North Brevard County Hospital District

Financial Statements
and Supplementary Information

For the Year Ended September 30, 2019
and Independent Auditor's Report

NORTH BREVARD COUNTY HOSPITAL DISTRICT

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Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Audit Committee
North Brevard County Hospital District
Titusville, Florida

Report on the Financial Statements

We have audited the accompanying statement of net position of North Brevard County Hospital District (the "District"), including North Brevard Medical Support, Inc. ("NBMS"), and Jess Parrish Medical Foundation, Inc. (blended component units of the District), as of September 30, 2019, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Board of Directors and Audit Committee
North Brevard County Hospital District

Opinion

In our opinion, based on our audit, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the District as of September 30, 2019, and the results of its operations, changes in net position, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting, placing the basic financial statements in an appropriate operational, economic, or historical context. This information is the responsibility of the District's management. We have applied certain limited procedures to the management's discussion and analysis and required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole as of and for the year ended September 30, 2019. The accompanying other supplementary information, as listed in the table of contents, is presented for the purpose of additional analysis of the financial statements and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 3, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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* in considering the District's internal control over financial reporting and compliance.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
January 3, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

This section of the North Brevard County Hospital District's (the "District") annual financial report presents background information and our analysis of the District's financial performance as of September 30, 2019 and for the year then ended. It is intended to be read in conjunction with the District's financial statements, which follow this section.

Parrish Medical Center ("PMC") was founded by Jess Parrish in 1958. Just miles from the launch towers of the Kennedy Space Center, PMC includes the District[1] and its affiliates and component units, as described in Note 1 to the financial statements. PMC's mission and vision are Healing experiences for everyone all the time® and Healing Families--Healing Communities®. The District has the power to levy taxes in support of its mission, but has a legacy of providing affordable health care without doing so. During the year ended September 30, 2019, PMC's Care Partners provided more than $30.5 million in community charity care and other uncompensated care with no tax levy.

The District's service area extends from the Beach Line (SR 528) in the south to the Volusia County line in the north, and from the Atlantic coast in the east to the Orange and Seminole County lines in the west. The District owns and operates one inpatient hospital facility in Titusville, Florida and is licensed by the Agency for Health Care Administration ("AHCA") to operate 210 beds, as well as outpatient service locations including Parrish Healthcare Centers, Port St. John, Port Canaveral, and Titusville; Parrish Health & Fitness Center, Titusville; Parrish Occupational Medical Services, Titusville; Parrish Home Care, Titusville and Port St. John; Parrish Senior Consultation Center, Titusville; Parrish Cancer Center, Titusville; Parrish Infusion Center, Titusville; and Parrish Wound Healing Centers, Titusville and Port St. John.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report includes the independent auditor's report, management's discussion and analysis, and the basic financial statements of PMC. It also includes additional supplementary information required by Governmental Accounting Standards and other supplementary information presented for the purpose of additional analysis of the financial statements. The basic financial statements are intended to describe the net position, results of operations, sources and uses of cash, and the capital structure of PMC. Fiduciary fund statements for the pension trust fund are also provided as part of the basic financial statements. The basic financial statements include notes providing detailed information for select accounts and transactions.

Schedules of net position and revenues, expenses, and changes in net position are included as additional (supplementary) information.

[1] As further described in Note 1 to the financial statements, the District is an independent special tax district, created and incorporated as a political subdivision of the state, for the purpose of establishing, constructing, equipping, operating and maintaining, repairing, or leasing a hospital or hospitals. The District has the power to establish, construct, operate, and maintain such hospitals, medical facilities, and health care facilities and services for the preservation of the public health and welfare of the District and the inhabitants thereof; the power to enter into contracts; borrow money; establish for-profit and not-for-profit corporations; the power to acquire, purchase, hold, lease, and convey real and personal property.

NET POSITION AND CHANGES IN NET POSITION

Net position is an indicator of the financial health of an organization. Increases in net position over time indicate that the financial condition is improving, while decreases in net position over time signify a declining financial condition. A comparative summary of the financial condition of PMC as of September 30, 2019 and 2018 is presented below. The September 30, 2018 balances have been restated to include the assets, liabilities, and net position of the Jess Parrish Medical Foundation (the "Foundation"). Refer to footnote 1 for further discussion of the restatement.

Condensed Statements of Net Position
(In Thousands)

	September 30,	
	2019	**2018 RESTATED[2]**
Current assets	$ 31,208	$ 33,957
Other assets	166,219	171,064
Deferred outflows	17,454	20,374
Total assets and deferred outflows	$ 214,881	$ 225,395
Current liabilities	$ 25,046	$ 28,070
Non-current liabilities	90,461	93,056
Deferred inflows	8,024	4,730
Total liabilities and deferred inflows	123,531	125,856
Investment in capital assets, net of related debt	(4,469)	3,283
Restricted net position	2,145	2,197
Restricted for debt service	1,052	1,028
Unrestricted net position	92,622	93,031
Total net position	91,350	99,539
Total liabilities, deferred inflows and net position	$ 214,881	$ 225,395

[2] Restated to include the accounts of the Foundation, as described in Note 1 to the financial statements.

The statement of revenues, expenses, and changes in net position measures the annual operating success of the organization and can be used to determine whether costs have been recovered through operating revenue sources. The following is a comparative summary of the operations of PMC. The year ended September 30, 2018 results have been restated to reflect the financial results of the Foundation. Refer to footnote 1 for further discussion on the restatement.

Condensed Statements of Revenues, Expenses and Changes in Net Position (In Thousands)

	Years Ended September 30, 2019	2018 RESTATED
Operating revenue	$ 128,975	$ 132,495
Operating expenses	(123,477)	(127,149)
Income from operations	5,498	5,346
Non-operating revenue (expenses), net	(13,687)	(10,754)
Loss before capital contributions	(8,189)	(5,408)
Capital contributions	-	105
Change in net position	$ (8,189)	$ (5,303)

MANAGEMENT'S DISCUSSION OF RECENT FINANCIAL PERFORMANCE

Total assets and deferred outflows of PMC decreased $10.5 million from September 30, 2018. Current assets of PMC decreased $2.7 million from fiscal year 2018, primarily as a result of a decrease in patient accounts receivable. Other assets decreased from September 30, 2018 by $4.8 million, primarily due to depreciation expense of approximately $7.5 million, an approximate decrease of $1.5 million in deposits, an approximate decrease of $0.8 million due to the timing of using funds for operating expenses, offset by an increase of approximately $5.0 million due to changes in the net pension asset. Deferred outflows decreased by $2.9 million from 2018, primarily due to the change in the deferred pension outflow.

Total liabilities and deferred inflows of PMC decreased by $2.3 million from September 30, 2018. Current liabilities decreased from fiscal year 2018 primarily as a result of a decrease in current payables of $3.0 million due to timing of payments. Non-current liabilities decreased $2.6 million from fiscal year 2018 primarily due to principal payments on bonds. Deferred inflows increased $3.3 million from fiscal year 2018 primarily due to increases in the OPEB inflow of $0.9 million and an increase in pension inflows of $2.4 million.

The net position of PMC at September 30, 2019, was $91.3 million, a decrease of $8.2 million from September 30, 2018, which is primarily due to the net loss of $8.2 million for fiscal year 2019.

Revenues

Operating revenues were $3.5 million less than the prior year, primarily due to reductions in patient volume.

Parrish Medical Center
Utilization Statistics

	Years Ended September 30, 2019	2018
Inpatient admissions	5,690	6,024
Patient days	25,554	27,927
Total outpatient visits	59,183	64,348
Observation discharges	3,795	3,459

Operating Expenses

Total operating expenses of PMC decreased by $3.7 million in fiscal year 2019 compared to fiscal year 2018, primarily due to a decrease in employee benefits, workers' compensation program costs, and other related costs of $3.0 million, a decrease in medication expense of $1.7 million, a decrease in depreciation expense of $1.4 million due to assets becoming fully depreciated, offset by an increase in expenses related to contract services of $1.9 million, and fluctuations in other expense categories.

Non-operating Revenues, Expenses, Gains and Losses

Non-operating net losses increased by $2.9 million from fiscal year 2018, primarily due to a decrease of $2.0 million in investment income, a $1.4 million decrease in the gain on disposal of certain assets, a $1.2 million increase in the subsidy to North Brevard Medical Support, Inc., offset by a decrease in net losses for physician practice operations of $1.4 million and a decrease in the loss from health and fitness of $132,000.

KEY FINANCIAL INDICATORS

The following represents a summary of key financial indicators of PMC. The year ended September 30, 2018 results have been restated to reflect the financial result of the Foundation. Refer to Note 1 for further discussion on the restatement.

Parrish Medical Center
Key Financial Indicators

	Years Ended September 30, 2019	2018 RESTATED
Total margin	-5.4%	-3.4%
EBIDA margin	2.2%	4.7%
Days cash on hand[3]	264	262
Unrestricted cash to long-term debt	94.3%	92.6%
Long-term debt to capitalization	49.6%	48.2%
Total net patient service revenue, before provision for bad debts (in millions)	$ 145	$ 149

The total margin decreased by 2.0% and EBIDA margin decreased 2.5% from 2018, primarily due to the increases in non-operating expenses and decrease in investment income described above. Total net patient service revenue, before provision for bad debts, decreased $4 million from 2018, primarily due to decreases in patient volume.

[3] Indicator computed using operating expense per day.

RISK FACTORS

The health care industry is highly dependent on several factors that could have a significant effect on the future operations and financial condition of PMC. These factors include, but are not limited to, competition, state and federal regulatory authorities, Medicare and Medicaid laws and regulations, health care reform initiatives, environmental laws, advances in technology, changes in demand for health care services, demographic changes, and managed care contract terms and conditions.

As of the date of this report, the following known facts, decisions, or conditions may have a significant effect on net position or the results of operations:

Salaries in the health care industry continue to be very competitive due to increased costs of attracting and retaining quality physicians, registered nurses, and other health care professionals.

The laws and regulations governing the Medicare and Medicaid programs are complex and subject to change. As such, changes to these programs could have a negative effect on the financial performance of the PMC. Audits of hospital compliance with Medicare and Medicaid program laws and regulations present exposure for repayments, and fines and penalties.

In March 2010, the Affordable Care Act ("ACA") was enacted to increase the quality and affordability of health care and lower the uninsured rate. Unsuccessful congressional efforts have been made to repeal the ACA, and the following concerns continue to exist:

- The State of Florida has not approved Medicaid expansion, which has constrained state funding.

- Federal legislative efforts, both directly and via tax reform, could significantly reduce access to individual insurance coverage currently provided under the ACA. In December 2018, Congress repealed the shared responsibility payment provisions of the ACA starting in 2019.

- At the state level, the Medicaid managed care program has continued to expand and a prospective payment system for outpatient services has been implemented. These changes will limit the ability of local governments and related providers to positively affect Medicaid payment rates.

- The State of Florida Low Income Pool ("LIP") Program has been extended to June 30, 2022. Payments from the LIP program have been limited to the cost of charity care services provided, meaning that LIP funds are not available to offset Medicaid costs in excess of Medicaid payments.

The uncertainties listed above may adversely impact future operating results and financial position. The estimated effects of these matters have been considered in the development of the fiscal year 2019 PMC operating budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGER

This financial report is intended to provide our citizens, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for its funding. If you have any questions about this report or need additional financial information, please contact the District's Finance Department at 951 North Washington Avenue, Titusville, Florida 32796.

