SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Financial Statements and Supplemental Information
and Reports as Required by the Uniform Guidance and Chapter 10.550,
Rules of Auditor General

September 30, 2021

(With Independent Auditors' Report Thereon)

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Financial Statements and Supplemental Information

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Letter of Transmittal

(Unaudited)

Introduction

This section of the annual financial report of the Sarasota County Public Hospital District (the District) provides background about the Sarasota Memorial Health Care System (the System, SMHCS or Sarasota Memorial).

Background

The System is among the largest public health systems in Florida, offering a comprehensive range of inpatient, outpatient and extended care services. SMHCS had a total of 44,200 inpatient visits and more than 1.2 million outpatient and physician visits in fiscal year 2021.

The District is an independent special taxing district with boundaries mirroring those of Sarasota County. Governing the District is the Sarasota County Public Hospital Board, made up of nine residents elected by local voters to four-year terms. The Board members, who are unpaid, are charged with serving as good stewards of scarce financial resources. The Board derives its authority to levy property taxes from a special law passed by the Florida Legislature and ratified by voters. Tax revenues are spent within Sarasota County on programs, services, facilities and equipment based on the community's evolving needs. The Board sets the annual tax rate in a transparent process that includes advertised public hearings that are open to the community.

The District consists of:

- The flagship Sarasota Memorial Hospital (SMH-Sarasota), which serves as a regional referral center and health care safety net. At the end of fiscal year 2021, SMH-Sarasota was poised to increase its licensed bed count from 839 to 895 beds, with the opening of a new 56-bed Oncology Tower in the first quarter of Fiscal Year 2022.
    - SMH-Sarasota also includes a behavorial health hospital providing inpatient and outpatient services.
- Sarasota Memorial Hospital-Venice (SMH-Venice), a new 110-bed hospital opened in Venice in south Sarasota County in the first quarter of Fiscal Year 2022.
- A network of outpatient services, including urgent care and outpatient centers located throughout the region; a freestanding Emergency Room and Health Care Center in North Port; and a full array of laboratory, imaging and rehabilitation services.
- Corporate services, which consist of various support departments.
- Sarasota Memorial Nursing and Rehabilitation Center (NRC), which provides skilled nursing and rehabilitation programs, including a specialized respiratory unit.
- SMH Health Care, Inc., a corporation providing leased personnel services to all System entities.
- SMH Physician Services, Inc. d/b/a First Physicians Group, a physician practice group that includes more than 320 primary and specialty care physicians and advanced practice providers practicing in 32 specialties in 54 locations.

With nearly 7,700 staff, the System is among the region's largest employers. SMH-Sarasota's growing medical staff had nearly 1,150 physicians representing 60 specialties and more than 415 advanced practice professionals as of September 30, 2021. SMH-Venice's medical staff, which successfully opened in November, 2021, has 600 physicians across 40 specialties, and 195 advanced practice professionals. In addition, community volunteers support many areas of the System.

As the community's health care safety net, Sarasota Memorial is Sarasota County's only provider of trauma care, obstetrical services, pediatrics, neonatal intensive care and psychiatric services for patients of all ages.

New Facilities and Programs to Enhance the Community's Access to Care

Brand-New Hospital Completed in Venice

Despite the challenges of the COVID-19 pandemic, the System was able to complete the construction of its new full-service hospital in Venice. Opened in November 2021, SMH-Venice includes 110 private patient suites, a 28-bed Emergency Care Center and eight surgical suites, but the facility has the capacity to more than double in size and grow along with the community. The five-story, 365,000-square-foot facility provides an extensive array of care, from cardiology, neurology, orthopedics, oncology, obstetrics and a pandemic-ready Intensive Care Unit, to surgical services, rehabilitation and advanced diagnostics. The 65-acre medical campus also includes a medical office building and parking garage. Plans are under way to add 68 new private patient suites to the facility and open an outpatient cancer center.

Advances in the Development of the Brian D. Jellison Cancer Institute (Institute)

In the fall of 2020, SMHCS and the Sarasota Memorial Healthcare Foundation announced a $25 million donation from the Brian and Sheila Jellison Family Foundation to help advance the mission of the System's Cancer Institute. In recognition of the gift, the cancer program is now known as the Brian D. Jellison Cancer Institute. The Institute encompasses several new facilities that will give patients throughout the region greater access to the latest treatments, technologies and clinical trials. The cornerstone of the Institute is the eight-story oncology tower on the SMH-Sarasota campus, which opened in November 2021 with 56 private inpatient suites and advanced operating rooms. Plans are being developed to establish two new outpatient oncology facilities: a six-story cancer pavilion at SMH-Sarasota, and a two-story cancer center at SMH-Venice.

New Behavioral Health Pavilion Takes Major Step Forward

Plans are under way to replace the System's aging behavioral health hospital with a new, state-of-the-art pavilion that centralizes and enhances care to people affected by mental and behavioral health issues. SMHCS and the Sarasota Memorial Healthcare Foundation announced a $10 million donation in October, 2021 from Target Corp. Chairman and CEO Brian Cornell and wife Martha Cornell to support the creation of the new behavioral health facility. When complete in 2023 on the SMH-Sarasota campus, the Cornell Family Behavioral Health Pavilion will have four inpatient units with private rooms for geriatric, adult, children/adolescent and acute-care patients. Part of the pavilion also will be dedicated to outpatient services.

Physician Training Programs Help Attract Providers to the Community

Sarasota Memorial partners with Florida State University's College of Medicine on graduate medical education programs, which provide advanced training to 68 physicians each year:

- A three-year Internal Medicine Residency Program includes 39 physician residents caring for patients at SMH-Sarasota and at an internal medicine practice in the under-served community of Newtown.
- A three-year Emergency Medicine Residency Program provides training to 27 physician residents.
- A one-year Hospice & Palliative Care Fellowship Program trains 2 fellows each year to address issues related to serious illness and end-of-life care.

Patient-Centered, Patient-Safe Care to Combat COVID-19

Sarasota Memorial continued to battle COVID-19 throughout 2021. The System's top priority remains providing top-quality care while protecting patients and staff. To that end, SMHCS continues to stockpile personal protective equipment (PPE), enhance its COVID-19 testing capabilites, maintain staffing and bed capacity and adhere to rigorous infection control precautions.

Unprecedented Summer Surge

Sarasota Memorial's patient care teams have developed detailed plans to manage patient surges throughout the pandemic. The plans were once again put into action when Florida became a COVID-19 "hot spot" in the summer of 2021 due to the Delta variant. After COVID-19 patient volumes fell to the single digits in June, 2021, SMH-Sarasota experienced a rapid, massive influx of COVID-19 patients starting in July and continuing through September. The COVID-19 daily patient census reached a peak of more than 300 patients in late August. With the critical care census regularly exceeding 100 patients — far above the capacity of the hospital's 62-bed ICU — the hospital temporarily opened additional ICU beds in other locations throughout the facility, including surgical areas. Most non-emergent surgeries were paused for several weeks. Additional equipment, ventilators, PPE and other critical supplies were obtained. SMH-Sarasota also worked to bring in contract nurses to help augment staffing.

SMH-Sarasota treated a total of more than 1,800 COVID-19 patients during the July – September, 2021, surge, compared to just over 500 patients during the summer surge in 2020. The COVID-19 census began to stabilize in late September 2021, and non-emergent surgeries ramped backed up as ICU and overall patient volumes decreased.

Innovation and Research

- In an effort to respond to the pandemic's many challenges and provide advanced care to the community, Sarasota Memorial has been at the forefront of many COVID-19 treatments and research programs. The System has been involved in 24 COVID-related clinical studies to date. In addition, SMHCS was one of the earliest providers of the monoclonal antibody treatment in the community, and administered the therapy to about 1,200 outpatients during Fiscal Year 2021.

- The System's Laboratory continued to expand its in-house COVID-19 testing capacity in 2021, speeding up the turnaround time for test results and ensuring redundancy.

- Physicians and clinicians continued to employ telehealth when appropriate for patient visits, monitoring and support.

Community Vaccination Campaign

- Sarasota Memorial received its first allocation of the Moderna vaccine in December, 2020 and quickly set up a vaccine clinic for staff.

- Before the vaccine became widely available to the public, Sarasota Memorial devoted a portion of its supply of the Moderna vaccine to host several vaccination clinics for senior and high-risk community members and patients, in accordance with state and federal eligibility requirements.

- Once the vaccine was available to the general public, the System launched a community-wide multimedia campaign urging people to get the shot as quickly as possible.

National Recognition for Top-Quality Care

Only Hospital in Florida to Continuously Earn Five Stars from CMS for Quality

Sarasota Memorial is the only hospital in Florida and one of only 24 nationally to earn the federal Centers for Medicare & Medicaid Services' highest five-star rating for overall quality and safety in every reporting period since the rating system launched in 2016.

“A” Grade for Patient Safety

In April 2021, Sarasota Memorial earned an “A” grade for patient safety from The Leapfrog Group, a national organization that evaluates hospitals’ efforts to protect patients from preventable injuries and harm. The System has earned straight A’s since it began participating in Leapfrog’s voluntary hospital safety survey in 2016.

U.S. News High Performer

U.S. News & World Report’s 2021/2022 “Best Hospitals” guide ranked Sarasota Memorial 39th in the nation for Rehabilitation care, and “high performing” in 15 procedures & conditions.

IBM Watson Top 100 Hospital

Sarasota Memorial was included among the nation’s 50 Top Cardiovascular Hospitals by IBM Watson Health for 2021.

Newsweek Best Hospital

In 2021, *Newsweek* magazine named Sarasota Memorial one of the world’s best hospitals in a global ranking for the third year in a row. Hospitals were selected based on medical performance indicators that included low mortality, complication and readmission rates, as well as recommendations from medical professionals and patient survey results.

Named Among Best Employers for Women

In 2021, Sarasota Memorial was listed among America’s best employers for women, a designation given to less than 1 percent of large companies nationwide. *Forbes,* in partnership with research company Statista, developed a list of the 300 Best Employers for Women after independent surveys of 50,000 Americans, including 30,000 women, working for businesses with at least 1,000 employees.

Ongoing Magnet Designation

In November 2018, Sarasota Memorial earned Magnet Nursing Services Recognition for the fourth time – a challenge accomplished by fewer than 1% of the nation’s hospitals. Independently sponsored research projects suggest that Magnet facilities have positive outcomes for patients, nurses and workplaces. The organization is currently the only provider in the region with Magnet Recognition, which is given by the American Nurses’ Credentialing Center. The hospital has been continuously designated since 2003.

American Heart Association/American Stroke Association Honors for Excellence

In 2021, Sarasota Memorial once again received top honors and recognition for medical outcomes and excellence from the American Heart Association and the American Stroke Association as part of the organizations’ annual “Get With The Guidelines” assessments.

The yearly awards recognize hospitals that not only meet top standards of care but do so consistently, month to month and year to year. In 2021, Sarasota Memorial was awarded three designations: “Gold Plus Target: Heart Failure Honor Roll,” “Gold Plus Target: Stroke Elite Honor Roll,” and “Target: Type 2 Diabetes Honor Roll.”

Comprehensive Stroke Center Designation

Sarasota Memorial is certified as a Comprehensive Stroke Center Certification by DNV Healthcare, one of the leading accrediting organizations in the nation.

Hip/Knee Replacement Certification

Sarasota Memorial also has received certification from DNV for its Hip and Knee Replacement program.

Designated Chest Pain Center

The American College of Cardiology has recognized Sarasota Memorial as a designated Chest Pain Center with Primary PCI and Resuscitation, due to the System's demonstrated expertise in treating patients with chest pain.

Mitral Valve Repair Recognition

Sarasota Memorial received the Mitral Valve Repair Reference Center Award from the American Heart Association and the Mitral Foundation in 2021 for its demonstrated record of superior clinical outcomes resulting from evidence-based, guideline-directed degenerative mitral valve repair.

Comprehensive Bariatric Accreditation

Sarasota Memorial's Bariatric and Metabolic Center is accredited as a higher level "Comprehensive Center" under the Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program.

Age-Friendly Status

Sarasota Memorial is currently recognized as an "Age-Friendly Health System," one of more than 100 hospitals in the U.S. that are implementing best practices to enhance care for older adults.

Baby-Friendly Recognition

Sarasota Memorial is designated as a Baby-Friendly Hospital by Baby-Friendly USA Inc., part of a global initiative by the World Health Organization and the United Nations Children's Fund to promote mother-baby bonding, breastfeeding and best practices in maternity care.

Beacon Awards for Nursing Units

Sarasota Memorial's Cardiovascular Thoracic Stepdown/Cardiac Progressive 3 Unit earned a silver-level Beacon Award for Excellence from the American Association of Critical-Care Nurses, becoming the third nursing unit at the hospital to earn a national Beacon award for high-quality care. Previously, the hospital's Critical Care Unit received a silver award, while the Cardiac Acute/Cardiac Progressive 1 Unit earned a gold award. To earn the honors, the units demonstrated excellence in categories including leadership structures and systems; appropriate staffing and staff engagement; effective communication, knowledge management and learning and development; evidence-based practice and processes; and outcome measurement.

Most Wired Honor

Sarasota Memorial was named among America's 2021 "Most Wired" hospitals for pioneering IT systems that promote safety, security and clinical innovation.

Patient-Centered Medical Home Certification

Most of First Physicians Group primary care practices are certified as "Patient Centered Medical Homes" from the National Committee for Quality Assurance (NCQA). Research shows that physician practices with this designation demonstrate improved quality, a better patient experience, increased staff satisfaction and reduced health care costs. (Four new primary practices are currently pursuing the designation.)

Clinical Affiliations

Sarasota Memorial has longstanding clinical affiliations and partnerships with New York's Columbia University Medical Center and Johns Hopkins All Children's Hospital that bring additional research, resources and advanced treatments to the community.

The Community's Health Care Safety Net

Sarasota Memorial serves as the community's health care safety net, recognized for both its quality and its mission-driven programs. The System cares for the majority of the county's inpatient Medicaid and uninsured cases and provides many vital services that other local hospitals do not.

SMHCS is the sole provider of trauma care, obstetrical services, neonatal intensive care and inpatient pediatric services in Sarasota County. It also is the only hospital in Sarasota County providing psychiatric services to patients of all ages. The organization's Community Specialty Clinic offers a wide range of free specialty care to eligible uninsured/underinsured residents.

Sarasota Memorial provides traditional charity care to those patients who meet certain criteria established by the State of Florida. In addition, the System provides services to patients who meet other financial criteria that indicate an economic hardship and inability to pay for services, but who either do not meet the strict eligibility requirements for traditional charity care or who do not complete all necessary paperwork to qualify for traditional charity care. These services are referred to as community support.

The System also offers a sliding scale discount program that offers significantly reduced rates to lower-income, uninsured patients. The program's goal is to make health care more affordable for the uninsured and allow eligible patients to pay what they can. The discount plan treats patients with dignity and compassion, and encourages the uninsured to take care of their health needs promptly, before conditions become catastrophic.

Sarasota Memorial registered about 117,000 emergency cases in fiscal year 2021 at the SMH - Sarasota Emergency Care Center and at the freestanding Emergency Room (ER) in North Port. In addition to emergency care, the North Port outpatient center also has physician offices and outpatient programs including laboratory, radiology and rehabilitation services. The North Port facility also includes a Johns Hopkins All Children's Hospital pediatric specialty clinic.

In addition to its safety net care, Sarasota Memorial also offers an array of disease management programs that provide patients with chronic health conditions cost-effective, high-quality alternatives to the emergency room and hospitalization. These services include a Heart Failure Treatment Center, Anti-Coagulation Clinics and a Secondary Stroke & TIA Prevention Clinic.

Economic Driving Force

Among the largest employers in the region, Sarasota Memorial is a significant economic engine, creating and sustaining jobs and income for nearly 7,700 staff and a large number of local businesses and vendors. All earnings are re-invested into patient care, technology and assets that benefit the community. Examples of this community investment during the past year include:

- $620.6 million in total payroll – supports local workforce,
- $1.1 billion in total operating expenses that help support a variety of local businesses and community members,
- $1.7 million investment in workforce development and staff training and education, and
- $335.5 million for facility and equipment upgrades in 2021.

Finance

Operational Improvements

Management has continued to make operational improvements focused both on improving revenue cycle efficiency and decreasing the cost of care.

The following are among the major revenue enhancement and cost-reduction initiatives implemented or in process:

- Developed business tracking tool and organizational policy to ensure appropriate reimbursement for growing clinical research programs.
- Implemented value analysis assessment tool to provide reimbursement and payor guidelines for new procedures and technology in coordination with Supply Chain.
- Created a community based approach to safe and efficient discharge planning for COVID patients.
- Invested in full-time Physician Advisor program to support Medical Staff in medical necessity determinations and documentation.
- Implemented Artificial Intelligence software for auto indexing of medical record images.
- Developed an integrated rules-based audit workflow for coding to drive accurate coding and reimbursement.

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Independent Auditors' Report

The Board Members
Sarasota County Public Hospital District:

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the pension trust fund of Sarasota County Public Hospital District (the District), as of and for the years ended September 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements and the related footnotes of the SMH Health Care Retirement Plan, which statements reflect 100% of the pension trust fund. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included in the SMH Health Care Retirement Plan, is based solely on the report of the other auditors. 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 from 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 auditors' 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 entity'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 entity'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 opinions.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the pension trust fund of Sarasota County Public Hospital District, as of September 30, 2021 and 2020, and the respective changes in financial position, and where applicable, and cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1(d) to the financial statements, in 2021 the District adopted Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 11 to 26, schedule of the changes in the net pension liability and related ratios, schedule of the District's pension contributions and schedule of changes in the total OPEB liability and related ratios on pages 88 to 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The letter of transmittal, combining balance sheet information combing statement of revenues, expenses and changes in net position information, and budgetary comparison schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining balance sheet information and the combining statement of revenues, expenses and change in net position information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining balance sheet information and combining statement of revenues, expenses and change in net position information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of transmittal and budgetary comparison schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

KPMG

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2022 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 grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's 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.

KPMG LLP

January 31, 2022

This section of the annual financial report of the Sarasota County Public Hospital District (the District) provides management's discussion and analysis of the organization for the fiscal years ended September 30, 2021 and 2020. The District includes Sarasota Memorial Hospital (the Hospital) among other entities. This discussion has been prepared along with the financial statements and related note disclosures, which should be read in conjunction with one another. This narrative, the financial statements, and notes are the responsibility of the District's management.

Required Financial Statements

The basic financial statements of the District report information about the District using accounting methods prescribed by the Governmental Accounting Standards Board (GASB). These statements provide current and long-term financial information about the District's activities. The following statements are included in this package:

- The Balance Sheets list all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). The Balance Sheets also include information to help compute the rate of return on investments, evaluate the capital structure of the organization, and assess the liquidity and financial flexibility of the District.
- The Statements of Revenues, Expenses, and Changes in Net Position include all of the revenues and expenses for the respective years. This statement measures changes in the District's operations over the year and can be used to determine whether the District has been able to recover all of its costs through patient service revenue and other revenue sources.
- The Statements of Cash Flows provide information about the District's cash from operating, investing, and capital and non-capital financing activities. It presents the sources of cash, how it was spent, and the change in the cash and cash equivalents balance during the current and prior fiscal years.

In addition to the above, the following two financial statements are included in accordance with GASB Statement No. 84.

- The Statements of Fiduciary Net Position reports on the District's defined benefit pension plan's financial position as of the end of the current and prior fiscal years, respectively.
- The Statements of Changes in Fiduciary Net Position represents the contributions and deductions that increased and decreased, respectively, the District's defined benefit pension plan's net position across the fiscal year.

COVID-19

The period this report covers continued to be highly impacted by the COVID 19 pandemic.

While patient volumes and operations stabilized to a large degree during the first three quarters of Fiscal Year 2021, a massive patient surge triggered by the Delta variant occurred in the fourth quarter, placing enormous strain and stress on capacity and staff.

The District incorporated "lessons learned" from the initial waves of COVID-19 in fiscal year 2020 to respond to the surge:

- Leadership quickly implemented surge plans to increase ICU capacity from 62 beds to well over 100 ICU beds. Ultimately, a significant portion of the surgical department was converted to an Intensive Care Unit to accommodate the increased critical care census, which reached a peak of 116 patients in August 2021. While surgical volumes dramatically decreased, the state did not mandate a moratorium on non-emergent procedures as it had in Fiscal Year 2020. Sarasota Memorial was able to manage surgical volumes and capacity on a case-by-case basis, including performing procedures as appropriate at it's adjacent hospital outpatient surgery center.
- Facilities and Respiratory Care teams closely monitored systems and supplies to help ensure continued delivery of oxygen amid the immense increase in patient demand. Ongoing communication and existing relationships with local, state and federal emergency management officials helped the hospital promptly obtain additional ventilators as needed.
- Nursing leaders worked diligently to bring in additional contract nurses, and created an emergency labor pool to deploy clinical and non-clinical staff to key areas.
- Patient care leaders and physicians enhanced telehealth and remote monitoring capabilities.
- With few beds open at local long-term care facilities during much of the surge, hospital leaders made special arrangements with a hotel and an assisted living facility to facilitate the safe and timely discharge of patients who no longer required hospitalization but were unable to go home.

Although the surge waned in the last days of fiscal year 2021, the District continues to review and refine its emergency and surge capacity plans, and is keeping in place many measures instituted at the onset of the pandemic in March, 2020. These plans and action steps, which are adjusted based on changing circumstances, include:

- Leadership and Infrastructure:
  - Incident command center is reconvened as needed to coordinate crisis preparedness and response.
  - Organization-wide conference calls to share status reports from all areas of operation.
  - CEO sends weekly COVID status reports to all employees and provides regular video updates to staff and the community via the Sarasota Memorial's YouTube channel.
  - Emergency plans are continually reviewed and refined to improve the organization's ability to adjust to fluctuations in patient volumes and acuity.
  - Separate emergency triage area maintained to assess patients with COVID-19 symptoms.
  - Access to hospital is controlled through regular updates to visitation policy based on transmission rates and case counts.

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- Added needed equipment with funds donated by the Sarasota Memorial Health Care Foundation.
- Maintain frequent communications with state leaders.

• Patient Care:

- Developed an aggressive COVID-19 testing process, including the launch of rapid in-house testing on multiple platforms.
- Increased clinical staffing.
- Ensured that sufficient supplies of Personal Protective Equipment (PPE) were on hand.
- Expanded the use of telemedicine throughout the health system.
- Updated surge capacity plans.
- Participated in multiple COVID-related clinical trials and research.
- Increased staffing of Employee Health Department to support staff.
- Provided on-site Moderna vaccine clinics to staff.

