



INDIAN RIVER COUNTY HOSPITAL DISTRICT

Financial Statements

September 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 14
Financial Statements:	
Statements of Net Position	15
Statements of Revenues, Expenses, and Changes in Net Position	16
Statements of Cash Flows	17
Notes to Financial Statements	18 – 26
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 <i>Government Auditing Standards</i>	27 – 28
Management Letter	29 – 31
Independent Accountants' Report on Examination of Compliance with Section 218.415, Florida Statutes	32

Independent Auditors' Report

The Board of Trustees
Indian River County Hospital District:

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Indian River County Hospital District (the District), as of and for the year ended September 30, 2022, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of September 30, 2022, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Change in Accounting Principle

As discussed in Note 1(f) to the financial statements, in 2021, the District adopted the new accounting guidance of *GASB Statement No. 87, Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report February 13, 2023, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

JACOBY AND HANDLEY, PLLC

February 13, 2023

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis

Indian River County Hospital District's Mission: To improve the health of Indian River County residents.

Indian River County Hospital District's Vision: An innovative and integrated healthcare network that improves the health of Indian River County residents.

The District was established by Special Act of the State of Florida legislature in 1959, re-established by amended legislation in 1961, was subsequently amended to express evolving legislative intent several times over the years, and finally amended and restated in 2003 with Florida House Bill No. 1601.

Pursuant to the Special Act of the Indian River County Hospital District, the Board of Trustees is authorized to:

- a) Provide for the development and/or support of healthcare facilities, i.e. real property in Indian River County;
- b) Through which medical services would be provided, i.e. a wide range of healthcare services to include preventative care;
- c) For the benefit of the general public of the District, i.e. the entire population of Indian River County but particularly for those medically certified as indigent by the District Trustees; and,
- d) For the purpose of the preservation of public health and for the public good.

The following table provides an overview of taxable values and associated millage rates for all Indian River County taxing authorities, demonstrating the District represents just 4.9% of the total millage assessed in Indian River County for fiscal year 2021/2022:

TABLE 1
Total Indian River County 2021/2022 Millage Assessment

Final Adjusted Gross Taxable Property Values	\$	<u>20,618,280,101</u>	
Total Millage		<u>14.5360</u>	
Millage by Taxing Authority:			
Schools (State and Local)		6.2680	
County General Fund		3.5475	
Emergency Services		2.3531	
County Municipal Services		<u>1.1506</u>	
		<u>13.3192</u>	
Others (less than 1 Mil):			
Hospital District		0.7144 *	4.9% of total
Mosquito Control District		0.2515	
St. Johns Water District		0.2189	
Florida Inland Navigation District		<u>0.0320</u>	
		<u>1.2168</u>	
Total millage	\$	<u>14.5360</u>	

* - For 2022/2023 millage is 0.5110.

(Continued)

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

Data supports a positive impact on health of residents in Indian River County by the District's funded programs, as measured by long-term infant mortality results and access of quality healthcare by low-income residents. The District's strategy incorporates careful stewardship of tax dollars (District millage down 48% since 2016) while serving as the community's voice in addressing the healthcare needs of Indian River County in accordance with the District's Special Act, Mission, and Vision. As the District's relationship has developed with Cleveland Clinic Indian River Hospital (CCIRH), our work remains essential to ensuring access to high-quality healthcare and preventative care throughout Indian River County, which includes the uninsured and low-income residents who have nowhere else to turn.

The following table presents a few examples of the significant impact the District's supported programs and initiatives provide to Indian River County:

TABLE 2
Hospital District's Program Impact Examples on Healthcare

Partners in Women's Health – Prenatal care for about 84% of annual CCIRH births and continues working with Healthy Start and CCIRH to improve the County's infant mortality rate to meaningfully better than the state average.

Treasure Coast Community Health/Whole Family Health Center – funds over \$3.5 million towards Primary Care Services, Dental, and Behavioral Health Services.

Mental Health – District dedicated about 23% of the program budget to Mental Health and Substance Abuse Programs and Services.

The District's impact on Indian River County's healthcare is significant through its indigent care as well as the program initiatives such as those described above.

This following section of the Indian River County Hospital District's (District) annual financial report presents our discussion and analysis of the District's financial results for the fiscal year that ended September 30, 2022. Please read this section in conjunction with the District's financial statements that begin on page 15.

Major Initiatives for 2021/22

The following initiatives occurred to enable proper execution of its mission and vision during the fiscal year ended September 30, 2022:

Cleveland Clinic Indian River Hospital (CCIRH)

Consistent with the Amended and Restated Indigent Care Agreement, CCIRH has assumed full responsibilities for the inpatient and outpatient indigent care. CCIRH has become more active in community issues and development of partner relationships. The District continues to fund and support the Partners in Women's Health programs at CCIRH, consistent with the CCIRH Amended and Restated Agreement for Operation and Funding of the Partners in Women's Health Program, and has determined to fund in cooperation with CCIRH the Intensive Outpatient Program.

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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

Strategic Framework 2022-2025

The District completed a Strategic Direction exercise facilitated by Carter in early 2022. A Strategic Framework was approved in the summer updating the Mission and Vision statements and outlining four priorities. These priorities will be focusing on primary care, behavioral health, and prevention, improving access to healthcare services and convening key stakeholders to identify healthcare gaps and facilitate collaboration toward potential solutions.

The District hired a full-time Internal Audit & Data Analyst position at the end of October 2021. The main focus of the job was to provide a more in-depth audit of the programs and services the District funds with taxpayer dollars. As these audits were completed and presented, the findings were a valuable component in enhancing stewardship monitoring of existing programs and in budgetary funding decisions. This position also uses various tracking systems to analyze county and state data to better inform the Trustees in funding healthcare needs within Indian River County.

