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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, 2022

(With Independent Auditors' Report Thereon)

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Financial Statements and Supplemental Information

September 30, 2022

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SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

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 50,800 inpatient visits and more than 1.4 million outpatient and physician visits in fiscal year 2022.

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.
    - To help manage increased volumes and enhance service to the community, SMH-Sarasota increased its capacity over the past year, opening 56 acute care beds in its new Oncology Tower in the first quarter of Fiscal Year 2022. The hospital also constructed six new Comprehensive Medical Rehabilitation beds that opened in the first quarter of Fiscal Year 2023, bringing the Sarasota campus' current capacity to 901 licensed beds.
    - SMH-Sarasota also includes a behavioral health hospital providing inpatient and outpatient services.
- Sarasota Memorial Hospital-Venice (SMH-Venice), a new 110-bed hospital that 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 400 primary and specialty care physicians and advanced practice providers practicing in 32 specialties in 54 locations.

With more than 8,700 staff, the System is among the region's largest employers.

The System also includes an extensive base of physicians practicing in a wide range of specialties. SMH-Sarasota's Medical Staff includes 1,800 physicians and advanced practice professionals. The Medical Staff of SMH-Venice has 1,100 physicians and advanced practice professionals.

In addition, members of the community serve as volunteers in many areas of the system, contributing their time and expertise.

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

Opening of Sarasota Memorial Hospital-Venice

The System opened its new full-service hospital in Venice 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 hospital 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.

Hospitalizations and Emergency Care visits have exceeded projections since the new campus opened. To serve the increasing number of patients, two expansion projects are now under way and scheduled to open in 2024: Construction of a new patient care tower with 102 beds, and an increase in the size of the Emergency Care Center and surgical capacity.

In its first year of service, SMH-Venice earned recognition for its high quality of care, including Level 1 Adult Cardiovascular Services and Primary Stroke Center designations from the state of Florida, and American College of Radiology Accreditation for Mammography and Nuclear Medicine.

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

Sarasota Memorial's latest addition to its Brian D. Jellison Cancer Institute is an eight-story inpatient and surgical Oncology Tower, which opened in November 2021 on the SMH-Sarasota Campus. The new tower includes 56 private patient suites, advanced operating rooms and other oncology programs, providing patients with the full continuum of modern cancer care – from diagnosis and intervention to survivorship care – under one roof.

Sarasota Memorial is also moving forward with construction of a new seven-story Cancer Pavilion on the SMH-Sarasota Campus. When complete in 2025, the pavilion will house a new breast health center, outpatient surgery suites, radiation oncology, infusion services, diagnostic imaging and integrative and supportive care. The facility also will be home to medical, surgical and radiation oncology physician offices.

The Brian D. Jellison Cancer Institute also includes a Radiation Oncology Center that opened in 2020 on the System's outpatient campus on University Parkway.

Responding to the rising number of local cancer cases and the complexity of modern cancer care delivery, the Institute's facilities and programs are giving cancer patients, caregivers and medical providers access to the latest treatments, technologies, clinical trials and supportive care in their own community.

Construction Under Way on Cornell Family Behavioral Health Pavilion

Construction is proceeding rapidly on a new state-of-the-art pavilion that will centralize and enhance behavioral health care. The Cornell Family Behavioral Health Pavilion will replace the System's aging Bayside for Behavioral Health and is scheduled to open in 2023 on the SMH-Sarasota Campus. Target Corp. Chairman and CEO Brian Cornell and wife Martha Cornell donated $10 million to support the creation of the new behavioral health facility. When complete, the pavilion will have 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.

Plans Move Forward for Research & Education Institute

Sarasota Memorial is planning to construct a new five-story facility to house the System's clinical research division, clinical and graduate medical education programs, medical library and a new, state-of-the-art simulation center. The project also will include a new parking garage. Projected to open in 2025, the Research & Education Institute will promote collaboration, discovery and innovation in medical education and research, while freeing up space inside the hospital for patient care.

New North Port Hospital

The System has started master planning and pre-construction site work on a new hospital in North Port. Sarasota Memorial Hospital-North Port will be constructed on a 32-acre undeveloped site on Sumter Boulevard near Interstate 75. It will be the health system's third acute-care hospital and the first hospital for the city of North Port, which is among the fastest-growing cities in the nation. The System is also developing a health care campus on property it owns in Wellen Park in south Sarasota County, and updating plans for its existing North Port outpatient facility.

Response to Hurricane Ian

SMHCS stood strong through Hurricane Ian, which made landfall in southwest Florida on Sept. 28, 2022.

The System has devoted significant funds and resources to ensuring that its facilities are hurricane hardened, and both SMH-Sarasota and SMH-Venice remained fully functional throughout the hurricane. The hospitals provided shelter for nearly 2,500 staff and physicians who served on hurricane response teams and cared for well over 700 patients, as well as a number of medically dependent persons (MDPs) that local emergency management officials brought to the Sarasota campus for shelter. The System's Skilled Nursing & Rehabilitation Center also remained operational during and after the storm.

The System's outpatient and urgent care centers and physician offices closed while Hurricane Ian moved through the region. All six of SMCHS' urgent care centers and most of its physician practices and outpatient centers reopened almost immediately after the storm passed. The only facilities sustaining significant damage were the freestanding Emergency Room in North Port, which had remained opened throughout the storm, and a medical office building at SMH-Venice. Both reopened after short-term closures for repairs.

A number of hospitals south of Sarasota on Florida's Gulf Coast partially or fully closed due to storm-related issues. In addition, ShorePoint Venice Hospital (owned by Community Health Systems) completely shut down in September 2022, a few weeks before Hurricane Ian made landfall. As a result, SMH-Sarasota and SMH-Venice, which were among the few hospitals in the southwest Florida region to remain fully operational during and post-Ian, saw record numbers of patients streaming into their facilities. System leaders worked closely with emergency management officials and hospitals around Florida to respond to the patient influx. Sarasota County and the state dedicated strike teams with ambulances to help transfer patients. State and federal emergency officials deployed a disaster medical assistance team (DMAT) to SMH-Venice to help manage the patient surge. SMHCS also created a System-wide "labor pool" to assign employees interested in working additional shifts to hospital departments in need.

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

Sarasota Memorial continued to battle COVID-19 throughout 2022, managing several patient surges. Throughout the pandemic, the System's top priority has been to provide high-quality care while protecting patients and staff. To that end, SMHCS continues to refine contingency plans to ramp up the System's capacity to handle patient influxes and to increase staffing (including hiring more than 100 staff from ShorePoint Venice

Hospital, which shut down in September 2022). The System also continues to maintain a large inventory of personal protective equipment (PPE), expand capabilies for laboratory testing and COVID-19 research, and provide staff recognition, wellness, and resilience programs.

Physician Training Programs Help Attract Providers to the Community

Sarasota Memorial partners with Florida State University's College of Medicine to provide graduate medical education programs, which offer 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 two fellows each year to address issues related to serious illness and end-of-life care.

National Recognition for Top-Quality Care

Sarasota Memorial …

- was named among the nation's 100 Top Hospitals, 40 Top Teaching Hospitals and 50 Top Cardiovascular Hospitals for 2022 by Fortune/Merative.
- 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. The hospital earned its latest five-star award in CMS' July 2022 report.
- was ranked among the 50 best hospitals in the nation for specialized Rehabilitation and Urology care in *U.S. News & World Report's* 2022/2023 "Best Hospitals" guide. SMH also garnered "high performer" ratings for gastroenterology and gastrointestinal surgery, and in 15 other widely performed procedures and conditions common among Medicare patients.
- was one of just 41 organizations worldwide to earn Gallup's Exceptional Workplace Award for 2022. According to Gallup, the award honors thriving organizations that have attained world-class performance by making employee engagement a cornerstone of their strategy. To qualify for the 2022 award, organizations were required to meet rigorous criteria, including a high qualifying participation rate on Gallup's 2021 employee engagement survey, and scores placing them at the top of Gallup's global database. They also had to demonstrate overall performance excellence.
- has earned "A" grades for patient safety from The Leapfrog Group, a national organization that evaluates hospitals' efforts to protect patients from preventable injuries and harm, in every reporting period since 2016.
- was named one of the world's best hospitals in a global ranking every year from 2019 through 2022.
- has continuously earned Magnet Nursing Services Recognition since 2003. SMH-Sarasota is currently the only provider in the region with Magnet Recognition, which is given by the American Nurses' Credentialing Center. Independently sponsored research suggests that Magnet facilities have positive outcomes for patients, nurses and workplaces.
- received top honors and recognition in 2022 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. SMH-Sarasota was awarded the Gold Plus with Target: Stroke Honor Roll Elite and Target: Type 2 Diabetes Honor Roll, as well as the Resuscitation Silver Adult Award, the highest achievement possible for any organization in its first year of participation. The awards recognize hospitals that consistently meet top standards of care.

- earned DNV Healthcare's Comprehensive Stroke Center Certification for the SMH-Sarasota Campus. DNV is one of the leading accrediting organizations in the nation. SMH-Sarasota also received certification from DNV for its Hip and Knee Replacement program.
- received the Mitral Valve Repair Reference Center Award from the American Heart Association and the Mitral Foundation in 2022 for superior clinical outcomes.
- is accredited as a higher level "Comprehensive Center" under the Metabolic and Bariatric Surgery Accreditation and Quality Improvement Program.
- is 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.
- 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.
- was recognized among America's 2022 "Most Wired" hospitals for pioneering IT systems that promote safety, security and clinical innovation.

First Physician Group Honors

Sarasota Memorial's First Physicians Group was named an outstanding performer by the Medical Group Management Association in all four categories evaluated by the association: operations, profitability, productivity and value for integrated delivery systems.

Most of First Physicians Group's primary care practices are also 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 150,000 emergency cases in fiscal year 2022 at the System's Hospital-based Emergency Care Centers and at the freestanding Emergency Room (ER) in North Port. In addition to emergency care, the North Port outpatient facility 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.

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 more than 8,700 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:

- $742.7 million in total payroll – supports local workforce,
- $1.4 billion in total operating expenses that help support a variety of local businesses and community members,
- $1.3 million investment in workforce development and staff training and education, and
- $170.2 million for facility and equipment upgrades in 2022.

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:

- Engaged a third party vendor to augment in-house efforts challenging payment denials from managed care organizations on patient accounts.
- Installed an electronic data interchange system to enable fast purchase order contract price validation for supply purchases.
- Replaced our computer network antivirus solution with an improved system to better align with industry best practices and best products.
- Implemented a software system to track all leases and related costs.
- Installed a new remote patient monitoring system which enables patients to be monitored at home which reduces the possibility of readmission and thereby reducing costs.

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Independent Auditors' Report

The Board Members
Sarasota County Public Hospital District:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of Sarasota County Public Hospital District (the District), as of and for the years ended September 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements for the years then ended as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the District, as of September 30, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of the SMH Health Care Retirement Plan, which represents 100% of the fiduciary activities as of and for the years ended September 30, 2022 and 2021. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the SMH Health Care Retirement Plan, are based solely on the report of the other auditors.

Basis for Opinions

We conducted our audits 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 Auditors' 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 opinions.