NORTH BREVARD COUNTY HOSPITAL DISTRICT

STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 6,840,010
Restricted assets - held by trustee and required for current liabilities	1,051,505
Patient accounts receivable - net of estimated uncollectibles of $11,327,690	14,502,969
Supplies	2,507,650
Prepaid expenses and other assets	6,305,595
Total current assets	31,207,729
OTHER ASSETS:	
Funded deprecation	59,750,158
Net pension asset	20,119,094
Investments	18,268,171
Deposits and other assets	3,020,151
Temporarily donor-restricted net position	2,145,651
Capital assets, net	62,916,013
Total assets	197,426,967
DEFERRED OUTFLOWS:	
Series 2008 Bond refunding	10,901,671
Pension	6,538,394
Other post-employment benefits	14,131
Total deferred outflows	17,454,196
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 214,881,163

(Continued)

NORTH BREVARD COUNTY HOSPITAL DISTRICT

STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

LIABILITIES, DEFERRED INFLOWS, AND NET POSITION

CURRENT LIABILITIES:	
Accounts payable	$ 13,058,985
Accrued health insurance and workers' compensation	1,483,932
Accrued salaries and personal leave time	5,006,305
Other current liabilities	2,562,774
Estimated third-party settlements	375,885
Current portion of long-term debt and capital lease obligations	2,558,038
Total current liabilities	25,045,919
NON-CURRENT LIABILITIES:	
Accrued medical malpractice	2,895,153
Accrued other post-employment benefits	97,014
Long-term debt and capital lease obligation, net of current portion	87,468,791
Total liabilities	115,506,877
DEFERRED INFLOWS:	
Pension	7,118,552
Other post-employment benefits	905,501
Total deferred inflows	8,024,053
NET POSITION:	
Investment in capital assets, net of related debt	(4,468,713)
Restricted by donors	2,145,651
Restricted for debt service	1,051,505
Unrestricted	92,621,790
Total net position	91,350,233
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	$ 214,881,163

See notes to basic financial statements. *(Concluded)*

NORTH BREVARD COUNTY HOSPITAL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2019

OPERATING REVENUE:	
Net patient service revenue - net of provision for bad debt of $16,184,820	$ 128,794,556
Other operating revenue	180,351
Total operating revenue	128,974,907
OPERATING EXPENSES:	
Salaries and wages	45,873,668
Employee benefits	9,506,923
Medications and supplies	23,329,082
Professional fees and contractual services	24,126,779
Other operating expenses	11,553,132
Depreciation	6,277,198
Interest expense	2,809,774
Total operating expenses	123,476,556
INCOME FROM OPERATIONS	5,498,351
NON-OPERATING REVENUES (EXPENSES):	
Investment income, net	3,243,130
Other non-operating revenue (expenses), net	(16,930,330)
Total non-operating revenue (expenses), net	(13,687,200)
CHANGE IN NET POSITION	(8,188,849)
NET POSITION:	
Beginning of year, restated	99,539,082
End of year	$ 91,350,233

See notes to basic financial statements.

NORTH BREVARD COUNTY HOSPITAL DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from third-party payors and patients	$ 131,765,326
Other receipts and payments, net	180,351
Payments to employees	(45,777,383)
Payments to suppliers and contractors	(68,093,228)
Net cash provided by operating activities	18,075,066
CASH FLOWS FROM INVESTING ACTIVITIES:	
Investment income, net	3,243,130
Net cash provided by investing activities	3,243,130
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Other non-operating revenue (expenses), net	(16,139,196)
Depreciation and amortization - non-operating	2,044,035
Net cash used in non-capital financing activities	(14,095,161)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchases of property and equipment	(2,033,559)
Interest paid on long-term debt	(2,809,774)
Principal payments on long-term debt	(2,329,000)
Principal payments on capital lease obligation	(235,301)
Net cash used in capital and related financing activities	(7,407,634)
CHANGE IN CASH AND CASH EQUIVALENTS	(184,599)
CASH AND CASH EQUIVALENTS - Beginning of year, as restated	7,024,609
CASH AND CASH EQUIVALENTS - End of year	$ 6,840,010

(Continued)

NORTH BREVARD COUNTY HOSPITAL DISTRICT

STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2019

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 5,498,351
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	6,277,198
Provision for bad debts	16,184,820
Interest expense considered capital financing activity	2,809,774
Loss on disposal of property and equipment	178,038
Increase in patient accounts receivable before provisions for bad debts	(13,159,582)
Increase in supplies	(73,868)
Increase in prepaid expenses and other assets	(363,645)
Decrease in temporarily donor-restricted funds	55,306
Decrease in net pension asset	735,951
Increase in deposits and other assets	1,560,709
Decrease in accounts payable	(2,256,868)
Increase in accrued health insurance and workers' compensation	64,238
Increase in accrued salaries and personal leave time	268,317
Decrease in estimated third-party settlements	(54,468)
Decrease in other post employment benefits	(961,923)
Increase in other current liabilities	1,312,718
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 18,075,066
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING AND INVESTING ACTIVITIES:	
Assets acquired but unpaid for and included in accounts payable	$ 74,715

See notes to basic financial statements. *(Concluded)*

1. REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity **-** The North Brevard County Hospital District (the "District") was created under the laws of the state of Florida in 1953 and operates as Parrish Medical Center ("PMC"), a community hospital providing inpatient and outpatient health care services in northern Brevard County, Florida. The basic financial statements of the District include the balances of North Brevard Medical Support, Inc. ("NBMS") and the Jess Parrish Medical Foundation, Inc. ("Foundation"). NBMS is a not-for-profit, non-stock corporation and blended component unit of the District, organized under the laws of the state of Florida solely to benefit and further the interests of the District through physician recruitment and the provision of medical goods and services. The Foundation is a not-for-profit, non-stock corporation and blended component unit of the District, organized for the purpose of raising money to support the District's programs and for the general advancement of health care organizations and objectives.

The District's primary activity is the operation of a general acute care hospital licensed for 210 beds.

The District has entered into employment agreements with certain local physicians to ensure that adequate professional and medical services are available in its service area. The District managed a total of 18 physicians' practices with 44 physicians as of September 30, 2019.

During 2003, NBMS entered into a letter of agreement with Physicians Professional Liability Risk Retention Group ("PPLRRG") to purchase 500,000 shares of PPLRRG's Class E common stock. The purpose of this investment is to provide local physicians practicing at PMC with an alternative and affordable primary layer of malpractice insurance coverage (see Note 11).

The District may levy taxes upon all real and personal taxable property in the District for operating purposes and debt service, not to exceed five mills for all purposes. Effective September 19, 1994, the Board of Directors adopted a tax rate of zero mills; subsequently, no taxes have been assessed, including fiscal year 2019.

During fiscal year 1995, the Florida Legislature approved an amendment to the District's enabling legislation, which allowed the District to participate with other hospitals and health care providers to provide services within and beyond the boundaries of the District. The District is expressly prohibited from using any funds derived from the assessment of ad valorem taxes on property within the District to support any such joint participation beyond the boundaries of the District.

All intercompany balances and transactions between PMC, NBMS, and the Foundation have been eliminated.

Basis of Presentation **-** The District applies the provisions of Governmental Accounting Standards Board ("GASB") pronouncements. The GASB has established standards for external financial reporting for all state and local governmental entities, which include a statement of net position, a statement of changes in net position, and a direct method statement of cash flows. Net position is classified into three components defined as follows:

- *Investment in Capital Assets, Net of Related Debt*: This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted*: This component of net position consists of contributed assets whose use is restricted through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted*: This component of net position consists of net position that does not meet the definition of "restricted" or "investment in capital assets, net of related debt."

Enterprise Fund Accounting - The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 basic financial statements, and the reported amounts of revenues and expenses during the reporting period. The more significant areas subject to management estimates include estimated reserves for professional liability, workers' compensation and health insurance claims, net pension asset/liability, allowances for uncollectible patient accounts receivable, and third-party payor settlements. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less from date purchased and excludes otherwise qualifying amounts which are internally designated by the Board of Directors for a specific purpose and reported in assets whose use is limited.

Supplies - Supplies are stated at the lower of cost or market, determined by the first-in, first-out method.

Assets Whose Use is Limited - Cash, investments, and pledges receivable limited in use under terms of debt indentures, trust agreements, or other similar arrangements are considered to be restricted assets. Cash and investments that are internally designated by the Board of Directors for future capital improvements ("funded depreciation"), over which the Board retains control and may, at its discretion, subsequently use for other purposes, are classified as funded depreciation in the statement of net position. Investments, consisting of marketable debt securities, are carried at fair value. Amounts required to meet current liabilities of the District are presented as current assets in the statement of net position.

Investments - Marketable securities included in the District's investment portfolios are carried at fair value based on quoted market prices (see Note 3). Changes in fair value are included in investment income in the statement of revenues, expenses, and changes in net position.

Capital Assets - Capital assets are recorded at cost, except for donated assets, which are recorded at fair value at the time of donation. Expenditures, which materially increase values, change capacities, or extend useful lives, are capitalized, as is interest cost during the period of construction. Depreciation is computed using the straight-line method over the estimated useful lives of the various assets. Equipment under capital lease obligations is amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the asset. Amortization is included in depreciation in the statement of revenues, expenses, and changes in net position. Gains and losses on dispositions are recorded in the year of disposal and are included in other non-operating revenues (expenses) in the statement of revenues, expenses, and changes in net position. Estimated useful lives used in computing depreciation range as follows:

Improvements to land	5 to 20 years
Buildings and improvements	5 to 40 years
Equipment	3 to 15 years

PMC has a policy of funding depreciation on certain assets. The funds are held in cash and investment accounts (see Note 3).

The District considers impairment whenever indicators of impairment are present, such as when the decline in service utility of the capital asset is large in magnitude and unexpected. Pursuant to these guidelines, management has determined that no impairments of capital assets existed at September 30, 2019.

Capitalized Interest **-** The District capitalizes the interest cost of restricted, tax-exempt borrowings, less any interest earned on temporary investment of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use. No interest expense was capitalized for the year ended September 30, 2019.

Deferred Outflows/Deferred Inflows **-** In addition to assets, the District reports a separate section for deferred outflows of resources on its statement of net position. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources until then. The District has three items that qualify for reporting as deferred outflows of resources:

Deferred Outflow on Partial Refunding of the Series 2008 Bonds **-** The defeasance costs related to the refunding of the Series 2008 Bonds are included in deferred outflows and are being amortized over the period the bonds are outstanding. Amortization expense related to these costs is included in other non-operating expenses as interest expense.

Deferred Outflow Related to Pensions **-** These deferred outflows of resources are an aggregate of items related to pensions, as calculated in accordance with GASB No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* ("GASB No. 68"). The deferred outflows related to pensions will be recognized as either pension expense or a reduction in net pension asset in a future reporting year. Details on the composition of the deferred outflows of resources related to pension are further discussed in Note 6.

Deferred Outflow Related to Other post-employment benefits ("OPEB") – These deferred outflows of resources are an aggregate of items related to OPEB, as calculated in accordance with GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB No. 75"). The deferred outflows related to OPEB will be recognized as either employee benefit expense or a change in accrued other post-employment benefits in a future reporting year. Details on the composition of the deferred outflows of resources related to OPEB are further discussed in Note 6.

In addition to liabilities, the District reports a separate section for deferred inflows of resources on its statement of net position. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until then. The District has two items that qualify for reporting as deferred inflows of resources:

Deferred Inflows Related to Pensions **-** These deferred inflows of resources are an aggregate of items related to pensions, as calculated in accordance with GASB 68. The deferred inflows related to pensions will be recognized as a reduction to pension expense or a change in net pension asset/liability in a future reporting year (see Note 6).