• Finance:

- Received $34 million grant during 2020 from the Provider Relief Fund. All $34 million of the unearned grant receipts were recognized as other nonoperating income for the year ended September 30, 2021.
- For the years ended September 30, 2021 and 2020 there were $41.0 million and $11.6 million, respectively, attributed to extra labor and other expenses directly related to the treatment of COVID 19.
- In fiscal year 2020, applied for and received CMS Advance Payments from Medicare totaling $146 million. Beginning in April 2021, CMS began monthly remittance deductions to offset Medicare claims payments; CMS will be reimbursed in full by September 2022. The remaining balance of $103.1 million is included on the balance sheet as of September 30, 2021 in current portion of advanced payments from third parties.
- Received $0.1 million and $1.9 million during fiscal years 2021 and 2020, respectively, in grants from the Sarasota Memorial Healthcare Foundation to help offset the costs of equipment and supplies to fight COVID 19.
- In fiscal year 2021, collected a $5.0 million claim on our property insurance policy under the “communicable diseases” clause of the business interruption coverage.

- Community:
  - Offered Moderna vaccine clinics to eligible community members before the vaccine became widely available at retail pharmacies and other sites.
  - Launched regional multimedia campaign in Spring of 2021 to urge community members to get vaccinated.
  - Maintained COVID-19 hot line to provide updates for the community
  - Physicians and administrators provided frequent updates to the public via media interviews, video news releases, podcasts, blogs and social media posts.

While the ultimate impact of this pandemic is largely unknown, the District has taken immediate and appropriate measures to deal with the crisis. Plans will be adjusted as warranted by the evolving circumstances.

Summary of Financial Highlights and Trends

The District's cash and board designated investments, which included $103.1 million of Advance Payments from Medicare, decreased by $19.4 million and increased by $309.8 million in the fiscal years ended September 30, 2021 and 2020, respectively. Long-term debt (including current portion) decreased by $11.5 million and decreased by $11.1 million in the years ended September 30, 2021 and 2020, respectively. The excess of revenue over expenses were $161.7 million and $150.9 million for the years ended September 30, 2021 and 2020, respectively. Net position increased by $165.1 million in fiscal 2021, and by $155.0 million in fiscal 2020. In 2021, Hospital overall payor mix reflected a decrease in self-pay and other, with an increase in each of the three other payor categories as compared to fiscal year 2020. In 2020, Hospital payor mix reflected an increase in Medicare, with decreases in each of the other three payor categories as compared to fiscal year 2019.

	2021	2020	2019
Medicare	61.2 %	61.0 %	59.7 %
Managed care and commercial	25.0	24.8	25.2
Self-pay and other	5.4	6.1	6.5
Medicaid	8.4	8.1	8.6
	100.0 %	100.0 %	100.0 %

Operating Statistics

Based on the most recent data available from the Agency for Health Care Administration for the six months ended March 31, 2021, admissions volumes decreased across the Sarasota County area 1% from the same period ending March 31, 2020. The Hospital's admissions outperformed the overall market with a decrease of 0.8% during the six months ended March 31, 2021. Sarasota Memorial Hospital inpatient market share in the Sarasota County area for the six months ended March 31, 2021 was 68.0%. The Hospital outpatient volume, excluding emergency room visits, increased by 16.1% and decreased by 8.7% during the years that ended September 30, 2021 and 2020, respectively. Emergency Care Center visits increased by 8.8% and decreased 14.1% during the years that ended September 30, 2021 and 2020, respectively.

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The following tables represent utilization statistics for Sarasota Memorial for the fiscal years indicated:

	Fiscal year ended September 30				
	2021	**2020**	**2019**	**2018**	**2017**
Average number of beds in service:					
Medical/surgical intensive care	62	62	62	62	62
Cardiac telemetry, acute, and intensive care	156	156	156	156	132
Other medical/surgical	438	438	438	404	402
Total medical/surgical	656	656	656	622	596
Obstetrics	30	30	30	30	30
Psychiatric and substance abuse	60	60	60	60	60
Rehabilitation	54	54	54	44	44
Pediatrics	28	28	28	28	18
Total hospital	828	828	828	784	748

	Fiscal year ended September 30				
	2021	**2020**	**2019**	**2018**	**2017**
Combined admissions and observation cases:					
Admissions	44,278	41,744	43,120	36,016	33,262
Observation cases	8,161	6,316	7,168	8,694	8,940
Total admissions and observation cases	52,439	48,060	50,288	44,710	42,202
Admissions:					
Total medical/surgical	34,993	33,139	34,677	28,569	26,094
Obstetrics	4,253	4,035	4,049	3,730	3,639
Psychiatric and substance abuse	2,294	2,265	2,333	2,101	2,123
Rehabilitation	1,406	1,389	1,286	1,048	915
Pediatrics	1,332	916	775	568	491
Total hospital	44,278	41,744	43,120	36,016	33,262
Average length of stay:					
Total medical/surgical	5.11	4.82	4.54	4.72	4.85
Obstetrics	2.48	2.38	2.43	2.45	2.38
Psychiatric and substance abuse	5.44	5.43	5.29	5.88	5.22
Rehabilitation	13.61	13.44	12.80	13.70	12.86
Pediatrics	3.52	2.80	2.82	3.50	3.16
Total hospital	5.10	4.86	4.60	4.79	4.80
Number of patient days:					
Medical/surgical intensive care	18,414	15,792	14,339	15,204	14,661
Cardiac telemetry, acute, and intensive care	43,170	38,517	39,736	35,159	32,396
Other medical/surgical	117,372	105,510	103,439	84,346	79,385
Total medical/surgical	178,956	159,819	157,514	134,709	126,442
Obstetrics	10,556	9,595	9,838	9,141	8,649
Psychiatric and substance abuse	12,488	12,291	12,341	12,344	11,092
Rehabilitation	19,131	18,671	16,462	14,357	11,770
Pediatrics	4,686	2,561	2,187	1,989	1,550
Total hospital	225,817	202,937	198,342	172,540	159,503

(Continued)

	Fiscal year ended September 30				
	2021	**2020**	**2019**	**2018**	**2017**
Percentage occupancy (admitted patients):					
Medical/surgical intensive care	81.4 %	69.6 %	63.4 %	67.2 %	64.8 %
Cardiac telemetry, acute, and intensive care	75.8	67.5	69.8	61.7	67.2
Other medical/surgical	73.4	65.8	64.7	57.2	54.1
Total medical/surgical	74.7	66.6	65.8	59.3	58.1
Obstetrics	96.4	87.4	89.8	83.5	79.0
Psychiatric and substance abuse	57.0	56.0	56.4	56.4	50.6
Rehabilitation	97.1	94.5	83.5	89.4	73.3
Pediatrics	45.9	25.0	21.4	19.5	23.6
Total hospital	74.7 %	67.0 %	65.6 %	60.3 %	58.4 %
Licensed beds	839	839	839	829	829
Average number of beds in service	828	828	828	784	748
Average daily census	619	554	543	473	437
Percent occupancy	74.7	67.0	65.6	60.3	58.4
Patient days	225,817	202,937	198,342	172,540	159,503
Admissions	44,278	41,744	43,120	36,016	33,262
Adjusted admissions (1)	72,776	65,989	68,937	59,786	56,378
Average length of stay	5.10	4.86	4.60	4.79	4.80
Emergency Room visits/registration	117,064	107,579	125,195	122,942	122,654
Urgent Care Center registrations	124,127	112,663	123,456	113,847	103,014
Surgery cases	23,465	23,068	24,685	23,369	22,195
Radiology procedures	400,379	339,012	358,746	342,059	326,129
Cardiac Catheterization procedures	17,784	15,353	15,823	14,930	14,257

(1) Inpatient admissions adjusted for equivalent hospital outpatient volume.

Statements of Revenues, Expenses, and Changes in Net Position

A summary of the District's Statements of Revenues, Expenses, and Changes in Net Position for fiscal years 2021, 2020, and 2019 is presented below (in thousands):

	2021	2020	Change	2019	Change
Net patient service revenue	$ 1,124,824	961,916	162,908	962,714	(798)
Other revenue	28,000	24,313	3,687	22,699	1,614
Total operating revenues	1,152,824	986,229	166,595	985,413	816
Total operating expenses	1,089,411	940,759	148,652	893,882	46,877
Operating income	63,413	45,470	17,943	91,531	(46,061)
Total nonoperating items	98,319	105,411	(7,092)	109,034	(3,623)
Excess of revenues over expenses	161,732	150,881	10,851	200,565	(49,684)
Other changes in net position	3,352	4,094	(742)	3,714	380
Net position, beginning of year	1,509,065	1,354,090	154,975	1,149,811	204,279
Net position, end of year	$ 1,674,149	1,509,065	165,084	1,354,090	154,975

Discussion of Statements of Revenues, Expenses, and Changes in Net Position

Net patient service revenue increased by $162.9 million, or 16.9%, during fiscal year 2021. Hospital admissions increased 6.1% from fiscal year 2020. The inpatient average daily census was 619 in fiscal year 2021 compared to 554 in fiscal year 2020; longer average length of stay for COVID-19 patients drove the census higher in addition to the increase in admissions. Outpatient hospital registrations (excluding emergency care center visits) in fiscal year 2021 were higher by 16.1% compared to fiscal year 2020, and emergency care center visits were 8.8% higher. Outpatient surgery cases in fiscal year 2021 were 8.3% higher than the fiscal year 2020, and cardiac catheterization procedures were 15.8% higher, and electrophysiology cases were 24.3% higher than fiscal year 2020. Net patient service revenue from employed physicians increased $19.9 million as a result of the recruitment of new physicians serving the community in primary and specialty care.

Net patient service revenue decreased by $.8 million, or 0.1%, during fiscal year 2020. From October 2019 to mid-March 2020 the District continued to experience growth in inpatient census but volumes tapered off in mid-March due to the COVID-19 pandemic hitting Florida; overall hospital activity in the second half of March was approximately half of normal volume. April volumes were severely impacted by the public sheltering-at-home as well as by the Moratorium, and patient service revenue for April 2020 was $23.6 million lower than in April 2019. Volumes in May through September 2020 recovered significantly resulting in patient service revenue being $6.4 million higher than May through September 2019. Hospital admissions decreased 3.2% from fiscal year 2019. The inpatient average daily census was 554 in fiscal year 2020 compared to 543 in fiscal year 2019; longer average length of stay for COVID-19 patients drove the census higher despite fewer admissions. Outpatient hospital registrations (excluding emergency care center visits) in fiscal year 2020 were lower by 8.7% compared to fiscal year 2019, and emergency care center visits were 14.1% lower. Surgery cases in fiscal year 2020 were 6.0% lower than the fiscal year 2019, and cardiac catheterization procedures were 3.0% lower, but electrophysiology cases were 11.3% higher than fiscal year 2019. Net patient service revenue from employed physicians increased $2.2 million as a result of the recruitment of new physicians serving the community in primary and specialty care.

Operating expenses increased in fiscal 2021 by $148.7 million, or 15.8%. Salaries and wages increased by $77.5 million, fringe benefits increased by $16.1 million, supplies increased by $29.0 million, purchased services increased $15.4 million, professional fees increased by $2.8 million, and depreciation and amortization increased $6.0 million.

Operating expenses increased in fiscal 2020 by $46.9 million, or 5.2%. Salaries and wages increased by $31.5 million, fringe benefits increased by $7.2 million, supplies increased by $7.5 million, purchased services increased $0.3 million, professional fees decreased by $0.7 million, and depreciation and amortization increased $1.1 million.

Salaries and wages increased $77.5 million, or 17.4%, in 2021. The increase included COVID-19 specific salary costs of $22.9 million. The remainder of the increase is largely as a result of a 12.9% increase in acute patient days, plus a 5.5% rise in the hospital average hourly wage. Total System FTEs increased from 5,822 in fiscal year 2020 to 6,424 in fiscal year 2021. Also contributing to the overall increase in salaries and wages was a $17.3 million increase in SMH Physicians Services, Inc. related to expanded services, including primary care, hospitalist, gastrointestinal, neurological, thyroid, and otolaryngological services.

Salaries and wages increased $31.5 million, or 7.6%, in 2020. The increase included COVID-19 specific salary costs of $4.9 million. The remainder of the increase is largely as a result of a 1.4% increase in acute patient days, a 5.1% increase in the average hospital acute length of stay, plus a 3.7% rise in the hospital average hourly wage, in addition to a 3.0% increase in the number of hospital and corporate division Full Time Equivalents (FTEs). Hospital and Corporate Division FTEs increased from 4,945 in fiscal year 2019 to 5,091 in fiscal year 2020. Total System FTEs increased from 5,604 in fiscal year 2019 to 5,822 in fiscal year 2020. Also contributing to the overall increase in salaries and wages was a $7.0 million increase in SMH Physicians Services, Inc. related to expanded services, including primary care, hospitalist, gastrointestinal, urological, maternal fetal medicine, bariatrics, and neurological services.

Fringe benefits increased by $16.1 million in 2021 compared to 2020. Fringe benefits as a percentage of salaries and wages increased from 18.0% in 2020 to 18.4% in 2021. The increase in overall benefit cost was primarily due to a $11.6 million increase in self-insured health and dental plan costs, and a $4.6 million increase in wage-related employment tax costs.

Fringe benefits increased by $7.2 million in 2020 compared to 2019. Fringe benefits as a percentage of salaries and wages increased from 17.6% in 2019 to 18.0% in 2020. The increase in overall benefit cost was primarily due to a $6.8 million increase in retirement plan expenses, a $2.1 million increase in wage-related employment tax costs, a $0.7 million increase in other post-employment benefit costs, partially offset by a $1.4 million decrease in self-insured health and dental plan costs, and a $0.7 million decrease in workers compensation expenses.

Supplies expenses increased in fiscal 2021 by $29.0 million. Supplies expense as a percentage of net patient revenue decreased to 21.1% in fiscal 2021 compared to 21.7% in fiscal 2020. Medical supplies increased $11.4 million, lab and blood products increased $4.9 million, drug costs increased $4.6 million, implants increased $4.4 million, and non-capitalized Equipment and Furniture increased $3.7 million.

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Supplies expenses increased in fiscal 2020 by $7.5 million. Supplies expense as a percentage of net patient revenue increased to 21.7% in fiscal 2020 compared to 20.9% in fiscal 2019. The increase was primarily related to increased costs related to COVID-19 for medical and laboratory and blood supplies and pharmaceuticals. Drug costs increased $2.2 million; medical supplies increased $2.8 million; lab and blood products increased $1.8 million; and implants increased $0.7 million.

Purchased services increased by $15.4 million in fiscal 2021, representing a 13.5% increase compared to 2020. Temporary labor in the form of traveling nurses increased $4.1 million. Information Technology as a Service (ITaaS) increased $2.6 million, while IT support and maintenance increased $2.5 million. General and professional liability insurance increased $1.4 million. Recruiting expenses increased $1.3 million. Purchase of services increased $1.2 million, utilities increased $1.0 million, and general maintenance contracts also increased $1.0 million.

Purchased services increased by $0.3 million in fiscal 2020, representing a 0.2% increase compared to 2019. The overall increase was the result of various increases and decreases.

Professional fees increased by $2.8 million in fiscal 2021, as a result a $2.2 million increase in physician fees, and a $.6 million increase in legal fees.

Professional fees decreased by $0.7 million in fiscal 2020, as a result a $0.5 million decrease in physician fees, and a $0.2 million decrease in legal fees.

Depreciation and amortization expense increased by $6.0 million in fiscal 2021 due to completion of various construction and renovation and information technology projects, including construction of a radiation oncology center and a PET/CT center at the University Parkway ambulatory care center, renovation of an outpatient endoscopy center building adjacent to the main campus in Sarasota, operating room renovations and upgrades, and various other renovations and equipment purchases.

Depreciation and amortization expense increased by $1.1 million in fiscal 2020 due to completion of various construction and renovation and information technology projects, including a radiation oncology center and a PET/CT center at the University Parkway ambulatory care center, completion of renovations of the ninth and tenth floors of a main campus bed tower, and renovation of an office building in downtown Sarasota, and other renovations and equipment purchases.

As a result of the above-noted changes in operating costs, total operating costs decreased from 97.8% to 96.9% of net patient revenue. Total operating cost per adjusted admission, adjusted for the change in case mix index, increased 2.5% in fiscal year 2021 and increased 6.9% in fiscal year 2020.

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Nonoperating items decreased by $7.1 million in fiscal year 2021. The decrease is due to a $46.5 million decrease in unrealized gain on the change in market value of investments, a $1.4 million decrease in interest expense, net of interest rate swap receipts, a $2.5 million decrease in investment income, a change from a $0.1 million net unrealized loss on the change in fair value of ineffective interest rate swaps to a $1.7 million net unrealized loss thereon, a $3.0 million increase in ad valorem tax revenue related to an increase in area property values, and a $39.0 million increase in other nonoperating income. The increase in other nonoperating income was largely a result of grant income in the form of recognition of $34.0 million COVID-19 Provider Relief Funds, previously recorded as unearned, as well as $5.0 million in insurance proceeds related to COVID-19.

Nonoperating items decreased by $3.6 million in fiscal year 2020. The decrease is due to a $9.4 million decrease in unrealized gain on the change in market value of investments, a $0.6 million decrease in interest expense, net of interest rate swap receipts, a $0.6 million decrease in investment income, a change from a $1.2 million net unrealized gain on the change in fair value of ineffective interest rate swaps to a $0.1 million net unrealized loss thereon, a $3.5 million increase in ad valorem tax revenue related to an increase in area property values, and a $3.6 million increase in other nonoperating income. The increase in other nonoperating income was largely a result of receipts of two class action settlement distributions relating to prior years, including a receipt from a Florida Attorney General LIBOR litigation case.

Excess of revenues over expenses for fiscal year 2021 was $161.7 million, compared to an excess of revenues over expenses in fiscal year 2020 of $150.9 million. The $10.8 million increase is a result of operating revenues increasing by $166.6 million, operating expenses increasing by $148.7 million, and nonoperating items decreasing by $7.1 million.

Excess of revenues over expenses for fiscal year 2020 was $150.9 million, compared to an excess of revenues over expenses in fiscal year 2019 of $200.6 million. The $49.7 million decrease is a result of operating revenues increasing by $0.8 million, operating expenses increasing by $46.9 million, and nonoperating items decreasing by $3.6 million.

(Continued)

Balance Sheets

The following table is a summary of the balance sheets as of September 30, 2021, 2020, and 2019 (in thousands):

		2021	2020	Change	2019	Change
Cash and cash equivalents	$	65,384	40,328	25,056	62,059	(21,731)
Patient accounts receivable, net		128,605	106,338	22,267	103,491	2,847
Other current assets		43,212	43,830	(618)	37,128	6,702
Total current assets		237,201	190,496	46,705	202,678	(12,182)
Restricted and board designated investments		1,253,147	1,466,760	(213,613)	1,284,538	182,222
Capital assets, net		1,197,334	919,235	278,099	694,922	224,313
Other assets		50,865	40,583	10,282	37,035	3,548
Interest rate swaps		18,406	25,005	(6,599)	23,844	1,161
Noncurrent assets		2,519,752	2,451,583	68,169	2,040,339	411,244
Deferred outflows		63,112	59,673	3,439	45,902	13,771
Total assets and deferred outflows	$	2,820,065	2,701,752	118,313	2,288,919	412,833
Current liabilities	$	375,578	293,083	82,495	172,733	120,350
Noncurrent liabilities		745,389	874,478	(129,089)	727,181	147,297
Total liabilities		1,120,967	1,167,561	(46,594)	899,914	267,647
Deferred inflows		24,949	25,126	(177)	34,915	(9,789)
Net position:						
Net investment in capital assets		614,616	495,608	119,008	408,445	87,163
Restricted for specific purposes		3,160	2,741	419	2,735	6
Unrestricted		1,056,373	1,010,716	45,657	942,910	67,806
Total net position		1,674,149	1,509,065	165,084	1,354,090	154,975
Total liabilities, deferred inflows and net position	$	2,820,065	2,701,752	118,313	2,288,919	412,833

At September 30, 2021, the District's cash, cash equivalents, and board designated investments totaled \$1.3 billion, compared to long-term debt, including the current portion, of \$616.6 million. The number of days cash on hand, including advance payments from Medicare of \$103.1 million, was 459, which exceeds the median of 307 days cash on hand for Moody's Investor Services (Moody's) "A1" rated, freestanding hospitals and single and multi-state healthcare systems (2021 median, based on 2020 data). Excluding the advance payment from Medicare of \$103.1 million, the days cash on hand was 423. In April of 2021, Medicare began recouping the advance payments by offsetting claims for the care of Medicare patients.

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At September 30, 2020, the District's cash, cash equivalents, and board designated investments totaled $1.3 billion, compared to long-term debt, including the current portion, of $628.2 million. The number of days cash on hand, including advance payments from Medicare of $146.0 million, was 541, which exceeds the median of 254 days cash on hand for Moody's Investor Services (Moody's) "A1" rated, freestanding hospitals and single and multi-state healthcare systems (2020 median, based on 2019 data). Excluding the advance payment from Medicare of $146.0 million, the days cash on hand was 481. The advance payments from Medicare will be recouped by CMS by offsetting claims for the care of Medicare patients beginning in April 2021.

In fiscal 2021, current assets increased by $46.7 million. Cash and cash equivalents increased by $25.1 million, patient accounts receivable increased by $22.3 million, and inventories of supplies decreased by $.7 million.

In fiscal 2020, current assets decreased by $12.2 million. Cash and cash equivalents decreased by $21.7 million, patient accounts receivable increased by $2.8 million, prepaid and other current assets increased $3.7 million, and inventories of supplies increased by $3.0 million.

In fiscal 2021, restricted investments and board designated investments decreased $213.6 million. As of September 30, 2021, the Moody's ratings of the District's investments are BBB rated or better.

In fiscal 2020, restricted investments and board designated investments increased $182.2 million. Restricted investments as of September 30, 2020 included $174.3 million of trustee-held Project funds in connection with the Series 2018 bond issuance. As of September 30, 2020, the Moody's ratings of the District's investments are BBB rated or better.

Capital assets increased by $278.1 million in fiscal 2021. There were $335.6 million of capital additions during fiscal year 2021. The additions were partially offset by annual depreciation of $57.5 million. Of the $335.6 million in fiscal 2021 additions, the largest projects accounted for about $315.9 million of expenditures: $176.1 million to continue development of a new hospital campus in Venice; $68.5 million for further development of a cancer care institute; $36.3 million for the purchase of a previously leased ambulatory center; $14.4 million for capitalized interest on major construction projects; $12.0 million for operating room renovations, equipment and systems; $6.5 million to complete various renovations and upgrades in the main hospital; $5.8 million for medical and diagnostic equipment; $4.7 million for equipment, renovations and upgrades to various support services areas; $4.3 million for information systems equipment and software; and $1.7 million for initial development of a new behavioral health pavilion. Additional information on the District's capital assets can be found in note 5 to the financial statements.