Emphasis of Matter

As discussed in Note 1(d) to the financial statements, in 2022 the District adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditors' 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 auditors' report that includes our opinions. 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 and *Government Auditing Standards* 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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment 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 judgment, 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

U.S. generally accepted accounting principles require that the management discussion and analysis on pages 10 to 23, schedule of changes in the net pension liability and related ratios, schedule of the District's pension contributions, schedule of changes in the total OPEB liability and related ratios, and schedule of investment returns on pages 91 to 98 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 Information

Our audit for the year ended September 30, 2022 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements for the year ended September 30, 2022. The combining balance sheet information and combining statement of revenues, expenses and changes in net position information are presented for purposes of additional analysis and are not a required part of the basic financial statements for the year ended September 30, 2022. 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 basic financial statements for the year ended September 30, 2022. The 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended September 30, 2022.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the letter of transmittal, budgetary comparison schedule, and the Schedule of Special District Reporting but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 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 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 24, 2023, except as to the Schedule of Special District Reporting which is as of June 28, 2023

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, 2022 and 2021. 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

While the period covered in this report continued to be impacted by COVID 19, the System worked to transition operations and procedures to a "new normal" while maintaining a constant state of pandemic-readiness.

The System incorporated "lessons learned" throughout the pandemic to manage ongoing fluctuations in COVID-19 cases and volumes, including:

- Continuing to refine and implement contingency plans for hospital campuses to respond to patient surges:

- o Carefully and safely managed surgical volumes and capacity on a case-by-case basis rather than shutting down entire surgery program during the Omicron surge.

- Continuing to expanded capabilities for testing, telehealth and remote monitoring.
- Maintaining COVID Employee Health hot line to provide screening and instructions for testing for employees.
- Maintaining inventory of PPE.
- Boosting staffing, including hiring displaced employees from a nearby private hospital that closed in late 2022.
- Ongoing use of a "Helping Hands" labor pool to deploy clinical and non-clinical staff to areas in need during surges.
- Resuming as many normal operations as possible, including reopening full visitation, with infection control protocols in place

Finance:

– For the years ended September 30, 2022 and 2021 there were $24.6 million and $41.0 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 was reimbursed in full by September 2022. No remaining balance and a remaining balance of $103.1 million is included on the balance sheet as of September 30, 2022 and September 30, 2021, respectively, in current portion of advanced payments from third parties.

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 decreased by $235.9 million and $19.4 million in the fiscal years ended September 30, 2022 and 2021, respectively. Long-term debt (including current portion) increased by $128.7 million and decreased by $11.5 million in the years ended September 30, 2022 and 2021, respectively. Expenses exceeded revenue by $0.2 million and there was an excess of revenue over expenses of $162.0 million for the years ended September 30, 2022 and 2021, respectively. Net position increased by $2.5 million in fiscal 2022, and by $165.4 million in fiscal 2021. In 2022, Hospital overall payor mix reflected a increase in Medicare, with a decrease in each of the three other payor categories as compared to fiscal year

2021. 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.

	2022	2021	2020	2019	2018
Medicare	62.9 %	61.2 %	61.0 %	59.7 %	59.6 %
Managed care and commercial	24.7	25.0	24.8	25.2	25.1
Self-pay and other	4.6	5.4	6.1	6.5	6.3
Medicaid	7.8	8.4	8.1	8.6	9.0
	100.0 %	100.0 %	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, 2022, admissions volumes decreased across Sarasota County 2.8% from the same period ending March 31, 2021. SMHCS admissions outperformed the market with an increase of 7.5% during the six months ended March 31, 2022. SMHCS inpatient market share in Sarasota County for the six months ended March 31, 2022 was 75.1%. The System's outpatient volume, excluding emergency room visits, increased by 6.5% and increased by 16.1% during the years that ended September 30, 2022 and 2021, respectively. Emergency Care Center visits increased by 28.1% and increased 8.8% during the years that ended September 30, 2022 and 2021, respectively.

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

	Fiscal year ended September 30				
	2022	2021	2020	2019	2018
Average number of beds in service:					
Medical/surgical intensive care	88	62	62	62	62
Cardiac telemetry, acute, and intensive care	178	156	156	156	156
Other medical/surgical	531	438	438	438	404
Total medical/surgical	797	656	656	656	622
Obstetrics	40	30	30	30	30
Psychiatric and substance abuse	86	60	60	60	60
Rehabilitation	54	54	54	54	44
Pediatrics	28	28	28	28	28
Total hospital	1,005	828	828	828	784

	Fiscal year ended September 30				
	2022	2021	2020	2019	2018
Combined admissions and observation cases:					
Admissions	50,844	44,278	41,744	43,120	36,016
Observation cases	12,911	8,161	6,316	7,168	8,694
Total admissions and observation cases	63,755	52,439	48,060	50,288	44,710
Admissions:					
Total medical/surgical	41,823	34,993	33,139	34,677	28,569
Obstetrics	4,546	4,253	4,035	4,049	3,730
Psychiatric and substance abuse	2,350	2,294	2,265	2,333	2,101
Rehabilitation	1,478	1,406	1,389	1,286	1,048
Pediatrics	647	1,332	916	775	568
Total hospital	50,844	44,278	41,744	43,120	36,016
Average length of stay:					
Total medical/surgical	5.05	5.11	4.82	4.54	4.72
Obstetrics	2.42	2.48	2.38	2.43	2.45
Psychiatric and substance abuse	5.53	5.44	5.43	5.29	5.88
Rehabilitation	13.16	13.61	13.44	12.80	13.70
Pediatrics	3.46	3.52	2.80	2.82	3.50
Total hospital	5.05	5.10	4.86	4.60	4.79
Number of patient days:					
Medical/surgical intensive care	15,463	18,414	15,792	14,339	15,204
Cardiac telemetry, acute, and intensive care	55,043	43,170	38,517	39,736	35,159
Other medical/surgical	140,519	117,372	105,510	103,439	84,346
Total medical/surgical	211,025	178,956	159,819	157,514	134,709
Obstetrics	10,982	10,556	9,595	9,838	9,141
Psychiatric and substance abuse	13,006	12,488	12,291	12,341	12,344
Rehabilitation	19,456	19,131	18,671	16,462	14,357
Pediatrics	2,240	4,686	2,561	2,187	1,989
Total hospital	256,709	225,817	202,937	198,342	172,540

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Management's Discussion and Analysis (Unaudited)

September 30, 2022 and 2021

	Fiscal year ended September 30				
	2022	**2021**	**2020**	**2019**	**2018**
Percentage occupancy (admitted patients):					
Medical/surgical intensive care	48.1 %	81.4 %	69.6 %	63.4 %	67.2 %
Cardiac telemetry, acute, and intensive care	84.7	75.8	67.5	69.8	61.7
Other medical/surgical	72.5	73.4	65.8	64.7	57.2
Total medical/surgical	72.5	74.7	66.6	65.8	59.3
Obstetrics	75.2	96.4	87.4	89.8	83.5
Psychiatric and substance abuse	41.4	57.0	56.0	56.4	56.4
Rehabilitation	88.8	97.1	94.5	83.5	89.4
Pediatrics	21.9	45.9	25.0	21.4	19.5
Total hospital	69.6 %	74.7 %	67.0 %	65.6 %	60.3 %
Licensed beds	1,011	839	839	839	829
Average number of beds in service	1,011	828	828	828	784
Average daily census	703	619	554	543	473
Percent occupancy	70.2	74.7	67.0	65.6	60.3
Patient days	256,709	225,817	202,937	198,342	172,540
Admissions	50,844	44,278	41,744	43,120	36,016
Adjusted admissions (1)	87,437	72,776	65,989	68,937	59,786
Average length of stay	5.05	5.10	4.86	4.60	4.79
Emergency Room visits/registration	149,908	117,064	107,579	125,195	122,942
Urgent Care Center registrations	158,106	124,127	112,663	123,456	113,847
Surgery cases	27,612	23,465	23,068	24,685	23,369
Radiology procedures	431,024	400,379	339,012	358,746	342,059
Cardiac Catheterization procedures	19,715	17,784	15,353	15,823	14,930

(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 2022, 2021, and 2020 is presented below (in thousands):

	2022	2021 (as restated)	Change	2020	Change
Net patient service revenue	$ 1,357,556	1,124,824	232,732	961,916	162,908
Other revenue	41,637	28,120	13,517	24,313	3,807
Total operating revenues	1,399,193	1,152,944	246,249	986,229	166,715
Total operating expenses	1,364,333	1,089,630	274,703	940,759	148,871
Operating income	34,860	63,314	(28,454)	45,470	17,844
Total nonoperating items	(35,112)	98,703	(133,815)	105,411	(6,708)
(Deficiency) excess of revenues (under) over expenses	(252)	162,017	(162,269)	150,881	11,136
Other changes in net position	2,705	3,352	(647)	4,094	(742)
Net position, beginning of year (as restated)	1,674,434	1,509,065	165,369	1,354,090	154,975
Net position, end of year	$ 1,676,887	1,674,434	2,453	1,509,065	165,369

As a result of the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases* (GASB Statement No. 87) during the year, the information presented for 2021 has been restated to conform to the new accounting standard.

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

Net patient service revenue increased by $232.7 million, or 20.7%, during fiscal year 2022, with $134.6 million being attributed to the opening of SMH-Venice. Combined hospital admissions increased 14.8% from fiscal year 2021. The inpatient average daily census was 703 in fiscal year 2022 compared to 619 in fiscal year 2021; while there was a slight decrease in the average length of stay, the opening of SMH-Venice and continued impacts of COVID19 variants drove census higher. Outpatient hospital registrations (excluding emergency care center visits) in fiscal year 2022 were higher by 6.5% compared to fiscal year 2021, and emergency care center visits were 28.1% higher. Outpatient surgery cases in fiscal year 2022 were 9.9% higher than the fiscal year 2021, and cardiac catheterization procedures were 11.0% higher, and electrophysiology cases were 18.0% higher than fiscal year 2021. Net patient service revenue from employed physicians increased $18.4 million as a result of the recruitment of new physicians serving the community in primary and specialty care.

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.

Operating expenses increased in fiscal 2022 by $274.7 million, or 25.2%. Salaries and wages increased by $126.5 million, fringe benefits decreased by $4.4 million, supplies increased by $52.3 million, purchased services increased $68.6 million, professional fees increased by $6.0 million, and depreciation and amortization increased $23.0 million.

Operating expenses increased in fiscal 2021 by $148.9 million, or 15.8%. This increase is primarily related to 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 $9.6 million.

Salaries and wages increased $126.5 million, or 24.1%, in 2022. The increase is largely due to the successful opening of both the SMH-Venice campus and the Oncology Tower at the SMH-Sarasota campus, contributing to a 13.7% increase in acute patient days. The increase in salaries and wages was also due to a 7.5% rise in the hospital average hourly wage, as well as COVID-19 specific salary costs of $13.9 million. Total System FTEs increased from 6,424 in fiscal year 2021 to 7,430 in fiscal year 2022. Also contributing to the overall increase in salaries and wages was a $32.0 million increase in SMH Physicians Services, Inc. related to expanded services in a variety of areas.

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.

Fringe benefits decreased by $4.4 million in 2022 compared to 2021. Fringe benefits as a percentage of salaries and wages decreased from 18.4% in 2021 to 14.1% in 2022. The decrease in overall benefit cost was primarily due to a $9.4 million decrease in self-insured health expense, $4.6 million decrease in retirement and other post-employment related costs, an $8.7 million increase in wage-related employment tax costs, and a $0.9 million increase in other benefits.

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.

Supplies expenses increased in fiscal 2022 by $52.3 million. Supplies expense as a percentage of net patient revenue decreased to 21.4% in fiscal 2022 compared to 21.1% in fiscal 2021. This change is primarily due to a $26.3 million increase in medical supplies, a $14.3 million increase in implants, a $3.2 million increase in lab

(Continued)

and blood products, a $3.8 million increase in drug costs, and Food and Beverage costs that increased by $2.7 million.

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.