County Activities

The District budgeted over \$1 million this fiscal year and engaged the Indian River County Administration in conversations offering to reallocate funding from the County's budget to the Hospital District for those healthcare related organizations and programs/activities that exist in both budgets. The County was in the process of reorganizing funding streams in some of these areas; therefore, were not interested in making changes this fiscal year.

Gifford Health Center

Treasure Coast Community Health (TCCH) has continued to receive very positive community acceptance returning the Gifford Health Center (GHC) to a full-service health care clinic. They have remodeled various areas of the clinic to better serve the community's needs adding vision services. The Advisory Committee continues to assist and inform the Trustees on a semiannual basis. The community School Partnership initiative with Dodgertown Elementary continues with success. Our staff continues to support the Gifford Health Council, which is a long time community advocacy group spearheaded by Freddie Woolfork. The District has been working with the partners to come to a solution for the Future of We Care.

Fetal Infant Mortality Report (FIMR)

The State Department of Health now advocates annual FIMRs by counties statewide. This recent change in DOH strategy, in part, was likely influenced by the District's decision a few years ago to fund the Indian River County Healthy Start Coalition (Healthy Start) to conduct annual FIMRs. As background, the State DOH had funded FIMRs in Indian River County approximately every 10 years, ostensibly because of low annual volumes of births in the county. After more than 10 years of no FIMR, the District, because of its Partners in Women's Health program, requested the County DOH to request funding for a FIMR. The State DOH declined to fund it, so the District funded Healthy Start to conduct it. The result was so thoroughly informative, the District has funded FIMRs annually for the county since. This allows every single case of infant mortality to be reviewed instead of a sample being taken in the FIMRs done once per decade. Each case is unique, so the data collection was much more robust. Now the State DOH has asked Healthy Start to guide other low birth rate counties on doing them annually.

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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

GlobeChek

The District funded a pilot program with Whole Family Health Center (WFHC) and GlobeChek to provide a state of the art eye exam for WFHC patients to detect eye disease and provide refraction to offer eye glasses.

Financial Highlights

- The District's net position increased 56.7% to \$11,181,689 at September 30, 2022. This net increase was greater than planned principally due to a \$4.5 million program expense decrease in CCIRC funding. (See Tables 3, 4 and 5 for details.)
- The District's combined cash and investments increased \$4,002,284 as revenues exceeded expenses by \$4,045,894 and the District invested approximately \$200,000 in capital expenditures.
- The Board of Trustees reserved \$7,045,344 from available cash brought forward for the 2023 budget, of which \$1,500,000 was for fiscal year end operations.
- The Trustees continue to maintain a minimum reserve of \$1.5 million. The purpose is to maintain enough cash at fiscal year end to fund operations and pay providers until tax receipts begin to be received again. Normally this occurs by mid-November each year.
- Net unrestricted position on September 30, 2022 was \$9,827,288.
- The indigent care and program funding decreased by \$4,128,433 or 31.1% from the prior year (see pages 9 and 10 for more details). The more significant reasons for the net decrease in fiscal year 2021/2022 funding are as follows:
 1. A \$4,500,000 decrease in indigent care funding to the CCIRH due to the fulfillment of the indigent care agreement, under which the final payment was made in July 2021.
 2. Increased funding to Treasure Coast Community Health which encompasses Gifford Health Center services.
 3. An increase to Healthy Start Coalition to sustain existing programs and to provide for enhanced and additional services.
 4. The District received additional funding requests this fiscal year and now has a funding relationship with 20 organizations for various healthcare activities, both on a fee-for-service and program basis. The largest number of funded organizations and programs in the District's history.

Overview of the Financial Statements

The District's financial statements are prepared on the proprietary fund accrual basis of accounting and present the District's operational activities in a manner similar to that of private sector companies.

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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

This annual report consists of two parts – management's discussion and analysis (this section) and the financial statements.

- The financial statements consist of three statements: (1) Statement of Net Position, (2) Statement of Revenues, Expenses, and Changes in Net Position, and (3) Statement of Cash Flows.
- The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position reflect the District's financial position at the end of the year and report the District's net position and changes in net position as a result of the District's revenues and expenses for the year.
- The term "net position" represents the difference between assets, or the District's investment in resources, and liabilities, or the District's obligation to its creditors. Increases or decreases in net position are an indicator of whether the financial health of the District is improving or deteriorating. In evaluating the financial health of the District, other non-financial factors should also be considered, such as taxable property values, tax millage rate, and changes in the economic climate of Indian River County and its residents.
- The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities. The statement explains where cash came from, how it was used and the change in cash balance during the year.

Financial Analysis of the District as a Whole

Net position of the District consisted of the following as of September 30, 2022 and 2021:

TABLE 3
Condensed Summary of Assets, Liabilities, and Net Position

	<u>2022</u>	<u>2021</u>
Current assets	\$ 10,703,252	6,823,580
Capital assets, net and other	<u>1,703,563</u>	<u>1,832,008</u>
Total assets	<u>12,406,815</u>	<u>8,655,588</u>
Current liabilities	960,450	1,213,709
Long term liabilities	<u>264,676</u>	<u>306,084</u>
Total liabilities	<u>1,225,126</u>	<u>1,519,793</u>
Net position:		
Net investment in capital assets	1,354,401	1,292,936
Unrestricted	<u>9,827,288</u>	<u>5,842,859</u>
Total net position	\$ <u>11,181,689</u>	<u>7,135,795</u>

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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

The District's revenues, expenses, and changes in net position for the years ended September 30, 2022 and 2021 were as follows:

TABLE 4
Condensed Statements of Revenues, Expenses, and Changes in Net Position

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Net ad valorem tax revenues	\$ 13,837,125	14,787,816
Grant income	41,726	349,211
Other income	255,233	255,234
Total operating revenues	<u>14,134,084</u>	<u>15,392,261</u>
Operating expenses:		
Indigent care and program funding	9,147,188	13,275,621
Administrative expenses	863,281	746,363
Depreciation	170,154	147,700
Total operating expenses	<u>10,180,623</u>	<u>14,169,684</u>
Non-operating revenues – investment income	<u>92,433</u>	<u>25,653</u>
Change in net position	\$ <u>4,045,894</u>	<u>1,248,230</u>

The District's revenues decreased by \$1,258,177 or 8.2%, due to a decrease in the net ad valorem taxes, resulting from an approximate \$1 billion, or 5.2%, increase in the final gross taxable value of the tax base (property values) while the millage rate decreased to \$0.7144 in 2022 from \$0.8011 in 2021.