Capital assets increased by $224.3 million in fiscal 2020. There were $276.5 million of capital additions during fiscal year 2020. The additions were partially offset by annual depreciation of $51.5 million. Of the $276.5 million in fiscal 2020 additions, the largest projects accounted for about $268.5 million of expenditures: $126.0 million to continue development of a new hospital campus in Venice; $81.9 million for further development of a cancer care institute; $11.8 million for capitalized interest on major construction projects; $10.9 million for medical and diagnostic equipment; $8.9 million for operating room renovations, equipment and systems; $7.7 million to complete various renovations and upgrades in the main hospital; $7.3 million for a PET/CT center at the University Parkway ambulatory care center; $5.5 million for information systems equipment and software; $3.8 million to complete the renovation of an office building in downtown Sarasota to consolidate and house several support services departments and to increase capacity on the main hospital campus for growing clinical use; $3.1 million to develop a new outpatient endoscopy center adjacent to the

(Continued)

main campus, and $1.3 million for COVID-19 related preparations. Additional information on the District's capital assets can be found in note 5 to the financial statements.

In fiscal 2021 and 2020, other assets increased by $10.3 million and $3.5 million, respectively, related to an increase in the equity in LeeSar and an increase in deferred retirement plan assets for employees.

Deferred outflows and deferred inflows are related to the defined benefit retirement plan and other postemployment benefits, debt refundings, and interest rate swaps.

Deferred amounts related to the defined benefit retirement plan result from differences between expected and actual experience, changes in assumptions, the difference between projected and actual earnings on retirement plan investments, and contributions made by the District during the year. Please refer to note 7 to the financial statements for a more detailed discussion of the District's retirement plan.

Deferred amounts related to other postemployment benefits result from differences between expected and actual experience, changes in assumptions, and contributions made by the District during the year. Please refer to note 8 to the financial statements for a more detailed discussion of the District's other postemployment benefits plan.

Deferred amounts related to debt refundings result from debt refinancings and are amortized as interest expense over the related remaining debt service maturity schedule. Please refer to note 6 to the financial statements for a more detailed discussion of the District's long-term debt and interest rate swaps.

The District has several interest rate swaps related to its outstanding bond instruments. The swaps are presented in the Balance Sheets as assets or liabilities at fair value. Changes in fair value are recorded in the Balance Sheets as deferred outflows of resources or deferred inflows of resources for those swaps determined to be effective hedges in accordance with applicable governmental accounting standards or in the Statements of Revenues, Expenses and Changes in Net Position as nonoperating changes in fair value for ineffective interest rate swaps. Please refer to note 6 to the financial statements for a more detailed discussion of the District's interest rate swaps.

In fiscal 2021, current liabilities increased $82.5 million, primarily related to a $65.8 million increase in the current portion of the advance payment from third parties, a $18.0 million increase in the current portion of construction retainage payable, a $21.5 million increase in employee compensation and benefits payable, a $4.0 million increase in other accrued expenses, a $2.7 million increase of the current portion of long term debt increase, and a $1.0 million increase of current portion of the State of Florida medical assistance assessment. These were offset by a $34.0 million decrease in unearned grant receipts – Provider Relief Fund.

In fiscal 2020, current liabilities increased $120.4 million, primarily related to the $37.4 million current portion of the advance payment from third parties, $34.0 million in unearned grant receipts – Provider Relief Fund, a $33.7 million increase in accounts payable partially related to ongoing large construction projects, a $9.7 million increase in estimates on third party settlements, and increases in employee compensation and benefits payable and in the current portion of the State of Florida medical assistance assessment.

In fiscal 2021, noncurrent liabilities decreased $129.1 million, primarily as a result of a decrease of $109.0 million in the long term portion of advance payment from third parties, a $14.2 million decrease in long term debt ,less the current portion, a decrease of $12.8 million in retainage payable on large construction projects, $11.0 million decrease in interest rate swap liabilities, offset by a $7.7 million increase in net pension liability, a $ 6.7 million increase in deferred retirement plan liabilities for employees, a $2.7 million increase in other post-employment benefits, and a $0.8 million increase in professional liabilities.

In fiscal 2020, noncurrent liabilities increased $147.3 million, primarily as a result of $109.0 million in the long term portion of advance payment from third parties, a $16.0 million increase in Net Pension Liability, an increase of $17.4 million in retainage payable on large construction projects and other noncurrent liabilities, a $2.6 million increase in deferred retirement plan liabilities for employees, a $2.6 million increase in other post-employment benefits, a $10.3 million increase in interest rate swap liabilities, a $1.9 million increase in professional liabilities, partially offset by $11.5 million scheduled principal payments on long term debt.

Profitability, Liquidity, and Capital Ratios

The following table outlines ratios monitored by the District as compared to Moody's "A1" rated, freestanding hospitals, single and multi-state healthcare systems:

	2021	2020	2019	2020 Moody's A1 median
Profitability ratios:				
Operating margin	12.7 %	9.4 %	13.4 %	1.9 %
Excess margin	14.2	11.4	15.2	5.4
Return on assets	6.7	5.4	7.9	4.1
Total EBIDA%	19.3	17.1	20.8	n/a
Operating cash flow margin	17.9	15.1	19.2	7.9
Liquidity ratios:				
Days cash on hand	459	541	435	307
Net days in receivables	42	40	39	48
Capitalization ratios:				
Maximum debt service coverage ratio	6.6	4.9	5.9	5.2
Cash to debt	214.0 %	213.1 %	160.7 %	223.3 %

(EBIDA – Earnings Before Interest, Depreciation and Amortization)

(Continued)

Discussion of Ratios

To be consistent with rating agency calculations, tax revenues are considered operating revenues and interest expense, excess swap receipts, net, bond issue costs, recognition of Provider Relief Fund grant revenue, and business interruption insurance proceeds are considered operating expenses for the ratio calculations above.

The profitability and liquidity ratios noted above and the cash to debt ratio were favorable compared to the Moody's A1 medians.

In May 2021, Fitch Ratings affirmed the District's unenhanced long term rating of AA- on its outstanding bonds and stable outlook. In June 2021, Moody's Investors Services affirmed the District's unenhanced long-term rating on its outstanding bonds of A1 and stable outlook. The rating agencies have noted the District's financial performance, strong liquidity, and strong service area characteristics.

This financial report is intended to provide our citizens, patients, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the tax assistance it receives. You may access the District's annual and quarterly financial information, as well as the current budget, via our website, www.smh.com. The District has engaged Digital Assurance Certification, LLC (DAC) as its Investment Relations Provider. To view additional detailed secondary market disclosure information, please visit www.dacbond.com. If you have any questions regarding this report or need additional information, contact the District's Corporate Finance Department at Sarasota Memorial Hospital, Attention: Controller, 1700 S. Tamiami Trail, Sarasota, FL 34239.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Balance Sheets

September 30, 2021 and 2020

Assets	**2021**	**2020**
Current assets:		
Cash and cash equivalents	$ 65,384,234	40,328,005
Patient accounts receivable, less allowance for uncollectible accounts of $137,319,143 in 2021 and $133,311,594 in 2020	128,604,414	106,338,095
Inventories of supplies	16,654,286	17,361,319
Prepaid expenses and other assets	25,337,171	25,383,576
Due from related organizations	1,220,510	1,084,816
Total current assets	237,200,615	190,495,811
Noncurrent assets:		
Restricted investments	11,118,692	180,281,909
Board designated investments	1,242,028,023	1,286,478,424
Capital assets, net	1,197,334,568	919,234,563
Other assets	50,864,556	40,583,185
Interest rate swaps	18,405,828	25,005,460
Total noncurrent assets	2,519,751,667	2,451,583,541
Total assets	2,756,952,282	2,642,079,352
Deferred Outflows of Resources		
Deferred outflows related to pensions and OPEB	33,525,494	25,094,926
Deferred amounts on debt refundings	23,357,203	25,038,312
Deferred effective interest rate swap outflows	6,229,486	9,539,443
Total deferred outflows of resources	63,112,183	59,672,681
Total assets and deferred outflows of resources	$ 2,820,064,465	2,701,752,033
Liabilities		
Current liabilities:		
Accounts payable	$ 95,317,189	75,007,626
Employee compensation and benefits payable	94,456,120	72,911,207
Other accrued expenses	12,876,198	11,690,555
Current portion of advance payment from third party	103,149,786	37,354,481
Estimated third-party settlements	42,913,547	38,888,267
Unearned grant receipts – Provider Relief Fund	—	33,969,014
Due to related organizations	122	—
Current portion of State of Florida medical assistance assessment	12,990,068	12,041,604
Current portion of long-term debt	13,875,000	11,220,000
Total current liabilities	375,578,030	293,082,754
Noncurrent liabilities:		
Long-term debt, less current portion	602,745,520	616,941,484
Long-term companion debt, less current portion	18,080,931	19,107,443
Net pension liability	30,550,949	22,806,777
State of Florida medical assistance assessment, less current portion	6,801,475	5,867,296
Advance payment from third party, less current portion	—	109,000,000
Other long term liabilities	62,319,274	64,868,465
Interest rate swaps	24,890,955	35,886,852
Total noncurrent liabilities	745,389,104	874,478,317
Total liabilities	1,120,967,134	1,167,561,071
Deferred Inflows of Resources		
Deferred inflows related to pensions and OPEB	3,275,146	5,799,171
Deferred effective interest rate swap inflows	21,673,540	19,327,232
Total deferred inflows of resources	24,948,686	25,126,403
Net Position		
Net investment in capital assets	614,616,023	495,608,416
Restricted for specific purposes	3,159,756	2,741,363
Unrestricted	1,056,372,866	1,010,714,780
Total net position	1,674,148,645	1,509,064,559
Total liabilities, deferred inflows of resources and net position	$ 2,820,064,465	2,701,752,033

See accompanying notes to financial statements.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Statements of Revenues, Expenses and Changes in Net Position

Years ended September 30, 2021 and 2020

	2021	2020
Operating revenues:		
Net patient service revenue, net of provision for bad debts of $170,410,471 in 2021 and $181,027,131 in 2020	$ 1,124,823,867	961,915,757
Other revenue	27,999,732	24,312,578
Total operating revenues	1,152,823,599	986,228,335
Operating expenses:		
Salaries, wages and fringe benefits	620,582,887	526,986,003
Supplies	237,867,021	208,903,261
Purchased services	129,942,288	114,495,455
Professional fees	29,900,120	27,119,304
State of Florida medical assistance assessment	13,602,951	11,734,593
Depreciation and amortization	57,515,385	51,520,472
Total operating expenses	1,089,410,652	940,759,088
Operating income	63,412,947	45,469,247
Nonoperating items:		
Ad valorem tax	64,655,988	61,645,190
Interest expense	(8,516,494)	(9,628,309)
Interest rate swap receipts, net	1,191,218	872,671
Investment income	17,926,028	20,387,967
Unrealized gains and losses on investments, net	(18,150,092)	28,317,290
Change in fair value of ineffective interest rate swaps	(1,664,914)	(75,555)
Other nonoperating income	42,877,176	3,892,118
Total nonoperating items	98,318,910	105,411,372
Excess of revenues over expenses	161,731,857	150,880,619
Other changes in net position:		
Contributions restricted for capital purposes	3,352,229	4,094,302
Increase in net position	165,084,086	154,974,921
Net position, beginning of year	1,509,064,559	1,354,089,638
Net position, end of year	$ 1,674,148,645	1,509,064,559

See accompanying notes to financial statements.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Statements of Cash Flows

Years ended September 30, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Received from patient care services	$ 1,063,487,818	1,114,579,389
Received from nonpatient sources	29,134,177	26,379,107
Payments to employees	(599,644,783)	(516,122,208)
Payments to suppliers	(398,974,174)	(363,578,839)
Net cash provided by operating activities	94,003,038	261,257,449
Cash flows from noncapital financing activities:		
Ad valorem taxes	64,655,988	61,645,190
Grants and other noncapital items	4,895,413	33,969,014
Net cash provided by noncapital financing activities	69,551,401	95,614,204
Cash flows from capital and related financing activities:		
Proceeds from donations restricted for capital purposes	4,526,326	2,655,594
Interest rate swap payments paid, net	(619,653)	(221,114)
Interest received on bond funds held by trustee	13,623	2,960,293
Purchases of capital assets	(324,201,187)	(217,777,634)
Proceeds from disposals of capital assets	4,500	257,000
Interest payments	(21,136,228)	(22,508,355)
Repayment of long-term debt	(11,220,000)	(10,775,000)
Net cash used in capital and related financing activities	(352,632,619)	(245,409,216)
Cash flows from investing activities:		
Investment income received	18,802,422	23,272,819
Purchase of investments	(473,675,811)	(567,114,873)
Proceeds from sales and maturities of investments	668,796,834	410,655,884
Net cash prvided by (used in) investing activities	213,923,445	(133,186,170)
Increase (decrease) in cash and cash equivalents	24,845,265	(21,723,733)
Cash and cash equivalents, beginning of year	41,112,887	62,836,620
Cash and cash equivalents, end of year	$ 65,958,152	41,112,887
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 65,384,234	40,328,005
Cash and cash equivalents in restricted investments	573,918	784,882
Total cash and cash equivalents	$ 65,958,152	41,112,887
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 63,412,947	45,469,247
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	57,515,385	51,520,472
Provision for bad debts	170,410,471	181,027,131
Changes in:		
Patient accounts receivable	(192,676,790)	(183,874,193)
Other current and noncurrent assets	(15,410,608)	(18,184,084)
Current liabilities and other liabilities	10,751,633	38,944,395
Advance payment from third party	—	146,354,481
Net cash provided by operating activities	$ 94,003,038	261,257,449
Noncash capital and related financing activities:		
Accrued purchases of capital assets	$ 53,856,588	56,449,485
Unrealized (losses) gains on investments, net	(18,150,092)	28,317,290
Change in equity investment	3,581,399	913,375

See accompanying notes to financial statements.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

SMH Health Care Retirement Plan

Statements of Fiduciary Net Position

		September 30,	
		2021	**2020**
Assets			
Cash and cash equivalents	$	7,069,130	9,694,672
Investments, at fair value		437,999,650	378,552,654
Receivables			
Accrued interest and dividends		692	1,029
Total assets	$	445,069,472	388,248,355
Liabilities and fiduciary net position restricted for pensions			
Liabilities			
Accrued expenses	$	(319,914)	(260,165)
Total fiduciary net position resstricted for pensions	$	444,749,558	387,988,190

See accompanying notes to financial statements.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

SMH Health Care Retirement Plan

Statements of Changes in Fiduciary Net Position

		September 30,	
		2021	**2020**
Assets			
Employer contribution	$	12,467,731	12,231,019
Investment income			
Net appreciation in fair value of investments		68,222,554	15,071,451
Interest and dividends		4,152,450	4,486,663
		72,375,004	19,558,114
Less: investment expenses		(1,616,823)	(1,390,652)
Net investment income		70,758,181	18,167,462
Total additions		83,225,912	30,398,481
Deductions			
Benefits		(26,038,112)	(21,570,970)
Administrative expenses		(426,432)	(283,153)
Total deductions		(26,464,544)	(21,854,123)
Net increase in fiduciary net position		56,761,368	8,544,358
Fiduciary net position restricted for pensions			
Beginning of year		387,988,190	379,443,832
End of year	$	444,749,558	387,988,190

See accompanying notes to financial statements.

(1) Operations, Organization, and Summary of Significant Accounting Policies

(a) Operations and Organization

The Sarasota County Public Hospital District was established in 1949 by a special act of the Florida Legislature, which created and incorporated a special tax district to be known as Sarasota County Public Hospital District (the District), which includes all of Sarasota County, and authorized the District to levy property taxes for various purposes. The District's primary function is to operate Sarasota Memorial Hospital (the Hospital), Sarasota Memorial Nursing and Rehabilitation Center (NRC), and provide other healthcare delivery services in Sarasota County.

The financial statements include the accounts of the Sarasota County Public Hospital District and the following blended component units of the District: SMH Health Care, Inc., and SMH Physician Services, Inc. (PSI). These entities are considered blended component units, as the governing bodies of these entities are substantially the same as the District and the entities provide services almost entirely to the District or benefit the District even though they do not provide services directly to the District. The entities are hereafter referred to collectively as the "District." All intercompany accounts and transactions have been eliminated between the District and its blended component units.

(b) Mission Statement

The mission of the District is to provide health care services which excel in caring, quality, and innovation.

(c) 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 financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Accounting Standards

The District recognizes revenues and expenses on the accrual basis of accounting in accordance with the standards established by the Governmental Accounting Standards Board (GASB).

Effective for periods beginning after December 15, 2018, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84). The effective date was subsequently postponed to periods beginning after December 15, 2019 by GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. GASB 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The District's activities related to its pension, as discussed in Notes to the Financial Statements notes 1(m) and 7 qualify for the guidance covered by GASB 84, resulting in the inclusion of the Statements of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position in the District's financial statements. Aside from presenting those two additional statements and related footnotes in the overall financial statements for the District, there is no additional impact of this standard on the District's financial statements.

(e) Community Programs

The District is a public health care provider established to meet the needs of Sarasota County. Accordingly, services are being provided to the community at no charge or for which only partial payments are received. The following is a summary of the cost, net of actual and estimated reimbursements, if any, of the District's community programs provided during the years ended September 30, 2021 and 2020:

		2021	2020
Bad debts	$	32,222,856	33,141,786
Traditional charity care		16,972,272	18,106,121
Medicare losses		83,606,382	53,715,872
Medicaid losses		51,055,775	41,324,383
Trauma and emergency care center call pay and subsidies		8,911,903	7,935,677
Anesthesiologist, hospitalist, and psychiatric coverage		11,379,276	12,011,134
Clinics and other community programs		2,813,353	2,925,908
Indigent care fund payments		13,602,951	11,734,593
	$	220,564,768	180,895,474

The District provides traditional charity care to those patients who meet certain criteria under its charity care policy. A patient is classified as a charity patient by reference to certain established policies of the District. Amounts determined to qualify as traditional charity care are not reported as revenue. Included in bad debts are estimated community support costs of $11,362,000 and $12,922,000 for the years ended September 30, 2021 and 2020, respectively. Community support recognizes the cost of providing care for those patients that met other financial criteria which indicated an economic hardship and inability to pay for their services, but who either did not meet the strict eligibility requirements for traditional charity care or who did not complete all necessary paperwork to qualify for traditional charity care.

Payments received from the Medicare and Medicaid programs are significantly less than established patient charges and are less than management's estimate of the costs of providing those services. An assessment of 1.00% for net outpatient revenues, 1.50% for net inpatient revenues, and 0.04% of total operating expenses is assessed to the Hospital to help fund the Florida Medicaid and Indigent Care program.

(f) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and the provision for bad debts.

The difference between customary charges and the contractually established rates is accounted for as a contractual adjustment. The District's customary charges, contractual adjustments, and provision for bad debts for the years ended September 30, 2021 and 2020 are as follows:

	2021	2020
Gross patient charges	$ 5,638,387,391	5,023,445,225
Contractual adjustments	(4,343,153,053)	(3,880,502,337)
Provision for bad debts	(170,410,471)	(181,027,131)
Net patient service revenue	$ 1,124,823,867	961,915,757

The District has agreements with third-party payors that provide for payment to the District at amounts different from its established rates. A summary of the basis of payment with major third-party payors follows:

(i) Medicare

Most services including inpatient acute care services, inpatient rehabilitative services, inpatient psychiatric services, skilled nursing services, and hospital outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Disproportionate share reimbursement partially offsets the revenue losses from furnishing uncompensated care to low income patients. Graduate medical education reimbursement is intended to partially offset the cost of the program and is paid at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary.

The Hospital's Medicare cost reports have been audited and final settlements determined by the Medicare intermediary for all years through September 30, 2016. Retroactive adjustments for cost reports and other settlements are accrued on an estimated basis in the period when the related services are rendered and adjusted in future periods when final settlements are determined.

(ii) Medicaid

Effective May 1, 2014, the Florida Medicaid program implemented a system through which most Medicaid enrollees receive services. The program is called the Statewide Medicaid Managed Care Medical Assistance Program. The program is comprised of several types of managed care plans including Health Maintenance Organizations, Provider Service Networks, and a Children's Services Network. The program is designed to emphasize patient centered care, personal responsibility and active patient participation, provide for fully integrated care through alternative delivery models with access to providers and services through a uniform statewide program, and implement innovations in reimbursement methodologies, plan quality and plan accountability. Most Medicaid recipients must enroll in the program. Providers and the managed care plans negotiate mutually agreed upon rates and terms of payment for the provision of services as part of the contract between the provider and the managed care plan. Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Unless stated in the law, managed care plans do not have to pay in the same way that providers are paid under the fee for service Medicaid program. Before implementation of this system, reimbursement was cost based subject to ceilings and limits. Final settlement was determined through the Medicaid Cost Report. The State completed rate setting audits for these cost based years through June 30, 2015 and no longer requires the submission of hospital cost reports for rate setting purposes.

Final combined Medicare and Medicaid amounts estimated related to prior years resulted in an increase in net patient service revenue of $2,551,373 and $175,051 for the years ended September 30, 2021 and 2020, respectively.

In addition, the Florida Medicaid program provides additional funding through various programs to cover costs related to serving charity care and a disproportionate share of Medicaid and other low income patients, as well as the cost of graduate medical education programs. These programs are funded in part by intergovernmental transfers which are then used to secure matching federal funds and are re-distributed to participating healthcare organizations. For these programs, SMH recorded $8,472,221 and $13,909,601 in net patient service revenue and $5,461,986 and $5,096,510 of other operating revenue for the years ended September 30, 2021 and 2020, respectively.

The District's classification of patients and the appropriateness of their admission are subject to review by the fiscal intermediaries administering the Medicare and Medicaid programs.

Laws and regulations governing the Medicare and Medicaid Programs are complex and subject to interpretation. The District believes that it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future governmental review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid Programs. As a result, there is at least a reasonable possibility that recorded estimates associated with these programs will change by a material amount in the near term.

Provisions have been recorded in the financial statements for open cost report years through 2021.

(iii) Other

The District has also entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the District under these arrangements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates. Some of these arrangements provide for review of paid claims for compliance with the terms of the contract and result in retroactive settlement with third parties. Retroactive adjustments for other third-party claims are recorded in the period when final settlement is determined.

(g) Cash and Cash Equivalents

The District considers cash on hand, money in checking accounts, time deposits, short-term unrestricted fund investments, and short-term restricted assets available for current liabilities with a maturity of three months or less when purchased to be cash and cash equivalents.

(h) Investments and Investment Income

Investment securities held by the District are carried at fair value. Realized gains and losses, based on the specific identification method, are included in investment income in nonoperating items in the statements of revenues, expenses, and changes in net position. Unrealized gains and losses are included in unrealized gains and losses on investments, net in nonoperating items in the statements of revenues, expenses and changes in net position.

(i) Inventories of Supplies

Inventories of supplies are stated at the lower of cost or market, on a first-in, first-out basis.