Purchased services increased by $68.5 million in fiscal 2022, representing a 54.2% increase compared to 2021. This change is primarily related to temporary labor in the form of traveling nurses increased $41.8 million, utilities increased $5.7 million, purchase of services increased $4.6 million, IT support and maintenance increased $3.8 million, while Information Technology as a Service (ITaaS) increased $3.7 million, maintenance contracts increased $3.3 million, general and professional liability insurance increased $2.8 million, temporary and contract personnel costs increased by $1.7 million, and laundry and linen increased by $1.3 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.

Professional fees increased by $6.0 million in fiscal 2022, as a result of a $8.0 million increase in physician fees, partially offset by a $2.0 million decrease in legal fees.

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

Depreciation and amortization expense increased by $23.0 million in fiscal 2022 due to completion of various construction and renovation and information technology projects, including the notable completion and opening of the SMH-Venice hospital campus, as well as the opening of the new eight-story inpatient and surgical Oncology Tower, both in November of 2022.

Depreciation and amortization expense increased by $9.6 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, equipment purchases, and building and equipment leases.

As a result of the above-noted changes in operating costs, total operating costs increased from 96.9% to 100.5% of net patient revenue. Total operating cost per adjusted admission, adjusted for the change in case mix index, increased 5.5% in fiscal year 2022 and increased 2.5% in fiscal year 2021.

Nonoperating items decreased by $133.8 million in fiscal year 2022. The decrease is primarily due to $88.0 million increase in unrealized loss on the change in market value of investments, a $34.7 million decrease in other non-operating income, and a $16.1 million increase interest expense, a $4.8 million increase in ad valorim tax income, a $2.7 million increase in the fair value of ineffective interest rate swaps, and bond issuance costs of $1.8 million. The decrease in other nonoperating income was largely a result of $34.0 million COVID-19 Provider Relief Funds received in 2021. These costs were partially offset by a $4.8 million increase in ad valorem tax receipts.

Nonoperating items decreased by $6.7 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 $0.8 million decrease in interest expense, net of interest rate swap receipts, a $1.7 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.

Expenses exceeded revenues for fiscal year 2022 by $0.3 million, compared to an excess of revenues over expenses in fiscal year 2021 of $162.0 million. The $162.3 million change is a result of operating revenues increasing by $246.2 million, offset by operating expenses increasing by $274.7 million, and nonoperating items decreasing by $133.8 million.

Excess of revenues over expenses for fiscal year 2021 was $162.0 million, compared to an excess of revenues over expenses in fiscal year 2020 of $150.9 million. The $11.1 million increase is primarily a result of operating revenues increasing by $166.7 million, operating expenses increasing by $148.9 million, and nonoperating items decreasing by $6.7 million.

Balance Sheets

The following table is a summary of the balance sheets as of September 30, 2022, 2021, and 2020 (in thousands):

		2022	2021 (as restated)	Change	2020	Change
Cash and cash equivalents	$	123,091	65,384	57,707	40,328	25,056
Patient accounts receivable, net		149,519	128,605	20,914	106,338	22,267
Other current assets		101,479	86,897	14,582	43,830	43,067
Total current assets		374,089	280,886	93,203	190,496	90,390
Restricted and board designated investments		1,084,923	1,253,147	(168,224)	1,466,760	(213,613)
Capital assets, net		1,287,063	1,197,335	89,728	919,235	278,100
Other assets		93,427	71,139	22,288	40,583	30,556
Interest rate swaps		10,431	18,406	(7,975)	25,005	(6,599)
Noncurrent assets		2,475,844	2,540,027	(64,183)	2,451,583	88,444
Deferred outflows		51,920	63,112	(11,192)	59,673	3,439
Total assets and deferred outflows	$	2,901,853	2,884,025	17,828	2,701,752	182,273
Current liabilities	$	264,089	379,018	(114,929)	293,083	85,935
Noncurrent liabilities		842,226	762,695	79,531	874,478	(111,783)
Total liabilities		1,106,315	1,141,713	(35,398)	1,167,561	(25,848)
Deferred inflows		118,651	67,878	50,773	25,126	42,752
Net position:						
Net investment in capital assets		692,573	593,870	98,703	495,608	98,262
Restricted for specific purposes		4,117	3,160	957	2,741	419
Unrestricted		980,197	1,077,404	(97,207)	1,010,716	66,688
Total net position		1,676,887	1,674,434	2,453	1,509,065	165,369
Total liabilities, deferred inflows and net position	$	2,901,853	2,884,025	17,828	2,701,752	182,273

As a result of the implementation of Governmental Accounting Standards Board Statement No. 87 during the year, the information presented for 2021 has been restated to conform to the new accounting standard.

At September 30, 2022, the District's cash, cash equivalents, and board designated investments totaled $1.1 billion, compared to long-term debt, including the current portion, of $766.1 million. The number of days cash on hand was 299, which is below the median of 303 days cash on hand for Moody's Investor Services (Moody's) "A1" rated, freestanding hospitals and single and multi-state healthcare systems (2022 median, based on 2021 data).

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.

In fiscal 2022, current assets increased by $93.2 million. Cash and cash equivalents increased by $57.7 million, patient accounts receivable increased by $20.9 million, and inventories of supplies increased by $6.8 million. Additional increases in current assets are due to estimated Medicare and Medicaid settlements increasing by $5.5 million, and an increase in prepaid expenses and other assets of $2.3 million.

In fiscal 2021, current assets increased by $90.4 million. Cash and cash equivalents increased by $25.1 million, patient accounts receivable increased by $22.3 million, and inventories of supplies decreased by $0.7 million. Prepaid and other expenses increased $43.6 million primarily as a result of the adoption of GASB Statement No. 87 resulting in the recognition of a lease receivable.

In fiscal 2022, restricted investments and board designated investments decreased $168.2 million. As of September 30, 2022, the Moody's ratings of the District's investments are BBB rated or better.

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.

Capital assets increased by $89.7 million in fiscal 2022. There were $170.2 million of capital additions during fiscal year 2022. The additions were partially offset by annual depreciation of $80.4 million. Of the $170.2 million in fiscal 2022 additions, the largest projects accounted for about $152.5 million of expenditures: $79.6 million to continue development of a new hospital campus in Venice; $19.7 million for further development of a cancer care institute; $5.8 million for operating room renovations, equipment and systems; $16.1 million to complete various renovations and upgrades in the main hospital; $12.1 million for medical and diagnostic equipment; $4.3 million for information systems equipment and software; and $14.9 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 $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 6 to the financial statements.

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In fiscal 2022, the financial statements reflect a net pension asset of $27.2 million, compared to a net pension liability reported in fiscal 2021 of $30.6 million. This change was largely due to investment performance experienced by the pension plan during 2021, which is the basis for the 2022 financial statements.

In fiscal 2022 and 2021, other assets decreased by $4.9 million and increased by $30.5 million, respectively, related to an increase in the equity in LeeSar and an increase in deferred retirement plan assets for employees. Also included in this change was $3.4 million decrease in lease assets recognized under GASB Statement No. 87 in 2022 and 26.0 million increase in 2021.

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 8 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 9 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 7 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 7 to the financial statements for a more detailed discussion of the District's interest rate swaps.

In fiscal 2022, current liabilities decreased $114.9 million, primarily related to a $103.1 million decrease in the current portion of the advance payment from third parties, a $37.1 million decrease in the accounts payable, a $15.1 million increase in employee compensation and benefits payable, a $6.0 million increase in estimated third-party settlements, a $2.4 million increase of current portion of the State of Florida medical assistance assessment, and a $1.4 million increase in other accrued expenses.

In fiscal 2021, current liabilities increased $85.9 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 $6.5 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 2022, noncurrent liabilities increased $79.5 million, primarily as a result of an increase of $128.3 million in the long term debt (less the current portion), $30.6 million decrease in the net pension liability as a result of becoming a net pension asset in 2022, a $19.1 million decrease in interest rate swap liabilities, offset by a $1.4 million increase in the long term portion of the State of Florida medical assistance assessment, and a $0.6 million increase in other long term liabilities.

In fiscal 2021, noncurrent liabilities decreased $111.8 million, primarily as a result of a decrease of $109.0 million in the long term portion of advance payment from third parties, 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 $3.2 million increase in long term debt, less current portion, 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.

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:

	2022	2021	2020	2021 Moody's A1 median
Profitability ratios:				
Operating margin	5.8 %	12.7 %	9.4 %	3.6 %
Excess margin	7.0	14.2	11.4	6.9
Return on assets	3.6	6.7	5.4	5.5
Total EBIDA%	14.3	19.3	17.1	n/a
Operating cash flow margin	13.2	17.9	15.1	9.3
Liquidity ratios:				
Days cash on hand	299	459	541	303
Net days in receivables	40	42	40	48
Capitalization ratios:				
Maximum debt service coverage ratio	4.9	6.6	4.9	6.1
Cash to debt	140.9 %	214.0 %	213.1 %	249.2 %

(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 2022, Fitch Ratings affirmed the District's unenhanced long term rating of AA- on its outstanding bonds and stable outlook. In June 2022, 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, 2022 and 2021

Assets	**2022**	**2021** (as restated)
Current assets:		
Cash and cash equivalents	$ 123,090,829	65,384,234
Patient accounts receivable, less allowance for uncollectible accounts of $148,850,539 in 2022 and $137,319,143 in 2021	149,519,209	128,604,414
Inventories of supplies	23,491,115	16,654,286
Prepaid expenses and other assets	71,344,858	69,023,022
Estimated Medicare and Medicaid settlements	5,500,000	—
Due from related organizations	1,142,601	1,220,510
Total current assets	374,088,612	280,886,466
Noncurrent assets:		
Restricted investments	136,493,995	11,118,692
Board designated investments	948,429,489	1,242,028,023
Capital assets, net	1,287,062,740	1,197,334,568
Net pension asset	27,194,918	—
Other assets	66,232,613	71,138,925
Interest rate swaps	10,430,544	18,405,828
Total noncurrent assets	2,475,844,299	2,540,026,036
Total assets	2,849,932,911	2,820,912,502
Deferred Outflows of Resources		
Deferred outflows related to pensions and OPEB	15,120,815	33,525,494
Deferred amounts on debt refundings	36,478,545	23,357,203
Deferred effective interest rate swap outflows	320,875	6,229,486
Total deferred outflows of resources	51,920,235	63,112,183
Total assets and deferred outflows of resources	$ 2,901,853,146	2,884,024,685
Liabilities		
Current liabilities:		
Accounts payable	$ 58,205,295	95,317,189
Employee compensation and benefits payable	109,551,930	94,456,120
Other accrued expenses	14,312,453	12,876,198
Current portion of advance payment from third party	—	103,149,786
Estimated third-party settlements	48,934,559	42,913,547
Due to related organizations	1,705	122
Current portion of State of Florida medical assistance assessment	15,347,905	12,990,068
Current portion of long-term debt	17,735,469	17,314,840
Total current liabilities	264,089,316	379,017,870
Noncurrent liabilities:		
Long-term debt, less current portion	748,336,042	620,051,480
Long-term companion debt, less current portion	17,031,586	18,080,931
Net pension liability	—	30,550,949
State of Florida medical assistance assessment, less current portion	8,161,472	6,801,475
Advance payment from third party, less current portion	—	—
Other long term liabilities	62,966,459	62,319,274
Interest rate swaps	5,730,370	24,890,955
Total noncurrent liabilities	842,225,929	762,695,064
Total liabilities	1,106,315,245	1,141,712,934
Deferred Inflows of Resources		
Deferred inflows related to pensions and OPEB	35,041,814	3,275,146
Deferred inflows related to leases	41,838,652	42,929,337
Deferred effective interest rate swap inflows	41,770,196	21,673,540
Total deferred inflows of resources	118,650,662	67,878,023
Net Position		
Net investment in capital assets	692,572,930	593,870,224
Restricted for specific purposes	4,116,919	3,159,756
Unrestricted	980,197,389	1,077,403,749
Total net position	1,676,887,238	1,674,433,729
Total liabilities, deferred inflows of resources and net position	$ 2,901,853,145	2,884,024,686