Indigent care and program funding decreased \$4,128,433 or 31.1% from prior year. This was primarily due to the following items:

- The indigent care reimbursements provided to CCIRH decreased by \$4.5 million, or 100%, resulting from the January 1, 2019 agreement with the Cleveland Clinic being fulfilled and the final payment being made in July 2021.
- The District funding for the Treasure Coast Community Health Clinic's indigent medical and dental services increased \$805,035 or 32.3%. This is a volume-related increase as more visits are identified as compliant with District qualifications.
- The District's actual reimbursement to the Visiting Nurse Association (VNA) for their mobile program, home health visits, and hospice house room and board medical care increased \$77,812 or 11.4%, resulting from increased urgent care visits and other community health programs initiated through the use of the mobile unit.
- The District increased funding for psychiatric outpatient clinics and other mental health activities by \$49,275.
- The District provided \$391,568 in increased funding to the Indian River Healthy Start Coalition, Inc.

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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

- The District's funded CCIRH's Mother Baby Campaign in 2021 on a one-time basis, thereby reducing funding in the 2022 by \$500,000. This program funding was partially replaced in 2022 with the District's \$135,648 funding of CCIRH's Intensive Outpatient Program.

Administrative expenses increased \$116,918, or 15.7%, principally due to increased costs for salaries, benefits and professional services.

During the years ended September 30, 2022 and 2021, the District provided indigent care and program funding to the following agencies:

TABLE 5
Agencies Funded by the District for Indigent Care and Programs

	<u>2022</u>	<u>2021</u>
Treasure Coast Community Health, Inc.	\$ 3,296,124	2,491,089
CCIRH – Indigent funding	–	4,500,000
CCIRH – Partners In Women's Health	1,682,520	1,982,520
Visiting Nurse Association of the Treasure Coast, Inc.	760,201	682,389
Indian River Healthy Start Coalition, Inc.	637,988	246,420
Mental Health Association in Indian River County	502,820	452,440
Indian River County Medicaid Assessment	476,141	495,554
Whole Family Health Center, Inc.	291,307	456,451
Phoenix Rising Wellness Center	254,000	447,000
Mental Health Collaborative	200,000	200,000
Substance Awareness Center	153,483	70,000
Tykes & Teens	147,438	117,000
CCIRH – Intensive Outpatient Program	135,648	–
CCIRH – Mother Baby Campaign	–	500,000
Childcare Resources of Indian River, Inc.	116,791	60,217
University of Florida Psychiatric OP Clinic	95,072	96,177
Senior Resource Association, Inc.	88,248	47,531
We Care Foundation of Indian River	82,826	309,536
GlobeChek	71,011	–
Dynamic Life Recovery	51,000	–
Hope for Families Center	42,140	42,140
New Horizons of the Treasure Coast, Inc.	39,930	61,657
Indian River Senior Collaborative	<u>22,500</u>	<u>17,500</u>
Total indigent care and program funding	\$ <u>9,147,188</u>	<u>13,275,621</u>

(Continued)

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

Capital Assets and Debt Financing

Capital Position

As of September 30, 2022, the District had invested \$1,665,084, net of depreciation, in a variety of capital assets as reflected in the following table, which represent a net increase (additions less disposals and depreciation) of \$20,116, or 1.2% from September 30, 2021.

TABLE 6
Capital Assets

	<u>2022</u>	<u>2021</u>
Land and improvements:		
Gifford Health Center	\$ 35,000	35,000
Human Services Building	225,117	226,666
Buildings and improvements:		
Gifford Health Center	823,211	713,963
Human Services Building	234,934	254,648
Leasehold improvements	16,667	25,000
Equipment – Gifford Health Center	29,512	42,942
Leased assets	<u>296,044</u>	<u>341,466</u>
Net property and equipment	\$ <u>1,660,485</u>	<u>1,639,685</u>

Depreciation and amortization expense of \$170,154 for the year ended September 30, 2022 was \$22,454 more than the prior year as capital expenditures in the current and prior years resulted in higher depreciation.

Long-Term Debt

The District has no debt financing as of September 30, 2022.

Leases

During the year ended September 30, 2022, the District implemented the accounting and financial reporting provisions of *GASB Statement No. 87, Leases*, whereby lessees are required to recognize a lease liability and an intangible right-to-use asset, and lessors are required to recognize a lease receivable and a deferred inflow of resources. The implementation, applied retroactively to October 1, 2020, resulted in the District recognizing a right-to-use asset and long term lease liability in the amount of \$386,887, and a lease receivable and a deferred inflow of resources in the amount of \$659,350, the present values of the future lease payments as of October 1, 2020. This implementation has been reflected in the 2021 figures in the table above for comparison purposes.

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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

Current Budget

Annually, the Board of Trustees for the District approves a budget for the upcoming fiscal year prior to the beginning of that fiscal year. The following table presents the budget, as modified from the original budget for professional fees, as compared to 2021/2022 actual results.