Deferred Inflows Related to OPEB **-** These deferred inflows of resources are an aggregate of items related to OPEB, as calculated in accordance with GASB 75. The deferred inflows related to OPEB will be recognized as a reduction to employee benefit expense or a change in accrued OPEB in a future reporting year (see Note 6).

Risk Management **-** The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims did not exceed this commercial coverage for the period presented. PMC is self-insured for employee health and workers' compensation benefits. PMC was self-insured for medical malpractice prior to October 1, 2016; subsequently, PMC purchases insurance from a captive insurance company formed by the District (see Notes 9 and 11). The estimated liabilities for such self-insured programs include estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Medical Malpractice Liability **-** The liability for losses (including loss adjustment expenses) represents the estimated ultimate cost of all reported and unreported losses that are unpaid as of September 30, 2019. The liability for unpaid losses is estimated using individual case-basis valuations and statistical analyses, and is not discounted. Although considerable variability is inherent in such estimates, management believes that the liability for losses and loss adjustments expenses represents its best estimate of the ultimate cost of unpaid claims. The methods for making such estimates and for establishing the resulting liabilities are periodically reviewed and any adjustments are recorded in the period determined.

Reinsurance **-** The District relies on ceded reinsurance to limit its retained insurance risk (see Note 11). In entering into reinsurance agreements, management considers a variety of factors, including the credit-worthiness of reinsurers. In the event that the reinsurers are unable to meet their obligations under the reinsurance agreements, the District would be contingently liable for such amounts. Management has determined that no provision for uncollectible reinsurance recoveries was necessary at September 30, 2019.

Statement of Revenues, Expenses, and Changes in Net Position **-** For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenue or operating expenses. Non-operating revenues (expenses) represent the net operations of activities or transactions incidental or peripheral to the direct care of patients within the hospital setting and primarily include the District's funding of NBMS, physician practices, health and fitness center, rental activities, and investment income. The statement of revenues, expenses, and changes in net position for the year ended September 30, 2019 includes net other non-operating expenses of approximately $16,930,000, which includes approximately $8,195,000 of net losses related to the physician practice operations, approximately $4,332,000 related to assistance provided to NBMS, approximately $4,384,000 related to other non-operating expenses, and $19,000 related to the net loss from health and fitness. When an expense is incurred for purposes in which there are both restricted and unrestricted net position available, it is the District's policy to apply those expenses to restricted net position, to the extent such are available.

Net Patient Service Revenue **-** Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others when services are rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Bad debts are reported as a component of net patient service revenue.

Charity Care **-** The District provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the District does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue.

Contributed Resources **-** Resources restricted by donors for specific operating purposes or additions to property and equipment are held as restricted funds until expended for the intended purpose and are reported as other operating revenue.

Income Taxes **-** NBMS has been recognized by the Internal Revenue Service as a tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Code ("IRC"). Income earned in furtherance of the District's tax-exempt or governmental purpose is exempt from federal and state income taxes. The IRC provides for taxation of unrelated business income under certain circumstances. Management has determined that the District has no significant unrelated business income. Accordingly, these financial statements include no provision or liability for income taxes.

Fair Value of Financial Instruments **-** The carrying value of net accounts receivable, accrued liabilities, and accounts payable approximates fair value, due to the short-term nature of these accounts.

Accrued Public Assessment Assistance **-** The District is required to make quarterly payments to The Public Medical Assistance Trust Fund ("PMATF"), based on a prescribed percentage (1.5% for inpatient and 1.0% for outpatient) of prior period revenue, as prescribed by the AHCA. The District has elected to recognize a liability for the PMATF, based on the calculated amount currently due, representing the District's estimate of the termination liability.

Other Post-employment Benefits **-** The GASB requires state and local governmental employers to account for and report their annual cost of post-employment health care and other non-pension benefits ("OPEB") and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB costs are based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they become due. As described in Note 6, the District's defined-benefit pension retirement plan includes a health insurance subsidy benefit of $100 per month. The District's net OPEB obligation was approximately $97,000 as of September 30, 2019, which is included within the liabilities section of the statement of net position. The District has elected to fund the OPEB obligation on a pay-as-you-go basis.

Restatement Due to Change in Reporting Entity **-** Net position as of the beginning of the year has been restated to include the net position of the Foundation as follows:

Previously stated net position as of September 30, 2018	$ 97,586,165
Net position of the Foundation as of September 30, 2018	1,952,917
Net position at the beginning of the year, restated	$ 99,539,082

Subsequent Events - The District evaluated subsequent events for recognition and disclosure through January 3, 2019, which is the date the basic financial statements were issued.

2. NET PATIENT SERVICE REVENUE

PMC has agreements with third-party payors that provide for payments to PMC at amounts different from its established rates. Major third-party payors are summarized below:

Medicare **-** Inpatient acute care services and certain outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. PMC is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by PMC and audits thereof by the Medicare Fiscal Intermediary (reports audited through 2016). PMC's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization.

Reimbursement for Medicare Outpatient services is made in accordance with the Ambulatory Payment Classification ("APC") system called for under the Outpatient Prospective Payment System. Unlike the Inpatient Prospective Payment System ("DRG"), with one DRG payment per inpatient discharge, each outpatient encounter under the APC system could result in the assignment of multiple APC payments. Regulations allow providers to reduce or waive the beneficiary's co-insurance, as well as provide for additional payments for new devices, drugs, or biologicals. PMC has decided not to reduce or waive beneficiary co-insurance during 2019.

Medicaid **-** Inpatient acute care services rendered to Medicaid program beneficiaries are reimbursed using an APR-DRG methodology. Florida Medicaid Program DRG payments cover all services and items furnished during the inpatient stay and are made up of two parts: a base DRG and a level of severity.

Reimbursement for Medicaid Outpatient services is made using an enhanced Ambulatory Patient Grouping ("EAPG"). Florida Medicaid program EAPG payments are made on a per-visit basis, where the payment is directed to the main, significant procedure or treatment provided during an outpatient visit; considering the average costs of ancillary services and moving away from cost-based reimbursement to a prospective payment system. In addition to the EAPG base rate, an Add On (Per Service Automatic Enhancement Payment) is paid on each payable line, based on the provider's attributes.

Final determination of amounts earned pursuant to the Medicare and Medicaid programs is subject to review by appropriate governmental authorities or their agents. In 2019, PMC recorded an increase to net patient service revenue of approximately $115,000, relating to prior-year, estimated third-party settlement, and other payment issues. The net estimated third-party payable to Medicare and Medicaid as of September 30, 2019 of approximately $376,000 is recorded in estimated third-party settlements in the current liabilities section of the statement of net position.

Other Third-Party Payors **-** PMC also has various payment arrangements for inpatient and outpatient services rendered to members of commercial insurance carriers, health maintenance organizations, and preferred provider organizations. These agreements include prospectively determined discharge rates, per diems, and discounts from established rates.

The following is a summary of net patient service revenue for fiscal year 2019:

Gross patient service revenue	$ 607,528,214
Provision for contractual adjustments	(448,172,234)
Provision for charity adjustments	(14,376,604)
Provision for bad debt	(16,184,820)
Net patient service revenue	$ 128,794,556

3. CASH, CASH EQUIVALENTS, INVESTMENTS, AND OTHER ASSETS

Investments are stated at fair value, which is estimated based upon quoted market prices for those or similar instruments.

The composition of PMC's marketable securities, including related accrued interest, as of September 30, 2019 is as follows:

		Investment Maturities			
September 30, 2019	**Fair Value**	**One Year or Less**	**1–5 Years**	**6–10 Years**	**More Than 10 Years**
U.S. Government Obligations	$ 10,573,500	$ -	$ 4,856,978	$ 5,716,522	$ -
Corporate Bonds	8,805,234	-	5,737,229	3,068,005	-
U.S. Agency Mortgage-Backed Securities	3,063,643	-	346,528	780,349	1,936,766
Collateralized Mortgage Obligations	1,017,750	-	1,017,750	-	-
	23,460,127	$ -	$ 11,958,485	$ 9,564,876	$ 1,936,766
Domestic Equities	32,074,785				
International Equities	8,523,818				
Mutual Funds:					
Short-Term Bond Fund	694,077				
Equity	780,083				
Fixed Income	1,427,417				
Short-Term Bond Fund	5,475,187				
Alternative Investments - Real Estate	3,092,827				
Real Estate EFTs	2,490,008				
Total Marketable Securities	$ 78,018,329				

	Ratings				
	AAA	**AA**	**A**	**BBB**	**Not Rated**
U.S. Government Obligations	$ 10,573,500	$ -	$ -	$ -	$ -
Corporate Bonds	172,924	490,574	3,474,046	4,667,689	-
U.S. Agency Mortgage-Backed Securities	-	-	-	-	3,063,643
Collateralized Mortgage Obligations	-	-	1,017,750	-	-
Domestic Equities	-	-	-	-	32,074,785
International Equities	-	-	-	-	8,523,818
Mutual Funds	-	-	-	-	8,376,764
Alternative Investments - Real Estate	-	-	-	-	3,092,827
Real Estate EFTs	-	-	-	-	2,490,008
Total Marketable Securities	$ 10,746,424	$ 490,574	$ 4,491,796	$ 4,667,689	$ 57,621,845

The District adopted generally accepted accounting standards for fair value measurements which provides a single definition of fair value and established a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 Inputs other than quoted prices in active markets within Level 1 that are either directly or indirectly observable

Level 3 Significant unobservable inputs for the asset or liability in which little or no market data exists

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value.

If available, quoted market prices are used to value investments. U.S. Government Obligations, Corporate Bonds, U.S. Agency Mortgage-Backed Securities, Collateralized Mortgage Obligations, Domestic Equities, International Equities, and Real Estate ETFs are valued at the closing price reported on the major market on which the individual securities are traded. Mutual funds and alternative investments – real estate are valued using a market approach at the recorded closing net asset value ("NAV") of the funds. The NAV is based on the fair value of the underlying investments. The District's bonds payable are valued at quoted prices considering yields for the same or similar types of borrowings, taking into account the underlying terms.

	Fair Value Measurements			
Assets:	**Level 1**	**Level 2**	**Level 3**	**Total**
U.S. Government Obligations	$ 10,573,500	$ -	$ -	$ 10,573,500
Corporate Bonds	8,805,234	-	-	8,805,234
U.S. Agency Mortgage-Backed Securities	3,063,643	-	-	3,063,643
Collateralized Mortgage Obligations	1,017,750	-	-	1,017,750
Domestic Equities	32,074,785	-	-	32,074,785
International Equities	8,523,818	-	-	8,523,818
Mutual Funds	8,376,764	-	-	8,376,764
Alternative Investments - Real Estate	-	-	3,092,827	3,092,827
Real Estate ETFs	2,490,008	-	-	2,490,008
Marketable Securities	$ 74,925,502	$ -	$ 3,092,827	$ 78,018,329
Liabilities:				
Bonds Payable	$ -	$ 89,868,000	$ -	$ 89,868,000

Credit Risk - Florida Statutes, Section 218.415, provides for each unit of local government or political subdivision to adopt investment policies that are commensurate with the nature and size of public funds within their custody. These policies must include consideration for safety of capital, liquidity of funds, diversification of investments, investment income, maturity requirements, and performance measurement. Section 218.415, Florida Statutes, authorizes the District to invest in (1) the Local Government Surplus Funds Trust Fund, which is administered by the State Board of Administration; (2) obligations of, or obligations for which the principal and interest are unconditionally guaranteed by the U.S. Government; (3) interest-bearing time deposits or savings accounts in banks and savings and loans organized under laws of the United States of America; (4) obligations of the Federal Farm Credit Banks, the Federal Home Loan Mortgage Corporation, the Federal Home Loan Bank, the Federal National Mortgage Association, and obligations guaranteed by the Government National Mortgage Association; and (5) other investments authorized by resolution by the governing board of a special district.