See accompanying notes to financial statements.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Statements of Revenues, Expenses and Changes in Net Position

Years ended September 30, 2022 and 2021

	2022	2021 (as restated)
Operating revenues:		
Net patient service revenue, net of provision for bad debts of $194,661,091 in 2022 and $170,410,471 in 2021	$ 1,357,556,129	1,124,823,867
Other revenue	41,636,935	28,120,375
Total operating revenues	1,399,193,064	1,152,944,242
Operating expenses:		
Salaries, wages and fringe benefits	742,671,530	620,582,887
Supplies	290,195,518	237,867,021
Purchased services	195,062,205	126,495,803
Professional fees	35,945,594	29,900,120
State of Florida medical assistance assessment	16,322,221	13,602,951
Depreciation and amortization	84,135,851	61,181,505
Total operating expenses	1,364,332,919	1,089,630,287
Operating income	34,860,145	63,313,955
Nonoperating items:		
Ad valorem tax	69,425,020	64,655,988
Interest expense	(24,892,570)	(8,768,287)
Interest rate swap receipts, net	995,298	1,191,218
Debt issuance costs	(1,758,523)	—
Investment income	17,970,863	18,561,898
Unrealized gains and losses on investments, net	(106,124,310)	(18,150,092)
Change in fair value of ineffective interest rate swaps	1,054,729	(1,664,914)
Other nonoperating income	8,217,365	42,877,176
Total nonoperating items	(35,112,128)	98,702,987
(Deficiency) excess of revenues (under) over expenses	(251,983)	162,016,942
Other changes in net position:		
Contributions restricted for capital purposes	2,705,491	3,352,229
Increase in net position	2,453,508	165,369,171
Net position, beginning of year, as restated	1,674,433,730	1,509,064,559
Net position, end of year	$ 1,676,887,238	1,674,433,730

See accompanying notes to financial statements.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Statements of Cash Flows

Years ended September 30, 2022 and 2021

	2022	2021 (as restated)
Cash flows from operating activities:		
Received from patient care services	$ 1,235,551,600	1,063,487,818
Received from nonpatient sources	39,010,885	28,498,307
Payments to employees	(733,984,107)	(599,644,783)
Payments to suppliers	(538,811,003)	(395,527,688)
Net cash provided by operating activities	1,767,375	96,813,654
Cash flows from noncapital financing activities:		
Ad valorem taxes	69,425,020	64,655,988
Grants and other noncapital items	5,357,973	4,895,413
Net cash provided by noncapital financing activities	74,782,993	69,551,401
Cash flows from capital and related financing activities:		
Proceeds from issuance of long-term debt	316,930,000	—
Payment of Bond Issue costs	(1,758,523)	—
Proceeds from donations restricted for capital purposes	4,732,995	4,526,324
Interest rate swap payments paid, net	180,527	(619,653)
Interest received on bond funds held by trustee	100,525	13,623
Purchases of capital assets	(213,418,711)	(327,419,970)
Proceeds from disposals of capital assets	—	4,500
Interest payments	(25,386,148)	(21,363,929)
Interest income on lease receivables	660,477	635,870
Repayment of long-term debt	(180,805,000)	(11,220,000)
Net cash used in capital and related financing activities	(98,763,858)	(355,443,235)
Cash flows from investing activities:		
Investment income received	18,576,499	18,802,422
Purchase of investments	(165,601,497)	(473,675,811)
Proceeds from sales and maturities of investments	227,762,001	668,796,834
Net cash provided by investing activities	80,737,003	213,923,445
Increase in cash and cash equivalents	58,523,513	24,845,265
Cash and cash equivalents, beginning of year	65,958,152	41,112,887
Cash and cash equivalents, end of year	$ 124,481,665	65,958,152
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 123,090,829	65,384,234
Cash and cash equivalents in restricted investments	1,390,838	573,918
Total cash and cash equivalents	$ 124,481,667	65,958,152
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 34,860,146	63,313,952
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	84,135,851	61,181,509
Provision for bad debts	194,661,091	170,410,471
Changes in:		
Patient accounts receivable	(215,575,886)	(192,676,790)
Other current and noncurrent assets	(22,091,707)	(59,096,458)
Current liabilities and other liabilities	(74,222,120)	53,680,970
Net cash provided by operating activities	$ 1,767,375	96,813,654
Noncash capital and related financing activities:		
Accrued purchases of capital assets	$ 14,195,770	53,856,588
Unrealized losses on investments, net	(106,124,310)	(18,150,092)
Change in equity investment	1,742,824	3,581,399

See accompanying notes to financial statements.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

SMH Health Care Retirement Plan

Statements of Fiduciary Net Position

	September 30 2022	September 30 2021
Assets:		
Cash and cash equivalents	$ 6,752,662	7,069,130
Investments, at fair value	355,074,805	437,999,650
Receivables:		
Accrued interest and dividends	—	692
Total assets	$ 361,827,467	445,069,472
Liabilities and fiduciary net position restricted for pensions:		
Liabilities:		
Accrued expenses	$ (171,276)	(319,914)
Total fiduciary net position restricted for pensions	$ 361,656,191	444,749,558

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	
	2022	**2021**
Assets		
Employer contribution	$ 10,835,453	12,467,731
Investment income:		
Net (depreciation) appreciation in fair value of investments	(66,372,760)	68,222,554
Interest and dividends	4,324,880	4,152,450
	(62,047,880)	72,375,004
Less investment expenses	(1,206,620)	(1,616,823)
Net investment (loss) income	(63,254,500)	70,758,181
Total (reductions) additions	(52,419,047)	83,225,912
Deductions		
Benefits	(30,192,176)	(26,038,112)
Administrative expenses	(482,144)	(426,432)
Total deductions	(30,674,320)	(26,464,544)
Net (decrease) increase in fiduciary net position	(83,093,367)	56,761,368
Fiduciary net position restricted for pensions		
Beginning of year	444,749,558	387,988,190
End of year	$ 361,656,191	444,749,558

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).

In 2022, the District adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB Statement No. 89).

The objectives of GASB Statement No. 89 are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

As such, no interest expense was capitalized during the fiscal year ended September 30, 2022, nor will any be capitalized in the future as long as this standard is in place. There is no impact to prior periods.

In 2022, the District implemented GASB Statement No. 87, *Leases*. This statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for leasing accounting based on the foundation principle that leases are financings of the right to use and underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Right-to-use lease assets are depreciated over their estimated useful life, similar to any other depreciable asset.

The District adopted this statement as of October 1, 2020. As a result, the net position as of September 30, 2021 has been restated as follows:

Net position, as previously reported	$ 1,674,148,626
Adjustments:	
Lease receivable	43,685,850
Deferred inflows of resources – leases	(42,929,337)
Net book value of lease assets	20,274,371
Lease liability	(20,745,780)
Net position as of September 30, 2021, as restated	$ 1,674,433,730

(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, 2022 and 2021:

		2022	2021
Bad debts	$	39,188,222	32,222,856
Traditional charity care		15,085,238	16,972,272
Medicare losses		121,770,257	83,606,382
Medicaid losses		60,123,896	51,055,775
Trauma and emergency care center call pay and subsidies		9,171,011	8,911,903
Anesthesiologist, hospitalist, and psychiatric coverage		20,262,536	11,379,276
Clinics and other community programs		3,308,414	2,813,353
Indigent care fund payments		16,322,221	13,602,951
	$	285,231,795	220,564,768

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 $12,297,000 and $11,362,000 for the years ended September 30, 2022 and 2021, 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, 2022 and 2021 are as follows:

		2022	2021
Gross patient charges	$	6,739,795,235	5,638,387,391
Contractual adjustments		(5,187,578,015)	(4,343,153,053)
Provision for bad debts		(194,661,091)	(170,410,471)
Net patient service revenue	$	1,357,556,129	1,124,823,867

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, 2017. 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 $5,797,865 and $2,551,373 for the years ended September 30, 2022 and 2021, 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 $31,111,917 and $8,472,221 in net patient service revenue and $6,133,940 and $5,461,986 of other operating revenue for the years ended September 30, 2022 and 2021, 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 2022.

(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	5–60
Leasehold improvements	3–25
Moveable equipment	3–25

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, 2022 and 2021 are as follows:

	2022				
	Beginning balance (as restated)	Accrual/ assessments	Payments	Ending balance	Amounts due within one year
State of Florida medical assistance assessment	$ 19,791,543	16,322,221	(12,604,387)	23,509,377	15,347,905
Other long-term liabilities	89,484,675	19,933,725	(22,505,021)	86,913,379	9,245,988
Total	$ 109,276,218	36,255,946	(35,109,408)	110,422,756	24,593,893

	2021				
	Beginning balance	Accrual/ assessments	Payments	Ending balance (as restated)	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	36,139,199	(16,893,727)	89,484,675	9,859,442
Total	$ 88,148,103	49,742,150	(28,614,035)	109,276,218	22,849,510

(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 350 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 $69,425,020 and $64,655,988 for the years ended September 30, 2022 and 2021, 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, 2022 and 2021.

(2) Cash and Investments

(a) Cash Deposits

For the years ended September 30, 2022 and 2021, 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 $8,817,041 and $10,028,357 were covered by federal depository insurance to the applicable limits for the years ended September 30, 2022 and 2021, 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, 2022, 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	$ 145,682,193	53,370,825	59,021,602	33,289,766	—
U.S. government agency securities	74,843,463	19,010,806	53,592,266	2,240,391	—
Corporate bonds	423,105,272	54,079,134	282,179,476	86,846,662	—
Municipal securities	276,260,171	53,121,104	90,069,727	133,069,340	—
Other, including bank deposits	288,123,214	288,123,214	—	—	—
Total cash and investments	$ 1,208,014,313	467,705,083	484,863,071	255,446,159	—

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	—

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, 2022, 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, 2022 and 2021, the credit rating agency ratings of the District's investments range from BBB to AAA, with only 13.02% and 11.04% 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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, 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, 2022 and 2021 are as follows:

	2022	2021
Under bond indenture agreements held by trustees, at fair value plus accrued interest, held for:		
Payment of principal and interest	$ 5,745	10,544,774
Capital project funds	135,097,412	—
	135,103,157	10,544,774
Restricted funds designated by donors or grantors, at fair value plus accrued interest, held for:		
Plant replacement and expansion	1,390,838	573,918
	1,390,838	573,918
Total restricted investments	$ 136,493,995	11,118,692
Unrestricted funds designated by the Board, at fair value plus accrued interest, held for:		
Capital improvements	$ 948,429,489	1,242,028,023

(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, 2022 and 2021.

	2022			
	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	$ 145,682,192	—	—	145,682,192
U.S. government agency securities	—	74,843,462	—	74,843,462
Corporate bonds	—	423,105,272	—	423,105,272
Municipal securities	—	276,260,170	—	276,260,170
Cash equivalents	28,538,393	—	—	28,538,393
Total board designated investments by fair value level	$ 174,220,585	774,208,904	—	948,429,489

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
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

The tables below show the fair value leveling of the System's restricted investments as of September 30, 2022 and 2021.

Investments by fair value level	2022 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
Cash equivalents	$ 1,390,838	—	—	1,390,838
Total restricted investments by fair value level	$ 1,390,838	—	—	1,390,838

			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

The above tables exclude certain assets classified as restricted investments on the District's balance sheets, and total to $135,103,156 and $10,544,772 as of September 30, 2022 and 2021, respectively. Such other assets include trustee-held bond funds at September 30, 2022, 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, 2022 and 2021.