TABLE 7
Budget vs. Actual

	<u>2021/2022</u>		Favorable (Unfavorable) Variance
	<u>Budget</u>	<u>Actual</u>	
Revenues:			
Ad valorem tax revenues	\$ 14,728,927	14,226,533	(502,394)
Grant income	—	41,726	41,726
Investment income	21,000	92,433	71,433
Rental income	251,000	255,233	4,233
Total revenues	<u>15,000,927</u>	<u>14,615,925</u>	<u>(385,002)</u>
Expenses:			
Indigent care and program funding	11,472,703	9,147,188	2,325,515
Property Appraiser commissions	219,933	210,703	9,230
Tax Collector commissions	285,741	178,705	107,036
Professional fees	209,100	252,732	(43,632)
Salaries and benefits	400,000	408,028	(8,028)
Other	277,300	202,521	74,779
Depreciation	67,811	170,154	(102,343)
Total expenses	<u>12,932,588</u>	<u>10,570,031</u>	<u>2,362,557</u>
Change in net position	\$ <u>2,068,339</u>	<u>4,045,894</u>	<u>1,977,555</u>

The District's ad valorem tax revenues and related commissions for the property appraiser and tax assessor are shown gross to conform with the budgetary presentation.

The District's net favorable variance from budget of \$1,977,555 was mostly due to the expenditures for indigent care and program funding, as more fully discussed on pages 9 and 10. Gross ad valorem tax revenues were less than budget by \$502,394 causing ad valorem tax revenues net of related commissions a \$386,128 unfavorable variance from budget.

Factors Bearing on the Future and Plan for 2022/2023

In planning for the 2022/2023 fiscal year, and at the time these financial statements were audited and prepared, the District was aware of the following conditions:

- The District's Partners In Women's Health Program, an initiative of the Hospital District, established in 1994, will continue to be operated by Cleveland Clinic Indian River Hospital. District funding is budgeted at \$2,491,184, an increase of over \$800,000 from fiscal year 2021/2022. The District's initiative provides prenatal care for a significant percentage of the babies born in Indian River County that would otherwise be unavailable.
- The gross taxable value of property used in the 2022/2023 budgeting process increased by approximately \$2.8 billion or 13.5%. The District approved a millage of \$0.5110, producing \$11,954,636 in ad valorem tax for the 2022/2023 fiscal year.

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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

- The District's 2022/2023 budget provides for \$11,149,353 in net ad valorem tax revenues, \$371,000 in other revenues, \$13,003,317 in program expenditures, and \$1,220,011 in administrative expenses, including depreciation. This results in a budgeted decrease in the District's total net position of \$2,702,975.
- The reserves designated and budgeted in 2022/2023 continue including \$150,000 for the improvement and betterment of the Gifford Health Center and the Human Services Building, \$1,500,000 to fund operations at fiscal year end, \$2,845,344 reserved for Indigent Care contingencies, and \$2,550,000 for investments.
- The District invests their surplus funds throughout the year to gain additional interest for funding and operating purposes. A relationship was developed with Deep Blue Investments. For the 2022/2023 fiscal year plans are in place to maintain the Preferred Deposit Pool, with daily liquidity, for the excess funds. Treasury Bills were purchased through Treasury Direct and an additional laddered investment portfolio is being managed through Deep Blue. These T-bills will begin maturing monthly in March 2023 for the remainder of the year. Investments are planned to add approximately \$400,000 to \$500,000 to interest income in calendar year 2023. All deposits are in the highest quality investments available in accordance with Florida Law and the Seacoast Operating Account will remain for the District's local banking relationship and needs.
- The District's engagement with Carter to provide a 10-year Strategic Visioning and Direction plan continues with the implementation of the 2022-2025 Strategic Framework. The District's Strategic Framework priorities align with the continued commitment to provide access and support to the residents of Indian River County ensuring access to quality healthcare. The District plans to continue to use health need assessments, data and community group input to contribute tax dollars to positively impacting the health of the residents of the community. The future focus of the District is to become a leader in the community creating an integrated healthcare network improving the overall health of our county residents.
- The District continues participating in the provision of access to a growing need in mental health care, including substance use in Indian River County, which includes how best to participate in and fund a full mental health continuum of care and, if appropriate, to provide additional District funding. This process has moved forward as the District becomes a more direct partner in the continuum of healthcare for Indian River County, including a close relationship in the Mental Health Collaborative/Connections Program and the addition of an Intensive Outpatient Program. As the work continues, the District intends to finalize plans to assist in the provision of expanded access and support to Substance Abuse recovery and Detox Services.
- Increased pressures and inflation have impacted the cost of operations in many of the organizations and programs the District funds. It is anticipated that this will be directly reflected in additional requests to the District. The additional earnings from the investments will be helpful in offsetting the tax base and assist the District in responding to some of the unfunded mandates facing our providers.
- As a result of the passing of Florida House Bill 1103, the District will be required to provide a Performance Review beginning in October 2023. We are in the process of exploring options to engage a firm and ensuring the office is ready to provide all necessary documents and functions that confirm our District operates in an effective and efficient manner.

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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

- The November election resulted in three new members to the Board of Trustees. Seat 7, vacated by Dr. Weiss, was filled by Dr. William Cooney. Seats 1 and 6 ran unopposed, therefore Mary Beth Cunningham and Kerry Bartlett continue. Seats 2 and 4 were filled with newly elected members, Michael Kint and Paul Wescott. This brings an exciting new dynamic to the Board and new ideas while implementing the priorities of the Strategic Framework.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have questions about this report or need additional information, contact the District's office as follows:

By Mail:

Indian River County Hospital District
1705 19th Place, Suite G3
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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Statements of Net Position