(j) Capital Assets

Capital assets have been recorded at historical cost if purchased or fair value at date of donation. Capital purchases above $5,000 are capitalized. Major asset classifications and estimated useful lives are generally in accordance with those recommended by the American Hospital Association. The provision for depreciation is computed using the straight-line method over the estimated useful lives of the assets as summarized below:

	Estimated useful lives (years)
Land improvements	3–25
Buildings	5–58
Leasehold improvements	3–25
Moveable equipment	2–25

Routine maintenance, repairs, renewals, and replacement costs are charged against operations. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized, as is interest incurred during the period prior to the related assets being placed in service. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in other nonoperating income (expense).

(k) Debt Issue Costs, Original Issuance Premiums and Discounts, and Deferred Gains and Losses on Refunding

The District recognizes debt issuance costs as an expense in the period incurred as required by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Original issuance premiums and discounts on bonds payable are amortized using the effective interest method. Amortization of original issuance premiums and discounts is included in interest expense. Deferred losses on refunding, which are included in deferred outflows of resources, are amortized over the shorter of the remaining life of the old debt or the life of the new debt using the straight-line method, which approximates the effective interest method. Amortization of deferred losses on refunding is included in interest expense.

(l) Other Noncurrent Liabilities

Other noncurrent liabilities consist of State of Florida medical assistance assessment and unearned revenue and other long-term liabilities. The changes in other noncurrent liabilities for the years ended September 30, 2021 and 2020 are as follows:

	2021				
	Beginning balance	**Accrual/ assessments**	**Payments**	**Ending balance**	**Amounts due within one year**
State of Florida medical assistance assessment	$ 17,908,900	13,602,951	(11,720,308)	19,791,543	12,990,068
Other long-term liabilities	70,239,203	13,653,270	(15,153,597)	68,738,876	6,419,602
Total	$ 88,148,103	27,256,221	(26,873,905)	88,530,419	19,409,670

	2020				
	Beginning balance	**Accrual/ assessments**	**Payments**	**Ending balance**	**Amounts due within one year**
State of Florida medical assistance assessment	$ 16,923,320	11,734,592	(10,749,012)	17,908,900	12,041,604
Other long-term liabilities	44,217,696	28,951,954	(2,930,447)	70,239,203	5,370,741
Total	$ 61,141,016	40,686,546	(13,679,459)	88,148,103	17,412,345

(m) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SMH Health Care Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(n) Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated paid time off (PTO A) balances for vacations, holidays, personal needs and sickness and unpaid, accumulated and vested short term disability leave (PTO B) balances. PTO A is earned by eligible employees at varying rates, up to a maximum balance of 320 hours. The unused balance of PTO A is paid at time of employment termination. The liability for PTO A has been calculated based on the unused hours and current rates of pay for each employee and is included in employee compensation and benefits payable on the balance sheets. PTO B is earned by eligible employees up to a maximum balance of 800 hours. Employees hired prior to October 1, 1998 who terminate with ten years minimum years of service are vested in PTO B and will receive one half of accumulated unused PTO B hours. Employees hired on or after October 1, 1998 will not receive any accumulated hours in PTO B upon termination. The liability for PTO B has been calculated for vested employees based on half of the unused hours and current rates of pay for each employee. The current and noncurrent portions are estimated based on historical payment experience. The current portion is included in employee compensation and benefits payable on the balance sheets. The noncurrent portion is included in other long-term liabilities on the balance sheets.

(o) Net Position

Net position of the District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and unspent bond proceeds and reduced by the outstanding balances of any borrowings and deferred outflows of resources used to finance the purchase or construction of those assets. Net investment in capital assets is intended to reflect the portion of net position associated with capital assets, less outstanding balances due on borrowings used to finance the purchase or construction of those assets. Restricted for specific purposes is net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District, including amounts deposited with trustees as required by bond indentures. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets nor restricted for specific purposes. When both restricted and unrestricted resources are available for use, the District's policy is to use restricted resources first and thereafter unrestricted resources as needed.

(p) Operating Revenues and Expenses

The District's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with furtherance of its mission, and include related grant revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Nonexchange revenues and expenses, including ad valorem taxes, investment income, interest expense on borrowed funds, the difference between interest rate swap payments received and paid, unrealized gains and losses on investments, changes in the fair value of ineffective interest rate swaps, gains and losses on disposal of capital assets, bond issue costs, loss on defeasance, insurance proceeds, and other nonoperating income and expenses are reported as nonoperating items in the financial statements.

(q) Income Taxes

The District is organized as a political subdivision of the State of Florida and is not subject to federal and state income taxes.

SMH Health Care, Inc. and PSI, have been recognized by the Internal Revenue Service (IRS) as tax-exempt organizations described in Internal Revenue Code Section 501(c)(3). Income earned by these organizations in furtherance of their tax-exempt purpose is exempt from federal and state income taxes.

(r) Ad Valorem Taxes

Tax monies received are based on assessments by the District to Sarasota County real property owners for purposes stated in the Millage resolutions. Ad valorem taxes are recorded in the period for which the taxes are levied and amounted to $64,655,988 and $61,645,190 for the years ended September 30, 2021 and 2020, respectively.

(s) Derivative Instruments

The District uses interest rate swaps, which are recorded based on criteria set forth in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended by GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, to manage net exposure to interest rate changes related to its borrowings and to lower its overall borrowing costs. The derivative instruments are recorded as either assets or liabilities in the balance sheets at fair value. Gains and losses resulting from terminations of swaps, when they occur, are recognized as a component of nonoperating items in the accompanying statements of revenues, expenses and changes in net position. Increases or decreases in the fair value of effective interest rate swaps are recognized as deferred effective interest rate swap inflows or outflows in the accompanying balance sheets. Gains and losses resulting from changes in the fair value of ineffective interest rate swaps are recognized as a component of nonoperating items in the accompanying statements of revenues, expenses and changes in net position.

(t) Impairment of Long-Lived Assets

Management evaluates whether there has been a significant unexpected decline in the utility of a capital asset that could indicate an impairment in the capital asset. If there is an indication that the asset may be impaired, the District follows GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, to determine if the impairment loss should be recognized. The amount of impairment, if any, is determined by comparing the historical carrying value of the asset to the valuation method which most appropriately reflects the decline in service utility of the capital asset. The District concluded that no impairments existed as of September 30, 2021 and 2020.

(2) Cash and Investments

(a) Cash Deposits

For the years ended September 30, 2021 and 2020, the District’s governmental bank balances are held in accounts protected under Chapter 280, *Florida Statutes* in institutions classified as qualified public depositories. The District’s nongovernmental bank balances of $10,028,357 and $5,026,135 were covered by federal depository insurance to the applicable limits for the years ended September 30, 2021 and 2020, respectively.

(b) Investments

Florida Statutes and the District’s enabling legislation authorize the District to invest in obligations of the U.S. government and certain of its agencies, certificates of deposit of qualified public depositories, certain bankers’ acceptances, certain domestic commercial paper, corporate notes and bonds, interest-bearing time deposits or savings accounts of qualified banks and savings and loans institutions, and repurchase and reverse repurchase agreements.

The fair value of short-term investments are estimated based on quoted market prices, which are generally equal to carrying amounts because of the short maturity of those instruments. The fair value of restricted investments and board designated investments are based on quoted market prices.

As of September 30, 2021, the District had cash and investments maturing as follows:

		Cash and investment maturities			
	Fair value	**Less than 1 year**	**1–5 years**	**6–10 years**	**More than 10 years**
U.S. government securities	$ 191,322,772	43,305,038	115,586,289	32,431,445	—
U.S. government agency securities	155,181,861	56,453,169	96,615,702	2,112,990	—
Corporate bonds	552,712,368	88,557,653	389,867,638	74,287,077	—
Municipal securities	284,588,070	19,234,688	150,864,033	114,489,349	—
Other, including bank deposits	134,725,878	134,725,878	—	—	—
Total cash and investments	$ 1,318,530,949	342,276,426	752,933,662	223,320,861	—

As of September 30, 2020, the District had cash and investments maturing as follows:

		Cash and investment maturities			
	Fair value	**Less than 1 year**	**1–5 years**	**6–10 years**	**More than 10 years**
U.S. government securities	$ 200,863,689	65,118,220	97,277,227	38,468,242	—
U.S. government agency securities	154,656,994	13,866,504	133,762,938	7,027,552	—
Commercial paper	3,000,064	3,000,064	—	—	—
Corporate bonds	538,454,665	120,910,970	250,992,857	166,550,838	—
Municipal securities	154,329,976	14,924,092	46,848,647	92,557,237	—
Other, including bank deposits	455,782,950	455,782,950	—	—	—
Total cash and investments	$ 1,507,088,338	673,602,800	528,881,669	304,603,869	—

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy authorizes a strategic asset allocation that is designed to provide an optimal return over the District's investment horizon within the District's risk tolerance and cash requirements. The District's investment policy states that investment transactions shall be structured to minimize capital losses, whether from securities defaults or erosion of market value. To attain this objective, diversification is required in order to minimize potential losses on the portfolio.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the District's investment portfolio to maturities as follows:

Direct government obligations	10 years
U.S. government and U.S. government agency securities	10 years
Bankers' acceptances	0.5 years
Commercial paper, corporate notes, and bonds	10 years
Certificates of deposit	0.5 years

Although the policy typically prohibits U.S. Government Agency investment maturities greater than 10 years, for asset-backed or similar securities the investment policy limitation is based on weighted average life rather than maturity. At September 30, 2021, the weighted average life was less than 10 years. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy provides guidelines for its fund managers and lists specific allowable investments. The policy provides for the utilization of varying styles of managers so that portfolio diversification is maximized and total portfolio efficiency is enhanced. GASB No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, requires that disclosure be made as to the credit quality ratings of investments in debt securities except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. As of September 30, 2021 and 2020, the credit rating agency ratings of the District's investments range from BBB to AAA, with only 11.04% and 3.88% in the BBB/Baa category, respectively.

The investment policy limits commercial paper investments to that of prime quality rated by at least two nationally recognized debt rating agencies in the highest letter and numerical rating of each agency. If not so rated, such prime quality commercial paper may be purchased if secured by a letter of credit provided by a commercial bank, which bank or its holding company carries a credit rating in one of the two highest alphabetical categories from at least two nationally recognized debt rating agencies.

The investment policy limits corporate debt investments to interest-bearing bonds, debentures, and other such evidence of indebtedness with a fixed maturity of any domestic corporation within the United States which is listed on any one or more of the recognized national stock exchanges in the United States and conforms with the periodic reporting requirements under the Securities Exchange Act of 1934. Such obligation shall either carry ratings in one of the three highest classifications of at least two nationally recognized debt rating agencies; or be secured by a letter of credit provided by a commercial bank, which bank or its holding company carries a credit rating in one of the four highest alphabetical categories from at least two nationally recognized debt rating agencies. As of September 30, 2021 and 2020, there were no exceptions to the policy limits.

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not held in the District's name.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The District's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At September 30, 2021, the District's governmental deposits and investments were not exposed to custodial credit risk since the full amount was insured or registered, or securities held by the District or its agent, in the District's name. The District's investment policy states that District securities be held with a third-party custodian and all securities purchased by, and all collateral obtained by, the District shall be properly designated as an asset of the District. Other entities of the District have deposits in a financial institution in excess of federally insured limits and which are not collateralized.

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. Disclosure is required for investments in any one issuer that represent 5% or more of total investments. 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. The District's investment policy states that no single corporate fixed income issuer shall represent more than 10% of the portfolio. The policy further states that the District's investments shall be diversified to the extent practicable to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. At September 30, 2021 and 2020, there were no investment holdings above the applicable concentration of credit risk limits.

(3) Restricted Investments and Board Designated Investments

Restricted investments and board designated investments as of September 30, 2021 and 2020 are as follows:

		2021	2020
Under bond indenture agreements held by trustees, at fair value plus accrued interest, held for:			
Payment of principal and interest	$	10,544,774	5,225,220
Project funds		—	174,271,806
		10,544,774	179,497,026

		2021	2020
Restricted funds designated by donors or grantors, at fair value plus accrued interest, held for:			
Plant replacement and expansion		573,918	784,883
		573,918	784,883
Total restricted investments	$	11,118,692	180,281,909
Unrestricted funds designated by the Board, at fair value plus accrued interest, held for:			
Capital improvements	$	1,242,028,023	1,286,478,424

(4) Fair Value Measurements

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the inputs used in valuation and gives the highest priority to unadjusted quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuations are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs.

Level 1 – Valuations based on unadjusted quoted prices for identical instruments in active markets that the System has the ability to access.

Level 2 – Valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each investment. The tables below show the fair value leveling of the System’s board designated investments as of September 30, 2021 and 2020.

		2021			
		Fair value measures using			
Investments by fair value level		**Quoted prices in active markets for identical assets Level 1**	**Significant other observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
Obligations:					
U.S. government securities	$	191,322,772	—	—	191,322,772
U.S. government agency securities		—	155,181,861	—	155,181,861
Corporate bonds		—	552,712,368	—	552,712,368
Municipal securities		—	284,588,070	—	284,588,070
Cash equivalents		58,222,952	—	—	58,222,952
Total board designated investments by fair value level	$	249,545,724	992,482,299	—	1,242,028,023

	2020			
	Fair value measures using			
Investments by fair value level	**Quoted prices in active markets for identical assets Level 1**	**Significant other observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
Obligations:				
U.S. government securities	$ 200,863,689	—	—	200,863,689
U.S. government agency securities	—	154,656,994	—	154,656,994
Commercial paper	—	3,000,064	—	3,000,064
Corporate bonds	—	538,454,666	—	538,454,666
Municipal securities	—	154,329,977	—	154,329,977
Cash equivalents	235,173,034	—	—	235,173,034
Total board designated investments by fair value level	$ 436,036,723	850,441,701	—	1,286,478,424

The tables below show the fair value leveling of the System's restricted investments as of September 30, 2021 and 2020.

	2021			
	Fair value measures using			
Investments by fair value level	**Quoted prices in active markets for identical assets Level 1**	**Significant other observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
Cash equivalents	$ 573,918	—	—	573,918
Total restricted investments by fair value level	$ 573,918	—	—	573,918

	2020			
	Fair value measures using			
Investments by fair value level	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
Cash equivalents	$ 784,883	—	—	784,883
Total restricted investments by fair value level	$ 784,883	—	—	784,883

The above tables exclude certain assets classified as restricted investments on the District's balance sheets, and total to $10,544,772 and $179,497,026 as of September 30, 2021 and 2020, respectively. Such other assets include trustee-held bond funds at September 30, 2021, are valued at cost, and, therefore, are not included in the leveling tables above.

The tables below show the fair value leveling of the System's assets related to deferred compensation arrangements which are included in other long term assets in the accompanying balance sheets as of September 30, 2021 and 2020.

	2021			
	Fair value measures using			
Investments by fair value level	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
Mutual funds	$ 26,555,919	—	—	26,555,919
Total deferred compensation investments by fair value level	$ 26,555,919	—	—	26,555,919

Investments by fair value level		2020 Fair value measures using: Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
Mutual funds	$	19,855,947	—	—	19,855,947
Total deferred compensation investments by fair value level	$	19,855,947	—	—	19,855,947

The tables below show the fair value leveling of the System's derivative instruments as of September 30, 2021 and 2020.

Investments by fair value level		2021 Fair value measures using: Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
Interest rate swap assets	$	—	18,405,828	—	18,405,828
Interest rate swap liabilities		—	(24,890,955)	—	(24,890,955)

Investments by fair value level		2020 Fair value measures using: Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
Interest rate swap assets	$	—	25,005,460	—	25,005,460
Interest rate swap liabilities		—	(35,886,852)	—	(35,886,852)

Debt securities classified in Level 1 are valued using prices quoted in active markets. Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These securities have nonproprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

(5) Capital Assets

The changes in capital assets for the years ended September 30, 2021 and 2020 are as follows:

			2021		
	Beginning balance	Additions	Transfers in/ transfers out	Disposals	Ending balance
Nondepreciable:					
Land	$ 54,725,259	—	6,734,700	—	61,459,959
Land held for future expansion	27,269,073	—	—	—	27,269,073
Construction in progress	305,396,533	335,565,017	(94,563,189)	—	546,398,361
Total nondepreciable	387,390,865	335,565,017	(87,828,489)	—	635,127,393
Depreciable:					
Land improvements	10,834,340	—	533,188	—	11,367,528
Buildings	686,704,698	—	55,719,816	—	742,424,514
Leasehold improvements	6,586,725	—	397,883	—	6,984,608
Moveable equipment	416,222,852	—	31,177,602	(8,249,849)	439,150,605
Total depreciable	1,120,348,615	—	87,828,489	(8,249,849)	1,199,927,255
	1,507,739,480	335,565,017	—	(8,249,849)	1,835,054,648
Less accumulated depreciation	(588,504,917)	(57,461,906)	—	8,246,743	(637,720,080)
Capital assets, net	$ 919,234,563	278,103,111	—	(3,106)	1,197,334,568

	2020				
	Beginning balance	Additions	Transfers in/ transfers out	Disposals	Ending balance
Nondepreciable:					
Land	$ 54,462,761	262,498	—	—	54,725,259
Land held for future expansion	27,269,073	—	—	—	27,269,073
Construction in progress	86,301,097	276,221,983	(57,126,547)	—	305,396,533
Total nondepreciable	168,032,931	276,484,481	(57,126,547)	—	387,390,865
Depreciable:					
Land improvements	10,758,923	—	113,325	(37,908)	10,834,340
Buildings	667,392,110	—	22,094,449	(2,781,861)	686,704,698
Leasehold improvements	6,063,297	—	523,428	—	6,586,725
Moveable equipment	430,779,859	—	34,395,345	(48,952,352)	416,222,852
Total depreciable	1,114,994,189	—	57,126,547	(51,772,121)	1,120,348,615
	1,283,027,120	276,484,481	—	(51,772,121)	1,507,739,480
Less accumulated depreciation	(588,105,168)	(51,520,472)	—	51,120,723	(588,504,917)
Capital assets, net	$ 694,921,952	224,964,009	—	(651,398)	919,234,563

The District has expansion and renovation programs involving various Hospital departments, patient care areas, ambulatory centers and support services. Total estimated cost to complete all projects in progress is approximately $277.6 million as of September 30, 2021, including $88.3 million to complete a new hospital campus in Venice; $62.8 million for a new behavioral health pavilion on the main campus; $44.5 million to complete a comprehensive cancer center on the main campus; and $5.9 million for operating room renovations on the main campus.

(6) Long-Term Debt

The District was obligated under long-term debt as of September 30, 2021 and 2020 as follows:

	2021	2020
Bonds:		
Sarasota County Public Hospital District, Municipal Inflation Linked Exempt Bonds Series 1997A, $5,000,000 due October 1, 2020 and $10,000,000 due October 1, 2021. Interest paid semi-annually in the sum of 2.05% plus or minus a floating rate which will increase or decrease each semi-annual period based on the Consumer Price Index, as defined. Both components of the interest rates totaled 10.76% at September 30, 2021.	$ 10,000,000	15,000,000

		2021	2020
Sarasota County Public Hospital District, Fixed Rate Hospital Revenue Refunding Bonds, Series 1998B, due in annual amounts through 2028 at annual interest rates from 5.25% to 5.50%.	$	84,000,000	84,000,000
Sarasota County Public Hospital District, Variable Rate Demand Hospital Revenue Refunding Bonds, Series 2008B, due in annual amounts through 2037 at variable interest rates, 0.05% at September 30, 2021.		51,575,000	54,100,000
Sarasota County Public Hospital District, Fixed Rate Hospital Revenue Bonds, Series 2018, due in amounts through 2048 at interest rates from 3% to 5% (plus unamortized bond premium in the amount of $5,690,520 and $6,011,484 at September 30, 2021 and 2020, respectively).		355,690,520	356,011,484
Total bonds		501,265,520	509,111,484
Bank notes:			
Direct bank note payable to Northern Trust Company, due in annual amounts through 2037. Interest payable monthly at a rate of 80% of Libor plus 50 basis points, 0.56% at September 30, 2021.		63,080,000	64,425,000
Direct bank note payable to DNT Asset Trust, due in annual amounts through 2037. Interest payable monthly at a rate of 79% of Libor plus 65 basis points, 0.71% at September 30, 2021.		52,275,000	54,625,000
Total bank notes		115,355,000	119,050,000
Total bonds and bank notes		616,620,520	628,161,484
Less current portion		(13,875,000)	(11,220,000)
	$	602,745,520	616,941,484

Long-term debt activity for the years ended September 30, 2021 and 2020 was as follows:

	2021				
	Beginning balance	**Additions**	**Reductions**	**Ending balance**	**Amounts due within one year**
Bonds:					
Municipal Inflation Linked Exempt Variable Rate Bonds (1997A)	$ 15,000,000	—	(5,000,000)	10,000,000	10,000,000
Hospital Revenue Refunding Fixed Rate Bonds (1998B)	84,000,000	—	—	84,000,000	—
Hospital Revenue Variable Rate Demand Bonds (2008B)	54,100,000	—	(2,525,000)	51,575,000	—
Hospital Revenue Fixed Rate Bonds (2018)	350,000,000	—	—	350,000,000	—
Total bonds	503,100,000	—	(7,525,000)	495,575,000	10,000,000
Bank notes:					
Direct bank note payable to Northern Trust Company	64,425,000	—	(1,345,000)	63,080,000	3,875,000
Direct bank note payable to DNT Asset Trust	54,625,000	—	(2,350,000)	52,275,000	—
Total bank notes	119,050,000	—	(3,695,000)	115,355,000	3,875,000
Plus original issue premium	6,011,484	—	(320,964)	5,690,520	—
Total long-term debt	$ 628,161,484	—	(11,540,964)	616,620,520	13,875,000

	2020				
	Beginning balance	Additions	Reductions	Ending balance	Amounts due within one year
Bonds:					
Municipal Inflation Linked Exempt Variable Rate Bonds (1997A)	$ 15,000,000	—	—	15,000,000	5,000,000
Hospital Revenue Refunding Fixed Rate Bonds (1998B)	87,000,000	—	(3,000,000)	84,000,000	—
Hospital Revenue Variable Rate Demand Bonds (2008B)	57,425,000	—	(3,325,000)	54,100,000	2,525,000
Hospital Revenue Fixed Rate Bonds (2018)	350,000,000	—	—	350,000,000	—
Total bonds	509,425,000	—	(6,325,000)	503,100,000	7,525,000
Bank notes:					
Direct bank note payable to Northern Trust Company	65,650,000	—	(1,225,000)	64,425,000	1,345,000
Direct bank note payable to DNT Asset Trust	57,850,000	—	(3,225,000)	54,625,000	2,350,000
Total bank notes	123,500,000	—	(4,450,000)	119,050,000	3,695,000
Plus original issue premium	6,332,448	—	(320,964)	6,011,484	—
Total long-term debt	$ 639,257,448	—	(11,095,964)	628,161,484	11,220,000

Maturities under the long-term debt agreements, including interest, described above are as follows:

	Bonds			Bank notes		
	Total	Principal	Interest	Total	Principal	Interest
Year ending September 30:						
2022	$ 26,653,880	10,000,000	16,653,880	8,159,067	3,875,000	4,284,067
2023	31,741,508	15,000,000	16,741,508	4,173,213	—	4,173,213
2024	31,476,685	15,100,000	16,376,685	4,167,962	—	4,167,962
2025	30,363,964	13,930,000	16,433,964	4,771,561	600,000	4,171,561
2026	31,098,703	14,570,000	16,528,703	4,576,811	425,000	4,151,811
2027–2031	131,957,894	49,460,000	82,497,894	52,878,458	33,750,000	19,128,458
2032–2036	115,684,517	38,720,000	76,964,517	72,006,309	62,655,000	9,351,309
2037–2041	174,838,303	111,295,000	63,543,303	14,485,790	14,050,000	435,790
2042–2046	189,518,200	156,010,000	33,508,200	—	—	—
2047–2050	75,807,400	71,490,000	4,317,400	—	—	—
	$ 839,141,054	495,575,000	343,566,054	165,219,171	115,355,000	49,864,171

Debt service on the Series 1997A and 1998B Bonds in the above table is based upon the execution of an interest rate exchange agreement in which the District will be paying rates based on the Securities Industry and Financial Markets Municipal Swap Index (SIFMA Index). The assumed rate to calculate debt service is the average rate for the year ended September 30, 2021. Debt service on the direct bank note with Northern Trust Company, the Series 2008B Bonds, and the direct bank note with DNT Asset Trust in the above table is based upon the execution of interest rate exchange agreements in which the District will be paying fixed rates of 3.610%, 3.766%, and 3.697%, respectively. All bonds and bank notes were issued by the District pursuant to a Master Trust Indenture dated September 1, 1996, as supplemented and amended, between the District and U.S. Bank National Association as master trustee. As of September 30, 2021 and 2020, the District was the only member of the obligated group under the Master Trust Indenture; however, members may be admitted to the obligated group or may cease membership in accordance with the terms of the Master Trust Indenture.