			2022		
			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	$	23,279,077			23,279,077
Total deferred compensation investments by fair value level	$	23,279,077	—	—	23,279,077

		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

The tables below show the fair value leveling of the System's derivative instruments as of September 30, 2022 and 2021.

		2022			
		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**
Interest rate swap assets	$	—	10,430,544	—	10,430,544
Interest rate swap liabilities		—	(5,730,370)	—	(5,730,370)

		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**
Interest rate swap assets	$	—	18,405,828	—	18,405,828
Interest rate swap liabilities		—	(24,890,955)	—	(24,890,955)

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) Leases

Lessor

The District is a lessor of various noncancellable leases of building space to third parties. For leases with a maximum possible term of 12 months or less at commencement, the District recognizes income based on the provisions of the lease contract. For all other leases (i.e. those that are not short-term), the District recognizes a lease receivable and an offsetting deferred outflow of resources.

At lease commencement, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. Payments the District receives related to common area maintenance, pro-rata operating expenses, and various utility reimbursements associated with the space that are not included in the measurement of the lease receivable. The deferred outflow of resources is measured at the value of the lease receivable plus any payments received at or before the commencement of the lease term that relate to future periods. The District recognizes interest income on the lease receivables, and lease revenue from the deferred inflows of resources in a systematic and rational manner over the term of the lease.

Key estimates and judgments include how the District determines the (1) discount rate it uses to calculate the present value of the expected lease payments to be received, (2) lease term, and (3) lease payments to be received.

- The District uses its estimated tax-exempt incremental borrowing rate as the discount rate for leases. The District's tax-exempt incremental borrowing rate is based on the rate of interest it would need to pay if it issued general obligation bonds in the public market. This rate was determined by adding the applicable "AA-/A3" rated healthcare credit spread to the Thompson Reuter's Municipal Markets Data "AAA" curve.

- The lease term includes the noncancellable portion of the lease, plus any additional periods covered by either a District or lessee unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the District and the lessee have an option to terminate are excluded from the lease term.
- Lease payments to be received are evaluated by the District to determine if they should be included in the measurement of the lease receivable, including those payments that require determination of whether they are reasonably certain of being received.

The District monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease, the receivable is remeasured and a corresponding adjustment is made to the deferred inflow of resources. There were changes in circumstances for the year ended September 30, 2022 that would require remeasurement of the lease receivables.

Noncurrent lease receivables are reported within the noncurrent asset section of the balance sheet, net of the short-term portion of the lease receivables reported as a current asset.

As discussed in above, the District is a lessor of various noncancellable long-term leases of building space. These leases have terms between 2 and 90 years, with payments required monthly or quarterly. The discount rate used for the calculation of the lease receivable varies per lease depending on the length of the respective leases and ranged from 0.21% to 4.13%.

The System recognized a lease receivable and deferred inflow of resources of $43,331,061 and $41,838,652, respectively as of the year ended September 30, 2022, and $43,685,850 and $42,929,337, respectively as of the year ended September 30, 2021. Lease income from noncancellable long-term leases totaled $1,766,745 and $1,779,554 for the years ended September 30, 2022 and 2021, respectively. Interest income from noncancellable long-term leases totaled $660,477 and $635,870, for the years ended September 30, 2022 and 2021, respectively. Lease income and interest income is included in other operating revenue and investment income, respectively on the statements of revenues, expenses and change in net position. The District did not recognize revenue with residual value guarantees and termination penalties.

Future minimum lease payments to be received under noncancellable long-term leases are as follows:

Maturity analysis		Revenue	Interest	Total
10/01/2022 – 09/30/2023	$	1,068,406	657,030	1,725,436
10/01/2023 – 09/30/2024		1,060,980	653,332	1,714,312
10/01/2024 – 09/30/2025		1,044,719	649,271	1,693,990
10/01/2025 – 09/30/2026		963,414	645,357	1,608,771
10/01/2026 – 09/30/2027		963,414	641,307	1,604,721
10/01/2027 – 09/30/2032		3,685,339	3,156,849	6,842,188
10/01/2032 – 09/30/2037		2,223,254	3,187,310	5,410,564
10/01/2037 – 09/30/2042		2,223,254	3,236,986	5,460,240
10/01/2042 – 09/30/2047		2,223,254	3,269,120	5,492,374
10/01/2047 – 09/30/2052		2,223,254	3,280,054	5,503,308
10/01/2052 – 09/30/2057		2,223,254	3,265,607	5,488,861
10/01/2057 – 09/30/2062		2,223,254	3,221,002	5,444,256
10/01/2062 – 09/30/2067		2,223,254	3,140,792	5,364,046
10/01/2067 – 09/30/2072		2,223,254	3,018,777	5,242,031
10/01/2072 – 09/30/2077		2,223,254	2,847,914	5,071,168
10/01/2077 – 09/30/2082		2,223,254	2,620,205	4,843,459
10/01/2082 – 09/30/2087		2,223,254	2,326,590	4,549,844
10/01/2087 – 09/30/2092		2,223,254	1,956,810	4,180,064
10/01/2092 – 09/30/2097		2,223,254	1,499,265	3,722,519
10/01/2097 – 09/30/2102		2,223,254	940,852	3,164,106
10/01/2102 - 09/30/2107		1,926,824	274,742	2,201,566
Total		41,838,652	44,489,172	86,327,824
Less current portion		(1,068,406)	(657,030)	(1,725,436)
Total minimum long term leases	$	40,770,246	43,832,142	84,602,388

Lessee

The District is a lessee in noncancellable leases of land, buildings, and equipment, for which the District recognizes lease a lease liability and an intangible right-to-use lease asset (lease asset) in the balance sheets

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any termination fees, residual value guarantees and/or purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of a lease liability when certain changes occur that are expected to significantly affect the amount of the lease, the liability is remeasured and a corresponding adjustment is made to the lease asset. There were changes in circumstances for the year ended September 30, 2022 that would require remeasurement of the lease liability.

Lease assets are reported with capital assets and lease liabilities are reported with long-term debt on the balance sheets, net of the short-term portion of the lease liability reported as a current liability.

The District is also lessee under noncancellable long-term leases of land, building, and equipment. The lease terms have between 2 years and 15 years requiring monthly or annual payments. The discount rate used for the calculation of the lease liabilities varies per lease depending on the length of the respective leases and ranged from 0.21% to 4.13%.

As of September 30, 2022, the total amount of lease assets, and the related accumulated amortization, is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Leased – equipment expense	$ 604,073	157,909	—	761,982
Leased – real estate expense	23,336,419	75,042	—	23,411,461
Total leased assets	23,940,492	232,951	—	24,173,443
being amortized				
Leased – equipment accumulated amortization	(232,849)	(206,784)	—	(439,633)
Leased – real estate accumulated amortization	(3,433,274)	(3,398,461)	—	(6,831,735)
Less accumulated amortization	(3,666,123)	(3,605,245)	—	(7,271,368)
Total leased assets, net of accumulated amortization	$ 20,274,369	(3,372,294)	—	16,902,075

As of September 30, 2021, the total amount of lease assets, and the related accumulated amortization, is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Leased – equipment expense	$ —	604,073	—	604,073
Leased – real estate expense	—	23,336,419	—	23,336,419
Total leased assets	—	23,940,492	—	23,940,492
being amortized				
Leased – equipment accumulated amortization	—	(232,849)	—	(232,849)
Leased – real estate accumulated amortization	—	(3,433,274)	—	(3,433,274)
Less accumulated amortization	—	(3,666,123)	—	(3,666,123)
Total leased assets, net of accumulated amortization	$ —	20,274,369	—	20,274,369

Lease liabilities of $17,436,401 and $20,745,800 were recorded as of September 30, 2022 and 2021. The District made principal payments of $3,467,308 and $1,740,130 as of September 30, 2022 and 2021, respectively, and are included in purchased services on the statement of revenues, expenses and changes in net position. Interest expense from these leases totaled $252,603 and $251,793 as of September 30, 2022 and 2021, respectively, and are included in interest expense on the statement of revenues, expenses, changes in net position. As of September 30, 2022, the principal and interest requirements to maturity for the lease liability is as follows:

Maturity analysis	Principal	Interest	Total
10/01/2022 – 09/30/2023	$ 2,735,469	229,419	2,964,888
10/01/2023 – 09/30/2024	2,209,397	198,190	2,407,587
10/01/2024 – 09/30/2025	2,158,450	169,495	2,327,945
10/01/2025 – 09/30/2026	1,560,029	144,962	1,704,991
10/01/2026 – 09/30/2027	1,240,561	125,451	1,366,012
10/01/2027 – 09/30/2032	5,268,895	344,486	5,613,381
10/01/2032 – 09/30/2037	2,263,600	65,987	2,329,587
Total	17,436,401	1,277,990	18,714,391
Less current portion	(2,735,469)	(229,419)	(2,964,888)
Total long term leases liabilities	$ 14,700,932	1,048,571	15,749,503

(Continued)

(6) Capital Assets

The changes in capital assets for the years ended September 30, 2022 and 2021 are as follows:

	2022				
	Beginning balance	Additions	Transfers in/ transfers out	Disposals	Ending balance
Nondepreciable:					
Land	$ 61,459,959	—	4,131,415	—	65,591,374
Land held for future expansion	27,269,073	—	—	—	27,269,073
Construction in progress	546,398,361	170,079,430	(637,492,720)	—	78,985,071
Total nondepreciable	635,127,393	170,079,430	(633,361,305)	—	171,845,518
Depreciable:					
Land improvements	11,367,528	—	3,522,425	—	14,889,953
Buildings	742,424,514	100,000	488,925,467	(19,169)	1,231,430,812
Leasehold improvements	6,984,608	—	68,600	—	7,053,208
Moveable equipment	439,150,605	32,576	140,844,813	(220,632)	579,807,362
Total depreciable	1,199,927,255	132,576	633,361,305	(239,801)	1,833,181,335
	1,835,054,648	170,212,006	—	(239,801)	2,005,026,853
Less accumulated depreciation	(637,720,080)	(80,446,568)	—	202,535	(717,964,113)
Capital assets, net	$ 1,197,334,568	89,765,438	—	(37,266)	1,287,062,740

	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

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 $420.8 million as of September 30, 2022, including $197.7 million to complete a new bed tower, emergency care center, operating room, and central energy plant on the SMH-Venice campus; $47.9 million for a new behavioral health pavilion on the SMH-Sarasota campus; and $69.8 million to complete an outpatient cancer center on the SMH-Sarasota campus.