September 30, 2022 and 2021

<u>Assets</u>	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents	\$ 207,396	195,978
Investments (note 2)	10,196,676	6,205,810
Accounts receivable	117,092	136,489
Lease receivable, current portion (note 4)	154,434	257,313
Prepaid expenses	<u>27,654</u>	<u>27,990</u>
Total current assets	10,703,252	6,823,580
Lease receivable, long term portion (note 4)	—	154,434
Property and equipment, net (note 3)	1,364,441	1,298,219
Right-of-use asset, net (note 4)	296,044	341,466
Other asset	<u>43,078</u>	<u>37,889</u>
Total assets	\$ <u>12,406,815</u>	<u>8,655,588</u>
 <u>Liabilities and Net Position</u>		
Liabilities:		
Accounts payable	681,840	690,962
Accrued expenses	88,317	77,964
Deferred revenue	148,885	404,118
Lease liabilities, current portion (note 4)	<u>41,408</u>	<u>40,665</u>
Total current liabilities	960,450	1,213,709
Lease liabilities, long term portion (note 4)	<u>264,676</u>	<u>306,084</u>
Total liabilities	<u>1,225,126</u>	<u>1,519,793</u>
Net position:		
Net investment in capital assets	1,354,401	1,292,936
Unrestricted (note 6)	<u>9,827,288</u>	<u>5,842,859</u>
Total net position	11,181,689	7,135,795
Commitments and contingencies (note 9)	<u> </u>	<u> </u>
Total liabilities and net position	\$ <u>12,406,815</u>	<u>8,655,588</u>

See accompanying notes to financial statements.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Net ad valorem tax revenues	\$ 13,837,125	14,787,816
Grant income	41,726	349,211
Rental income	<u>255,233</u>	<u>255,234</u>
Total operating revenues	<u>14,134,084</u>	<u>15,392,261</u>
Operating expenses:		
Indigent care and program funding (note 5)	9,147,188	13,275,621
Professional fees	252,732	178,130
Salaries and benefits	408,028	329,992
Other	202,521	238,241
Depreciation and amortization	<u>170,154</u>	<u>147,700</u>
Total operating expenses	<u>10,180,623</u>	<u>14,169,684</u>
Operating income	3,953,461	1,222,577
Non-operating revenues – investment income	<u>92,433</u>	<u>25,653</u>
Change in net position	4,045,894	1,248,230
Net position, beginning of year, as previously reported	7,133,449	5,887,565
Adjustment for implementation of GASB No. 87	<u>2,346</u>	<u>–</u>
Net position, beginning of year, as restated	<u>7,135,795</u>	<u>5,887,565</u>
Net position, end of year	\$ <u>11,181,689</u>	<u>7,135,795</u>

See accompanying notes to financial statements.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Statements of Cash Flows

Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities:		
Net ad valorem taxes received	\$ 13,837,125	14,787,816
Cash received from grants	41,726	349,211
Cash received for rents	257,313	247,605
Cash paid for programs, net	(9,162,590)	(13,156,996)
Cash paid for goods and activities	<u>(821,465)</u>	<u>(1,224,914)</u>
Net cash provided by operating activities	<u>4,152,109</u>	<u>1,002,722</u>
Capital and related financing activities:		
Acquisition of capital assets	(197,277)	(15,750)
Interest expense payments	(4,316)	(4,842)
Payment of lease liability	<u>(40,665)</u>	<u>(40,138)</u>
Net cash used in capital and related financing activities	<u>(242,258)</u>	<u>(60,730)</u>
Investing activities:		
Purchase of investments	(14,680,406)	(10,018,621)
Proceeds on sale of investments	10,704,240	9,136,671
Investment income receipts	<u>77,733</u>	<u>25,653</u>
Net cash used in investing activities	<u>(3,898,433)</u>	<u>(856,297)</u>
Net increase in cash and cash equivalents	11,418	85,695
Cash and cash equivalents at beginning of year	<u>195,978</u>	<u>110,283</u>
Cash and cash equivalents at end of year	\$ <u><u>207,396</u></u>	<u><u>195,978</u></u>
Reconciliation of change in net position before capital contributions to net cash provided by operating activities:		
Change in net position before capital contributions	\$ 4,045,894	1,248,230
Add (deduct):		
Depreciation and amortization	170,154	147,700
Amortization of other assets	1,134	1,133
Interest income	(92,433)	(25,653)
Interest expense	4,316	4,842
(Increase) decrease in current assets:		
Accounts receivable	19,397	21,704
Lease receivable	257,313	247,603
Prepaid assets	336	7,829
Increase (decrease) in current liabilities:		
Accounts payable	(9,122)	(450,211)
Accrued expenses	10,353	54,777
Deferred revenue	<u>(255,233)</u>	<u>(255,232)</u>
Net cash provided by operating activities	\$ <u><u>4,152,109</u></u>	<u><u>1,002,722</u></u>

See accompanying notes to financial statements.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

September 30, 2022 and 2021

(1) *Organization and Summary of Significant Accounting Policies*

(a) *Reporting Entity and Basis of Presentation*

The Indian River County Hospital District (the District) is an independent special tax district located in Indian River County, Florida. The District was created pursuant to Chapter 61-2275 of the Laws of Florida, Special Acts (the Acts) of 1961, as amended. The District currently owns a general acute-care hospital known as the Cleveland Clinic Indian River Hospital (CCIRH) located in Vero Beach, Florida, which is licensed for 335 beds. CCIRH, including the approximately 24 acres of land on which it is located, the buildings, improvements, fixtures and equipment is referred to as the "hospital facility". The District is governed by a Board of Trustees (the Board) which is empowered by the Acts to establish and construct such health facilities in the district area and to levy taxes and issue bonds to finance such operations.

Effective January 1, 2019, the District leased the hospital facility and approximately 45 acres of undeveloped property to Indian River Memorial Hospital, Inc., an affiliated not-for-profit organization established and owned by Cleveland Clinic Florida Regional Health System Nonprofit Corporation, to operate the hospital facility. The lease expires on December 31, 2049 unless extended. The lease term extends automatically for three additional fifteen-year periods unless either CCIRH delivers to the other either a written Non-Renewal Notice, delivered no later than 30 months prior to the end of the then existing lease term. The District reimburses the CCIRH for certain services provided to the residents of the District. The contractual relationships between the District and CCIRH are discussed further in note 9. Because of the nature of these agreements, the District's financial statements are presented in a manner similar to those of a proprietary fund enterprise.