On July 7, 1997, the District issued $15,000,000 in Municipal Inflation Linked Exempt Bonds, Series 1997A, to refund existing debt at that time. The Series 1997A Bonds are collateralized by a municipal bond insurance policy.

During 1998, the District issued, $120,000,000 of Fixed Rate Hospital Revenue Refunding Bonds, Series 1998B, to refund existing debt at that time. The Series 1998B Bonds are collateralized by a municipal bond insurance policy.

On September 2, 2008, to refinance existing debt, the District issued the $76,875,000 Variable Rate Demand Hospital Revenue Refunding Bonds, Series 2008A bonds, and the $81,725,000 Variable Rate Demand Hospital Revenue Refunding Bonds, Series 2008B bonds. Both of these series were supported by separate bank credit facilities in the form of a direct pay letter of credit. The 2008A letter of credit was no longer needed and cancelled in 2015, as noted below. The 2008B letter of credit expires on October 1, 2022. There were no drawings or loans on the letter of credit during the year ended September 30, 2021.

To reduce exposure to the variable rate demand obligation market, the District refinanced the Series 2008A bonds on April 8, 2015 through a $71,100,000 direct bank loan with Northern Trust Company. The Series 2008A letter of credit was no longer needed and was cancelled. There are no assets pledged as collateral for the loan with Northern Trust Company. Failure to make any payments when due or failure to perform or observe any term, covenant or agreement in the Loan Agreement may cause an Event of Default. No events of default have occurred. The bank loan agreement is for a period of ten years, but maintains the same schedule of principal payments from the original refinanced Series 2008A bonds through 2037. The loan agreement called for the District to pay 67% of 1 month LIBOR plus 65 basis points in interest each month. In February 2018, the Tax Cuts and Jobs Act was signed which reduced the corporate tax rate to 21%. This invoked a clause in the agreement to increase the interest by 1.22%. The bank had the option of terminating the note on April 8, 2025. Effective September 28, 2018 the District and Northern Trust Company negotiated a new variable rate and revised the optional termination date on the bank note. The new rate is 80% of 1 month Libor plus 50 basis points, and the new optional termination date is September 28, 2025.

To reduce exposure to the variable rate demand obligation market, the District refinanced the Series 2009B bonds on April 8, 2015 through a $70,750,000 bank loan with DNT Asset Trust, an affiliate of JP Morgan. The related letter of credit was no longer needed and was cancelled. There are no assets pledged as collateral for the loan with DNT Asset Trust. Failure to make any payments when due or failure to perform or observe any term, covenant or agreement in the Loan Agreement may cause an Event of Default. No events of default have occurred. The bank loan agreement is for a period of ten years, but maintains the same schedule of principal payments from the original refinanced Series 2009B bonds through 2037. The bank had the option of terminating the note on April 8, 2025. The loan agreement called for the District to pay 67% of 1 month LIBOR plus 84 basis points in interest each month. In February 2018, the Tax Cuts and Jobs Act was signed which reduced the corporate tax rate to 21%. This invoked a clause in the agreement to increase the interest rate by 1.22%. Effective September 28, 2018 the District and DNT Asset negotiated a new variable rate and a new optional termination date on the bank note. The new rate is 79% of 1 month Libor plus 65 basis points, and the new optional termination date is April 8, 2028.

On September 24, 2018 the District issued $350,000,000 of Fixed Rate Revenue Bonds, Series 2018, to provide partial funding for a new 110 bed hospital in Venice, Florida, and a new regional cancer institute building on the Hospital's main campus. The bonds were issued with interest rates ranging from 3.0% to 5.0% at yields ranging from 2.68% to 4.13%, resulting in a total net original issuance premium of $6,657,870 which is being amortized using the effective interest method over the life of the bonds which mature in varying amounts through 2048.

The Hospital Revenue Bonds described above are collateralized by a lien on and a pledge of the net revenues of the District and all monies held in funds created by the bond resolution. The debt agreements contain various covenants, which provide for, among other things, the maintenance of specified debt service coverage ratios. Management believes the District was in compliance with all debt covenants at September 30, 2021 and 2020.

The District's ability to borrow is restricted under certain covenants of the Master Trust Indenture. Among these is the limitation of indebtedness not under the Master Indenture, which may not exceed 25% of operating revenue.

Approximately $14,424,000 and $14,745,000 of interest expense was capitalized in connection with the District's construction programs for the years ended September 30, 2021 and 2020, respectively.

(a) Hedging Derivative Instruments

Objectives of *the hedging derivative instruments*: The District has entered into interest rate swaps to manage interest costs related to long-term debt.

Terms at September 30, 2021:

Associated bond issue	Notional amount of swap	Counterparty	Effective date	District pays	District receives	Termination date	Fair value at September 30, 2021 (1)	Net cash flows during 2021
1998B	$ 84,000,000	Goldman Sachs	9/15/1998	SIFMA	Fixed rates per maturities	7/1/2028	$ 13,782,548	3,922,427
2015 NT Bank Note	63,080,000	Deutsche Bank	11/19/2010	3.610 %	67% of 1-month LIBOR	7/1/2037	(17,047,455)	(2,449,146)
2008B	51,575,000	Deutsche Bank	7/3/2013	3.766 %	61.7% of 1-month LIBOR plus 0.26%	7/1/2037	(5,824,572)	(1,085,266)
2015 DNT Asset Trust Bank Note	52,275,000	U.S. Bank	7/4/2013	3.697 %	61.7% of 1-month LIBOR plus 0.26%	6/28/2023	(2,018,928)	(1,100,668)

(1) Fair value at September 30, 2021 excludes current net accrued interest receivable of $644,837.

Note:

In accordance with GASB 53, the fair values of the novated 2008B and 2015 DNT Asset Trust Bank Note swaps are based on the at-the-market payor rates of the respective swaps. The actual fair value of the 2008B and 2015 DNT Asset Trust Bank Note swaps at September 30, 2021 were $(14,611,631) and $(14,409,924), respectively.

Definitions:

SIFMA is the Securities Industry Financial Markets Association benchmark rate
LIBOR is the London InterBank Offering Rate

Terms at September 30, 2020:

Associated bond issue	Notional amount of swap	Counterparty	Effective date	District pays	District receives	Termination date	Fair value at September 30, 2020 (1)	Net cash flows during 2020
1998B	$ 84,000,000	Goldman Sachs	9/15/1998	SIFMA	Fixed rates per maturities	7/1/2028	$ 18,717,266	3,353,232
2015 NT Bank Note	64,425,000	Deutsche Bank	11/19/2010	3.610 %	67% of 1-month LIBOR	7/1/2037	(21,789,161)	(1,899,128)
2008B	54,100,000	Deutsche Bank	7/3/2013	3.766 %	61.7% of 1-month LIBOR plus 0.26%	7/1/2037	(9,074,647)	(888,037)
2015 DNT Asset Trust Bank Note	54,625,000	U.S. Bank	7/4/2013	3.697 %	61.7% of 1-month LIBOR plus 0.26%	6/28/2023	(5,023,044)	(911,631)

(1) Fair value at September 30, 2020 excludes current net accrued interest receivable of $655,599.

Note:

In accordance with GASB 53, the fair values of the novated 2008B and 2015 DNT Asset Trust Bank Note swaps are based on the at-the-market payor rates of the respective swaps. The actual fair value of the 2008B and 2015 DNT Asset Trust Bank Note swaps at September 30, 2020 were $(19,579,081) and $(19,405,525), respectively.

Definitions:

SIFMA is the Securities Industry Financial Markets Association benchmark rate
LIBOR is the London InterBank Offering Rate

Risks

Credit risk: The District is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the District's policy to require counterparty collateral posting provisions in its nonexchange-traded swaps. These terms require full collateralization of the fair value of the swaps in asset positions (net of the effect on applicable netting arrangements) should the counterparty's Moody's credit rating fall below Baa3. The District is not required to post collateral to the counterparty in any circumstance. Collateral is to be posted in the form of U.S. Treasury securities held by a third-party custodian.

Interest rate risk: The District is exposed to interest rate risk on its pay-variable, receive-fixed interest rate swap. As SIFMA increases, the District's net payment on the swap increases. Alternatively, on its pay-fixed, receive variable interest rate swaps, as LIBOR decreases, the District's net payment increases.

Basis risk: The District is exposed to basis risk on its hedging derivative instruments that are pay-fixed, receive variable interest rate swaps because the variable rate payments received by the District are based on an index other than the interest rates the District pays on its hedged variable rate obligations. As of September 30, 2021, the weighted average rate on the District's hedged variable rate debt was 0.85% while the weighted average of the LIBOR-based variable receiver rates was 0.67%.

Termination risk: The District or its counterparties may terminate each of the derivative instruments if the other party fails to perform under the terms of the contract. Additionally, the District can terminate the contracts without cause at any time.

The fixed receiver swap with Goldman Sachs (Goldman) can be terminated if Goldman exercises its option to deliver securities under an existing put agreement, or if the District exercises its option to terminate the put agreement. Currently, no determination can be made by management relating to the probability of the termination option being exercised. In exchange for granting the option, the District receives a semi-annual payment of 8 basis points calculated on the outstanding Series 1998B Bonds, the issuance costs of the Series 1998B Bonds paid by the counterparty to the interest rate swap, and, in the event the option is exercised, the reasonable cost of refunding the Series 1998B Bonds into Variable Rate Demand Hospital Revenue Bonds similar in characteristics to the original debt.

In trades completed on June 28, 2013, the District implemented a novation strategy for its existing interest rate swap transactions related to its Series 2008B and Series 2009B Bond issues. The District solicited proposals for new counterparties to replace Citibank, N.A. (Citi) on these two fixed payer interest rate swap agreements, both of which included optional termination events that effectively provided Citi recurring put options. The 2008B termination option would have been first exercisable by Citi in September 2013, and the 2009B termination option first exercisable by Citi in September 2016. The District selected Deutsche Bank AG and U.S. Bank N.A. for the 2008B and 2009B swaps, respectively. The trades took place on June 28, 2013 with effective dates of July 3, 2013, for the 2008B swap and July 4, 2013, for the 2009B swap.

Simultaneously with the novations, confirmations were entered into with the new counterparties that modified the terms of the original swaps. The 2008B swap fixed payment rate was increased 16.8 basis points to 3.766% and the counterparty no longer has any option to terminate early. The variable payment rate remains the same at 61.7% of the 1-month LIBOR rate plus 0.26%. The 2008B swap is in the notional amount of $73,000,000 with reductions tied to the Series 2008B Bond principal payments, and the termination date is July 1, 2037.

For the 2009B swap the District opted for a 10-year “put” and a fixed payment rate increase of 9.9 basis points to 3.697%. The mandatory termination date on the 2009B swap is June 28, 2023. The variable payment rate remains the same at 61.7% of the 1-month LIBOR rate plus 0.26%. The 2009B swap is in the notional amount of $72,700,000 with reductions tied to the Series 2009B Bond principal payments through the October 1, 2037 maturity date.

In accordance with GASB No. 53, the novations resulted in a termination of hedge accounting for the replaced Citi swaps. As a result of the terminations of the 2008B and 2009B swaps, losses on termination were recorded in fiscal 2013 in the amounts of $13,739,010 and $13,029,959, respectively. The new swaps were considered to be hybrid instruments consisting of a “companion instrument” and an at-the-market swap. The noncurrent portion of the total companion instrument liability is included in the balance sheets as “long term companion debt, less current portion” and the current portion is included in other accrued expenses. The companion instrument is amortized over the term of the related swaps. During the fiscal year ended September 30, 2021, the amortization of the companion debt resulted in an increase to interest expense of $447,358 and an increase in interest rate swap receipts, net, of $1,451,534. During the fiscal year ended September 30, 2020, the amortization of the companion debt resulted in an increase to interest expense of $469,209 and an increase in interest rate swap receipts, net, of $1,451,533.

In accordance with GASB No. 53, the 2015 refinancing of the Series 2008A and Series 2009B bonds resulted in a termination of hedge accounting for the related Deutsche Bank and U.S. Bank swaps, respectively. As a result, the related deferred effective interest rate swap outflows at April 8, 2015 were reclassified to deferred outflows related to refinancing and are being amortized as interest expense over the related remaining debt service maturity schedule. The amount of amortization for the years ended September 30, 2021 and 2020 was $1,394,222 and $1,394,222, respectively.

Long-term companion debt activity for the year ended September 30, 2021 and 2020 was as follows:

	2021				
	Beginning balance	Additions	Reductions	Ending balance	Amounts due within one year
2008B Swap companion debt	$ 10,326,409		(515,023)	9,811,386	526,549
2015 DNT Asset Trust Bank Note Swap companion debt	9,785,209		(489,152)	9,296,057	499,963
Total long-term companion debt	$ 20,111,618	—	(1,004,175)	19,107,443	1,026,512

	2020				
	Beginning balance	Additions	Reductions	Ending balance	Amounts due within one year
2008B Swap companion debt	$ 10,830,158	—	(503,749)	10,326,409	515,023
2015 DNT Asset Trust Bank Note Swap companion debt	10,263,785	—	(478,576)	9,785,209	489,152
Total long-term companion debt	$ 21,093,943	—	(982,325)	20,111,618	1,004,175

Maturities for the long-term companion debt, including interest, described above are as follows:

	Total	Principal	Interest
Year ending September 30:			
2022	$ 1,451,534	1,026,512	425,022
2023	1,451,533	1,049,345	402,188
2024	1,451,533	1,072,686	378,847
2025	1,451,534	1,096,547	354,987
2026	1,451,533	1,120,938	330,595
2027–2031	7,257,666	5,988,885	1,268,781
2032–2036	7,257,666	6,686,752	570,914
2037–2037	1,088,649	1,065,778	22,871
	$ 22,861,648	19,107,443	3,754,205

Any termination of a contract would cause a settlement payment or receipt at the fair value of the instrument.

(b) Investment Derivative Instruments

The District has entered into four basis swaps that are accounted for as investment derivative instruments.

Terms as of September 30, 2021:

Associated bond issue	Notional amount of swap	Counterparty	Effective date	District pays	District receives	Termination date	Fair value at September 30, 2021 (1)	Net cash flows during 2021
1997A	$ 10,000,000	CitiGroup	6/24/2005	SIFMA Swap index	62.4% of 1-month LIBOR + 0.705%	10/1/2021	$ 279	80,238
1997A	10,000,000	Goldman Sachs	11/19/2010	SIFMA Swap index + 0.04%	Floating CPI rate + 2.05%	10/1/2021	1,510	727,459
1998B	84,000,000	CitiGroup	6/24/2005	SIFMA Swap index	62.4% of 1-month LIBOR + 0.757%	7/1/2028	2,188,669	661,387
2015 NT Bank Note	63,080,000	J.P. Morgan	4/24/2003	SIFMA Swap index	67% of 1-month LIBOR plus 0.655%	7/1/2037	2,432,822	434,787

(1) Fair value at September 30, 2021 excludes current net accrued interest receivable of $518,464.

Definitions:
SIFMA is the Securities Industry Financial Markets Association benchmark rate
CPI is Consumer Price Index

Terms as of September 30, 2020:

Associated bond issue	Notional amount of swap	Counterparty	Effective date	District pays	District receives	Termination date	Fair value at September 30, 2020 (1)	Net cash flows during 2020
1997A	$ 10,000,000	CitiGroup	6/24/2005	SIFMA Swap index	62.4% of 1-month LIBOR + 0.705%	10/1/2021	$ 65,935	53,510
1997A	15,000,000	Goldman Sachs	11/19/2010	SIFMA Swap index + 0.04%	Floating CPI rate + 2.05%	10/1/2021	348,984	322,381
1998B	84,000,000	CitiGroup	6/24/2005	SIFMA Swap index	62.4% of 1-month LIBOR + 0.757%	7/1/2028	2,714,528	494,194
2015 NT Bank Note	64,425,000	J.P. Morgan	4/24/2003	SIFMA Swap index	67% of 1-month LIBOR plus 0.655%	7/1/2037	3,158,747	348,150

(1) Fair value at September 30, 2020 excludes current net accrued interest receivable of $454,727.

Definitions:
SIFMA is the Securities Industry Financial Markets Association benchmark rate
CPI is Consumer Price Index

Risks

Credit risk: The District is exposed to credit risk on investment derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the District's policy to require counterparty collateral posting provisions in its nonexchange-traded swaps. These terms require full collateralization of the fair value of the swaps in asset positions (net of the effect on applicable netting arrangements) should the counterparty's Moody's credit rating fall below Baa3. The District is not required to post collateral to the counterparty in any circumstance. Collateral is to be posted in the form of U.S. Treasury securities held by a third-party custodian.

Interest rate risk: The District is exposed to interest rate risk on its pay-fixed, receive variable interest rate swap; as LIBOR decreases, the District's net settlement payment increases.

Basis risk: The District is exposed to basis risk on its investment derivative instruments in which it pays based on SIFMA and receives a payment based on the six-month change based on the CPI index. As of September 30, 2021, the rate the District paid the counterparty was 8.71% and the rate received was 10.76%.

The District is also exposed to basis risk on the three swaps in which the District payment is based on the SIFMA index and receives a payment based on the one-month LIBOR index. As of September 30, 2021, the SIFMA index was .02% and the one-month LIBOR index was .08025%.

Termination risk: The District or its counterparties may terminate each of the derivative instruments if the other party fails to perform under the terms of the contract. Additionally, the District can terminate the contracts without cause at any time. Any termination of a contract would cause a settlement payment or receipt at the fair value of the instrument.

(7) Retirement Plan

(a) General Information about the Defined Benefit Retirement Plan

Plan description. The SMH Health Care Retirement Plan (the Plan) is a single employer defined benefit pension plan administered by the District. On September 24, 1995, the District withdrew from the Florida Retirement System (FRS). This withdrawal was accomplished by transferring all District employees to SMH Health Care, Inc., a related organization. SMH Health Care, Inc. contracts with the District for leased personnel services. All employees of SMH Health Care, Inc. were given a one-time option to choose between two defined benefit retirement options with an effective date of October 1, 1995. The two options within the single defined benefit Plan were a “Traditional Pension Benefit” component or a “Pension Equity Benefit” component. Participants entering the Plan subsequent to October 1, 1995 accrue benefits under the Pension Equity Benefit component. All employees’ benefits previously earned through FRS are guaranteed under the new retirement plan. Employees who had 10 or more years of service under FRS as of September 30, 1995 were entitled to a pension from the State of Florida. Employees who did not have 10 years of service retained their years of service under the “Traditional Pension Benefit” component of the plan. Plan members are not required or permitted to contribute to the Plan under the funding policy. The District is required to contribute at an actuarially determined contribution to the Plan based on State of Florida rules.

The Plan is a governmental plan under Internal Revenue Code Section 414(d), which defines a governmental plan as “a plan established and maintained for its employees by the Government of the United States, by the government of any State or political subdivision thereof, or by any agency or instrumentality of any of the foregoing.” During the year ended September 30, 2003, the District clarified the status of the Plan as a governmental plan that is exempt from ERISA requirements. The Department of Labor was notified of this clarification through communications with the Pension Benefit Guarantee Corporation. On March 26, 2003, the District formally requested a private letter ruling from the Internal Revenue Service (IRS) confirming the status of the pension plan as a governmental plan. On January 22, 2007, the IRS informed the District that the IRS would not issue letter rulings on whether or not a plan is a “governmental plan” because the IRS intends to publish new guidance regarding the meaning of a “governmental plan”. To date, no such guidance has been published and the IRS continues to refuse to rule on whether any particular retirement plan is a “governmental plan” under Internal Revenue Code Section 414(d). However, on November 24, 2010, the IRS confirmed that the plan sponsor (SMH Health Care, Inc.) is a governmental entity. Management believes, based on discussions with legal counsel, that the pension plan is a governmental plan under Internal Revenue Code Section 414(d) and that if this is ever examined by the IRS, a favorable outcome will ultimately be granted. However, if the IRS were to determine that the Plan is not a “governmental plan”, it is estimated that no additional contribution would be necessary for the Plan to be 80% funded on an ERISA plan basis (including the changes under the Pension Protection Act which impacts ERISA plans starting with 2008 plan years) as of October 1, 2019. This estimate includes any adjustments for the funding relief legislation passed in July 2012, August 2014, and in November 2015.

The Plan is closed to any employee hired or rehired on or after October 1, 2009. The District issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report is available on the District’s website at www.smh.com and also may be obtained by writing to the District.

Benefits provided. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Retirement benefits accrue under the Plan in one of two ways, depending on the component of the Plan. The Sarasota County Public Hospital Board has the authority under which benefit terms are established or may be amended.

Traditional Pension Benefit – Annual benefits accrue beginning at the normal retirement date, equal to the product of a percentage (based on age and years of service) of the final average compensation and the participant's number of years of service, less any vested benefit payable under FRS. The number of years of service includes the credited service under FRS prior to October 1, 1995. After October 1, 1995, the years of service include all plan years with at least 1,000 hours of service.