(7) Long Term Debt

The District was obligated under long-term debt as of September 30, 2022 and 2021 as follows:

	2022	2021 (as restated)
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.	$ —	10,000,000
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. Converted to a bank note, February 1, 2022.	—	51,575,000
Sarasota County Public Hospital District, Fixed Rate Hospital Revenue Bonds, Series 2022, due in amounts through 2052. at interest rates from 4% to 5% (less unamortized bond discount in the amount of $3,789,446 at September 30, 2022	146,210,554	—
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 $5,369,556 and $5,690,520 at September 30, 2022 and 2021, respectively).	355,369,556	355,690,520
Total bonds	585,580,110	501,265,520

		2022	2021 (as restated)
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 Overnight Libor, plus 50 basis points, .56% at September 30, 2021.	$	—	63,080,000
Direct bank note payable to Bank of America, due in annual amounts through 2034. Interest payable monthly at a rate of 79% of Overnight SOFR, plus 58 basis points, 2.92% at September 30, 2022.		59,205,000	—
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
Direct bank note payable to DNT Asset Trust, due in annual amounts through 2034. Interest payable monthly at a rate of 80% of 30 day SOFR plus 57 basis points, 2.58% at September 30, 2022.		52,275,000	—
Direct bank note payable to DNT Asset Trust, due in annual amounts through 2034. Interest payable monthly at a rate of 80% of 30 day SOFR plus 57 basis points, 2.58% at September 30, 2022.		51,575,000	—
Total bank notes		163,055,000	115,355,000
Lease obligations		17,436,401	20,745,800
Total bonds, bank notes, and lease obligations		766,071,511	637,366,320
Less current portion		(17,735,469)	(17,314,840)
	$	748,336,042	620,051,480

(Continued)

Long-term debt activity for the years ended September 30, 2022 and 2021 was as follows:

	2022				
	Beginning balance (as restated)	Additions	Reductions	Ending balance	Amounts due within one year
Bonds:					
Municipal Inflation Linked Exempt Variable Rate Bonds (1997A)	$ 10,000,000	—	(10,000,000)	—	—
Hospital Revenue Refunding Fixed Rate Bonds (1998B)	84,000,000	—	—	84,000,000	15,000,000
Hospital Revenue Variable Rate Demand Bonds (2008B)	51,575,000	—	(51,575,000)	—	—
Hospital Revenue Variable Rate Rate Bonds (2018)	350,000,000	—	—	350,000,000	—
Hospital Revenue Fixed Rate Bonds (2022)	—	150,000,000	—	150,000,000	—
Total bonds	495,575,000	150,000,000	(61,575,000)	584,000,000	15,000,000
Bank notes:					
Direct bank note payable to Northern Trust Company	63,080,000	—	(63,080,000)	—	—
Direct bank note payable to Bank of America	—	63,080,000	(3,875,000)	59,205,000	—
Direct bank note payable to DNT Asset Trust	52,275,000	103,850,000	(52,275,000)	103,850,000	—
Total bank notes	115,355,000	166,930,000	(119,230,000)	163,055,000	—
Lease obligations	20,745,800	157,909	(3,467,308)	17,436,401	2,735,469
Plus original issue premium (discount)	5,690,520	(3,789,446)	(320,964)	1,580,110	—
Total long-term debt	$ 637,366,320	313,298,463	(184,593,272)	766,071,511	17,735,469

	2021				
	Beginning balance	**Additions**	**Reductions**	**Ending balance** (as restated)	**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
Lease obligations	—	22,485,930	(1,740,130)	20,745,800	3,439,840
Plus original issue premium	6,011,484	—	(320,964)	5,690,520	—
Total long-term debt	$ 628,161,484	22,485,930	(13,281,094)	637,366,320	17,314,840

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:						
2023	$ 35,332,645	15,000,000	20,332,645	6,793,908	—	6,793,908
2024	36,055,896	15,100,000	20,955,896	6,782,784	—	6,782,784
2025	34,875,911	13,930,000	20,945,911	7,393,895	600,000	6,793,895
2026	35,451,708	14,470,000	20,981,708	7,296,548	525,000	6,771,548
2027	35,365,089	14,440,000	20,925,089	7,792,224	1,050,000	6,742,224
2028–2032	125,512,738	20,555,000	104,957,738	94,758,314	65,850,000	28,908,314
2033–2037	114,006,000	10,490,000	103,516,000	106,459,816	95,030,000	11,429,816
2038–2042	220,944,450	131,320,000	89,624,450	—	—	—
2043–2047	220,944,300	162,250,000	58,694,300	—	—	—
2048–2052	210,209,500	186,445,000	23,764,500	—	—	—
	$ 1,068,698,237	584,000,000	484,698,237	237,277,489	163,055,000	74,222,489

Debt service on the Series 1997A bonds, which were paid off and defeased on October 1, 2021, and the Series 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, 2022. The direct bank note with Northern Trust was refinanced with a direct bank note with Bank of America. Debt service on the direct bank note with Bank of America, the direct bank note with DNT Asset Trust (was the 08B bond issue), 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, 2022 and 2021, 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. These bonds have been paid off and defeased as of October 1, 2021.

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, and will not be renewed due to the conversion of the 2008B bonds to a direct bank loan. There were no drawings or loans on the letter of credit during the year ended September 30, 2022.

On March 1, 2022 the District refinanced the 2008B bonds through a $51,575,000 direct bank loan with DNT Asset Trust. 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 Event of Defaults have occurred. The bank loan agreement is for 12 years but maintains the same schedule of principal payments of the 2008B bonds. The loan agreement calls for the District to pay 80% of 30 day SOFR plus 57 basis points in interest each month.

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. On March 1, 2022 the District refinanced this bank note through a $63,080,000 direct placement loan with Bank of America. There were no assets pledged as collateral for the loan with Bank of America. 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 loan agreement is for 12 years but maintains the same schedule of principal payments or the 2015A bank note agreement. The loan agreement calls for the District to pay 79% of overnight SOFR (along with 11.448 basis points) plus and additional 47 basis points in interest each month.

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 March 1, 2022 the District refinanced the 2015B bank notes through a $52,275,000 direct bank loan with DNT Asset Trust. 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 Event of Defaults have occurred. The bank loan agreement is for 12 years but maintains the same schedule of principal payments of the 2008B bonds. The loan agreement calls for the District to pay 80% of 30 day SOFR plus 57 basis points in interest each month.

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.

On September 1, 2022 the District issued $150,000,000 of Fixed Rate Revenue Bonds, Series 2022, to provide partial funding for the bed tower expansion in Venice, Florida and partial funding for the new Behavioral Health Center on the main campus in Sarasota, Florida. The bonds were issued with interest rates ranging from 4.0% to 5.0% at yields ranging from 4.0% to 4.3% resulting in a total net original issue discount of $3,800,061.30 which is being amortized using the effective interest method over the life of the bonds which are maturing in varying amounts through 2052.

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, 2022 and 2021.

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.

Upon adoption of GASB Statement No. 89, interest expense is no longer capitalized, therefore no additional amounts for capitalized interest were recorded for the year ended September 30, 2022.

Approximately $14,424,000 of interest expense was capitalized in connection with the District's construction programs for the year ended 2021.

(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, 2022:

Associated bond issue	Notional amount of swap	Counterparty	Effective date	District pays	District receives	Termination date	Fair value at September 30, 2022 (1)	Net cash flows during 2022
1998B	$ 84,000,000	Goldman Sachs	9/15/1998	SIFMA	Fixed rates per maturities	7/1/2028	$ 4,033,562	3,473,755
BOA Bank Note	59,205,000	Deutsche Bank	11/19/2010	3.610 %	67% of 1-month LIBOR	7/1/2037	(5,730,370)	(1,912,293)
2022 DNT Asset Trust Bank Note	51,575,000	Deutsche Bank	7/3/2013	3.766 %	61.7% of 1-month LIBOR plus 0.26%	7/1/2037	1,263,216	(780,504)
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	4,173,091	(785,786)

(1) Fair value at September 30, 2022 excludes current net accrued interest receivable of $786,473.

Note:

In accordance with GASB 53, the fair values of the novated 2022 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 2022 and 2015 DNT Asset Trust Bank Note swaps at September 30, 2022 were $(5,588,363) and $(5,296,747), respectively.

Definitions:

SIFMA is the Securities Industry Financial Markets Association benchmark rate

LIBOR is the London InterBank Offering Rate

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

(i) 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, 2022, the weighted average rate on the District's hedged variable rate debt was 1.99% while the weighted average of the LIBOR-based variable receiver rates was 2.17%.

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, 2022, the amortization of the companion debt resulted in an increase to interest expense of $425,022 and an increase in interest rate swap receipts, net, of $1,451,534. 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.

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, 2022 and 2021 was $2,154,981 and $1,394,222, respectively.

Long-term companion debt activity for the year ended September 30, 2022 and 2021 was as follows:

	2022				
	Beginning balance	**Additions**	**Reductions**	**Ending balance**	**Amounts due within one year**
2008B Swap companion debt	$ 9,811,386	—	(526,550)	9,284,836	538,333
2015 DNT Asset Trust Bank Note Swap companion debt	9,296,057	—	(499,962)	8,796,095	511,012
Total long-term companion debt	$ 19,107,443	—	(1,026,512)	18,080,931	1,049,345

	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

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

		Total	Principal	Interest
Year ending September 30:				
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		1,451,534	1,145,872	305,662
2028–2032		7,257,665	6,122,124	1,135,541
2033–2037		6,894,782	6,473,419	421,363
	$	21,410,114	18,080,931	3,329,183

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, 2022:

Associated bond issue	Notional amount of swap	Counterparty	Effective date	District pays	District receives	Termination date	Fair value at September 30, 2022 (1)	Net cash flows during 2022
1998B	84,000,000	CitiGroup	6/24/2005	SIFMA Swap index	62.4% of 1-month LIBOR + 0.757%	7/1/2028	723,273	604,466
2022 BoA Bank Note	59,205,000	J.P. Morgan	4/24/2003	SIFMA Swap index	67% of 1-month LIBOR plus 0.655%	7/1/2037	237,402	395,660

(1) Fair value at September 30, 2022 excludes current net accrued interest receivable of $203,780.

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

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

(i) 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 the two 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, 2022, the SIFMA index was 2.46% and the one-month LIBOR index was 3.14271%.

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.

(8) 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.

(Continued)

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:

	2021	2020
Inactive employees (or their beneficiaries) currently receiving benefits	1,048	1,033
Inactive employees entitled to but not yet receiving benefits	469	482
Active employees	1,002	1,090
	2,519	2,605

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 $10,835,453 and $12,467,731, during the years ended September 30, 2022 and 2021, respectively.

(c) Net Pension Liability

The District's net pension asset of $27,194,918 at September 30, 2022 was measured as of September 30, 2021 using an actuarial valuation as of October 1, 2020 and is included as a net pension asset in the accompanying balance sheets. 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 as a net pension liability in the accompanying balance sheets. The total pension liabilities used to calculate the net pension asset or liability were determined by an actuarial valuation as of October 1, 2020 and 2019 rolled-forward to September 30, 2021 and 2020, respectively, using standard roll-forward techniques.

Actuarial assumptions. The total pension liability in the October 1, 2020 and 2019 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

2020 actuarial valuation assumptions:	
Inflation	2.50 %
Investment rate of return	6.50
2019 actuarial valuation assumptions:	
Inflation	2.50 %
Investment rate of return	6.50

Salary increases, 2022 and 2021

Based on actual plan experience	
Age	**% increase at attained age**
Less than 35	5.00 %
35–39	4.75
40-44	4.25
45-49	3.75
50–54	3.50
55–59	2.75
60 or older	2.50

Healthy and disabled mortality rates for the fiscal year ending September 30, 2022, are the Pub-2010 Amount-Weighted Employee, Annuitant and Contingent Survivor mortality tables for males and females, projected generationally using Scale MP-2018 for males and females for healthy mortality rates, and Scale Pub-2010 for disabled mortality rates. 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.

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, 2021 was:

	Actual allocation	Target allocation	Long-term expected rate of return
Large cap stocks	25.5 %	26.0 %	4.3 %
Small cap stocks	6.9	7.0	3.9
International stocks	26.1	26.0	4.2
Private equity	0.1	—	5.2
Emerging market stocks	10.6	11.0	4.7
Real estate	5.7	5.0	2.5
Hedge fund of funds	10.3	10.0	2.1
High-yield bonds	—	—	—
BarCap Aggregate bonds	13.3	15.0	(0.1)
Cash	1.5	—	(0.7)
	100.0 %	100.0 %	

Based on the target allocation, the mean return over 15 and 20 years ranged from 6.94% to 7.01%, respectively. The median return over 15 and 20 years was 6.98% and 7.05%, respectively.

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 ranged was 6.41% and 6.53%, respectively.