The District has a Board-approved policy for the investment of funds. The District has investment management agreements which provide for selected investment managers to invest and manage the District's Board-designated and excess operating funds in accordance with the District's investment policy. The funds are pooled and invested according to established investment criteria and the nature of intended use. Long-term designation of investments is based on the maturity dates underlying investments and/or the intent of management to hold the investments for long-term purposes. Investment securities are classified as available for sale, as the investment managers have the ability to liquidate investments in order to avoid losses from changes in market conditions. Funds held under the Bond Indenture are required to be invested in qualified investments, as defined in the Bond Indenture. All other funds are required to be invested according to the District's investment policy, which was updated in December 2018. The objectives of the District's investment policy are prioritized in the following order: (1) safety of principal, (2) liquidity, (3) generation of income, (4) inflation protection, (5) return on investment/yield, and (6) understanding of risk.

Concentration of Credit Risk - Investments in any one issuer that represent 5% or more of an entity's investment portfolio are required to be disclosed. Investments issued or explicitly guaranteed by the U.S. Government, and investments in mutual funds, external investment pools, and other pooled investments, are excluded from this requirement. Based on the nature of the District's investments, no concentration of credit risk exists for the District.

Custodial Credit Risk **-** As of September 30, 2019, all of the District's cash and cash equivalents are held in the name of the District, NBMS (or wholly owned subsidiaries of NBMS (see Note 9)), or the Foundation. Accordingly, no custodial credit risk exists for the District.

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

Interest Rate Risk **-** The District's investment policy includes certain limitations on investment maturities; however, the District's primary means of managing exposure to fair value losses arising from increasing interest rates is based upon the composition of its investment portfolio, which includes marketable securities, which are unconditionally guaranteed by the U.S. Government and have limited interest rate variability.

The effective yield earned on the District's investments and funded depreciation for the year ended September 30, 2019 was approximately 4.1%.

Investment income, net, consists of the following for the year ended September 30, 2019:

Investment income:	
Interest and dividends earned on investments	$ 2,426,017
Realized gains and losses on marketable securities, net	6,576,657
Change in unrealized gains and losses on marketable securities, net	(5,759,544)
Investment income, net	$ 3,243,130

During the year ended September 30, 2003, NBMS purchased $500,000 of Class E common stock of PPLRRG to create an alternative malpractice insurance vehicle in which the medical staff could obtain malpractice insurance at more affordable rates than commercially available in the local market. Six local physicians are currently taking advantage of the program as of September 30, 2019. This investment is recorded at cost in deposits and other assets in the statement of net position. The Class E common stock of PPLRRG is nonvoting, and NBMS owns approximately 6% of the total outstanding common stock of PPLRRG. As a Class E shareholder of PPLRRG, NBMS has certain rights and obligations, as defined under the PPLRRG's Articles of Incorporation.

4. CAPITAL ASSETS

A summary of changes in capital assets during 2019 is as follows:

	Beginning Balance, as restated	Additions/ Transfers	Retirements/ Transfers	Ending Balance
Land	$ 9,351,346	$ -	$ -	$ 9,351,346
Improvements to land	5,785,878	-	-	5,785,878
Buildings and improvements	140,108,114	70,932	-	140,179,046
Equipment	75,164,251	1,330,868	(164,394)	76,330,725
Construction in progress	935,235	631,759	(1,240,288)	326,706
Total capital assets	231,344,824	2,033,559	(1,404,682)	231,973,701
Less: accumulated depreciation	(160,896,808)	(8,321,233)	160,353	(169,057,688)
Totals	$ 70,448,016	$ (6,287,674)	$ (1,244,329)	$ 62,916,013

Depreciation expense for 2019 has been included in operating and non-operating expenses in the statement of revenues, expenses, and changes in net position, based on the District's policy for reporting related activities, as defined in Note 1, in the amounts of $6,277,198 and $2,044,035, respectively. At September 30, 2019, the District had fully depreciated capital assets of approximately $96,978,000 that were still in use.

5. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATION

On July 30, 2008, PMC completed its refunding of the Auction Rate Revenue Bonds, Series 2000 (the "Series 2000 Bonds"), and Auction Rate Revenue Bonds, Series 2005 (the "Series 2005 Bonds"), and issued $99,975,000 in the Revenue Refunding Bonds, Series 2008 (the "Series 2008 Bonds"). The proceeds from the Series 2008 Bonds were used for the purpose of (i) financing all or a portion of the acquisition, construction, and equipping of an outpatient health care center, a cardiac catheterization lab, and certain routine capital projects; (ii) refunding the District's outstanding Auction Rate Revenue Bonds, Series 2000, and outstanding Auction Rate Revenue Bonds, Series 2005; (iii) funding a reserve fund; and (iv) paying certain costs with respect to the issuance of the Series 2008 Bonds. The Series 2008 Bonds bear a fixed interest rate of 5.695%.

On September 24, 2014, PMC completed its refunding of a portion of the Series 2008 Bonds and issued $70,000,000 in Refunding Bonds, Series 2014 (the "Series 2014 Bonds"), maturing October 1, 2043. The proceeds from the Series 2014 Bonds were used for the purpose of (i) refunding a portion ($62,575,000) of the Series 2008 term bonds maturing in 2028, 2038, and 2043 through defeasance, and (ii) establishment of an escrow account with TD Bank, National Association, as escrow agent, sufficient to pay when due the interest and principal on the bonds, at a price equal to 100% of the principal amount thereof (the "Redemption Price"), together with accrued interest thereon to October 1, 2019 (the "Redemption Date"). The Series 2014 Bonds bear a fixed interest rate of 3.0% through October 1, 2029. The interest rate on the Series 2014 Bonds will be remarketed after October 1, 2029, based on then prevailing rates.

On November 14, 2017, PMC satisfied its remaining obligations for debt service related to the Series 2008 Bonds and issued $25,000,000 in Refunding Bonds, Series 2017 (the "Series 2017 Bonds"), maturing October 1, 2027. The proceeds from the Series 2017 Bonds were used for the purpose of (i) refunding the remaining portion ($26,800,000) of the Series 2008 term bonds maturing in 2028, 2038, and 2043 through defeasance, and (ii) establishment of an escrow account with TD Bank, National Association, as escrow agent, sufficient to pay when due the interest and principal on the bonds, at a price equal to 100% of the principal amount thereof (the "Redemption Price"), together with accrued interest thereon to October 1, 2018 (the "Redemption Date"). The Series 2017 Bonds bear a fixed interest rate of 3.22% through October 1, 2027. The interest rate on the Series 2017 Bonds will be remarketed after October 1, 2027, based on then prevailing rates. As part of the refinancing, the difference between the amounts funded into the irrevocable trust and the carrying value of the Series 2008 Bonds will be recognized as a deferred outflow and amortized into interest expense over the term of the Series 2017 Bonds.

The District recognized a deferred outflow related to the defeasance of a portion of the Series 2008 Bonds as the difference between the amounts funded into the escrow account and the carrying value of principal and associated bond discounts. Deferred outflows on defeasance of approximately $10,902,000 at September 30, 2019, are presented net of accumulated amortization of approximately $2,108,000. The Series 2017 Bonds, Series 2014 Bonds, and Series 2008 Bonds are collateralized by and are payable solely from an obligation issued under the Master Trust Indenture (the "Master Indenture") between TD Bank, as Master Trustee (the "Master Trustee"), and PMC, as well as certain monies held under the trust indenture governing the Series 2008 Bonds (the "Bond Indenture"). The obligation issued under the Master Indenture is collateralized by a pledge of, and a security interest in, the net revenues of the District and any future member of the Obligated Group that is a Governmental Unit and the net revenue and accounts of any future member of the Obligated Group that is a corporation or other business entity. Currently, PMC is the sole member of the Obligated Group.

The Master Indenture requires the Obligated Group to maintain certain financial ratios and places restrictions on various activities, such as the transfer of assets and incurrence of additional indebtedness. At September 30, 2019, PMC was in compliance with all such covenants.

The District has entered into lease and loan agreements to finance the purchase of certain operating equipment and construction upgrades. The lease is payable in varying installments through 2023, with rates ranging from 3.8% to 6.0%. The leases have been recognized as capital leases. At September 30, 2019, the District's assets acquired with capital leases were fully depreciated.

Long-term debt and capital lease obligations as of September 30, 2019, consist of the following:

Refunding Bonds, Series 2014, principal payable monthly beginning in 2014 through 2034, interest payable monthly at the fixed rate of 3.0%	$ 65,468,000
Revenue Refunding Bonds, Series 2017, principal payable in variable annual installments beginning in 2018 through 2027, interest payable October 1 and April 1 at the fixed rate of 3.22%.	24,400,000
Capital lease obligation	158,829
Total long-term debt	90,026,829
Current Portion	(2,558,038)
Long-term portion	$ 87,468,791

A summary of changes in long-term debt and capital lease obligations during 2019 is as follows:

	Beginning Balance	**Repayments**	**Ending Balance**	**Due Within One Year**
Series 2014				
Fixed rate refunding bonds	$ 67,197,000	$ 1,729,000	$ 65,468,000	$ 1,866,000
Series 2017				
Fixed rate refunding bonds	25,000,000	600,000	24,400,000	650,000
Capital lease obligations	394,130	235,301	158,829	42,038
Totals	$ 92,591,130	$ 2,564,301	$ 90,026,829	$ 2,558,038

On October 1, 2018, TD Bank, National Association, as the escrow agent, repaid in full the final remaining principal and interest due to the holders of the Series 2008 Bonds.

Annual scheduled principal maturities and interest on long-term debt obligations as of September 30, 2019, are as follows:

Fiscal Year Ending September 30,	Principal	Interest
2020	$ 2,558,038	$ 4,633,631
2021	2,641,631	4,599,781
2022	2,732,383	4,574,644
2023	2,788,777	4,552,818
2024	2,852,000	4,529,570
2025-2029	15,633,000	22,214,467
2030-2034	18,231,000	21,428,198
2035-2039	21,255,000	20,505,115
2040-2044	21,335,000	16,618,906
	$ 90,026,829	$ 103,657,130

During the year ended September 30, 2019, interest on the bonds and amortization of the defeasance costs for the Series 2018 Bonds totaling $2,809,774 was charged to operating expense and $454,660 was charged to non-operating expense based on the District's policy for reporting related activities, as defined in Note 1.

6. EMPLOYEE BENEFIT PLANS

Employees' Retirement System

Plan Freeze **-** Effective September 30, 2016, the District's defined-benefit pension plan was frozen. All benefit accruals under that plan ceased; therefore, average monthly earnings on or after October 1, 2016 shall not be considered. Continuous service will continue to be credited to participants after September 30, 2016 for vesting purposes, for purposes of determining normal and early retirement date, and for purposes of eligibility for disability benefits. Effective October 1, 2016, PMC contributes to a 403(b) defined contribution plan, with an employer discretionary match and discretionary noncontributory employer contribution.

Plan Description **-** PMC maintains a non-contributory, single-employer, defined-benefit pension retirement plan, Parrish District, Inc. Pension Plan (the "Plan"), administered by the Pension Administrative Committee. The Plan was established under the authority of the District's Board of Directors. Additionally, all amendments and changes to PMC's obligation to contribute to the Plan are covered by this authority. The average rating for investments held in the Plan's portfolio is an average of AA. Separate financial statements are not available for the Plan.