The percentage of the participant's final average compensation is determined by:

Age less than 63	1.60 %
Age equal to 63 or service equal to 31	1.63
Age equal to 64 or service equal to 32	1.65
Age equal to 65 or service equal to 33	1.68

Final average compensation is a participant's average annual compensation for the five calendar years rendered prior to retirement date during which their compensation was the highest and such participant was an eligible employee.

Pension Equity Benefit – The participant's lump sum benefit amount under the Pension Equity Benefit formula equals the sum of the participant's pension equity credits determined for each year of accrued service credited after September 30, 1995, multiplied by the participant's highest average compensation over any five calendar years preceding termination while an eligible employee. A participant shall earn pension equity credits for each year of accrual service as follows:

Age last birthday on October 1 of the plan year	Credits earned
Less than 30	6 %
30–39	9
40–49	12
50 or above	15

Any participant under the Pension Equity Benefit option with less than 10 years of service under the FRS plan as of October 1, 1995 is also entitled to a Traditional Pension Benefit (as described above) based on the participant's service and final average compensation as of September 30, 1995.

Death Benefits – For pre-retirement death benefits, the surviving spouse of a vested participant under the Traditional Pension Benefit option who dies on or after age 42 will be entitled to receive a lifetime monthly benefit equal to 50% of the benefit the participant would have received under the joint and 50% survivor form of benefit if he had elected immediate commencement of his accrued benefit.

The surviving spouse of a vested participant under the Traditional Pension Benefit option who dies before age 42 will be entitled to receive a lifetime monthly benefit equal to 50% of the benefit the participant would have received under the joint and 50% survivor form of benefit if he had elected commencement of his accrued benefit at age 42. The benefit payable to the surviving spouse will commence on the first day of the month after the early retirement date.

For post-retirement death benefits, the surviving spouse's benefit is determined in accordance with the annuity option selected at retirement.

The pre-retirement death benefit payable to a beneficiary of any vested participant under the Pension Equity Benefit option is a lump sum equal to the Pension Equity Benefit amount at the date of death.

Disability Benefits – A participant who becomes disabled prior to satisfying the requirements for a normal retirement pension will be entitled to receive a monthly retirement benefit commencing on the participant's normal retirement date. The monthly benefit will equal his accrued benefit determined as of his date of disability.

(b) Employees Covered by Benefit Terms.

At October 1, the following employees were covered by the benefit terms:

	2020	2019
Inactive employees (or their beneficiaries) currently receiving benefits	1,033	1,010
Inactive employees entitled to but not yet receiving benefits	482	478
Active employees	1,090	1,191
	2,605	2,679

Contributions. The Board reserves the right at any time, by majority consent in writing or by a meeting, to amend, suspend or terminate the Plan, any contributions thereunder, the Trust or any contract issued by an insurance carrier forming a part of the Plan, in whole or in part and for any reason and without the consent of any Participating Company, Member, other Employee, Beneficiary or Surviving Spouse. Subject to certain provisions, no amendment or modification can be made which would (i) retroactively impair any right to any benefit under the Plan which any Member, Beneficiary or Surviving Spouse would otherwise have had at the date of such amendment by reason of the contributions theretofore made, or (ii) make it possible for any part of the funds of the Plan (other than such part as is required to pay taxes, if any, and administrative expenses as provided in Section 14.4) to be used for or diverted to any purposes other than for the exclusive benefit of Members and their Beneficiaries and Surviving Spouses under the Plan prior to the satisfaction of all liabilities with respect thereto. Subject to the above, the District contributes to the Plan, the amounts recommended by the Actuary as necessary to maintain the Plan on a sound actuarial basis, in accordance with Florida law and the Internal Revenue Service Code. The District contributed $12,467,731 and $12,231,019, during the years ended September 30, 2021 and 2020, respectively. The Plan recognized contributions of $12,231,019 and $10,049,127, as additions to the Plan's fiduciary net position during the fiscal years ended September 30, 2021 and 2020, respectively.

(c) Net Pension Liability

The District's net pension liability of $30,550,949 at September 30, 2021 was measured as of September 30, 2020 using an actuarial valuation as of October 1, 2019 and is included in net pension liability in the accompanying balance sheets. The District's net pension liability of $22,806,777 at September 30, 2020 was measured as of September 30, 2019 using an actuarial valuation as of October 1, 2018 and is included in net pension liability in the accompanying balance sheets. The total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation as of October 1, 2019 and 2018 rolled-forward to September 30, 2020 and 2019, respectively, using standard roll-forward techniques.

Actuarial assumptions. The total pension liability in the October 1, 2019 and 2018 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

2018 actuarial valuation assumptions:		
Inflation	2.50 %	
Investment rate of return	6.75	
2019 actuarial valuation assumptions:		
Inflation	2.50 %	
Investment rate of return	6.50	
Salary increases, 2021 and 2020	**Based on actual plan experience**	
	Age	**% increase at attained age**
	Less than 35	5.00 %
	35–49	4.50
	50–54	4.00
	55–59	3.50
	60 or older	3.00

Healthy and disabled mortality rates for the fiscal year ending September 30, 2021, are the Pri-2012 Amount-Weighted Employee, Annuitant and Contingent Survivor mortality tables for males and females, projected generationally using Scale MP-2020 for males and females for healthy mortality rates, and Scale MP-2018 for disabled mortality rates. Healthy and disabled mortality rates for the fiscal year ending September 30, 2020, are the Pri-2012 Amount-Weighted Employee, Annuitant and Contingent Survivor mortality tables for males and females projected generationally using Scale MP-2018 for males and females.

The long-term expected rate of return on retirement plan investments was determined using the October 1, 2020 Willis Towers Watson U.S. Capital Market assumptions investment return model. The Plan asset allocation and long-term rate of return as of September 30, 2020 was:

	Actual allocation	Target allocation	Long-term expected rate of return
Large cap stocks	20.7 %	21.0 %	7.3 %
Small cap stocks	3.4	4.0	6.9
International stocks	22.0	22.0	7.3
Private equity	3.9	5.0	8.3
Emerging market stocks	8.7	8.0	7.8
Real estate	5.9	5.0	5.8
Hedge fund of funds	4.9	5.0	5.7
High-yield bonds	3.7	5.0	4.8
BarCap Aggregate bonds	24.4	25.0	3.6
Cash	2.4	—	3.1
	100.0 %	100.0 %	

Based on the target allocation, the mean return over 15 and 20 years ranged from 6.37% to 6.53%, respectively. The median return over 15 and 20 years was 6.41% and 6.53%, respectively.

The Plan asset allocation and long-term rate of return as of September 30, 2019 was:

	Actual allocation	Target allocation	Long-term expected rate of return
Large cap stocks	20.3 %	21.0 %	7.3 %
Small cap stocks	3.5	4.0	6.9
International stocks	22.0	22.0	7.3
Private equity	3.9	5.0	8.3
Emerging market stocks	7.4	8.0	7.8
Real estate	5.9	5.0	5.5
Hedge fund of funds	4.7	5.0	5.4
High-yield bonds	3.9	5.0	4.4
BarCap Aggregate bonds	26.2	25.0	3.0
Cash	2.2	—	2.7
	100.0 %	100.0 %	

Based on the target allocation, the mean return over 15 and 20 years ranged from 6.65% to 6.77%, respectively. The median return over 15 and 20 years ranged was 6.67% and 6.78%, respectively.

Discount rate. The discount rate used to measure the total pension liability was 6.50% and 6.75%, respectively, for the September 30, 2020 and 2019 measurement dates. The projection of cash flows used to determine the discount rate was based on expected benefit payments and employer contributions based on the actuarially determined contributions. Based on those assumptions, the pension plan fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long term expected rate of return on retirement plan investments was applied to all periods of projected benefit payments to determine the total pension liability and does not incorporate a municipal bond rate.

(d) Changes in the Net Pension Liability

		Increase (decrease)		
		Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (c)**
Balances at September 30, 2019	$	384,704,146	377,914,733	6,789,413
Changes for the year:				
Service cost		7,852,889	—	7,852,889
Interest		26,111,890	—	26,111,890
Demographic (gains)/losses		(649,793)	—	(649,793)
Change in actuarial assumptions		6,286,177	—	6,286,177
Net investment income		—	13,797,623	(13,797,623)
Contributions-employer		—	10,049,127	(10,049,127)
Benefits payments		(22,054,700)	(22,054,700)	—
Administrative expense		—	(262,951)	262,951
Net changes		17,546,463	1,529,099	16,017,364
Balances at September 30, 2020		402,250,609	379,443,832	22,806,777
Changes for the year:				
Service cost		7,840,140	—	7,840,140
Interest		26,327,880	—	26,327,880
Demographic (gains)/losses		(1,422,450)	—	(1,422,450)
Change in actuarial assumptions		5,113,930	—	5,113,930
Net investment income		—	18,167,462	(18,167,462)
Contributions-employer		—	12,231,019	(12,231,019)
Benefits payments		(21,570,970)	(21,570,970)	—
Administrative expense		—	(283,153)	283,153
Net changes		16,288,530	8,544,358	7,744,172
Balances at September 30, 2021	$	418,539,139	387,988,190	30,550,949

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the District, calculated using the discount rate of 6.50%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate for the net pension liability for fiscal year 2021, and calculated using the discount rate of 6.75%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate for the net pension liability for fiscal year 2020:

	1% Decrease (5.50)%	Current discount (6.50)%	1% Increase (7.50)%
District's net pension liability, 2021	$ 63,435,940	30,550,949	2,078,648

	1% Decrease (5.75)%	Current discount (6.75)%	1% Increase (7.75)%
District's net pension liability, 2020	$ 55,571,804	22,806,777	(5,442,162)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan audited financial statements, which can be obtained from www.smh.org. The Plan's fiduciary net position has been determined on the same basis used by the Plan. The Plan financial statements have been prepared using the accrual basis of accounting and in accordance with generally accepted accounting principles. The Plan's investments are stated at fair value.

(e) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The District recognized pension expense of $10,117,724 and $13,783,306, respectively, for the years ended September 30, 2021 and 2020 and is included in salaries, wages and fringe benefits on the statement of revenues, expenses, and changes in net position. At September 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2021	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ —	1,929,337
Changes in assumptions	5,504,680	1,327,382
Net difference between projected and actual earnings on pension plan investments	13,390,815	—
Contributions made by the District during the year ended September 30, 2021	12,467,731	—
	$ 31,363,226	3,256,719

District contributions subsequent to the measurement date of $12,467,731 will be recognized as a reduction of the net pension liability during the fiscal year ending September 30, 2022. 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 ended September 30:	
2022	$ 3,783,573
2023	6,365,198
2024	3,999,643
2025	1,490,362
	$ 15,638,776

At September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		2020	
		Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$	—	2,770,706
Changes in assumptions		4,314,208	2,654,763
Net difference between projected and actual earnings on pension plan investments		6,892,570	—
Contributions made by the District during the year ended September 30, 2020		12,231,019	—
	$	23,437,797	5,425,469

(f) General Information about the Defined Contribution Plan

Employees hired on or after October 1, 2009 participate in a defined contribution plan named the SMHCS Retirement Savings Plan (RSP Plan), whereby the District contributes a stated percentage of qualified earnings into the RSP Plan. The stated contribution rate for the fiscal years ended September 30, 2021 and 2020 was 4% of qualified earnings and does not require a matching contribution by the employee. The expense of the RSP Plan for the years ended September 30, 2021 and 2020 was $11,384,830 and $9,880,026, respectively, and is included in salaries, wages and fringe benefits on the statements of revenues, expenses and changes in net position.

(8) Retirement Plan Disclosures as required by GASB Statement No. 67

(a) General Information

The Organization follows GASB Statement No. 67, Financial Reporting for Pension Plans, which specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through the pension plan. GASB Statement No. 67 requires plans to calculate a net pension liability (asset) to be measured as the total pension liability less the amount of the pension plan’s fiduciary net position.

(b) Components of the net pension liability (asset)

The components of the net pension liability (asset) of SMH Health Care, Inc. on September 30, 2021 and 2020 were as follows:

Net Pension Liability (Asset)

		2021	2020
Total pension liability	$	417,554,640	418,539,139
Plan fiduciary net position		444,749,558	387,988,190
Net pension liability (asset)	$	(27,194,918)	30,550,949
Plan fiduciary net position as a percentage of total pension liability		106.51%	92.70%
Net pension liability (asset) as a percentage of covered payroll		26.16%	28.46%

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

The discount rate used to measure the total pension liability was 6.50 percent at September 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that plan sponsor contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Below is a table providing sensitivity of the net pension liability (asset) to changes in the discount rate. In particular, the table presents the Plan's net pension liability (asset), if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

2021

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability (Asset)	$ 6,514,575	$ (27,194,918)	$ (56,617,175)

2020

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net Pension Liability	$ 63,435,940	$ 30,550,949	$ 2,078,648

(d) Actuarial Methods and Assumptions

The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	October 1, 2020 Actuarially determined contributions are calculated as of beginning of each fiscal year and interest-adjusted to end of the year and then paid by SMH Health Care Retirement Plan on a quarterly basis. Contributions shown are for the plan year coincident with the fiscal year end.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level dollar amount over working life expectancy
Remaining amortization period	9 years (based on average remaining expected service of active plan participants as of 10/01/20);
Asset valuation method	5-year smoothed market value
Investment rate of return	6.50%, net of pension plan investment expense, including inflation; 6.75% was used for the 2019 Actuarial valuation
Salary increases	3.3% average
Inflation	2.5%
Retirement age	Age-graded rates from 50 to 75
Mortality	In the 2020 valuation, assumed life expectancies were adjusted based on the State mandated tables of the Pub-2010 Headcount-weighted General Below Median Healthy Retiree and Employee Tables, set back one year for males, with generational projection Scale MP-2018 for males and females. For the 2016 through 2019 valuations, assumed life expectancies were adjusted based on the State mandated tables of the combined RP-2000 Mortality Tables for males and females projected generationally from 2000 using Scale BB for males and females.

(e) Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent at September 30, 2021 and 2020, respectively. The projection of cash flows used to determine the discount rate assumed that plan sponsor contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the pension 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(f) Expected Rate of Return

The long-term expected rate of return on Plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense) are developed for each major asset class. These ranges are combined to produce long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Plan’s target asset allocation as of September 30, 2021 and 2020 are summarized in the following table:

	2021	**2020**
Large cap stocks	7.25%	7.25%
Small cap stocks	6.86%	6.85%
International stocks	7.25%	7.25%
Private equity	8.25%	8.25%
Emergimng market stocks	7.75%	7.75%
Real estate	5.42%	5.19%
Hedge funds	5.06%	4.99%
High-yield bonds	0.00%	3.93%
BarCap aggregate bonds	2.73%	2.26%
Cash	2.16%	2.07%

(g) Method Used to Value Investments

As a key part of the Plan’s activities, it holds investments that are measured and reported at fair value on a recurring basis. Generally accepted accounting principles establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

1. *Level 1—Unadjusted quoted prices in active markets for identical assets.*
2. *Level 2—Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.*
3. *Level 3—Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.*

In addition to the above three levels, if an investment does not have a readily determined fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3.

The Plan presents in the statements of changes in fiduciary net position, the net appreciation (depreciation) in the fair value of its investments which consist of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

		Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
September 30, 2021			
Investments by fair value level			
Equity securities-domestic:			
Vanguard Institutional Index I	$	113,935,087	113,935,087
Blackrock FDS Ishares Russell		31,045,543	31,045,543
Total investmetns by fair value level		144,980,630	144,980,630
Investments measured at net asset value (NAV)			
Equity securiteis-domestic:			
NTCC Emerging Markets Fund	$	47,247,073	
Fixed income funds:			
CF Colchester Local Market Debt Fund FD		20,956,446	
CF Frank Russell Multi MGR Bond Fund		59,260,832	
Equity securities-international:			
NTCC International Equity Fund		95,504,088	
Venture capital and partnerships:			
Harvest MLP Income Fund II		586,969	
RREEF American REIT II		24,115,054	
Hedge funds:			
CF Magnitude International Class A		20,929,146	
CF Magnitude International Class A Eligible 07/21		24,419,412	
Total investments measured at NAV		293,019,020	
Total investments measured at fair value	$	437,999,650	

		Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
September 30, 2021			
Investments by fair value level			
Equity securities-domestic:			
Vanguard Institutional Index I	$	79,941,259	79,941,259
Blackrock FDS Ishares Russell		13,300,301	13,300,301
Total investmetns by fair value level		93,241,560	93,241,560
Investments measured at net asset value (NAV)			
Equity securiteis-domestic:			
NTCC Emerging Markets Fund	$	33,632,468	
Fixed income funds:			
CF Colchester Local Market Debt Fund FD		19,969,735	
CF Frank Russell Multi MGR Bond Fund		94,866,193	
Equity securities-international:			
NTCC International Equity Fund		65,767,241	
Venture capital and partnerships:			
Harvest MLP Income Fund II		15,263,363	
RREEF American REIT II		22,818,834	
Hedge funds:			
CF Magnitude International Class A		18,914,139	
Credit Suisse Dollar Senior Loan Offshore LTD Class A SER 138 FD		14,079,121	
Total investments measured at NAV		285,311,094	
Total investments measured at fair value	$	378,552,654	

The Plan holds units in investments in which the fair value is measured on a recurring basis using net asset value per share (or its equivalent) as a practical expedient.

At September 30, 2021 and 2020, the redemption rules of those investments are as follows:

	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Investments measured at net asset value (NAV)		
Equity securiteis-domestic:		
NTCC Emerging Markets Fund	Daily	15 days
Fixed income funds:		
CF Colchester Local Market Debt Fund FD	Daily	10 days
CF Frank Russell Multi MGR Bond Fund	Daily	1 day
Equity securities-international:		
NTCC International Equity Fund	Daily	15 days
Venture capital and partnerships:		
Harvest MLP Income Fund II	Monthly	30 days
RREEF American REIT II	Quarterly	45 days
Hedge funds:		
CF Magnitude International Class A	Quarterly	60 days
CF Magnitude International Class A Eligible 07/21	Quarterly	60 days
Credit Suisse Dollar Senior Loan Offshore LTD Class A SER 138 FD	Monthly	20 days

(h) Credit Risk

The objectives of the Plan's investment policy are to place an emphasis on diversified investment strategies to limit total portfolio financial risks, maximize the return of the portfolio and to preserve purchasing power while avoiding unreasonable investment risk. The investment portfolio maintains sufficient liquidity to enable the Plan to meet cash flow requirements reasonably anticipated for benefits. The U.S. equity securities are to be allocated across the equity market based on the capitalization weights of the Russell 1000 and 2000 index. Core fixed income is defined as investment grade fixed income securities. These securities are typically given one of the four highest ratings by accredited rating agencies. Cash investments are invested in a short-term investment fund. A performance evaluation is done at the total Plan level, for each asset class, and for each fund. The performance review at the fund level evaluates total fund performance versus an overall policy benchmark. The policy benchmark is calculated by multiplying the policy allocation weight for each asset class by the return on the asset class benchmark. The performance review at the asset class level evaluates performance versus the benchmark.

The performance review at the manager level evaluates manager performance versus the appropriate investment style benchmarks and stated investment approaches.

(i) Interst Rate Risk

The Plan manages its exposure to declines in fair values through other methods such as evaluating the credit rating, diversifying the investments in the portfolio, and outside portfolio consulting. The Plan does not limit the weighted average maturity of its investment portfolio.

(j) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a Plan's investment in a single issuer. The Plan's investment policy requires diversification of the investment portfolio to minimize risk of loss resulting from over-concentration in a particular type of security, risk factor, issuer, or maturity.

Investments that individually represent 5% or more of the Plan's net position restricted for pensions as of September 30, 2021 and 2020 are as follows:

		2021	2020
Vanguard Institutional Index I	$	113,935,087	79,941,259
NTCC Emerging Markets Fund		47,247,073	33,632,468
Blackrock FDS Ishares Russell		31,045,543	—
CF Frank Russell Multi MGR Bond Fund		59,260,832	94,866,193
CF Colchester Local Market Debt Fund FD		—	19,969,735
NTCC International Equity Fund		95,504,088	65,767,241
RREEF America REIT II		24,115,054	22,818,834
CF Magnitude International Class A Eligible 07/21		24,419,412	—
	$	395,527,089	316,995,730

(k) Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not believe that it has a custodial risk exposure as all its securities are registered and held by an outside custodian.

(l) Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in currency exchange rates may affect transactions conducted in currencies other than U.S. dollars and the carrying value of foreign investments. The Plan's exposure to foreign currency risk derives from its investments in international equity funds.

(m) Plan Fiduciary Net Position

Further detailed information about the Plan's fiduciary net position is available in separately issued financial statements. The Plan's financial statements can be obtained by contacting the District's Corporate Finance Department at Sarasota Memorial Hospital, Attention Controller, 1700 S. Tamiami Trail, Sarasota, FL 34239.

(9) Postemployment Benefits Other Than Pensions (OPEB)

(a) General Information about postemployment benefits

Plan description and benefits provided. The District provides other postemployment health care benefits (OPEB Plan) to all employees who retire from the District under the OPEB Plan after 20 or more years of service, 41,600 or more total hours 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 also provides $10,000 Life insurance to those who retire under the Florida Retirement System (FRS) or the OPEB Plan with at least 20 years of service and 41,600 or more total hours of service.

The OPEB Plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust. Separate financial statements for the District's OPEB Plan are not prepared.

Contributions. The OPEB 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.

(b) Employees covered by benefit terms

At October 1, the following employees were covered by the benefit terms:

	2019	2018
Inactive employees currently receiving benefits	740	706
Inactive employees entitled to but not yet receiving benefit payments	—	—
Active employees	5,695	5,153
	6,435	5,859

(c) Total OPEB liability

The District's total OPEB liability of $15,313,761 at September 30, 2021 was measured as of September 30, 2020 using an actuarial valuation as of October 1, 2019, and is included in other long-term liabilities in the accompanying balance sheet. The District's total OPEB liability of $12,616,115 at September 30, 2020 was measured as of September 30, 2019 using an actuarial valuation as of October 1, 2018, and is included in other long-term liabilities in the accompanying balance sheet. Liabilities measured as of September 30, 2020 and 2019 were projected from the valuation dates using standard roll-forward methodology.