As more fully described in note 4, the District also leases real estate to other not-for-profit organizations serving in the healthcare industry.

(b) *Authorized Investments*

The District's enabling legislation permits investments as described in Section 218.415 of the Florida Statutes. The District's investment in the Florida Fixed Income Trust is an external investment pool, which does not meet certain amortized cost criteria defined by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and therefore is reported at fair value, as provided for by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

(c) *Cash and Cash Equivalents*

Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less and consist of amounts held in commercial bank demand deposit accounts and money market accounts.

(Continued)

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

(d) *Pledges Receivable and Capital Contributions*

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Conditional promises to give are not included as support until conditions are substantially met.

(e) *Property and Equipment*

Property and equipment, which include betterments of existing facilities, are recorded at cost or fair market value at the time of donation. Maintenance, repairs and minor renewals are charged to expense as incurred.

Depreciation is provided using the straight-line method over the estimated lives indicated below.

	<u>Years</u>
Land improvements	15-20
Buildings	24-30
Leasehold improvements	6
Equipment	5-7
Leased assets	Shorter of lease term or useful life

(f) *Leases*

During the year ended September 30, 2022, the District implemented the accounting and financial reporting provisions of *GASB Statement No. 87, Leases* (GASB 87), whereby lessors are required to recognize a lease receivable and a deferred inflow of resources. The implementation, applied retroactively to October 1, 2020, resulted in the District recognizing a lease receivable and a deferred inflow of resources in the amount of \$659,350, the present value of the future lease payments to be received as of October 1, 2020.

In addition, under GASB 87, lessees are required to recognize a lease liability and an intangible right-to-use asset. The implementation of GASB 87 as lessee, applied retroactively to October 1, 2020, resulted in the District recognizing a right-to-use asset and long term lease liability in the amount of \$386,887, which represents the present value of the future lease payments as of October 1, 2020.

(g) *Ad Valorem Tax Revenue*

Ad valorem tax revenues are recorded in the year for which the taxes are received, net of uncollectible amounts, collection expenses, and appraisal fees. The District is responsible for setting their portion of the ad valorem millage rates. A millage rate is the rate of tax per thousand dollars of taxable value. The ad valorem taxes are paid in arrears and are based on the calendar year. The Indian River County Tax Collector levies the taxes for the District as provided under the state law. The taxes are collected by the Indian River County Tax Collector and are remitted to the District as received.

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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

Net ad valorem tax revenues consist of the following for the years ended September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Ad valorem tax revenues, net of uncollectible amounts	\$ 14,226,533	15,163,377
Less commissions and fees:		
Property Appraiser	210,703	201,027
Tax Collector	<u>178,705</u>	<u>174,534</u>
Net Ad valorem tax revenues received	\$ <u>13,837,125</u>	<u>14,787,816</u>

The taxable assessed property valuation and the millage rate were \$20,618,280,101 and \$0.7144 for 2022, respectively, and \$19,591,533,807 and \$0.8011 for 2021, respectively.

(h) *Basis of Accounting and Presentation*

The District presents the financial statements in accordance with the provisions of Statement No. 34 of the Governmental Accounting Standards Board ("GASB 34"), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB 34 established standards for external financial reporting for all state and local governmental entities. These standards require three financial statements that include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The Statement of Net Position requires that total net position be reported in three components: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted.

- "Net investment in capital assets" consists of capital assets, including restricted capital assets, net of accumulated depreciation, reduced by the amount outstanding for any bonds, notes, or other financing liabilities that were incurred related to the acquisition, construction, or improvement of the capital assets.
- "Restricted net position" consists of assets that are restricted as to use by external factors such as debt covenants, grantors, contributors, or laws and regulations of other governments or legislation.
- "Unrestricted net position" consists of assets that do not meet the definitions above for "invested in capital assets, net of related debt" or "restricted net position."

The Governmental Accounting Standards Board released Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* on March 11, 2009, which applies only to governmental fund types. The District operates under proprietary fund accounting, therefore, Statement 54 is not applicable.

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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

(i) *Non-operating Revenues (Expenses)*

The District classifies revenues and expenses which are directly related to the healthcare needs of the citizens of Indian River County, Florida, as operating. All other revenues and expenses are classified as non-operating, including interest income.

(j) *Statement of Cash Flows*

The District follows Governmental Accounting Standards Board Statement No. 9 "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting", as amended by GASB 34. The primary effect of this Statement is the classification of interest receipts and payments as cash flows from capital and related financing activities in the statement of cash flows.

(k) *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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(l) *Concentration of Credit Risk*

The District maintains cash and cash equivalents in accounts, which are not covered by or which at times may be in excess of FDIC and SIPC insurance limits. The District has not experienced any losses on such accounts and does not believe it is exposed to any risk with respect to cash and cash equivalents. The District maintains a savings account at a qualified public depository which had a balance of \$100,013 and \$113,419 at September 30, 2022 and 2021, respectively, and which is insured by the State of Florida under the Florida Security for Public Deposits Act.

(2) *Investments*

The District invests cash reserves in the Florida Fixed Income Trust's Preferred Deposit Pool (PDP Pool). The PDP Pool consists of overnight and term FDIC insured deposits and qualified public depositories, as defined in Chapter 280, Florida Statutes, and therefore the PDP Pool is not currently rated. The PDP Pool provides same day liquidity and, as of September 30, 2022 and 2021, the PDP Pool's weighted average days to maturity is 2 and 8 days, respectively.