Benefits Provided **-** The Plan covers all permanent, full-time PMC employees and all permanent, part-time employees who customarily work at least 20 hours per week and five months per year, and who complete at least 1,000 hours of service per year, after completion of one year of continuous service. The Plan was frozen effective September 30, 2016. Normal retirement age is determined as the earlier of:

1. Age 65, regardless of continuous service;
2. Age 60 and 25 years of continuous service; or
3. 30 years of continuous service, regardless of age.

Normal retirement benefits are determined as 1.75% of average monthly earnings up to $1,000, plus 1.50% of average monthly earnings in excess of $1,000, times continuous service.

Early retirement age is determined as age 55 and 20 years of continuous service. Early retirement accrued benefits are reduced 6.67% for each of the first five years and 3.33% for each of the next five years by which the benefit Commencement Date precedes age 65.

The vesting schedule is as follows:

Years of Service	Vested Percentage
Less than 5	None
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

Members will receive the vested portion of their accrued benefit payable at otherwise early age (reduced) or age 65. Disability benefits are based on the normal retirement benefit accrued to the date of disability. Employees are eligible after 10 years of continuous service. Death benefits are based on the accrued benefit as of the date of death and are payable as a lump sum. Employees are eligible after 5 years of continuous service.

Plan Membership - The Plan membership was as follows as of October 1, 2018 (date of actuarial valuation):

Inactive Plan members or beneficiaries currently receiving benefits	98
Inactive Plan members entitled but not yet receiving benefits	195
Active Plan members	529
Total members	822

Funding Policy - PMC contributes the amount necessary to meet the minimum required employer contribution, as calculated by the actuary. Employee contributions are not permitted.

Net Pension Liability –

The measurement date is September 30, 2019.
The measurement period for the pension expense was October 1, 2018 to September 30, 2019.
The reporting period is October 1, 2018 through September 30, 2019.
The Sponsor's Net Pension Liability was measured as of September 30, 2019.
The Total Pension Liability used to calculate the Net Pension Liability was determined as of that date.

Assumptions and Other Inputs - Total Pension Liability was determined by an actuarial valuation as of October 1, 2018, updated to September 30, 2019, using the following actuarial assumptions:

Inflation	2.80%
Salary Increases	N/A – Benefits are frozen as of October 1, 2016
Discount Rate	7.35%
Investment Rate of Return	7.35%

Mortality Rate Healthy Lives -
Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB.
Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives -
Female: 100% RP2000 Disabled Female set forward two years.
Male: 100% RP2000 Disabled Male setback four years.

The actuarial assumptions used in the October 1, 2018 valuation were based on the results of an actuarial experience study dated July 21, 2014.

The Long-Term Expected Rate of Return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of the Plan's investment expenses and inflation) are developed for each major asset class. For 2019, the inflation rate assumption of the investment advisor was 2.25%. These ranges are combined to produce the Long-Term Expected Rate of Return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Pension Plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity	35%	10%
Mid and Small Cap	20%	10%
International Equity	5%	10%
Alternatives	10%	10%
Fixed Income	30%	4.5%
	100%	

Discount Rate **-** The Discount Rate used to measure the Total Pension Liability was 7.35%. The projection of cash flows used to determine the Discount Rate assumed that Plan member contributions will be made at the current contribution rate and that District contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the Long-Term Expected Rate of Return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions **-** The District's Net Pension Asset was measured as of September 30, 2019. The Total Pension Liability used to calculate the Net Pension Asset was determined as of that date.

Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Asset) Liability (a)-(b)
Balances at September 30, 2018	$ 45,644,753	$ 60,740,810	$ (15,096,057)
Changes for a year:			
Service cost	527,886	-	527,886
Interest	3,376,581	-	3,376,581
Differences between expected and actual experience	(2,772,290)	-	(2,772,290)
Changes of assumptions	-	-	-
Changes of beneift terms	-	-	-
Contributions - Employer	-	-	-
Contributions - Employee	-	-	-
Contributions - Buy Back	-	-	-
Net investment income	-	6,228,055	(6,228,055)
Benefit payments, including refunds of employee contributions	(3,487,874)	(3,487,874)	
Administrative expense	-	(72,841)	72,841
Net changes	(2,355,697)	2,667,340	(5,023,037)
Balances at September 30, 2019	$ 43,289,056	$ 63,408,150	$ (20,119,094)

On September 30, 2019, the District reported Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Balances at September 30, 2018	$ 9,004,260	$ 4,675,860
Differences between expected and actual experience	-	2,772,290
Current-year amortization of experience difference	(613,449)	(476,365)
Net difference between projected and actual earnings on pension plan investments	-	1,747,061
Current-year amortization of change in assumptions	(614,409)	-
Current-year amortization	(1,238,008)	(1,600,294)
Balances at September 30, 2019	$ 6,538,394	$ 7,118,552

The outcome of Deferred Outflows of resources related to pensions resulting from the employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ending September 30, 2020. Other amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions will be recognized in Pension Expense as follows:

Year Ending September 30,	
2020	$ 421,981
2021	$ (816,027)
2022	$ (185,069)
2023	$ 310,071
2024	$ 84,927
Thereafter	$ (396,041)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability (asset) calculated using a discount rate of 7.35% at September 30, 2019, as well as the District's proportionate share of the net pension liability (asset) as it would be if calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
	6.35%	7.35%	8.35%
Sponsor's Net Pension Liability (Asset)	$ (17,750,741)	$ (19,809,312)	$ (21,633,321)

Pension Plan Fiduciary Net Position - Detailed information about the pension Plan's fiduciary net position is available in the separately issued Plan financial report.

Employee Health Plan

PMC has established a self-insured program for health benefits covering substantially all employees. During 2019, the plan covered health care services up to $185,000 per claim and provided unlimited commercial insurance coverage for cases exceeding these amounts for each covered employee or dependent. Health insurance expense, which includes medical expense provided by outside providers, dental and life benefits, and administrative costs (net of employee contributions), was approximately $4,555,000 in 2019. Medical services provided to covered employees at PMC are recorded as a contractual adjustment when service is provided. Contractual adjustments under this plan amounted to approximately $6,447,000 in 2019. At September 30, 2019, the liability for reported and estimated unreported employee health plan claims incurred was approximately $291,000, and is included as a component of accrued health insurance and workers' compensation in the accompanying statement of net position.

Workers' Compensation Plan

PMC has established a self-insured program for workers' compensation benefits covering all employees. The plan covers employees up to $650,000 per claim for 2019 and is limited to approximately $3.0 million per year in the aggregate for 2019 and provides for commercial insurance relating to cases exceeding these amounts. Workers' compensation insurance expense, which includes payments for administrative fees, wages, and outside medical services, amounted to approximately $673,000 in 2019. Medical services provided by PMC under this plan are recorded as contractual adjustments when the service is provided. These services amounted to approximately $125,000 in 2019. At September 30, 2019, the liability for reported and estimated unreported workers' compensation claims incurred was approximately $1,192,000 and is included as a component of accrued health insurance and workers' compensation liabilities in the statement of net position. The total accrual includes estimates of the ultimate costs of both reported claims and claims incurred but not reported, as determined by an actuary in 2019 and discounted at 4%, and are actuarially determined every other year.

Other Post-employment Obligations

Effective October 1, 2017, the District adopted GASB No. 75, which requires the District to recognize the accrued OPEB on the statement of net position and to report a more comprehensive measure of OPEB expense in the statement of revenues, expenses, and changes in net position.

General Information about the OPEB Plan

Plan Description:

The District's Retiree Health Care Plan ("Plan") is a single-employer defined-benefit post-employment health care plan that covers eligible retired employees of the District. The Plan, which is administered by the District, allows employees who retire and meet retirement eligibility requirements under the District's retirement plan to continue medical insurance coverage as a participant in the District's plan. For purposes of applying Paragraph 4 under Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* the Plan does not meet the requirements for an OPEB plan administered through a trust.

Employees Covered by Benefit Terms. At September 30, 2018, the following employees were covered by the benefit terms:

Inactive Plan Members, or Beneficiaries Currently Receiving Benefits	2
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	-
Active Plan Members	527
Total	529

Benefits Provided:

The benefits provided are the same as those provided for active employees. Spouses and dependents of eligible retirees are also eligible for medical coverage. All employees of the District hired before October 1, 2015 are eligible to receive post-employment health care benefits. Eligible retirees participating in the group insurance plans offered by the District are required to contribute 100% of the active premiums. Employees hired after October 1, 2015 are eligible to receive post-employment health care benefits, in accordance with Florida Statute 112.0801.

Total OPEB Liability

The measurement date is September 30, 2018.
The measurement period for the OPEB expense was October 1, 2017 to September 30, 2018. The reporting period is October 1, 2018 through September 30, 2019.

The Sponsor's Total OPEB Liability was measured as of September 30, 2018.

Actuarial Assumptions:

The Total OPEB Liability was determined by an actuarial valuation as of September 30, 2018 using the following actuarial assumptions:

Inflation	2.50%
Salary Increase Rate(s)	Varies by Service
Discount Rate	4.18%
Initial Trend Rate	7.50%
Ultimate Trend Rate	4.00%
Years to Ultimate	55

Mortality rates were based on the RP-2000 mortality tables. For female lives, 100% of the white collar table was used. For male lives, a 50% white collar table and 50% blue collar table blend was used. All tables include fully generational adjustments for mortality improvements using improvement scale BB. For disabled lives, mortality rates were based on the RP-2000 sex-distinct disabled mortality tables with female lives set forward two (2) years, male lives set back four (4) years. Disabled mortality has not been adjusted for mortality improvements.

Discount Rate:

Given the District's decision not to fund the program, all future benefit payments were discounted using a high-quality municipal bond rate of 4.18%. The high-quality municipal bond rate was based on the week closest but not later than the measurement date of the Bond Buyer 20-Bond Index, as published by the Federal Reserve. The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

	Increases and (Decreases) in Total OPEB Liability
Reporting Period Ended September 30, 2018	$ 1,058,937
Changes for the year:	
Service Cost	45,916
Interest	39,982
Differences between Expected and Actual Experience	(169,863)
Changes of assumptions	(864,969)
Benefit Payments	(12,989)
Net changes	(961,923)
Reporting Period Ended September 30, 2019	$ 97,014

Changes in assumptions reflect changes to per capital claims cost amounts, premium amounts, mortality rates, health care trend rates, the member health care participation rate, and a change in the discount rate from 3.64% for the year ended September 30, 2018, to 4.18% for the year ended September 30, 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate:

The following presents the Total OPEB Liability of the Sponsor, as well as what the Sponsor's Total OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
At September 30, 2019	3.18%	4.18%	5.18%
Total OPEB Liability	$ 104,591	$ 97,014	$ 90,228

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates:

The following presents the Total OPEB Liability of the Sponsor, as well as what the Sponsor's Total OPEB Liability would be if it were calculated using health care cost trend rates that are one percentage-point lower or one percentage-point higher than the current health care cost trend rates:

	1% Decrease	Healthcare Costs Trend Rate	1% Increase
At September 30, 2019	3.00% - 6.50%	4.00% - 7.50%	5.00% - 8.50%
Total OPEB Liability	$ 89,246	$ 97,014	$ 106,042

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended September 30, 2019, the Sponsor recognized a reduction of OPEB expense of approximately $49,000. On September 30, 2019, the Sponsor reported Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 141,552
Changes of assumptions	-	763,949
Employer contributions subsequent to the measurement date	14,131	-
Total	$ 14,131	$ 905,501

Amounts reported as Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	
2020	$ (183,259)
2021	$ (183,259)
2022	$ (183,259)
2023	$ (183,257)
2024	$ (172,467)
Thereafter	$ -

	Total OPEB Liability	Deferred Inflows	Deferred Outflows	OPEB Expense
	Components of OPEB Expense (For the Year Ended September 30, 2019)			
Balances at September 30, 2018	$ 1,058,937	$ 53,928	$ 12,989	$ -
Employer Contributions made after September 30, 2018	-	-	14,131	-
Total OPEB Liability Factors:				
Service cost	45,916	-	-	45,916
Interest	39,982	-	-	39,982
Change in beneift terms	-	-	-	-
Differences between expected and actual experience with regard to economic or demographic assumptions	(169,863)	169,863	-	-
Current-year amortization of experience difference	-	(28,311)	-	(28,311)
Change in assumptions about future economic or demographic factors or other inputs	(864,969)	864,969	-	-
Current-year amortization of change in assumptions	-	(154,948)	-	(154,948)
Benefit payments	(12,989)	-	-	-
Net Change	$ (961,923)	$ 851,573	$ 14,131	$ (97,361)
Pay-As-You Go related Costs:				
Contributions - Employer	$ 12,989	$ -	$ (12,989)	$ -
Benefit payments	(12,989)	-	-	-
Administrative expenses	-	-	-	-
Other	-	-	-	-
Net Change	-	-	(12,989)	-
Balances at September 30, 2019	$ 97,014	$ 905,501	$ 14,131	$ (97,361)

The Plan is not funded through a trust, however, certain "Pay-As-You-Go" related costs must still be considered when developing the OPEB expense.