Actuarial assumptions and other input. The total OPEB liabilities in the actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Salary increases	Age Graded Rates:	
	Age	**% increase at attained age**
	Less than 25	6.00 %
	25–34	5.00
	35–49	4.50
	50–59	3.50
	60–64	3.00
	65 and older	2.50
Discount Rate, 2020		2.75
Discount Rate, 2021		2.41
Current Health Care Cost Trend Rate, 2020		6.75
Current Health Care Cost Trend Rate, 2021		6.50
Ultimate Health Care Cost Trend Rate		5.00
Year of Ultimate Trend Rate, 2020		2025
Year of Ultimate Trend Rate, 2021		2025
Participation Assumptions, 2020:		
Medical Coverage		45.00 %
Medical Dependent Coverage		20.00
Participation Assumptions, 2021:		
Medical Coverage		45.00 %
Medical Dependent Coverage		20.00

The discount rates for 2021 and 2020 were based on a 20-year municipal bond rate as of the Measurement Date. The change in discount rate, change in participation assumption, mortality update and change in the medical trend assumption from 2020 to 2021 is reflected as a Changes in Assumptions in the following table. The discount rates used in these valuations were determined using the 20-year yields on the Fidelity AA Municipal General Obligation Fund. For the fiscal year ending September 30, 2021, mortality rates were updated to the Pri-2012 Employee and Annuitant Mortality Tables for males and females projected generationally from 2012 using Scale MP-2020 for males and females. The compensation increase assumption is based on the results of a 4-year experience study based on pay and participant data from 2012 through 2016. The termination and retirement rates assumptions are based on the results of a 5-year experience study based on participant data from October 1, 2010 through September 30, 2015. For the fiscal year ending September 30, 2020, mortality rates were updated to the Pri-2012 Employee and Annuitant Mortality Tables for males and females projected genereationally from 2012 using Scale MP-2018 for males and females.. The compensation increase assumption is based on the results of a 4-year experience study based on pay and participant data from 2012 through 2016. The termination and retirement rates assumptions are based on the results of a 5-year experience study based on participant data from October 1, 2010 through September 30, 2015.

(d) Changes in the Total OPEB Liability

		Total OPEB Liability
Balance at September 30, 2019	$	9,995,179
Changes for the year:		
Service cost		301,098
Interest cost		381,974
Changes of benefit terms		—
Differences between expected and actual experience		(55,284)
Changes of assumptions		2,239,923
Benefit payments		(246,775)
Net changes		2,620,936
Balance at September 30, 2020		12,616,115
Changes for the year:		
Service cost		488,086
Interest cost		363,620
Changes of benefit terms		—
Differences between expected and actual experience		446,524
Changes of assumptions		1,563,263
Benefit payments		(163,847)
Net changes		2,697,646
Balance at September 30, 2021	$	15,313,761

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District as of September 30, 2021, as well as what the District’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.41%) or 1-percentage-point higher (3.41%) than the current discount rate:

		1% Decrease (1.41%)	Discount rate (2.41%)	1% Increase (3.41%)
Total OPEB Liability	$	18,120,956	15,313,761	13,110,378

The following presents the total OPEB liability of the District as of September 30, 2020, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current discount rate:

		1% Decrease (1.75%)	Discount rate (2.75%)	1% Increase (3.75%)
Total OPEB Liability	$	14,892,911	12,616,115	10,832,040

Sensitivity of total OPEB liability to changes in healthcare cost trend rates. The following presents the total OPEB liability of the District as of September 30, 2021, as well as what the district's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.75% decreasing to 4.00%) or 1-percentage-point higher (7.75% decreasing to 6.00%) than the current healthcare cost trend rates:

		1% Decrease (5.75% decreasing to 4.00%)	Healthcare Cost Trend rates (6.75% decreasing to 5.00%)	1% Increase (7.75% decreasing to 6.00%)
Total OPEB Liability	$	14,557,369	15,313,761	16,225,969

The following presents the total OPEB liability of the District as of September 30, 2020, as well as what the district's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.75% decreasing to 4.00%) or 1-percentage-point higher (7.75% decreasing to 6.00%) than the current healthcare cost trend rates:

		1% Decrease (5.75% decreasing to 4.0%)	Healthcare Cost Trend rates (6.75% decreasing to 5.00%)	1% Increase (7.75% decreasing to 6.0%)
Total OPEB Liability	$	12,094,087	12,616,115	13,238,974

(e) OPEB Expense and Deferred Outflows of Resources and deferred Inflows of Resources Related to OPEB

For the years ended September 30, 2021 and 2020, the District recognized OPEB expense of $1,913,002 and $968,763, respectively, and is included in salaries, wages and fringe benefits on the statement of revenues, expenses, and changes in net position. At September 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 297,683	18,427
Changes in assumptions	1,788,816	—
Benefit payments made by the District during the year ended September 30, 2021	75,769	—
	$ 2,162,268	18,427

Deferred outflows of resources resulting from benefit payments made by the District during the year ended September 30, 2020 will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2022	$ 1,398,142
2023	669,930
	$ 2,068,072

At September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2020	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ —	80,998
Changes in assumptions	1,493,282	292,704
Benefit payments made by the District during the year ended September 30, 2020	163,847	—
	$ 1,657,129	373,702

(10) Related Organizations

The District is related to various organizations through several provisions contained in the articles of incorporation and bylaws of the entities. These related organizations are not component units of the District because while they are legally separate, the District does not appoint the voting majority of the organizations' Boards, they are not fiscally dependent on the District, the District does not have access to the entities' resources nor is it responsible for the entities' debts, and it would not be misleading to exclude the entity as a component unit. Net amounts due from/to these related organizations and investments in related organizations as of September 30, 2021 and 2020 are as follows:

	2021	2020
Current assets:		
Community Health Corporation	$ 2,542	67
Sarasota Memorial Physician-Hospital Organization, Inc.	131,046	9,971
Sarasota Medical Condominium Association, Inc.	11,583	990
Centergate Office Park Condominium Association, Inc.	5,339	3,788
LeeSar, Inc.	1,070,000	1,070,000
Total current assets	$ 1,220,510	1,084,816
Noncurrent assets (included in other assets):		
Investment in LeeSar, Inc.	$ 24,308,637	20,727,238
Total noncurrent assets	$ 24,308,637	20,727,238

Community Health Corporation was established to provide educational services, operate, manage, and own health care facilities, provide services for the care of persons suffering from illnesses and disabilities, and to further the interest of the District.

Sarasota Memorial Physician-Hospital Organization, Inc. is a corporation formed by physicians and the Hospital. The corporation contracts with payors to provide health care services. The District and certain medical staff physicians are each 50% members of the entity. The District utilizes the equity method of accounting for the investment.

During 1998, the Hospital entered into a joint venture with another southwest Florida area governmental hospital. The purpose of the joint venture was to develop a regional service center, LeeSar HealthTrust Partners, L.C. (LeeSar), to meet the materials services and distribution needs of both hospitals. The hospitals agreed to fund initial costs of opening LeeSar and working capital needs through an established line of credit. Each hospital provided a revolving credit loan not to exceed $3,000,000 to assist in funding LeeSar purchases, capital costs, and operational costs. The terms of the amended agreement stated the entire principal and accrued interest would be due and payable on September 30, 2005. The District voted in November 2003 to convert the LeeSar loan to an equity form of investment, effective September 30, 2003, due to LeeSar's inability to repay the loan under the current terms. Each organization had a 50% ownership interest through the year ended September 30, 2010. During 2010, the partners sold 5.555% each, of their respective ownership interest to a central Florida hospital. As a result, the Hospital now has a 44.445% ownership interest. The Hospital is accounting for the joint venture under the equity method of accounting. LeeSar's excess of revenues over expenses was approximately $8,058,000 and $2,055,000 for the years ended September 30, 2021 and 2020, respectively. Effective October 1, 2009, LeeSar Healthtrust Partners, L.C. merged with LeeSar, Inc. LeeSar, Inc., the surviving corporation, is a 501(c)(3) not-for-profit Florida corporation.

Sarasota Memorial Healthcare Foundation, Inc. (the Foundation) was formed to assist in fund-raising activities and community relations. The Foundation is not a component unit of the District because it is a legally separate organization, benefits other healthcare organizations in Sarasota County, and is not controlled by the Sarasota County Public Hospital Board. Funds contributed by the Foundation to the District are recorded as restricted or unrestricted gifts and bequests depending on the nature of the donation. During fiscal year 2020, the District and the Foundation entered into an administrative services agreement to foster the efficient use of resources, whereby the District provides administrative and accounting services for the Foundation and the Foundation maintained its independent governance.

The District has grants receivable from the Foundation of approximately $3,722,000 and $4,391,000 as of September 30, 2021 and 2020, respectively. The District received approximately $6,577,000 and $4,957,000 from the Foundation during the years ended September 30, 2021 and 2020, respectively.

(11) Malpractice Insurance

The District is subject to malpractice claims and litigation. Losses incurred have been estimated and accrued in the accompanying financial statements. The District is potentially liable for losses in excess of amounts accrued. However, in management's opinion, such excess, if any, should not have a material adverse effect on the results of operations or financial position of the District. Effective September 12, 1986, the District, as a "state agency or subdivision," eliminated its malpractice insurance coverage and invoked sovereign immunity for medical malpractice claims in excess of $100,000 per individual and $200,000 per occurrence. Effective October 1, 2011, the sovereign immunity limits increased to $200,000 per individual and $300,000 per occurrence. Effective April 15, 2021, the District purchased malpractice insurance with a limit of $15.0 million per occurrence, $15.0 million in the aggregate, subject to a $10.0 million self-insured retention. The coverage is provided by two separate policies; a primary policy with a

$5.0 million limit, and an excess policy with a $10.0 million limit. The District has accrued $9,625,000 and $8,399,000 as of September 30, 2021 and 2020, respectively, for estimated professional liability claims for the Hospital and for the Sarasota Memorial Nursing and Rehabilitation Center. The current portion of this is included in other accrued expenses and the noncurrent portion is included in other long-term liabilities in the accompanying balance sheets.

PSI is subject to malpractice claims and litigation. Losses incurred have been estimated and accrued in the accompanying financial statements. PSI is potentially liable for losses in excess of amounts accrued. However, in management's opinion, such excess, if any, should not have a material adverse effect on the results of operations or financial position of PSI. PSI has received a favorable ruling on a court decision that its physicians are covered under the doctrine of sovereign immunity. Effective December 1, 2003, PSI as a "state agency or subdivision," eliminated its malpractice insurance coverage and invoked sovereign immunity for medical malpractice claims in excess of $100,000 per individual and $200,000 per occurrence. As noted above, effective October 1, 2011, the sovereign immunity limits increased to $200,000 per individual and $300,000 per occurrence. Effective April 15, 2021, the District purchased malpractice insurance with a limit of $15.0 million per occurrence, $15.0 million in the aggregate, subject to a $10.0 million self-insured retention. This limit is part of the same policies described in the preceding paragraph and therefore covers all of the District's healthcare operations. PSI accrued $6,111,000 and $5,395,000 as of September 30, 2021 and 2020, respectively, for professional liability claims. The current portion of this liability is included in other accrued expenses and the noncurrent portion is included in other long-term liabilities in the accompanying balance sheets.

Activity related to these self-insured professional liability claims included as a component of other accrued expenses and other long-term liabilities in the accompanying balance sheets for the years ended September 30, 2021, 2020, and 2019, is reflected in the tables below:

		2021			
		Self-insured liabilities September 30, 2020	**Insurance expense (credit)**	**Payments**	**Self-insured liabilities September 30, 2021**
Professional liabilities	$	13,794,000	2,612,892	(670,892)	15,736,000

		2020			
		Self-insured liabilities September 30, 2019	**Insurance expense (credit)**	**Payments**	**Self-insured liabilities September 30, 2020**
Professional liabilities	$	11,486,000	2,788,544	(480,544)	13,794,000

	2019			
	Self-insured liabilities September 30, 2018	Insurance expense (credit)	Payments	Self-insured liabilities September 30, 2019
Professional liabilities	$ 10,868,000	1,998,033	(1,380,033)	11,486,000

The District had no significant reductions in insurance coverage during the fiscal year ended September 30, 2021. There were no settlements which exceeded the District's insurance coverage in any of the past three fiscal years.

(12) Commitments and Contingencies

The District has various contractual arrangements for employment contracts, leased office space related to medical practices, and equipment leases. Some of the employment contracts and operating leases have initial or remaining noncancelable lease terms in excess of one year. Total operating lease expense for the years ended September 30, 2021 and 2020 was approximately $11,472,000 and $11,748,000, respectively.

Minimum payments required under contractual employment agreements and operating leases as of September 30, 2021 are approximately as follows:

	Employment contracts	Operating leases	Total
Year ending September 30:			
2022	$ 30,991,667	6,225,614	37,217,281
2023	—	6,081,610	6,081,610
2024	—	4,104,039	4,104,039
2025	—	4,029,635	4,029,635
2026	—	2,924,887	2,924,887
All years after September 30, 2026	—	15,242,736	15,242,736
	$ 30,991,667	38,608,521	69,600,188

Additionally, the District may from time to time, be party to routine legal proceedings incidental to the operation of its business. The outcome of any pending or threatened proceedings is not expected to have a material adverse effect on the financial condition, operating results, or cash flows of the District.

(13) Concentrations of Credit Risk

Financial instruments which potentially subject the District to concentrations of credit risk consist principally of cash and cash equivalents, investments, patient accounts receivable, other assets, and investments restricted under bond indenture agreements or by donors or designated by the Board for future use.

The District places its cash and cash equivalents with what management believes to be high credit quality financial institutions. As stated in note 2, the custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not held in the District's name. The District's governmental bank balances are held in accounts protected under Chapter 280, *Florida Statutes* in institutions classified as qualified public depositories under Chapter 280 for the years ended September 30, 2021 and 2020. Other entities of the District have deposits in a financial institution in excess of federally insured limits and which are not collateralized.

As noted in note 2(b), the District's board designated and restricted investments are primarily invested in time deposits with high credit quality financial institutions, U.S. Treasury bonds and notes, government-backed mortgage securities, and highly rated corporate bonds.

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 gross receivables from patients and third-party payors as of September 30, 2021 and 2020 was as follows:

	2021	2020
Medicare	31.5 %	33.4 %
Self-pay and others	23.2	23.9
Managed care and commercial	29.9	27.9
Medicaid	15.4	14.8
	100.0 %	100.0 %

(14) Novel Coronavirus (COVID-19)

The current COVID-19 pandemic has had numerous and varied medical, economic, and social impacts, any and all of which have and may again adversely affect the System's business and financial results. In March 2020, the Florida Governor issued an executive order prohibiting certain medically unnecessary, non-urgent or non-emergent procedures and surgeries as a result of the COVID-19 pandemic. The restrictions were lifted in May 2020, however there is a possibility that additional restrictions on elective procedures may be reintroduced to the extent that COVID-19 patients threaten system capacity. Disruptions could also include temporary closures of the System's facilities or the facilities of suppliers and their contract manufacturers, and a reduction in the business hours of the System. The effects of COVID-19 could further and severely affect the System's ability to conduct normal business operations and, as a result, the future operating results of the System could be materially adversely affected.

In March 2020, the Coronavirus Aid, Relief and Economic Security Act (CARES Act) was signed into law providing, among other provisions, financial relief to hospitals and healthcare providers during the COVID-19 pandemic. The CARES Act Provider Relief Fund provides funding from the U.S. Department of Health and Human Services (HHS) to support healthcare-related expenses or lost revenue attributable to the COVID-19 pandemic.

As of September 30, 2021, the District received approximately $34.0 million in Provider Relief Funding related to the CARES Act. The funds received under the CARES Act Provider Relief fund represent payments that do not need to be repaid as long as the System complies with certain terms and conditions imposed by HHS, including reporting and compliance requirement. Such payments are accounted for as government subsidies and were recognized as other nonoperating income in fiscal 2021 when there was reasonable assurance that the applicable terms and conditions required to retain the funds will be met. As of September 30, 2021, the System has recognized the $34.0 million in other nonoperating income on the statements of revenues, expenses and changes in net position related to these funds.

During April 2020, the System applied for and received approximately $146.4 million from the Medicare Advance Payment Program provided under the CARES Act. Based on the Continuing Appropriations Act, 2020 and Other Extensions Act released in October of 2020, repayment began one year after the receipt of the advance payments. The claims for services provided to Medicare beneficiaries is applied against the advance payment balance. Any unapplied advance payment amounts must be paid in full within 29 months of receipt. As of September 30, 2021, the remaining balance of approximately $103.1 million is included in the current portion of advance payment from third party in the balance sheet.

The CARES Act also permits employers to defer the payment of the employer's portion of social security taxes incurred between March 27, 2020 and December 31, 2020, with half of the deferred payments required to be paid by December 31, 2021 and the other half to be paid by December 31, 2022. As of September 30, 2021, the System has deferred no payroll tax payments.

In the year ended September 30, 2021, the district received $5.0 million in business interruption insurance recoveries related to COVID-19. The amount is included in other nonoperating income on the statements of revenues, expenses, and changes in net position.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Required Supplemental Information

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

		2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:									
Service cost	$	7,840,140	7,852,889	7,932,022	8,237,830	9,619,975	9,357,119	9,593,252	10,036,918
Interest		26,327,880	26,111,890	25,733,708	25,040,903	24,231,700	23,572,643	21,938,676	21,187,578
Demographic (gains)/losses		(1,422,450)	(649,793)	(3,057,760)	(3,234,518)	(520,626)	(745,239)	(2,337,885)	—
Change in actuarial assumptions		5,113,930	6,286,177	(5,309,527)	493,692	(2,669,926)	11,080,081	—	—
Benefit payments		(21,570,970)	(22,054,700)	(22,552,914)	(18,094,587)	(21,007,051)	(19,641,173)	(17,407,572)	(18,905,723)
Net change in total pension liability		16,288,530	17,546,463	2,745,529	12,443,320	9,654,072	23,623,431	11,786,471	12,318,773
Total pension liability – beginning		402,250,609	384,704,146	381,958,617	369,515,297	359,861,225	336,237,794	324,451,323	312,132,550
Total pension liability – ending (a)		418,539,139	402,250,609	384,704,146	381,958,617	369,515,297	359,861,225	336,237,794	324,451,323
Plan fiduciary net position:									
Contributions-employer		12,231,019	10,049,127	10,824,970	12,139,689	14,551,924	49,810,358	16,606,485	98,258,981
Net investment income		18,167,462	13,797,623	19,785,014	35,432,192	30,898,892	(9,642,501)	26,103,829	22,947,703
Benefit payments		(21,570,970)	(22,054,700)	(22,552,914)	(18,094,587)	(21,007,051)	(19,641,173)	(17,407,572)	(18,905,723)
Administrative expense		(283,153)	(262,951)	(204,717)	(280,241)	(388,330)	(344,878)	(294,193)	(349,092)
Net change in plan fiduciary net position		8,544,358	1,529,099	7,852,353	29,197,053	24,055,435	20,181,806	25,008,549	101,951,869
Plan fiduciary net position – beginning		379,443,832	377,914,733	370,062,380	340,865,327	316,809,892	296,628,086	271,619,537	169,667,668
Plan fiduciary net position – ending (b)		387,988,190	379,443,832	377,914,733	370,062,380	340,865,327	316,809,892	296,628,086	271,619,537
Net pension liability – ending (a)-(b)	$	30,550,949	22,806,777	6,789,413	11,896,237	28,649,970	43,051,333	39,609,708	52,831,786
Plan fiduciary net position as a percentage of the total pension liability		92.7 %	94.3 %	98.2 %	96.9 %	92.2 %	88.0 %	88.2 %	83.7 %
Covered-employee payroll	$	107,342,655	109,970,976	114,623,636	118,225,538	124,949,986	127,730,377	133,004,920	139,579,218
Net pension liability as a percentage of covered-employee payroll		28.5 %	20.7 %	5.9 %	10.1 %	22.9 %	33.7 %	29.8 %	37.9 %

Note: The Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

(Continued)

Schedule of the Changes in the Net Pension Liability and Related Ratios

In 2021, amounts reported as changes in actuarial assumptions resulted primarily from a change in the discount rate from 6.75% to 6.50%, an investment loss due to actual returns less than expected for the measurement period ending September 30, 2020, and a decrease in deferred inflows/outflows amortization.

In 2020, amounts reported as changes in actuarial assumptions resulted primarily from a change in the discount rate from 7.00% to 6.75%, as well as a change in the base mortality table from RP-2014 to Pri-2012.

In 2019, amounts reported as changes in actuarial assumptions resulted primarily from an update of healthy and disabled mortality projection scale from Scale BB(male) to Scale MP-2018 for males and females.

In 2018, amounts reported as changes in actuarial assumptions resulted primarily from adjustments to salary increase assumption updated from age-graded rates of 6.5% to 4.00% to age-graded rates of 5.00% to 3.00% and an update to the assumed future increases to the IRC maximum benefit and plan compensation limits from 0% to 2.5%.

In 2017, amounts reported as changes in actuarial assumptions resulted primarily from an update to the termination and retirement rates based on plan experience.

In 2016, amounts reported as changes in actuarial assumptions resulted primarily from adjustments to healthy mortality assumption from RP-2000 mortality tables for males and females projected statically with Scale AA to 10 years beyond valuation year to RP-2006 for males and females projected generationally using Scale BB(male) and disabled mortality assumption updated from RP-2000 mortality tables for males and females set to 10 years beyond valuation year to RP-2006 disabled mortality tables for males and females projected generationally using Scale BB(male).

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Required Supplemental Information

Schedule of the District's Pension Contributions (Unaudited)

A schedule of the District's Pension Contributions for the most recent ten fiscal years is as follows:

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	$ 12,467,731	12,231,019	10,049,127	10,824,970	12,139,689	14,551,924	19,810,358	16,606,485	23,258,981	23,698,368
Contributions in relation to the actuarially determined contribution	12,467,731	12,231,019	10,049,127	10,824,970	12,139,689	14,551,924	49,810,358	16,606,485	98,258,981 (a)	23,698,368
Contribution deficiency/(excess)	$ —	—	—	—	—	—	(30,000,000)	—	(75,000,000)	—
Covered-employee payroll	$ 103,969,380	107,342,655	109,970,976	114,623,636	118,225,538	124,949,986	127,730,377	133,004,920	139,579,218	153,291,551
Contributions as a% of covered-employee payroll	12.0 %	11.4 %	9.1 %	9.4 %	10.3 %	11.6 %	39.0 %	12.5 %	70.4 %	15.5 %

(a) Pension contributions in fiscal year 2013 of $98,258,981 included $17,773,776 that were recognized as a receivable by the Pension Plan in fiscal year 2012.