As of September 30, 2022 and 2021, the District's PDP Pool investment's fair value was \$7,751,743 and \$6,205,810, respectively, measured at NAV of \$1 per share, and therefore is not classified within fair value hierarchy defined by GASB No. 72, *Fair Value Measurement and Application*.

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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

During the year ended September 30, 2022, the District invested in 52-week treasury bills totaling \$2,500,100. The treasury bills were purchased at a discount which is amortized over the maturity period of each respective bill and is recognized as interest income. The amortized value of the treasury bills is \$2,444,933 at September 30, 2022.

During the years ended September 30, 2022 and 2021, the District's investment earnings totaled \$92,433 and 19,638, respectively.

(3) *Property and Equipment*

The District's investment in property and equipment consists of the following as of September 30, 2022 and 2021:

	Balance 2021	Additions/ Transfers	Retirements/ Transfers	Balance 2022
Land	\$ 241,160	—	—	241,160
Land improvements	434,083	—	—	434,083
Buildings	3,935,756	183,443	—	4,119,199
Leasehold improvements	25,000	—	—	25,000
Equipment	254,815	7,511	—	262,326
Leased building	375,466	—	—	375,466
Leased equipment	11,421	—	—	11,421
Total at historical costs	<u>5,277,701</u>	<u>190,954</u>	<u>—</u>	<u>5,468,655</u>
Less accumulated depreciation for:				
Land improvements	413,577	1,548	—	415,125
Buildings	2,967,145	93,910	—	3,061,055
Leasehold improvements	—	8,333	—	8,333
Equipment	211,873	20,941	—	232,814
Less accumulated amortization for:				
Leased assets	<u>45,421</u>	<u>45,422</u>	<u>—</u>	<u>90,843</u>
Total accumulated depreciation and amortization	<u>3,638,016</u>	<u>170,154</u>	<u>—</u>	<u>3,808,170</u>
	\$ <u>1,639,685</u>	<u>20,800</u>	<u>—</u>	<u>1,660,485</u>

(4) *Leases*

As Lessor

The District leases real estate located in Vero Beach, Florida, to the Visiting Nurse Association of the Treasure Coast, Inc. (VNA), a not-for-profit organization, upon which the District constructed a three story office building, referred to as the Human Service Building. The lease, originally a seven year lease ending on May 31, 2012, was renewed for three additional five year periods ending on May 31, 2027. On October 28, 2022, VNA submitted notice of intent to vacate property effective April 27, 2023. The remaining lease receivable related to this lease as of September 30, 2022 was \$154,434 and deferred revenue remaining to be recognized under this lease was \$148,885 as of September 30, 2022.

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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

The District leases approximately four acres of real estate to the VNA, a not-for-profit organization, upon which the VNA has constructed and operates a 12-bed hospice house. The lease terminates on December 31, 2026, with one additional ten year option, at \$1 per year. This lease is not covered by the provisions of GASB 87 as it is not considered an exchange transaction.

The District leases real estate located in Gifford, Florida, upon which the District constructed a health center, referred to as the Gifford Health Center, to Treasure Coast Community Health, Inc. The lease is for \$1 per year and automatically renews on an annual basis, unless 60 days written notice of nonrenewal is provided by either party. This lease is not covered by the provisions of GASB 87 as it is not considered an exchange transaction.

As Lessee

The District leases office space for administrative purposes under an agreement that provides for monthly payments of \$3,500 through July 31, 2023 and may be extended for two additional three-year terms, with annual increases of 3%.

The District leases copying equipment under an agreement that provides for monthly payments of \$248 through August 2024.

Long-term liabilities associated with leases as of September 30, 2022 (implemented as of October 1, 2020) is as follows:

	Balance 2021	Additions	Repayments	Balance 2022
Building lease	\$ 338,198	—	(37,764)	300,434
Copier lease	8,551	—	(2,901)	5,650
	<u>\$ 346,749</u>	<u>—</u>	<u>(40,665)</u>	<u>306,084</u>

The future maturities of long-term leases, as of September 30, 2022 are as follows:

	Principal	Interest	Total
2023	\$ 41,408	3,782	45,190
2024	42,978	3,231	46,209
2025	42,107	2,674	44,781
2026	44,018	2,106	46,124
2027	45,994	1,513	47,507
2028 – 2029	89,579	1,146	90,725
Outstanding at September 30, 2022	<u>\$ 306,084</u>	<u>14,452</u>	<u>320,536</u>

(Continued)

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

(5) *Indigent Care and Program Funding*

During the years ended September 30, 2022 and 2021, the District provided indigent care and program funding to the following agencies:

	<u>2022</u>	<u>2021</u>
Treasure Coast Community Health, Inc.	\$ 3,296,124	2,491,089
CCIRH – Indigent funding	–	4,500,000
CCIRH – Partners In Women’s Health	1,682,520	1,982,520
Visiting Nurse Association of the Treasure Coast, Inc.	760,201	682,389
Indian River Healthy Start Coalition, Inc.	637,988	246,420
Mental Health Association in Indian River County	502,820	452,440
Indian River County Medicaid Assessment	476,141	495,554
Whole Family Health Center, Inc.	291,307	456,451
Phoenix Rising Wellness Center	254,000	447,000
Mental Health Collaborative	200,000	200,000
Substance Awareness Center	153,483	70,000
Tykes & Teens	147,438	117,000
CCIRH – Intensive Outpatient Program	135,648	–
CCIRH – Mother Baby Campaign	–	500,000
Childcare Resources of Indian River, Inc.	116,791	60,217
University of Florida Psychiatric OP Clinic	95,072	96,177
Senior Resource Association, Inc.	88,248	47,531
We Care Foundation of Indian River	82,826	309,536
Globechek	71,011	–
Dynamic Life Recovery	51,000	–
Hope for Families Center	42,140	42,140
New Horizons of the Treasure Coast, Inc.	39,930	61,657
Indian River Senior Collaborative	<u>22,500</u>	<u>17,500</u>
Total indigent care and program funding	\$ <u>9,147,188</u>	<u>13,275,621</u>

The District’s Indigent Care Agreement with the CCIRH was addressed as part of the Agreements within the negotiations with Cleveland Clinic Foundation. The District continued reimbursing CCIRH according to the current Indigent Care Agreement until the closing with the CCIRH was completed on January 1, 2019. The full commitment to CCIRH in the Agreement for Indigent Care Services is \$15 million, which will be annually appropriated and paid at \$500,000 per month until complete, which occurred during the year ended September 30, 2021.

