common stock of any one company. Within the small capitalization mandates, this guideline may be waived with prior notification and Finance Committee approval. The permissible capitalization range of investments in international securities will be established upon discussion with the Plan and the investment manager.

No more than 10% of the bond portfolio at market value shall be invested in the securities of any one issuer, with the exception of the U.S. Government. No more than 3% of the portfolio may be invested in one bond, with the exception being securities issued or guaranteed by the U.S. Government. No more than 50% exposure to non-government guaranteed agency obligations at market value. Fixed–income securities should be rated BBB- (or its equivalent) or higher at time of purchase by a nationally recognized statistical rating agency. The minimum dollar-weighted average quality rating of the portfolio is "A." Asset backed securities, mortgage–backed securities, and collateralized mortgage obligations should be rated "AAA" (or its equivalent) at

8. Pension Plan (continued)

the time of purchase by a nationally recognized statistical rating agency. For split ratings, the higher rating will be used to determine compliance with these guidelines. If issues are downgraded to non-investment grade, the investment manager will determine the appropriate action based on the perceived risk and expected return of the position and will inform System Management and the investment consultant in writing of the action taken. The duration of the portfolio must be within +/- 10% of the indicated index. The maximum effective maturity of any single security should not exceed 40 years.

The following table shows the composition of the Plan's investments at April 30, 2008 and 2007 (in thousands):

	2008		**2007**	
Investments	**Fair Value**	**% of Portfolio**	**Fair Value**	**% of Portfolio**
Domestic Investments:				
Equities	**$ 91,085**	**41%**	$ 94,156	45%
US Government and agency obligations	**34,445**	**16**	28,389	14
Corporate debt	**37,997**	**17**	33,519	16
Municipal bonds	**186**	**–**	261	–
SEC Registered Money Market Funds	**2,045**	**1**	5,236	2
International Investments:				
JP Morgan EAFE Plus Fund	**51,994**	**24**	48,965	23
Other:				
Cash	**1,321**	**1**	603	–
	$ 219,073	**100%**	$ 211,129	100%

At April 30, 2008, investments representing 20% or more of the Plan's total investments are as follows (in thousands):

Barclays Global Investors Alpha Tilts Fund	$ 64,495
JPMorgan EAFE plus Fund	51,994
	$ 116,489

8. Pension Plan (continued)

Custodial Credit Risk

GASB 40 requires disclosure of 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, the Plan would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of April 30, 2008, the Plan's investment portfolio was held by a single third-party custodian.

Foreign Currency Risk

GASB 40 requires disclosure of deposits or investments exposed to foreign currency risk which is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The JPMorgan EAFE Plus Fund is comprised of primarily equity securities in Europe, Australia, and Asia Far East (EAFE) countries. The fund's objective is to maintain neutral currency exposure in each currency's weighting in the Morgan Stanley Capital International (MSCI) EAFE Index. The fund is priced daily in U.S. dollars.

9. Regulatory Matters

In May 1984, the Florida legislature enacted the Health Care Consumer Protection and Awareness Act (the Act). The Act empowered the State Health Care Board (HCB) to levy assessments on all hospitals in the state. In 1992, the Florida legislature transferred the authority to levy assessments to the Agency for Health Care Administration (AHCA). The amount of the assessment is 1.5% of adjusted inpatient operating revenue and 1.0% of adjusted outpatient operating revenue.

Laws and regulations governing the Medicare and Medicaid programs are extremely 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. The System is not aware of any pending or threatened investigations involving allegations of potential wrongdoing at this time. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

10. Other Noncurrent Liabilities

Other noncurrent liabilities primarily consist of accrued disability expenses, AHCA and other assessments, and early retirement benefits.

Activity related to other noncurrent liabilities is summarized as follows (in thousands):

	Years Ended April 30 2008	2007
Balance at beginning of year	**$ 54,042**	$ 51,193
Disability expense	**3,015**	3,152
AHCA assessments	**10,312**	13,935
Amortization of early retirement benefits	**(371)**	(371)
Humana deferred income	**917**	–
Payments	**(8,975)**	(13,867)
Balance at end of year	**$ 58,940**	$ 54,042

11. Leases

Effective July 1, 1995, the System entered into a lease (the Lease) of Pembroke Pines Hospital from HCA Inc. and affiliates. During 2006, HCA Inc. sold the facility to Hospital Realty, LLC. The System operates the facility under the name of Memorial Hospital Pembroke. The Lease is for a period of ten years with two successive optional ten-year terms. Either party may elect not to renew the Lease at the end of the first and second ten-year term. During fiscal year 2005, the System exercised its option to renew the Lease for the first of the two successive optional ten-year terms. In May 2007, the System and Hospital Realty, LLC renegotiated the lease and extended the lease term through June 30, 2025.

The Lease, as renegotiated, calls for base rent of $4,300,000 annually through June 30, 2008. Thereafter, the base rent will increase by the prior year's base rent multiplied by 101.5%.

11. Leases (continued)

The System has noncancelable operating lease commitments including the Memorial Hospital Pembroke lease, office space, medical equipment, data processing equipment, and system support services, the expense for which was $19,793,000 and $18,327,000 for the years ended April 30, 2008 and 2007, respectively. At April 30, 2008, future minimum lease payments by year under the noncancelable operating leases are as follows (in thousands):

Years ending April 30:	
2009	$ 16,887
2010	14,359
2011	9,125
2012	8,380
2013	7,503
2014-2018	28,727
2019-2023	26,423
2024-2026	6,425

The above future minimum lease payments include the effect of the renegotiation of the Memorial Hospital Pembroke lease during May 2007.