The District provides post-employment health care benefits to all employees who retire from the District under the plan after 20 or more years of service and age 55, or after 30 years of service. Premiums paid by retirees are based on the projected average plan cost of the District's self-insured health benefit program for the year. The plan is funded on a pay-as-you-go basis. The District may make additional contributions as desired. No additional contributions have been made to date.

Calculations are based upon the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing of costs between the employer and plan members to that point. Calculations reflect a long-term prospective, so methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the September 30, 2018 actuarial valuation, with a measurement date of September 30, 2018 for fiscal year end September 30, 2019 (the most recent calculation available), the Entry Age Normal Actuarial Cost Method was used. The actuarial assumptions included a 4.18% discount rate and an annual health care cost trend rate of 4.00% - 7.50%, which is expected to decrease to 7.00% in fiscal 2020, grading down to the ultimate trend rate of 4.0% in fiscal 2074. The funded ratio was 0.0%, as the plan is unfunded and, thus, the unfunded actuarial accrued liability of approximately $97,014 is equal to the actuarial accrued liability. Covered payroll under the plan was approximately $30,169,000, resulting in a ratio of 0.32%, as compared to the unfunded actuarial liability.

The following is a summary of the activity in the accrued health insurance, workers' compensation, and OPEB accounts for the year ended September 30, 2019:

Beginning Balance	**Additions**	**Reductions**	**Ending Balance**
$ 2,478,631	$ 603,409	$ 1,501,094	$ 1,580,946

7. DONOR-RESTRICTED NET POSITION

Donor-restricted net position is available for the following programs at September 30, 2019:

Restriced endowments for the Children's Center and Parrish Health Village	$ 1,289,740
Wellness	307,690
Cancer Programs	107,260
Care Partner Assistance	96,108
Education/Training	59,228
Diabetes	47,740
Children's Center	38,843
Circle of Giving	32,565
Women's Services - Lactate/Birthing	27,429
Scholarhips	18,480
Stereotactic Breast Biopsy	17,931
Chain of Lakes - Health Village	5,854
All Other	96,783
	$ 2,145,651

8. CHARITY AND OTHER UNREIMBURSED CARE

The District's mission is to provide high-quality, affordable health care to the community. In pursuing its commitment to serve all members of the community, the District provides services to the financially disadvantaged, despite the lack or adequacy of payment for those services. The District maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. Charges forgone, based upon established rates, due to the provision of charity care to patients, amounted to approximately $14,376,000 in 2019. Charity care is also provided through reduced price services and fee programs offered throughout the year, based upon activities and services, which the District believes will serve a community health need. These activities include wellness programs, community education programs, and health fairs.

9. RELATED-PARTY TRANSACTIONS AND RELATIONSHIPS

North Brevard Medical Support, Inc. **-** Other than earnings on investments, NBMS has no other material sources of revenue with which to continue its operations or meet its obligations as they become due. However, NBMS receives funding from PMC in the form of grants. NBMS can obtain grants from PMC in any fiscal year equal to the lesser of the net patient service revenue of PMC for its preceding fiscal year, or 2.5% of PMC's gross revenue for its preceding fiscal year. PMC funded a grant of approximately $4,300,000 in 2019 for NBMS to meet its fiscal year 2019 obligations, which is recorded in other net non-operating expenses in the statements of revenues, expenses, and changes in net position. The grant is eliminated in consolidation. The operating activities of NBMS are included in other net non-operating expenses in the statement of revenues, expenses, and changes in net position for the year ended September 30, 2019.

Florida Health Network, Inc. **-** In March 2007, Parrish Health Network (the "Network") was formed. The primary purpose of the Network is to create a community network with clinical integration, which combines the resources, strengths, knowledge, and expertise of our local health care providers in order to offer the community exceptional, comprehensive care. The Network is a wholly owned subsidiary of NBMS.

The operating activities of the Network are included in other net non-operating expenses in the statement of revenues, expenses, and changes in net position for the year ended September 30, 2019.

Florida Medical Insurance Corporation **-** In August 2016, Florida Medical Insurance Corporation (the "Captive") was issued a license permitting it to transact business as a domestic captive insurer by the State of Florida Office of Insurance Regulation. The Captive is a wholly owned subsidiary of NBMS. PMC paid insurance premiums to the Captive of approximately $1,379,000 in 2019, which was recorded in operating expenses in the statement of revenues, expenses, and changes in net position. The premium expense is eliminated in consolidation.

Jess Parrish Medical Foundation, Inc. **-** The Foundation is a Florida 501(c)(3) corporation, which raises money to support the District's programs and for the general advancement of health care organizations and objectives. The activities of the Foundation are included in other net non-operating expenses in the statement of revenues, expenses, and changes in net position for the year ended September 30, 2019. In prior years, the accounts of the Foundation were not included in the District's financial statements due to immateriality.

Home Health Program **-** NBMS has a 25% joint venture interest in the Parrish Home Health Program. The operating activities of the program are included in other net nonoperating expenses in the statements of revenues, expenses, and changes in net position for the year ended September 30, 2019.

Dialysis Program **-** NBMS has a 40% joint venture interest in the Dialysis Program. The operating activities of the Dialysis program are included in other net non-operating expenses in the statement of revenues, expenses, and changes in net position for the year ended September 30, 2019.

10. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the District to credit risk principally consist of patient accounts receivable. Patient accounts receivable consist of amounts due from Medicare, Medicaid, insurance companies, and self-pay patients.

The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at September 30, 2019, is as follows:

Medicare	33.6 %
Medicaid	4.8 %
Commercial and other	48.9 %
Self-pay	12.7 %
	100.0 %

All balances, net of related contractual discounts and collectibility allowances, are expected to be collected within the subsequent fiscal year.

11. COMMITMENTS AND CONTINGENCIES

Operating Leases **-** The District leases certain office space and equipment under noncancelable operating leases, expiring in various years through 2032. Payments under these obligations, which are not subject to cancellation, are based on fixed monthly amounts. The amounts below contain an estimate for an arrangement with a vendor for certain heating, cooling, and other energy-saving equipment with an annual payment based on the actual savings from the equipment. Estimated annual savings payments included below are $200,000 for a period of 11.5 years.

The following is a summary, by year, of the approximate future minimum lease payments for the operating leases:

2020	$ 3,557,478
2021	3,042,315
2022	2,765,235
2023	2,585,144
2024	2,509,933
Thereafter	12,945,489
	$ 27,405,594

For the year ended September 30, 2019, approximately $1,974,000 of rental expense was charged to operating costs and $1,275,000 was charged to non-operating costs based on the District's policy for reporting related activities, as defined in Note 1.

Accrued Medical Malpractice - Prior to July 1987, PMC maintained malpractice coverage through the Florida Hospital Trust Fund and the Florida Hospital Excess Trust Fund B for the purpose of paying malpractice claims against PMC. On July 21, 1987, PMC elected to rely on sovereign immunity with respect to liability claims against PMC, subject to the limited waiver provisions of Section 768.28, Florida Statutes ($200,000 per claim, $300,000 per incident), for 2019. PMC terminated its participation in the Florida Hospital Trust Fund and Florida Hospital Excess Trust Fund B, purchased insurance coverage for non-reported acts prior to July 22, 1987, and engaged an actuary for the purpose of projecting future malpractice liability on a self-insured basis. Based upon the actuary's analysis and the possibility of a special act of the Florida Legislature, as provided in Section 768.29(5), Florida Statutes, PMC has recorded a total accrued liability for reported and unreported claims of approximately $2,952,000 (net of claims paid) for the period July 22, 1987 through September 30, 2019. The total accrual includes estimates of the ultimate costs of both reported claims and claims incurred but not reported and are discounted at 4%.

Because actual claims liabilities depend on such complex risk factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liabilities does not necessarily result in actual claims amounts. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. At September 30, 2019, the estimated current portion of the total accrued liability was approximately $57,000. The statement of revenues, expenses, and changes in net position reflects a reduction to expenses of approximately $430,000.

Excess Insurance - Effective June 13, 2014, PMC purchased a claims-made umbrella policy with a $5 million limit covering PMC and employed physicians. The umbrella policy is excess over the sovereign immunity limits of $200,000/$300,000. If sovereign immunity does not apply, the policy is excess over a professional liability limit of $1 million/$3 million, which is the self-insured retention. Effective May 30, 2014, PMC purchased a claims-made professional liability excess policy for contract physicians working in the Florida Health Network. These physicians carry their own underlying insurance policy for the first $250,000 per claim and $750,000 per physician. The excess policy covers an additional $750,000 per claim and $2.25 million per physician, bringing the total coverage to $1 million/$3 million limits. Both policies were purchased as a precondition of membership in the Mayo Clinic Care Network.

Effective October 1, 2016, the Captive provides, on a claims-made basis, hospitals and physicians professional liability for both employed and Parrish Health Network (PHN) non-employed physicians to the District. The hospital and employed physicians professional liability coverage has a limit of $6,000,000 per claim and in the aggregate. The Captive has purchased a reinsurance layer on this coverage, with limits of $5,250,000 excess $750,000 per occurrence and in the aggregate. PHN non-employed physicians professional liability coverage has a limit of $750,000 excess $250,000 per claim, with a $3,000,000 annual aggregate. The Captive has purchased a reinsurance layer on this coverage, with limits of $250,000 excess $750,000 per occurrence and in the aggregate. At September 30, 2019, the District recognized approximately $1,214,000 of estimated recoveries from reinsurance within prepaid and other current assets.

Effective October 1, 2016, the Captive provides, on an occurrence basis, commercial general liability and property deductible reimbursement coverages to the District. The commercial general liability coverage has a limit of up to $6,000,000 per claim, and in the aggregate. The property deductible reimbursement coverage has a limit of $250,000 per claim with no annual aggregate.

Insurance Capital and Surplus – The NAIC has established risk-based capital ("RBC") requirements to help State regulators monitor the financial strength and stability of property and casualty insurers by identifying those companies that may be inadequately capitalized. The calculated RBC level, based on the annual statements as filed by the Captive, was in excess of the threshold requirements as of September 30, 2019.

The Captive is required to maintain a minimum capital and surplus of $250,000 pursuant to insurance regulations. As of September 30, 2019, the Captive is above the minimum capital and surplus.