Discount rate. The discount rate used to measure the total pension liability was 6.50% for both the September 30, 2021 and 2020 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 (Asset)

		Increase (decrease)	
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (asset) (c)
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
Changes for the year:			
Service cost	7,628,975	—	7,628,975
Interest	26,507,541	—	26,507,541
Demographic (gains)/losses	2,288,234	—	2,288,234
Change in actuarial assumptions	(11,371,137)	—	(11,371,137)
Net investment income	—	70,758,181	(70,758,181)
Contributions-employer	—	12,467,731	(12,467,731)
Benefits payments	(26,038,112)	(26,038,112)	—
Administrative expense	—	(426,432)	426,432
Net changes	(984,499)	56,761,368	(57,745,867)
Balances at September 30, 2022	$ 417,554,640	444,749,558	(27,194,918)

(Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the District, calculated using the discount rate of 6.50%, as well as what the District's net pension liability (asset) 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 (asset) for fiscal year 2022, and 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 (asset) for fiscal year 2021:

	1% Decrease (5.50)%	Current discount (6.50)%	1% Increase (7.50)%
District's net pension liability (asset), 2022	$ 6,514,575	(27,194,918)	(56,617,175)

	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

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.com. 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 $1,981,634 and $10,117,724, respectively, for the years ended September 30, 2022 and 2021 and is included in salaries, wages and fringe benefits on the statement of revenues, expenses, and changes in net position. At September 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2022	
	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	$ 1,716,175	474,150
Changes in assumptions	1,704,644	8,528,353
Net difference between projected and actual earnings on pension plan investments	—	26,039,311
Contributions made by the District during the year ended September 30, 2022	10,835,453	—
	$ 14,256,272	35,041,814

District contributions subsequent to the measurement date of $10,835,453 will be recognized as a reduction of the net pension liability during the fiscal year ending September 30, 2023. 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:	
2023	$ (5,071,532)
2024	(7,437,088)
2025	(9,946,369)
2026	(9,166,006)
	$ (31,620,995)

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

(9) 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* (GASB Statement No. 67), 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, 2022 and 2021 were as follows:

Net Pension Liability (Asset)

		2022	2021
Total pension liability	$	419,526,924	417,554,640
Plan fiduciary net position		361,656,190	444,749,558
Net pension liability (asset)	$	57,870,734	(27,194,918)
Plan fiduciary net position as a percentage of total pension liability		86.21 %	106.51 %
Net pension liability (asset) as a percentage of covered payroll		57.19 %	26.16 %

(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, 2022 and 2021. 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 (asset) liability to changes in the discount rate. In particular, the table presents the Plan's net pension (asset) liability, 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:

		2022		
		1% decrease (5.50%)	**Current discount rate (6.50%)**	**1% increase (7.50%)**
Net pension liability	$	91,042,216	57,870,734	28,842,028

		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)

(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, 2021
	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 starting with the 10/1/14 valuation; Projected Unit Credit was used prior to 10/1/2014
Amortization method	Level Dollar amount over working life expectancy; prior to 10/01/12 level dollar amount over 30 years was used
Remaining amortization period	8 years (based on average remaining expected service of active plan participants as of 10/01/21);
Asset valuation method	5-year smoothed market value
Investment rate of return	6.5%, net of pension plan investment expense, including inflation; 6.5% was used for the 2020 actuarial valuation; 6.75% was used for the 2019 actuarial valuation; 7% was used for the 2012 through 2018 actuarial valuations; 7.25% was used for the 2011 actuarial valuation.
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.
Inflation	2.5% for 10/01/13 and later; 3.0% for 10/01/12; 2.75% for 10/01/11
Retirement age	Age-graded rates from 50 to 75; Prior to 10/1/2015 valuation, age-graded rates from 50 to 70. In the 2015 and 2010 actuarial valuations, expected retirement rates were adjusted to more closely reflect actual experience.
Mortality	In the 2020 and 2021 valuations, 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 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.

(e) Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent at September 30, 2022 and 2021. 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, 2022 and 2021 are summarized in the following table:

	2022	2021
Large cap stocks	7.25 %	7.25 %
Small cap stocks	6.86	6.86
International stocks	7.25	7.25
Private equity	—	8.25
Emerging market stocks	7.75	7.75
Real estate	6.15	5.42
Hedge funds	5.95	5.06
BarCap aggregate bonds	4.42	2.73
Cash	3.41	2.16

(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, 2022:		
Investments by fair value level:		
Equity securities-domestic:		
Vanguard Institutional Index I	$ 80,649,874	80,649,874
Blackrock FDS Ishares Russell	23,320,342	23,320,342
Total investments by fair value level	103,970,216	$ 103,970,216
Investments measured at net asset value (NAV):		
Equity securities-domestic:		
NTCC Emerging Markets Fund	32,966,750	
Fixed income funds:		
CF Colchester Local Market Debt Fund FD	17,231,873	
CF Frank Russell Multi MGR Bond Fund	49,466,510	
Equity securities-international:		
NTCC International Equity Fund	69,353,378	
Venture capital and partnerships:		
Harvest MLP Income Fund II	32,104,653	
RREEF American REIT II		
Hedge funds:		
CF Magnitude International Class A	49,981,425	
Total investments measured at NAV	251,104,589	
Total investments measured at fair value	$ 355,074,805	

		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 investments by fair value level		144,980,630	$	144,980,630
Investments measured at net asset value (NAV):				
Equity securities-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		

Vanguard Institutional Index I – The Plan invests in this fund which seeks to track the performance of the Standard & Poor’s 500 Index, which measures the investment return of large-capitalization stocks. This fund is classified in Level 1 of the fair value hierarchy as the fund is priced at a quoted market price in an active market.

Blackrock FDS I-shares Russell – The Plan invests in this fund which seeks to track the performance of the Russell 2500 Index, which measures the small to mid-cap segment of the U.S. equity universe. This fund is classified in Level 1 of the fair value hierarchy as the fund is priced at a quoted market price in an active market.

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, 2022 and 2021, 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 securities-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

NTCC Emerging Markets Fund – The Plan invests in this fund which seeks to invest in emerging markets securities directly or through funds including, but not limited to, collective funds, using one or more advisors to recommend specific investments. While emerging markets equity securities are the predominant asset class, the fund may invest in other asset classes from time to time, including, but not limited to, short-term investment funds and cash equivalents, and may be highly concentrated in specific sectors or securities. The fund is valued at NAV daily.

CF Colchester Local Market Debt Fund FD – The fund's objective is to achieve favorable income-oriented returns from a globally diversified portfolio of primarily developing market debt or debt-like securities. The fund is permitted to utilize a wide range of debt obligations and other asset classes in attempting to achieve its objectives, including investing in debt obligations issued or guaranteed by foreign governments, their agencies and instrumentalities, zero coupon bonds and floating rate notes. In addition, the fund is permitted to invest in physical currencies and spot and forward currency contracts. The fund is valued at NAV monthly.CF Frank Russell Multi MGR Bond Fund – The Plan invests in this fund, which is designed to provide current income, and as a secondary objective, capital appreciation through a variety of diversified strategies. It seeks to outperform the Bloomberg Barclays U.S. Aggregate Bond Index over an interest rate cycle. The fund is valued at NAV daily.

CF Frank Russell Multi MGR Bond Fund – The Plan invests in this fund, which is designed to provide current income, and as a secondary objective, capital appreciation through a variety of diversified strategies. It seeks to outperform the Bloomberg Barclays U.S. Aggregate Bond Index over an interest rate cycle. The fund is valued at NAV daily.

NTCC International Equity Fund – The Plan invests in this fund which seeks to invest in non-U.S. equity markets directly or through funds including, but not limited to, collective funds, using one or more advisors to recommend specific investments. While non-U.S. equity securities will be the predominant asset class, this fund may invest in other asset classes from time to time, including, but not limited to, short-term investment funds and cash equivalents, and may be highly concentrated in specific sectors or securities. The fund is valued at NAV daily.

Harvest MLP Income Fund II – The fund's objective is to seek absolute total return by investing directly or via equity swaps long-only without leverage in income-producing publicly traded master limited partnerships (MLPs), with a particular focus on energy sector MLPs. The fund is valued at NAV monthly.

RREEF America REIT II – The fund's objective is to generate attractive, predictable investment returns from a target portfolio of low-risk equity investments in income-producing real estate while maximizing the total return to shareholders through cash dividends and appreciation in the value of REIT shares. The fund is an open-ended core fund organized to serve as a collective investment vehicle through which eligible investors may invest in a professionally managed real estate portfolio consisting of multi-family, industrial, retail and office properties in targeted metropolitan areas within the continental United States. The fund is valued at NAV quarterly.

CF Magnitude International Class A – The fund is a feeder fund in a master-feeder structure and invests a significant portion of its assets in shares of the Magnitude Master Fund. The fund and the Magnitude Master Fund's investment objectives are to realize appreciation in value primarily through the allocation of capital directly and indirectly among investment funds and accounts and/or other entities managed by the fund's investment manager. The fund is valued at NAV monthly.

The Plan does not anticipate restrictions, other than those outlined in the table above, on the ability to sell individual investments at the measurement date. Additionally, the Plan does not anticipate that NAV-driven investments will become redeemable at valuations materially different from the corresponding NAV listed above. The Plan has no prescribed time frame to liquidate the investments.

(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) Interest 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, 2022 and 2021 are as follows:

		2022	2021
Vanguard Institutional Index I	$	80,649,874	113,935,087
NTCC Emerging Markets Fund		32,966,750	47,247,073
Blackrock FDS Ishares Russell		23,320,342	31,045,543
CF Frank Russell Multi MGR Bond Fund		49,466,510	59,260,832
NTCC International Equity Fund		69,353,378	95,504,088
RREEF America REIT II		32,104,653	24,115,054
CF Magnitude International Class A		49,981,425	—
CF Magnitude International Class A Eligible 07/21		—	24,419,412
	$	337,842,932	395,527,089

(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.

(10) 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:

	2020	2019
Inactive employees currently receiving benefits	778	740
Inactive employees entitled to but not yet receiving benefit payments	—	—
Active employees	5,864	5,695
	6,642	6,435

(c) Total OPEB Liability

The District's total OPEB liability of $16,439,720 at September 30, 2022 was measured as of September 30, 2021 using an actuarial valuation as of October 1, 2020, and is included in other long-term liabilities in the accompanying balance sheet. 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. Liabilities measured as of September 30, 2021 and 2020 were projected from the valuation dates using standard roll-forward methodology.

(Continued)

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 35	5.00 %
	35–39	4.75
	40–44	4.25
	45-49	3.75
	50–54	3.50
	55-59	2.75
	60 and older	2.50
Discount Rate, 2021		2.41
Discount Rate, 2022		2.19
Current Health Care Cost Trend Rate, 2021		6.50
Current Health Care Cost Trend Rate, 2022		6.25
Ultimate Health Care Cost Trend Rate		5.00
Year of Ultimate Trend Rate, 2021		2025
Year of Ultimate Trend Rate, 2022		2025
Participation Assumptions, 2021:		
Medical Coverage		45.00 %
Medical Dependent Coverage		20.00
Participation Assumptions, 2022:		
Medical Coverage		45.00 %
Medical Dependent Coverage		20.00

The discount rates for 2022 and 2021 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 2021 to 2022 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, 2022, 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 2015 through 2020. The termination and retirement rates assumptions are based on the results of a 5-year experience study based on participant data from October 1, 2015 through September 30, 2020. 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.