12. Nonoperating Gains, Net

Nonoperating gains and losses consist of activities, which are peripheral, incidental or not considered to be central to the provision of health care services as follows (in thousands):

	Years Ended April 30	
	2008	**2007**
Ad-valorem tax revenue, net	**$ 44,980**	$ 43,457
Investment income and other, net	**50,571**	41,379
	$ 95,551	$ 84,836

Ad-valorem tax revenue is unrestricted as to use and is recorded on an accrual basis in the year that taxes are levied.

13. Net Assets

A summary of the activity in the net asset accounts for the years ended April 30, 2008 and 2007 is as follows (in thousands):

	Invested in Capital Assets, Net of Related Debt	Restricted for Debt Service	Restricted by Donors	Restricted Under Self-Insurance Trust Agreements	Unrestricted	Total Net Assets
Balance at May 1, 2007	$ 193,020	$ 1,686	$ 6,954	$ 43,395	$ 551,476	$ 796,531
Excess of revenue and net nonoperating gains over expenses	**–**	**–**	**–**	**–**	**90,564**	**90,564**
Net increase in capital assets, net	**44,263**	**–**	**–**	**–**	**–**	**–**
Issuance of long-term debt	**(152,625)**	**–**	**–**	**–**	**–**	**–**
Principal payments on long-term debt	**157,445**	**–**	**–**	**–**	**–**	**–**
Net transfers to and from unrestricted	**49,083**	**(1,669)**	**–**	**2,924**	**(50,338)**	**–**
Contributions and grants	**–**	**–**	**815**	**–**	**543**	**1,358**
Balance at April 30, 2008	**$ 242,103**	**$ 17**	**$ 7,769**	**$ 46,319**	**$ 592,245**	**$ 888,453**

	Invested in Capital Assets, Net of Related Debt	Restricted for Debt Service	Restricted by Donors	Restricted Under Self-Insurance Trust Agreements	Unrestricted	Total Net Assets
Balance at May 1, 2006	$ 114,172	$ 13,733	$ 6,510	$ 41,137	$ 488,696	$ 664,248
Excess of revenue and net nonoperating gains over expenses	–	–	–	–	130,427	130,427
Net increase in capital assets, net	66,880	–	–	–	–	–
Issuance of long-term debt	(112,744)	–	–	–	–	–
Principal payments on long-term debt	124,712	–	–	–	–	–
Net transfers to and from unrestricted	78,848	(12,047)	–	2,258	(69,059)	–
Contributions and grants	–	–	444	–	1,412	1,856
Balance at April 30, 2007	$ 193,020	$ 1,686	$ 6,954	$ 43,395	$ 551,476	$ 796,531

Required Supplementary Information

South Broward Hospital System
d/b/a Memorial Healthcare System

Schedule of Funding Progress (Unaudited)

(In Thousands)

Year Ended April 30	Actuarial Value of Assets*	Actuarial Accrued Liability**	Unfunded Actuarial Accrued Liability (Funding Excess)	Funded Ratio	Annual Covered Payroll	Unfunded Actuarial Accrued Liability (Funding Excess) as a Percent of Covered Payroll
2003	$ 125,910	$ 149,356	$ 23,446	84.3%	$ 181,260	12.9%
2004	139,554	167,702	28,148	83.2	200,075	14.1
2005	155,085	183,097	28,012	84.7	218,950	12.8
2006	175,129	197,500	22,371	88.7	251,197	8.9
2007	203,113	225,047	21,934	90.3	296,396	7.4
2008	232,328	256,634	24,306	90.5	325,691	7.5

* On May 1, 2002, the asset valuation method was changed from market value of assets to a five-year smoothing method of market value.

** The Actuarial Accrued Liability for each year ended April 30 is based on a beginning of the year (May 1) valuation projected forward to year-end (April 30).

South Broward Hospital System
d/b/a Memorial Healthcare System

Schedule of Employer Contributions (Unaudited)

Year Ended April 30	Annual Required Contribution*	Percentage Contributed
2003	$ 12,200,000	100%
2004	13,107,000	100
2005	13,995,000	100
2006	14,191,000	100
2007	17,095,000	100
2008	18,914,000	100

* Annual Required Contribution consists of Normal Cost plus amortization of Unfunded Actuarial Accrued Liability (Funding Excess) and expenses as of the end of the year (i.e., interest is incorporated).

South Broward Hospital System
d/b/a Memorial Healthcare System

Notes to Pension Disclosure Required Supplementary Information (Unaudited)

The information presented in the schedules on pages 60 and 61 included as Pension Disclosure Required Supplementary Information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	May 1, 2007	
Actuarial cost method	Projected Unit Credit Actuarial Cost Method	
Amortization method	Level percent of pay, closed	
Remaining amortization period	Various, ranging from one to 30 years depending on items being amortized – the weighted-average period is 18 years	
Asset valuation method	Five-year smoothing of market value	
Actuarial assumptions:		
Investment rate of return*	8.0%	
Projected salary increases*	Age-based rates based on plan experience	
	<u>Attained Age</u>	<u>Percentage Increase</u>
	Less than 35	7.25%
	35-44	6.75%
	45-54	6.25%
	55 or older	5.25%
Growth in covered payroll for amortization	5.0%	
Cost-of-living adjustments	Not applicable	

*Includes inflation at 4%.