The payment of dividends is subject to regulatory restrictions and requires approval from the Florida Office of Insurance Regulation. There were no dividends declared or paid during the year ended September 30, 2019.

***Accrued Employee Personal Leave Bank* -** PMC provides a benefit program entitled "Personal Leave Bank." This program allows all eligible employees to earn personal leave in lieu of traditional sick days, vacation days, or holidays. Accrual of personal leave time is based upon length of service with PMC. The personal leave bank is charged for hours taken off from work. All employees may request payment for up to 120 hours total per year of earned personal leave at two specified times during the fiscal year. The first 80 hours are paid at 100%, the next 40 hours are paid at 80% of the employee's current pay rate. The accrued liability under this program amounted to approximately $3,488,000 at September 30, 2019.

***Health Care Industry* -** The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could give rise to liability resulting in significant fines and penalties, including repayments for patient services previously reimbursed. The District has a corporate compliance function that may, from time to time, identify and investigate potential noncompliance with laws and regulations. If potential violations are identified, they are reported to the appropriate governmental agency. These matters are subject to many uncertainties and the outcomes are not predictable with assurance. Accordingly, it is possible that there may be future repayments or penalties. After conferring with legal counsel, management of the District is not aware of any material unrecorded losses that are probable to result from the ultimate outcome of these matters.

***Litigation* -** The District is involved in litigation arising in the course of business. After consultation with legal counsel, management estimates that these matters will be resolved without a material, adverse effect on the future financial position, results of operations, or cash flows of the District.

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REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NORTH BREVARD COUNTY HOSPITAL DISTRICT

SUPPLEMENTARY INFORMATION - UNAUDITED SCHEDULE OF CHANGES IN NET PENSION ASSET AND RELATED RATIOS
FOR THE YEARS ENDED SEPTEMBER 30,

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	$ 527,886	$ 584,454	$ 690,793	$ 1,836,604	$ 1,998,932	$ 1,850,863
Interest	3,376,581	3,192,364	3,252,842	4,207,238	3,998,329	3,796,320
Differences between expected and actual experience	(2,772,290)	3,366,776	(562,243)	1,059,852	-	-
Changes of assumptions	-	-	3,656,761	-	736,112	-
Changes of benefit terms	-	-	(13,325,988)	-	-	-
Contributions - buy back	-	-	-	-	1,474	-
Benefit payments, including refunds of employee contributions	(3,487,874)	(5,838,344)	(5,336,757)	(3,786,952)	(4,135,338)	(2,404,947)
Net change in total pension liability	(2,355,697)	1,305,250	(11,624,592)	3,316,742	2,599,509	3,242,236
Total pension liability - beginning	45,644,753	44,339,503	55,964,095	52,647,353	50,047,844	46,805,608
Total pension liability - ending (a)	$ 43,289,056	$ 45,644,753	$ 44,339,503	$ 55,964,095	$ 52,647,353	$ 50,047,844
Plan fiduciary net position						
Contributions - employer	$ -	$ 279,252	$ 1,440,995	$ 1,691,990	$ 3,126,488	$ 3,166,212
Contributions - employee	-	-	-	-	-	-
Contributions - buy back	-	-	-	-	1,474	-
Net investment income	6,228,055	7,214,980	7,442,049	(1,539,953)	4,572,243	6,113,059
Benefit payments, including refunds of employee contributions	(3,487,874)	(5,838,344)	(5,336,757)	(3,786,952)	(4,135,338)	(2,404,947)
Administrative expense	(72,841)	-	-	-	-	(497)
Other changes	-	-	-	-	-	-
Net change in plan fiduciary net position	2,667,340	1,655,888	3,546,287	(3,634,915)	3,564,867	6,873,827
Plan fiduciary net position - beginning	60,740,810	59,084,922	55,538,635	59,173,550	55,608,683	48,734,856
Plan fiduciary net position - ending (b)	$ 63,408,150	$ 60,740,810	$ 59,084,922	$ 55,538,635	$ 59,173,550	$ 55,608,683
Net pension liability (asset) - ending (a) - (b)	$ (20,119,094)	$ (15,096,057)	$ (14,745,419)	$ 425,460	$ (6,526,197)	$ (5,560,839)
Plan fiduciary net position as a percentage of the total pension liability	146.48%	133.07%	133.26%	99.24%	112.40%	111.11%
Covered employee payroll	N/A	N/A	$ 36,342,540	$ 38,581,076	$ 32,463,253	$ 36,159,641
Net pension asset as a percentage of covered employee payroll	N/A	N/A	-40.57%	1.10%	-20.10%	-15.38%

Note: For measurement date September 30, 2019, amounts reported as changes of assumptions resulted from lowering the interest rate from 7.60% to 7.35% per year compounded annually, net of investment-related expenses.

Note: The District implemented GASB Statement No. 68 for the fiscal year ended September 30, 2016, including a restatement as of September 30, 2014. Information for prior years is not available.

NORTH BREVARD COUNTY HOSPITAL DISTRICT

SUPPLEMENTARY INFORMATION - UNAUDITED SCHEDULE OF PENSION CONTRIBUTIONS

Fiscal Year Ended	Actuarially Determined Contribution	Contributions in relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contribution as a percentage of Covered Employee Payroll
9/30/2019	$ -	$ -	$ -	N/A	N/A
9/30/2018	$ -	$ -	$ -	N/A	N/A
9/30/2017	$ -	$ 279,252	$ (279,252)	N/A	N/A
9/30/2016	$ 1,440,995	$ 1,440,995	$ -	$ 36,342,540	3.97%
9/30/2015	$ 1,691,990	$ 1,691,990	$ -	$ 38,851,076	4.36%
9/30/2014	$ 3,126,488	$ 3,126,488	$ -	$ 32,463,253	9.63%
9/30/2013	$ 3,166,212	$ 3,166,212	$ -	$ 36,159,641	8.76%

Note: The District implemented GASB Statement No. 68 for the fiscal year ended September 30, 2016, including a restatement as of September 30, 2014. Information for prior years is not available.

Note: The Covered Payroll amounts are shown in compliance with GASB 82, except for the September 30, 2015 measurement period.

NORTH BREVARD COUNTY HOSPITAL DISTRICT

SUPPLEMENTARY INFORMATION - UNAUDITED SCHEDULE OF INVESTMENT RETURNS FOR THE YEARS ENDED SEPTEMBER 30,

Fiscal Year Ended	Annual Money - Weighted Rate of Return, Net of Investment Expenses
9/30/2019	4.60%
9/30/2018	10.51%
9/30/2017	12.69%
9/30/2016	13.57%
9/30/2015	-2.65%
9/30/2014	8.35%
9/30/2013	12.40%

Notes to Schedule: The District implemented GASB Statement No. 68 for the fiscal year ended September 30, 2016, including a restatement as of September 30, 2014. Information for prior year is not available.

Covered Employee Payroll was projected one year forward from the valuation date for the year ended September 30, 2019.

Difference Between Expected and Actual Experience. Difference between expected and actual experience reflects the impact of changes to the census data from the prior valuation to the valuation as of September 30, 2018.

Changes of Assumptions. Changes of Assumptions reflects the changes to per-capita claims cost amounts, premium amounts, mortality rates, health care trend rates, and the member health care participation rate. Changes of Assumptions also reflects the effects of changes in the discount rate each year.

The following are the discount rates used in each year:

Fiscal Year Ended September 30, 2019: 4.18%
Fiscal Year Ended September 30, 2018: 3.64%
Fiscal Year Ended September 30, 2017: 3.06%

NORTH BREVARD COUNTY HOSPITAL DISTRICT

SUPPLEMENTARY INFORMATION - UNAUDITED SCHEDULE OF CHANGES IN THE SPONSOR'S TOTAL OPEB LIABILITY AND RELATED RATIOS

Reporting Period Ending	9/30/2019	9/30/2018
Measurement Date	9/30/2018	9/30/2017
Total OPEB Liability		
Service Cost	$ 45,916	$ 49,147
Interest	39,982	33,542
Changes of Benefit Terms	-	-
Differences Between Expected and Actual Experience	(169,863)	-
Changes of Assumptions	(864,969)	(64,714)
Benefit Payments	(12,989)	(11,944)
Net Change in Total OPEB Liability	(961,923)	6,031
Total OPEB Liability - Beginning	1,058,937	1,052,906
Total OPEB Liability - Ending	$ 97,014	$ 1,058,937
Covered Employee Payroll (Projected)*	$30,169,128	$41,070,015
Total OPEB liability as a percentage of covered employe payroll	0.32%	2.58%

*Covered Employee Payroll was projected one year forward from the valuation date for the reporting period ending September 30, 2019.

Notes to Schedule: The District implemented GASB Statement No. 75 for the fiscal year ended September 30, 2018, including a restatement as of September 30, 2017. Information for prior years is not available.

Covered Employee Payroll was projected one year forward from the valuation date for the year ended September 30, 2019.

Difference Between Expected and Actual Experience. Difference between expected and actual experience reflects the impact of changes to the census data from the prior valuation to the valuation as of September 30, 2018.

Changes of Assumptions. Changes of Assumptions reflects the changes to per-capita claims cost amounts, premium amounts, mortality rates, health care trend rates, and the member health care participation rate. Changes of Assumptions also reflects the effects of changes in the discount rate each year.

The following are the discount rates used in each year:

Fiscal Year Ended September 30, 2019:	4.18%
Fiscal Year Ended September 30, 2018:	3.64%
Fiscal Year Ended September 30, 2017:	3.06%

Pension Assumptions

Valuation Date:	10/01/2017

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Cost Method:	Aggregate Actuarial Cost Method.
Interest Rate:	7.35% per year compounded annually, gross of investment-related expenses. This assumption is consistent with the Plan's investment policy and long-term expected return by asset class.
Inflation:	2.8% per year
Lump Sum Assumptions:	The minimum guaranteed lump sum (the frozen vested accrued benefit as of January 9, 2006) is based on the Plan-specific 1971 Group Annuity Mortality Table for Males and an assumed PBGC discount rate as of each October 1 of the valuation year (increased from 0.50% to 0.75% per annum for the October 1, 2017 valuation) compounded annually. The base lump sum is based on the long-term discount rate of 7.6% per annum compounded annually and the mortality table prescribed by the Secretary of the Treasury (the "Secretary") in accordance with Section 417(e)(3)(A)(ii)(I) of the Internal Revenue Code, as applicable for the year in which the valuation is performed. All benefits to participants are assumed to be paid as lump sums, except for those who already terminated or retired as of the valuation date and who did not yet receive lump-sum payouts.
Mortality Rates:	Healthy Lives: Female: RP2000 Generational, 100% Annuitant White Collar, Scale BB. Male: RP2000 Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB. Disabled Lives: Female: 100% RP2000 Disabled Female set forward two years Male: 100% RP2000 Disabled Male setback four years.
Post Retirement COLA:	Not applicable.
Payroll Growth Assumption:	None necessary for amortization purposes under the Aggregate Actuarial Cost Method.
Administrative Expenses:	None assumed.
Funding Method:	Aggregate Actuarial Cost Method.

Actuarial Asset Method: All assets are valued at market value, with an adjustment made to uniformly spread actuarial investment gains and losses (as measured by actual market value investment return against expected market value investment return) over a five-year period.

Normal Retirement: The below rates were adopted by the Board, as the result of an Experience Study performed for the period October 1, 1993 through October 1, 2013.

Number of Years after First Eligible	Retirement Probability
0-3	15%
4 or more	100%

Early Retirement: Commencing at eligibility for Early Retirement (Age 55 with 20 years of Credited Service), Members are assumed to retire with an immediate benefit at the rate of 6% per year. This assumption was adopted by the Board, as the result of an Experience Study performed for the period October 1, 1993 through October 1, 2013.