The District’s Partners In Women’s Health Program will continue to be operated by CCIRH. The Amended and Restated Agreement for Operation and Funding of the Partners in Women’s Health Program was signed with the other agreements with Cleveland Clinic Foundation on January 1, 2019. The terms and conditions continue in the same manner.

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INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

(6) *Designated Unrestricted Net Position*

To the extent the District has available, unrestricted net position, the following designations have been established as of September 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Designated for investments	\$ 2,550,000	2,550,000
Designated for Healthcare Bill	2,845,344	3,085,230
Designated for Gifford Health Center	100,000	150,000
Designated for Health Services Building	<u>50,000</u>	<u>50,000</u>
Total designations	\$ <u>5,545,344</u>	<u>5,835,230</u>

(7) *Employee Benefit Plans*

The District maintains the I.R.C.H.D. Profit Sharing Plan, a qualified defined contribution profit sharing plan covering all eligible employees, as defined, of the District, which provides for employer contributions on a discretionary basis. Participants vest in employer contributions based on years of service over a 6-year vesting period. The district contributed \$13,646 and \$15,729 to the plan during the years ended September 30, 2022 and 2021, respectively.

In addition, the district provides a contributory Section 457 plan that allows employees to defer salary on a pre-tax and after-tax basis, and provides for no employer contributions.

(8) *Risk Management*

The district maintains general liability, professional liability, and property coverage through purchased commercial insurance with minimal or no deductibles for each line of coverage. During each of the three years ending September 30, 2022, 2021, and 2020, the District experienced no settlements in excess of insurance coverage.

(9) *Commitments and Contingencies*

Under the terms of the lease agreement discussed in note 1(a), the District leased the hospital facilities to CCIRH, a separate 501(c)(3) organization. Upon the expiration of the CCIRH lease on December 31, 2049, unless extended or the earlier termination thereof, the District will be required to renew the lease, lease it to another entity, or if it chooses, operate the hospital facilities. At the expiration or termination of the lease, the tangible and intangible assets of the CCIRH and its subsidiaries, together with any outstanding bond obligations, will be transferred to the district, subject to the following paragraph.

(Continued)

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

In December 2007, the District, Indian River Medical Center, Inc., and Indian River Hospital Foundation, Inc. (Foundation) entered into an agreement whereby certain real property additions to the hospital facilities funded by the Foundation would be subject to reimbursement to the Foundation in the event of sale of the facilities by the District to entities other than Indian River Medical Center, Inc. or other similar Florida not-for-profit corporations. The reimbursement would be equal to the then undepreciated cost of the assets, as defined by the agreement, using a 30-year depreciable life.

In connection with the January 1, 2019 closing with CCIRH, the First Amendment to the Agreement Regarding Return of Granted Funds remained substantially the same as the original 2007 document, with the following amendment: all grants and contributions made by the Foundation after closing will not be subject to the terms of the Agreement.

(10) Subsequent Events

In preparing these financial statements, management has evaluated subsequent events and transactions for potential disclosure through February 13, 2023, the date the financial statements were available to be issued.

Effective October 1, 2022, as part of the 2022/23 budget cycle, the District entered into agency funding contracts that provided for a fee for service reimbursement with each of the funded agencies. In total, the 2022/23 budget provided for indigent care and program funding in the amount of \$13,003,317.

**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 of Trustees
Indian River County 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 Indian River County Hospital District (the District), which comprise the statement of net position as of September 30, 2022, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 13, 2023.

Report on 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) to determine the 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 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 or significant deficiencies may exist that have not been identified.



Report on 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

JACOBY AND HANDLEY, PLLC

February 13, 2023

Management Letter

The Board of Trustees
Indian River County Hospital District:

Report on the Financial Statements

We have audited the financial statements of the Indian River County Hospital District (the District) as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated February 13, 2023.

Auditor's Responsibility

We conducted our audit 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 Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 13, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority are disclosed in note 1 to the financial statements. There were no component units related to the District.



Financial Condition and Management

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

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

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

Specific Information for an Independent Special District

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the District reported:

- a. The total number of district employees compensated in the last pay period of the District's fiscal year as 4.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 0.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$329,959.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$330.
- e. Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as follows: None
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes as follows: the District had no amendments between the original and final total District expenditure budget.

Specific Information for an Independent Special District that Imposes Ad Valorem Taxes

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, the District reported:

- a. The millage rate or rates imposed by the District as \$0.7144
- b. The total amount of ad valorem taxes collected by or on behalf of the District as \$14,226,533.
- c. The total amount of outstanding bonds issued by the District and the terms of such bonds as follows: None

**Additional Matters**

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

Purpose of this Letter

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

JACOBY AND HANLEY, PLLC

February 13, 2023



JACOBY AND HANDLEY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountants' Report

The Board of Trustees
Indian River County Hospital District:

We have examined Indian River County Hospital District's (the District) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* regarding the investment of public funds during the year ended September 30, 2022. Management is responsible for the District's compliance with those requirements. Our responsibility is to an express opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied, in all material respects, with the specified requirement referenced above. An examination involves performing procedures to obtain evidence about whether the District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2022.

JACOBY AND HANDLEY, PLLC

February 13, 2023