Schedule of the District's Pension Contributions

Actuarially determined contributions are calculated two years prior to the end of the fiscal year in which contributions are reported. The most recent actuarial valuation was performed as of October 1, 2020. Contributions are made one fiscal year prior to the fiscal year in which the contributions are reported as a reduction in net pension liability. Contributions made in the most recent fiscal year are reported on the balance sheets as deferred outflows related to pensions, and reverse in the following year.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Required Supplemental Information

Schedule of the District's Pension Contributions (Unaudited)

Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal; prior to 10/1/2014 Valuation Date, projected unit credit was used
Amortization method	Level dollar amount over working life expectancy; prior to 10/1/2012 level dollar amount over 30 years was used
Remaining amortization period	9 years (based on average remaining expected service of active plan participants as of 10/1/2020); prior to 10/1/2012, 30 years
Asset valuation method	5 year smoothed market
Inflation	2.5% for 10/1/2013 and later; 3.0% for 10/1/2012; 2.75% for 10/1/2011
Salary increases	3.3%, average, including inflation; In the 2012, 2016, and 2020 actuarial valuations, expected salary increases were adjusted to age-graded rates to more closely reflect actual experience.
Investment rate of return	6.50%, net of pension plan investment expenses, including inflation; 6.75% was used for the 2019 actuarial valuation; 7.00% was used for the 2012 through 2018 actuarial valuations; 7.25% was used for the 2011 actuarial valuation
Retirement age	Age graded rates from 50 to 75; Prior to 2015, age-graded rates from 50 to 70. Expected retirement rates were adjusted in 2015 and 2020 to more closely reflect actual experience.
Mortality	In the 2020 valuation, assumed life expectancies were adjusted based on the State mandated tables of the Pub-2010 Headcount-weighted General Below Median Healthy Retiree and Employee Tables, set back one year for males, with generational projection Scale MP-2018 for males and females. For the 2016 through 2019 valuations, assumed life expectancies were adjusted based on the State mandated tables of the combined RP-2000 Mortality Tables for males and females projected generationally from 2000 using Scale BB for males and females. For the 2014 and 2015 actuarial valuations, assumed life expectancies were adjusted as a result of adopting the RP-2014 Employee/Annuitant Mortality Tables for males and females with the MP-2014 projection scale backed out to 2006 and then projected forward generationally using Scale BB (male). For the 2012 and 2013 actuarial valuations, assumed life expectancies were adjusted as a result of adopting the RP-2000 combined mortality tables for males and females projected to 10 years past the valuation date using Scale AA. For the 2011 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2000 combined mortality tables for males and females projected to 2015 using Scale AA.
Other information:	The plan was closed to new or rehired employees on or after 10/1/2009.

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Required Supplemental Information

Schedule of Changes in the Total OPEB Liability and Related Ratios (Unaudited)

	2021	2020	2019	2018	2017
Total OPEB liability:					
Service cost	$ 488,086	301,098	323,551	290,331	272,925
Interest	363,620	381,974	368,724	348,432	298,742
Differences between expected and actual experience	446,524	(55,284)	(132,424)	99,459	—
Changes of assumptions	1,563,263	2,239,923	(878,112)	(416,490)	—
Benefit payments	(163,847)	(246,775)	(35,157)	(9,820)	(120,590)
Net change in total pension liability	2,697,646	2,620,936	(353,418)	311,912	451,077
Total OPEB liability – beginning	12,616,115	9,995,179	10,348,597	10,036,685	9,585,608
Total OPEB liability – ending	$ 15,313,761	12,616,115	9,995,179	10,348,597	10,036,685
Covered-employee payroll	$ 368,846,553	326,412,000	294,022,400	262,680,254	230,474,125
Total OPEB liability as a percentage of covered payroll	4.15 %	3.87 %	3.40 %	3.94 %	4.35 %

Note: The Schedule is intended to show information for 10 years. Additional years will be displayed as the information becomes available.

(Continued)

Schedule of Changes in the Total OPEB Liability and Related Ratios

2021

The discount rate changed from 2.75% to 2.41%.

Assumed per capita claims costs were updated for fiscal year ending September 30, 2021 based on most recent premiums provided by SMH and to reflect changes in distribution of enrollment by plan options.

The annual average per capita retiree contributions were updated for fiscal year ending September 30, 2021 due to changes in the distribution of enrollment by plan option and changes in elected coverage categories.

The mortality projection scale was updated Scale MP-2018 for males and females to Scale MP-2020 for males and females.

2020

The discount rate changed from 3.83% to 2.75%.

The medical plan coverage assumption was updated from 35% to 45%.

Assumed per capita claims costs were updated for fiscal year ending September 30, 2020 based on most recent premiums provided by SMH and to reflect changes in distribution of enrollment by plan options.

The annual average per capita retiree contributions were updated for fiscal year ending September 30, 2020 from $7,542 to $7,454 due to changes in the distribution of enrollment by plan option and changes in elected coverage categories.

The mortality was updated from RP-2014 Employee and Annuitant Mortality Tables for males and females with the MP-2014 projection scale backed out to 2006 and then projected forward generationally using Scale MP-2018 for males and females to Pri-2012 Employee and Annuitant Mortality Tables for males and females projected generationally using Scale MP-2018 for males and females.

The medical trend assumption was changed from 6.50% in 2018/2019 grading down 0.25% per year to 5.00% in 2025/2026 to 6.75% in 2018/2019 grading down 0.25% per year to 5.00% in 2026/2027.

See accompanying independent auditors’ report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Supplemental Information – Combining Balance Sheet Information

September 30, 2021

Assets	Sarasota Memorial Hospital Sarasota	Sarasota Memorial Hospital Venice	Sarasota Memorial Nursing & Rehabilitation Center	Corporate Division	Eliminations	Sarasota County Public Hospital District	SMH Health Care, Inc.	SMH Physician Services, Inc.	Eliminations	Total
Current assets:										
Cash and cash equivalents	$ 48,593,578	—	2,159,367	5,567,164	—	56,320,109	(211,764)	9,275,889	—	65,384,234
Patient accounts receivable, less allowance for uncollectible accounts	120,669,880	—	1,406,220	—	—	122,076,100	—	6,528,314	—	128,604,414
Inventories of supplies	15,903,041	689,347	61,898	—	—	16,654,286	—	—	—	16,654,286
Prepaid expenses and other assets	12,505,842	63,730	25,324	12,484,896	—	25,079,792	155,780	101,599	—	25,337,171
Due from related organizations	11,850,799	—	427,737	1,175,821	(10,429,393)	3,024,964	118,640,953	2,335	(120,447,742)	1,220,510
Total current assets	209,523,140	753,077	4,080,546	19,227,881	(10,429,393)	223,155,251	118,584,969	15,908,137	(120,447,742)	237,200,615
Noncurrent assets:										
Restricted investments	573,920	—	—	10,544,772	—	11,118,692	—	—	—	11,118,692
Board designated investments	—	—	—	1,242,028,023	—	1,242,028,023	—	—	—	1,242,028,023
Capital assets, net	953,328,743	387,679	2,990,032	234,883,561	—	1,191,590,015	—	5,744,553	—	1,197,334,568
Other assets	24,308,637	—	—	—	—	24,308,637	26,555,919	—	—	50,864,556
Interest rate swaps	—	—	—	18,405,828	—	18,405,828	—	—	—	18,405,828
Total noncurrent assets	978,211,300	387,679	2,990,032	1,505,862,184	—	2,487,451,195	26,555,919	5,744,553	—	2,519,751,667
Total assets	1,187,734,440	1,140,756	7,070,578	1,525,090,065	(10,429,393)	2,710,606,446	145,140,888	21,652,690	(120,447,742)	2,756,952,282
Deferred Outflows of Resources										
Deferred outflows related to pensions and OPEB	—	—	—	—	—	—	33,525,494	—	—	33,525,494
Deferred amounts on debt refundings	—	—	—	23,357,203	—	23,357,203	—	—	—	23,357,203
Deferred effective interest rate swap outflows	—	—	—	5,824,572	—	5,824,572	—	404,914	—	6,229,486
Total deferred outflows of resources	—	—	—	29,181,775	—	29,181,775	33,525,494	404,914	—	63,112,183
Total assets and deferred outflows of resources	$ 1,187,734,440	1,140,756	7,070,578	1,554,271,840	(10,429,393)	2,739,788,221	178,666,382	22,057,604	(120,447,742)	2,820,064,465

(Continued)

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Supplemental Information – Combining Balance Sheet Information

September 30, 2021

Liabilities	Sarasota Memorial Hospital Sarasota	Sarasota Memorial Hospital Venice	Sarasota Memorial Nursing & Rehabilitation Center	Corporate Division	Eliminations	Sarasota County Public Hospital District	SMH Health Care, Inc.	SMH Physician Services, Inc.	Eliminations	Total
Current liabilities:										
Accounts payable	$ 81,566,869	633,114	389,776	10,076,558	—	92,666,317	313,089	2,337,783	—	95,317,189
Employee compensation and benefits payable	—	—	—	—	—	—	94,456,120	—	—	94,456,120
Other accrued expenses	4,461,623	—	140,528	6,977,787	—	11,579,938	—	1,296,260	—	12,876,198
Current portion of advance payment from third party	100,534,517	—	—	—	—	100,534,517	—	2,615,269	—	103,149,786
Estimated third-party settlements	42,764,266	—	149,281	—	—	42,913,547	—	—	—	42,913,547
Unearned grant receipts – Provider Relief Fund	—	—	—	—	—	—	—	—	—	—
Due to related organizations	3,788,850	9,566,973	29,722	112,085,182	(10,429,393)	115,041,334	86,804	5,319,726	(120,447,742)	122
Current portion of State of Florida medical assistance assessment	12,990,068	—	—	—	—	12,990,068	—	—	—	12,990,068
Current portion of long-term debt	—	—	—	13,875,000	—	13,875,000	—	—	—	13,875,000
Total current liabilities	246,106,193	10,200,087	709,307	143,014,527	(10,429,393)	389,600,721	94,856,013	11,569,038	(120,447,742)	375,578,030
Noncurrent liabilities:										
Long-term debt, less current portion	—	—	—	602,745,520	—	602,745,520	—	—	—	602,745,520
Long-term companion debt, less current portion	—	—	—	18,080,931	—	18,080,931	—	—	—	18,080,931
Net pension liability	—	—	—	—	—	—	30,550,949	—	—	30,550,949
State of Florida medical assistance assessment, less current portion	6,801,475	—	—	—	—	6,801,475	—	—	—	6,801,475
Advance payment from third party, less current portion	—	—	—	—	—	—	—	—	—	—
Other long-term liabilities	6,947,000	—	283,000	—	—	7,230,000	49,984,274	5,105,000	—	62,319,274
Interest rate swaps	—	—	—	24,890,955	—	24,890,955	—	—	—	24,890,955
Total noncurrent liabilities	13,748,475	—	283,000	645,717,406	—	659,748,881	80,535,223	5,105,000	—	745,389,104
Total liabilities	259,854,668	10,200,087	992,307	788,731,933	(10,429,393)	1,049,349,602	175,391,236	16,674,038	(120,447,742)	1,120,967,134
Deferred Inflows of Resources										
Deferred inflows related to pensions and OPEB	—	—	—	—	—	—	3,275,146	—	—	3,275,146
Deferred effective interest rate swap inflows	—	—	—	21,673,540	—	21,673,540	—	—	—	21,673,540
Total deferred inflows of resources	—	—	—	21,673,540	—	21,673,540	3,275,146	—	—	24,948,686
Net Position										
Net investment in capital assets	953,328,743	387,679	2,990,031	(347,834,983)	—	608,871,470	—	5,744,553	—	614,616,023
Restricted for specific purposes	3,159,756	—	—	—	—	3,159,756	—	—	—	3,159,756
Unrestricted	(28,608,727)	(9,447,010)	3,088,240	1,091,701,350	—	1,056,733,853	—	(360,987)	—	1,056,372,866
Total net position	927,879,772	(9,059,331)	6,078,271	743,866,367	—	1,668,765,079	—	5,383,566	—	1,674,148,645
Total liabilities, deferred inflows of resources and net position	$ 1,187,734,440	1,140,756	7,070,578	1,554,271,840	(10,429,393)	2,739,788,221	178,666,382	22,057,604	(120,447,742)	2,820,064,465

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Supplemental Information – Combining Statement of Revenues, Expenses and Changes in Net Position Information

Year ended September 30, 2021

	Sarasota Memorial Hospital Sarasota	Sarasota Memorial Hospital Venice	Sarasota Memorial Nursing & Rehabilitation Center	Corporate Division	Eliminations	Sarasota County Public Hospital District	SMH Health Care, Inc.	SMH Physician Services, Inc.	Eliminations	Total
Operating revenues:										
Net patient service revenue, net of provision for bad debts	$ 1,017,781,763	—	13,491,198	—	—	1,031,272,961	—	93,550,906	—	1,124,823,867
Other revenue	18,988,640	—	485,293	166,646,594	(148,143,682)	37,976,845	622,820,778	2,449,826	(635,247,717)	27,999,732
Total operating revenues	1,036,770,403	—	13,976,491	166,646,594	(148,143,682)	1,069,249,806	622,820,778	96,000,732	(635,247,717)	1,152,823,599
Operating expenses:										
Salaries, wages, and fringe benefits	386,407,479	8,351,852	9,074,390	99,789,521	—	503,623,242	621,980,762	116,959,646	(621,980,763)	620,582,887
Supplies	223,199,103	94,774	1,674,773	7,441,093	—	232,409,743	—	5,457,278	—	237,867,021
Purchased services	217,369,647	437,705	3,530,133	49,619,456	(148,036,574)	122,920,367	840,016	18,214,917	(12,033,012)	129,942,288
Professional fees	26,653,298	—	55,552	4,507,320	(107,108)	31,109,062	—	25,000	(1,233,942)	29,900,120
State of Florida medical assistance assessment	13,602,951	—	—	—	—	13,602,951	—	—	—	13,602,951
Depreciation and amortization	42,710,775	—	416,484	13,274,867	—	56,402,126	—	1,113,259	—	57,515,385
Total operating expenses	909,943,253	8,884,331	14,751,332	174,632,257	(148,143,682)	960,067,491	622,820,778	141,770,100	(635,247,717)	1,089,410,652
Operating income (loss)	126,827,150	(8,884,331)	(774,841)	(7,985,663)	—	109,182,315	—	(45,769,368)	—	63,412,947
Nonoperating items:										
Ad valorem tax	64,655,988	—	—	—	—	64,655,988	—	—	—	64,655,988
Interest expense	(7,073,921)	—	—	(1,442,573)	—	(8,516,494)	—	—	—	(8,516,494)
Interest rate swap receipts, net	—	—	—	1,191,218	—	1,191,218	—	—	—	1,191,218
Investment income	122,654	—	54	17,789,875	—	17,912,583	—	13,445	—	17,926,028
Unrealized gains and losses on investments, net	—	—	—	(18,150,092)	—	(18,150,092)	—	—	—	(18,150,092)
Change in fair value of ineffective interest rate swaps	—	—	—	(1,664,914)	—	(1,664,914)	—	—	—	(1,664,914)
Other nonoperating income	40,115,548	(175,000)	613,871	411,260	—	40,965,679	—	1,911,497	—	42,877,176
Total nonoperating items	97,820,269	(175,000)	613,925	(1,865,226)	—	96,393,968	—	1,924,942	—	98,318,910
Excess (deficit) of revenues over expenses	224,647,419	(9,059,331)	(160,916)	(9,850,889)	—	205,576,283	—	(43,844,426)	—	161,731,857
Other changes in net position:										
Contributions restricted for capital purposes	3,352,229	—	—	—	—	3,352,229	—	—	—	3,352,229
Net transfers from (to) other component units	(748,461,272)	—	—	696,775,530	—	(51,685,742)	—	51,685,742	—	—
Increase (decrease) in net position	(520,461,624)	(9,059,331)	(160,916)	686,924,641	—	157,242,770	—	7,841,316	—	165,084,086
Net position, beginning of year, as restated	1,448,341,396	—	6,239,187	56,941,726	—	1,511,522,309	—	(2,457,750)	—	1,509,064,559
Net position, end of year	$ 927,879,772	(9,059,331)	6,078,271	743,866,367	—	1,668,765,079	—	5,383,566	—	1,674,148,645

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Supplemental Information – Budgetary Comparison Schedule (Unaudited)

Year ended September 30, 2021

	Budget	Actual	Variance
Operating revenues:			
Net patient service revenue, net of provision for bad debts	$ 1,022,566,889	1,124,823,867	102,256,978
Other revenue	25,856,006	27,999,732	2,143,726
Total operating revenues	1,048,422,895	1,152,823,599	104,400,704
Operating expenses:			
Salaries, wages, and fringe benefits	586,409,162	620,582,887	(34,173,725)
Supplies	221,654,131	237,867,021	(16,212,890)
Purchased services	135,735,229	129,942,288	5,792,941
Professional fees	30,789,105	29,900,120	888,985
State of Florida medical assistance assessment	12,576,366	13,602,951	(1,026,585)
Depreciation and amortization	58,499,907	57,515,385	984,522
Total operating expenses	1,045,663,900	1,089,410,652	(43,746,752)
Operating income	2,758,995	63,412,947	60,653,952
Nonoperating items:			
Ad valorem tax	64,844,632	64,655,988	(188,644)
Interest expense	(7,596,924)	(8,516,494)	(919,570)
Interest rate swap receipts, net	1,180,764	1,191,218	10,454
Investment income	17,227,309	17,926,028	698,719
Unrealized gains and losses on investments, net	—	(18,150,092)	(18,150,092)
Change in fair value of ineffective interest rate swaps	—	(1,664,914)	(1,664,914)
Other nonoperating income	2,000,000	42,877,176	40,877,176
Total nonoperating items	77,655,781	98,318,910	20,663,129
Excess of revenues over expenses	80,414,776	161,731,857	81,317,081
Other changes in net position:			
Contributions restricted for capital purposes	—	3,352,229	3,352,229
Increase in net position	80,414,776	165,084,086	84,669,310
Net position, beginning of year, as restated	1,509,064,559	1,509,064,559	—
Net position, end of year	$ 1,589,479,335	1,674,148,645	84,669,310

See accompanying independent auditors’ report.

KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602-5145

Independent Auditors' 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*

The Board Members
Sarasota County Public Hospital District:

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 the business-type activities and the pension trust fund information of Sarasota County Public Hospital District (the District), as of and for the year ended September 30, 2021 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 31, 2022. Our report includes a reference to other auditors who audited the financial statements of SMH Health Care Retirement Plan, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 a 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 financial statements. 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*.

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 District'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.

KPMG LLP

January 31, 2022

KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602-5145

Independent Auditors' Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Members
Sarasota County Public Hospital District:

Report on Compliance for the Major Federal Program

We have audited Sarasota County Public Hospital District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended September 30, 2021. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the District as of and for the year ended September 30, 2021, and have issued our report thereon dated January 31, 2022 which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

June 24, 2022

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended September 30, 2021

Federal grantor/ pass through agency/ program title	CFDA number	Contract number	Grant period	Contract or award amount	Passed through to subrecipients	Expenditures
U. S. Department of Health and Human Services:						
Health Resources and Services Administration:						
Prover Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	N/A	4/1/20-6/30/20	24,385,014	$ —	24,385,014
Passed through Florida Hospital Association:						
National Bioterrorism Hospital Preparedness Program	93.889	1 U3REP200642-01-00	4/10/20-4/9/25	90,660	—	90,660
Total U.S. Department of Health and Human Services					—	24,475,674
Total Federal Awards					$ —	24,475,674

See accompanying independent auditor’s report.

See accompanying notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602-5145

Independent Auditors' Report on Compliance for the Major State Project; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Financial Assistance Required by Chapter 10.550, *Rules of the Auditor General*

The Board of Members
Sarasota County Public Hospital District:

Report on Compliance for the Major State Project

We have audited Sarasota County Public Hospital District's (the District) compliance with the types of compliance requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on the District's major state project for the year ended September 30, 2021. The District's major state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state projects.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the District's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General,* State of Florida (Chapter 10.550). Those standards and Chapter 10.550 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes 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 audit provides a reasonable basis for our opinion on compliance for the major state project. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major State Project

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended September 30, 2021.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major state

KPMG

project and to test and report on internal control over compliance in accordance with Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by the Chapter 10.550

We have audited the consolidated financial statements of the District as of and for the year ended September 30, 2021, and have issued our report thereon dated January 31, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550 and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

June 24, 2022

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Schedule of Expenditures of State Awards

Year ended September 30, 2021

State grantor/ pass through agency/ program title	CSFA number	Contract number	Grant period	Contract or award amount	Passed through to subrecipients	Expenditures
State of Florida Department of Elder Affairs:						
Alzheimers Disease Initiative	65.002	XZ814	7/1/20-6/30/21	222,801	$ —	167,101
Alzheimers Disease Initiative	65.002	XZ914	7/1/21-6/30/22	222,801	—	55,700
Total State of Florida Department of Elder Affairs					—	222,801
Division of Emergency Preparedness and Community Support:						
Verified Trauma Center Financial Support	64.075	TRA30	1/1/20-12/31/20	1,058,413	—	108,413
Verified Trauma Center Financial Support	64.075	TRA30	1/1/21-12/31/21	421,581	—	421,581
Total Division of Emergency Management and Community Support					—	529,994
Total State Financial Assistance					$ —	752,795

See accompanying independent auditor’s report.

See accompanying notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

(1) General

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the Schedules) present the activity of all federal and state programs administered by Sarasota County Public Hospital District (the District). Awards received directly from federal and state agencies, as well as those passed through other governmental agencies, are included on the respective Schedules. The information in the respective Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), and Chapter 10.550, *Rules of the Auditor General* (Chapter 10.550).

Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

(2) Basis of Accounting

Federal and state programs administered by the District are accounted for within the District's operating funds. The accompanying Schedules have been prepared on the same basis of accounting as the District's financial statements. The District's financial statements are prepared in accordance with U.S. generally accepted accounting principles. Transactions are recorded on an accrual accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

(3) Relationship to Financial Statements

Federal awards and state financial assistance revenues are reported in the District's financial statements as other revenue.

(4) Contingencies

Grant monies received and disbursed by the District are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the District does not believe that such disallowances, if any, would have a material effect on the financial position of the District. Management is not aware of any material questioned or disallowed costs as a result of grant audits in process or completed.

(5) Indirect Costs

The District did not elect to charge the de minimus rate 10% for determining indirect cost amounts.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Schedule of Findings and Questioned Costs

Year ended September 30, 2021

(1) Summary of Auditors' Results

(a)	Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles:	Unmodified
(b)	Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:	
	Material weaknesses:	No
	Significant deficiencies:	None reported
(c)	Noncompliance material to the financial statements:	No

Federal Awards

(d)	Internal control deficiencies over major programs disclosed by the audit:	
	Material weaknesses:	No
	Significant deficiencies:	None reported
(e)	Type of report issued on compliance for major programs:	Unmodified
(f)	Audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	No
(g)	Major programs:	

Federal programs	CFDA No.
U.S. Department of Health and Human Services – Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498

(h)	Dollar threshold used to distinguish between type A and type B programs:	$750,000
(i)	Auditee qualified as low-risk auditee?	Yes

State Financial Assistance

(j)	Internal control deficiencies over major projects disclosed by the audit:	
	Material weaknesses:	No
	Significant deficiencies:	None reported
(k)	Type of report issued on compliance for major state projects:	Unmodified

(l) Audit findings that are required to be reported under Chapter 10.550, *Rules of the Auditor General*? No

(m) Major projects:

State projects	CSFA No.
Division of Emergency Management and Community Support:	
Verified Trauma Center Financial Support	64.075

(n) Dollar threshold used to distinguish between type A and type B projects: $300,000

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to State Projects

None

There are no items related to state financial assistance required to be reported in a management letter pursuant to Chapter 10.550, *Rules of the Auditor General*.