Disability Rates:

Age	Disability Rates
20	0.07%
25	0.09%
30	0.11%
35	0.14%
40	0.19%
45	0.30%
50	0.51%
55	0.96%
60	1.66%
65	---

The above rates are consistent with those utilized by other Florida non-special risk retirement programs.

Termination Rate:

Age	Termination Rates
Less than 20	75.0%
20-24	19.0%
25-39	12.0%
40-64	6.0%
65 and Older	0.0%

The above rates were adopted by the Board, as the result of an Experience Study performed for the period October 1, 1993 through October 1, 2013.

Salary Increases: Not Applicable. Benefits are frozen as of October 2016.

Lump Sum Elections: Members are assumed to take a lump sum when eligible.

OPEB Actuarial Assumptions and Funding Methods

Actuarial Assumptions

Valuation Date	September 30, 2018
Measurement Date	September 30, 2018
Fiscal Year End	September 30, 2019
Actuarial Value of Assets	Market Value
Mortality Rate	Healthy Lives: **Female:** RP2000 Generational, 100% Annuitant White Collar, Scale BB **Male:** RP2000 / Generational, 50% Annuitant White Collar / 50% Annuitant Blue Collar, Scale BB Disabled Lives: **Female:** 100% RP2000 Disabled Female set forward two years. **Males:** 100% RP2000 Disabled Male setback four years
Retirement Rates	Normal Retirement:

Number of Years after First Eligible	Retirement Probability
0 – 3	15%
4 or more	100%

Early Retirement:

Commencing at eligibility for Early Retirement (Age 55 with 20 years of Credited Service), Members are assumed to retire with an immediate benefit at the rate of 6% per year.

Inflation	2.50% per year.
Salary Increase Rate	Sample rates below:

Years of Service	Rate
0	10.5%
5	6.8%
10	5.6%
15	5.2%
20+	4.5%

Marital Status	50% assumed married, with male spouses 3 years older than female spouses.
Health Care Participation	2.5% participation assumed pre-65, 0% participation assumed post-65, with 50% electing spouse coverage.

Health Care Inflation

Initial rate of 7.5% in fiscal 2019, then 7.0% in fiscal 2020, grading down to the ultimate trend rate of 4.00% in fiscal 2074.

Fiscal Year	Rate
2019	7.50%
2020	7.00%
2021	6.50%
2022 - 2023	6.00%
2024 - 2025	5.75%
2026 - 2027	5.50%
2028 - 2047	5.25%
2048 - 2056	5.00%
2057 - 2066	4.75%
2067 - 2069	4.50%
2070 - 2073	4.25%
2074+	4.00%

Termination Rate

Age	Termination Rates
Less than 20	75.0%
20-24	19.0%
25-39	12.0%
40-64	6.0%
65 and Older	0.0%

The above rates were adopted by the Board, as the result of an Experience Study performed for the period October 1, 1993 through October 1, 2013.

Disability Rates

Age	Disability Rates
20	0.07%
25	0.09
30	0.11
35	0.14
40	0.19
45	0.30
50	0.51
55	0.96
60	1.66
65	---

The above rates are consistent with those utilized by other Florida non-special risk retirement programs.

Medical Aging Factors

Developed based on a study performed by Dale Yamamoto for the Society of Actuaries. Used to measure the annual increases in per capita claim costs for each age and relative cost by gender. See the SOA report titled “Health Care Costs – From Birth to Death” for more details.

Health Claims

Developed using age-adjusted active insured premium rates.

Funding Method

Entry Age Cost Method (Level Percentage of Pay)

OTHER SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2019

NORTH BREVARD COUNTY HOSPITAL DISTRICT

SUPPLEMENTARY INFORMATION - CONSOLIDATING STATE OF NET POSITION
SEPTEMBER 30, 2019

	North Brevard County Hospital District Operating Parrish Medical Center (Obligated Group)	North Brevard Medical Support, Inc.	Jess Parrish Medical Foundation, Inc.	Eliminations	North Brevard County Hospital District
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 3,865,456	$ 2,885,312	$ 89,242	$ -	$ 6,840,010
Restricted assets - held by trustee and required for current liabilities	1,051,505	-	-	-	1,051,505
Patient accounts receivable - net	14,502,969	-	-	-	14,502,969
Supplies	2,507,650	-	-	-	2,507,650
Prepaid expenses and other assets	4,809,999	3,352,699	80,985	(1,938,088)	6,305,595
Total current assets	26,737,579	6,238,011	170,227	(1,938,088)	31,207,729
OTHER ASSETS:					
Funded deprecation	59,750,158	-	-	-	59,750,158
Net pension asset	20,119,094	-	-	-	20,119,094
Investments	16,060,670	2,207,501	-	-	18,268,171
Deposits and other assets	5,362,109	3,016,807	-	(5,358,765)	3,020,151
Temporarily donor-restricted net position	247,597	-	1,898,054	-	2,145,651
Capital assets, net	61,976,984	939,029	-	-	62,916,013
Total assets	190,254,191	12,401,348	2,068,281	(7,296,853)	197,426,967
DEFERRED OUTFLOWS:					
Series 2008 Bond refunding	10,901,671	-	-	-	10,901,671
Pension	6,538,394	-	-	-	6,538,394
Other post-employment benefits	14,131	-	-	-	14,131
Total deferred outflows	17,454,196	-	-	-	17,454,196
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 207,708,387	$ 12,401,348	$ 2,068,281	$ (7,296,853)	$ 214,881,163

(Continued)

NORTH BREVARD COUNTY HOSPITAL DISTRICT

SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	North Brevard County Hospital District Operating Parrish Medical Center (Obligated Group)	North Brevard Medical Support, Inc.	Jess Parrish Medical Foundation, Inc.	Eliminations	North Brevard County Hospital District
LIABILITIES, DEFEERED INFLOWS, AND NET POSITION					
CURRENT LIABILITIES:					
Accounts payable	$ 13,565,044	$ 1,426,655	$ 5,374	$ (1,938,088)	$ 13,058,985
Accrued health insurance and workers' compensation	1,483,932	-	-	-	1,483,932
Accrued salaries and employee leave bank	5,006,305	-	-	-	5,006,305
Other current liabilities	2,562,774	-	-	-	2,562,774
Estimated third-party settlements	375,885	-	-	-	375,885
Current portion of long-term debt and capital lease obligations	2,516,000	42,038	-	-	2,558,038
Total current liabilities	25,509,940	1,468,693	5,374	(1,938,088)	25,045,919
NON-CURRENT LIABILITIES:					
Accrued medical malpractice	132,892	2,762,261	-	-	2,895,153
Accrued other post-employment benefits	97,014	-	-	-	97,014
Other liabilities	-	5,358,765	-	(5,358,765)	-
Long-term debt and capital lease obligation, net of current portion	87,352,000	116,791	-	-	87,468,791
Total liabilities	113,091,846	9,706,510	5,374	(7,296,853)	115,506,877
DEFERRED INFLOWS:					
Pension	7,118,552	-	-	-	7,118,552
Other post-employment benefits	905,501	-	-	-	905,501
Total deferred inflows	8,024,053	-	-	-	8,024,053
NET POSITION:					
Investment in capital assets, net of related debt	(5,407,742)	939,029	-	-	(4,468,713)
Restricted by donors	247,597	-	1,898,054	-	2,145,651
Restricted for debt service	1,051,505	-	-	-	1,051,505
Unrestricted	90,701,128	1,755,810	164,852	-	92,621,790
Total net position	86,592,488	2,694,839	2,062,906	-	91,350,233
TOTAL LIABILITIES, DEFFERED INFLOWS, AND NET POSITION	$ 207,708,387	$ 12,401,349	$ 2,068,280	$ (7,296,853)	$ 214,881,163

See Independent Auditor's Report. *(Concluded)*

NORTH BREVARD COUNTY HOSPITAL DISTRICT

SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2019

	North Brevard County Hospital District Operating Parrish Medical Center (Obligated Group)	North Brevard Medical Support, Inc.	Jess Parrish Medical Foundation, Inc.	Eliminations	North Brevard County Hospital District
OPERATING REVENUE:					
Net patient service revenue	$ 128,794,556	$ -	$ -	$ -	$ 128,794,556
Other operating revenue	180,351	-	-	-	180,351
Total operating revenue	128,974,907	-	-	-	128,974,907
OPERATING EXPENSES:					
Salaries and wages	45,873,668	-	-	-	45,873,668
Employee benefits	9,506,923	-	-	-	9,506,923
Medications and supplies	23,345,818	-	-	(16,736)	23,329,082
Professional fees and contractual services	24,126,779	-	-	-	24,126,779
Other operating expenses	12,932,132	-	-	(1,379,000)	11,553,132
Depreciation	6,277,198	-	-	-	6,277,198
Interest expense	2,809,774	-	-	-	2,809,774
Total operating expenses	124,872,292	-	-	(1,395,736)	123,476,556
INCOME FROM OPERATIONS	4,102,615	-	-	1,395,736	5,498,351
NON-OPERATING REVENUES (EXPENSES):					
Investment income, net	3,177,602	10,748	54,780	-	3,243,130
Other non-operating revenue (expenses), net	(11,373,740)	(4,540,369)	412,918	(1,429,139)	(16,930,330)
Internal grants	(4,261,029)	4,585,335	(357,709)	33,403	-
Total non-operating revenues (expenses), net	(12,457,167)	55,714	109,989	(1,395,736)	(13,687,200)
CHANGE IN NET POSITION	$ (8,354,552)	$ 55,714	$ 109,989	$ -	$ (8,188,849)

See Independent Auditor's Report.

OTHER REPORT

MSL

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors and Audit Committee
North Brevard County Hospital District
Titusville, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Brevard County Hospital District (the "District") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 3, 2020.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors and Audit Committee
North Brevard County Hospital District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Pursuant to the provisions of Chapter 10.500, *Rules of the Auditor General*, we reported certain matters to management of the District in an Independent Auditor's Management Letter dated January 3, 2020.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
January 3, 2020

MSL

Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT

Board of Directors and Audit Committee
North Brevard County Hospital District
Titusville, Florida

We have examined the North Brevard County Hospital District's (the "District") compliance with the requirements of Section 218.415, Florida Statutes, during the fiscal year ended September 30, 2019. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the fiscal year ended September 30, 2019.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
January 3, 2020

MSL

Certified Public Accountants

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board of Directors and Audit Committee
North Brevard County Hospital District
Titusville, Florida

Report on the Financial Statements

We have audited the financial statements of North Brevard County Hospital District (the "District") as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated January 3, 2020.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America and Chapter 10.550, *Rules of the Florida Auditor General.*

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Governmental Auditing Standards;* Independent Auditor's Report on Compliance with Bond Covenants; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General.* Disclosures in those reports, which are dated January 3, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., *Rules of the Auditor General,* requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no prior audit findings.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The District was established under the laws of the state of Florida in 1953 under an original act included in Chapter 28924, House Bill 1370, and operates Parrish Medical Center, a community hospital providing inpatient and outpatient healthcare services in North Brevard County, Florida. The legal authority is disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General,* require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), *Rules of the Auditor General,* we applied financial condition assessment procedures for the District. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based, in part, on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)2., *Rules of the Auditor General,* requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Additional Matters

Section 10.554(1)(i)3., *Rules of the Auditor General,* requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management, and is not intended to be, and should not be used by anyone other than these specified parties.

MSL, P.A.

Certified Public Accountants

Orlando, Florida
January 3, 2020