(d) Changes in the Total OPEB Liability

		Total OPEB liability
Balance at September 30, 2020	$	12,616,115
Changes for the year:		
Service cost		488,086
Interest cost		363,620
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
Changes for the year:		
Service cost		578,845
Interest cost		379,616
Differences between expected and actual experience		112,556
Changes of assumptions		130,711
Benefit payments		(75,769)
Net changes		1,125,959
Balance at September 30, 2022	$	16,439,720

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, 2022, 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 (1.19%) or 1-percentage-point higher (3.19%) than the current discount rate:

		1% decrease (1.19%)	Discount rate (2.19%)	1% increase (3.19%)
Total OPEB liability	$	19,509,399	16,439,720	14,005,870

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

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, 2022, 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 (5.25% decreasing to 4.00%) or 1-percentage-point higher (7.25% decreasing to 6.00%) than the current healthcare cost trend rates:

		1% decrease (5.25% decreasing to 4.00%)	Healthcare Cost Trend rates (6.25% decreasing to 5.00%)	1% increase (7.25% decreasing to 6.00%)
Total OPEB liability	$	15,544,075	16,439,720	17,555,095

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 (5.50% decreasing to 4.00%) or 1-percentage-point higher (7.50% decreasing to 6.00%) than the current healthcare cost trend rates:

		1% decrease (5.50% decreasing to 4.00%)	Healthcare Cost Trend rates (6.50% decreasing to 5.00%)	1% increase (7.50% decreasing to 6.00%)
Total OPEB liability	$	14,557,369	15,313,761	16,225,969

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

For the years ended September 30, 2022 and 2021, the District recognized OPEB expense of $2,405,256 and $1,913,002, respectively, and is included in salaries, wages and fringe benefits on the statement of revenues, expenses, and changes in net position. At September 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

		2022	
		Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$	238,887	—
Changes in assumptions		625,656	—
Benefit payments made by the District during the year ended September 30, 2022		—	—
	$	864,543	—

Deferred outflows of resources resulting from benefit payments made by the District during the year ended September 30, 2021 will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2022. 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:		
2023	$	718,582
2024		48,653
2025		48,653
2026		48,655
	$	864,543

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

(11) 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, 2022 and 2021 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, 2022 and 2021 was $14,466,545 and 11,384,830, respectively, and is included in salaries, wages and fringe benefits on the statements of revenues, expenses and changes in net position.

(12) 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, 2022 and 2021 are as follows:

		2022	2021
Current assets:			
Community Health Corporation	$	4,965	2,542
Sarasota Memorial Physician-Hospital Organization, Inc.		61,570	131,046
Sarasota Medical Condominium Association, Inc.		3,513	11,583
Centergate Office Park Condominium Association, Inc.		2,553	5,339
LeeSar, Inc.		1,070,000	1,070,000
Total current assets	$	1,142,601	1,220,510
Noncurrent assets (included in other assets):			
Investment in LeeSar, Inc.	$	26,051,461	24,308,637
Total noncurrent assets	$	26,051,461	24,308,637

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 $3,921,304 and $8,058,000 for the years ended September 30, 2022 and 2021, 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 $3,159,000 and $3,722,000 as of September 30, 2022 and 2021, respectively. The District received approximately $15,527,000 and 6,577,000 from the Foundation during the years ended September 30, 2022 and 2021, respectively.

(13) 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 $11,003,831 and $9,625,000 as of September 30, 2022 and 2021, 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 $7,821,820 and $6,111,000 as of September 30, 2022 and 2021, 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, 2022, 2021, and 2020, is reflected in the tables below:

	2022			
	Self-insured liabilities September 30, 2021	**Insurance expense (credit)**	**Payments**	**Self-insured liabilities September 30, 2022**
Professional liabilities	$ 15,736,000	3,554,529	(464,878)	18,825,651

	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

(Continued)

The District had no significant reductions in insurance coverage during the fiscal year ended September 30, 2022. There were no settlements which exceeded the District's insurance coverage in any of the past three fiscal years.

(14) Commitments and Contingencies

The District has various contractual arrangements for employment contracts. As of September 30, 2022, there are minimum payments required under these arrangements in the amount of $32,815,418 for the year ending September 30, 2023.

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.

(15) 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, 2022 and 2021. 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, 2022 and 2021 was as follows:

	2022	2021
Medicare	36.9 %	31.5 %
Self-pay and others	23.6	23.2
Managed care and commercial	25.6	29.9
Medicaid	13.9	15.4
	100.0 %	100.0 %

(16) 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.

For the Fiscal Year ended September 30, 2022, the District has not applied for, received, nor recognized any additional Provider Relief Funding.

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 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, 2022, no balance remained. 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, 2022, the System has deferred no payroll tax payments.

In the year ended September 30, 2022, the district received no business interruption insurance recoveries related to COVID-19. The district continues to work with FEMA to obtain relief related to COVID-19 as well as related to Hurricane Ian. Estimates as to recovery granted by FEMA in either case are not able to be provided with any certainty; as such, no estimated receivable exists for this at September 30, 2022.

In the year ended September 30, 2021, the district received $5.0 million in business interruption insurance recoveries related to COVID-19 from a commercial insurance carrier. 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 (Asset) and Related Ratios (Unaudited)

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total pension liability:										
Service cost	$ 7,444,717	7,628,975	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	26,071,915	26,507,541	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	(1,352,171)	2,288,234	(1,422,450)	(649,793)	(3,057,760)	(3,234,518)	(520,626)	(745,239)	(2,337,885)	—
Change in actuarial assumptions	—	(11,371,137)	5,113,930	6,286,177	(5,309,527)	493,692	(2,669,926)	11,080,081	—	—
Benefit payments	(30,192,177)	(26,038,112)	(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	1,972,284	(984,499)	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	417,554,640	418,539,139	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)	419,526,924	417,554,640	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	10,835,453	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
Net investment income	(63,254,500)	70,758,181	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	(30,192,177)	(26,038,112)	(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	(482,144)	(426,432)	(283,153)	(262,951)	(204,717)	(280,241)	(388,330)	(344,878)	(294,193)	(349,092)
Net change in plan fiduciary net position	(83,093,368)	56,761,368	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	444,749,558	387,988,190	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)	361,656,190	444,749,558	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 (asset) – ending (a)-(b)	$ 57,870,734	(27,194,918)	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	86.2 %	106.5 %	92.7 %	94.3 %	98.2 %	96.9 %	92.2 %	88.0 %	88.2 %	83.7 %
Covered-employee payroll	$ 101,193,797	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
Net pension liability (asset) as a percentage of covered-employee payroll	57.2 %	(26.2)%	28.5 %	20.7 %	5.9 %	10.1 %	22.9 %	33.7 %	29.8 %	37.9 %

(Continued)

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

In 2022, there were not changes in actuarial assumptions.

In 2021, amounts reported as changes in actuarial assumptions resulted primarily adjustments to the rate of increase in compensation, and an added assumption to reflect actuarial increases for eligible participants.

In 2020, 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 2019, 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 2018, 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 2017, 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 2016, amounts reported as changes in actuarial assumptions resulted primarily from an update to the termination and retirement rates based on plan experience.

In 2015, 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 District's Contributions (unaudited)

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	$ 10,835,453	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
Contributions in relation to the actuarially determined contribution	10,835,453	12,467,731	12,231,019	10,049,127	10,824,970	12,139,689	14,551,924	49,810,358	16,606,485 (a)	98,258,981
Contribution deficiency/(excess)	$ —	—	—	—	—	—	—	(30,000,000)	—	(75,000,000)
Covered-employee payroll	$ 101,193,797	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
Contributions as a% of covered-employee payroll	10.7 %	12.0 %	11.4 %	9.1 %	9.4 %	10.3 %	11.6 %	39.0 %	12.5 %	70.4 %

(a) Pension contributions in fiscal year 2013 of $98,258,981 included $17,773,776 that w ere 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, 2021. 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 District's 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	8 years (based on average remaining expected service of active plan participants as of 10/1/2021); prior to 10/1/20, 9 year 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 and 2021 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 Investment Returns (unaudited)

Fiscal Year Ended September 30,	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual money-weighted rate of return, net of investment expense	-14.85%	19.05%	5.08%	3.77%	5.73%	10.63%	10.21%	-2.79%	10.08%	13.68%

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)

	2022	2021	2020	2019	2018	2017
Total OPEB liability:						
Service cost	$ 578,845	488,086	301,098	323,551	290,331	272,925
Interest	379,616	363,620	381,974	368,724	348,432	298,742
Differences between expected and actual experience	112,556	446,524	(55,284)	(132,424)	99,459	—
Changes of assumptions	130,711	1,563,263	2,239,923	(878,112)	(416,490)	—
Benefit payments	(75,769)	(163,847)	(246,775)	(35,157)	(9,820)	(120,590)
Net change in total pension liability	1,125,959	2,697,646	2,620,936	(353,418)	311,912	451,077
Total OPEB liability – beginning	15,313,761	12,616,115	9,995,179	10,348,597	10,036,685	9,585,608
Total OPEB liability – ending	$ 16,439,720	15,313,761	12,616,115	9,995,179	10,348,597	10,036,685
Covered-employee payroll	$ 407,530,785	368,846,553	326,412,000	294,022,400	262,680,254	230,474,125
Total OPEB liability as a percentage of covered payroll	4.03 %	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.

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

2022

The termination, retirement and compensation increase rates were updated based on an experience study conducted in 2021, which decreased the expense and TOL. The termination and retirement assumption changes also caused the amortization period to increase from 3 years to 5 years.

The discount rate changed from 2.41% to 2.19%.

The combined impact of the per capita claims cost and retiree contribution assumption updates decreased the expense and TOL.

Two “gain” amortization bases established as of September 30, 2019 were fully amortized for the fiscal year ending September 30, 2021 expense leading to an increase in the fiscal year ending September 30, 2022 expense of $336,846.

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 from 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.

(Continued)

2019

The discount rate changed from 3.50% to 3.83%.

Assumed per capita claims costs were updated for fiscal year ending September 30, 2019 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, 2019 from $7,448 to $7,542 due to changes in the distribution of enrollment by plan option and changes in elected coverage categories.

The mortality improvement scale was updated from Scale BB (male) to Scale MP-2018.

2018

The discount rate was increased from 3.10% to 3.50%.

Assumed per capita claims costs were updated for fiscal year ending September 30, 2018 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, 2018 from $7,093 to $7,448 due to changes in the distribution of enrollment by plan option and changes in elected coverage categories.

The dependent coverage assumption was updated for fiscal year ending September 30, 2018 from 25% to 20% to better reflect plan experience.

The actuarial cost method was changed from the Projected Unit Credit Method (PUC) to the Entry Age Normal (EAN) cost method as required by GASB 75.

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Supplemental Information – Combining Balance Sheet Information

September 30, 2022

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	$ 105,828,296	7,500	2,693,206	8,297,931	—	116,826,933	(22,568)	6,286,464	—	123,090,829
Patient accounts receivable, less allowance for uncollectible accounts	121,132,120	18,329,565	1,105,008	—	—	140,566,693	—	8,952,516	—	149,519,209
Inventories of supplies	18,001,637	5,427,580	61,898	—	—	23,491,115	—	—	—	23,491,115
Prepaid expenses and other assets	11,637,688	631,750	29,687	58,740,589	—	71,039,714	148,859	156,285	—	71,344,858
Estimated Medicare and Medicaid settlements	—	5,500,000	—	—	—	5,500,000	—	—	—	5,500,000
Due from related organizations	454,023,262	333,981	59,584	277,567,149	(546,354,960)	185,629,016	310,227,297	589,706	(495,303,418)	1,142,601
Total current assets	710,623,003	30,230,376	3,949,383	344,605,669	(546,354,960)	543,053,471	310,353,588	15,984,971	(495,303,418)	374,088,612
Noncurrent assets:										
Restricted investments	1,390,839	—	—	135,103,156	—	136,493,995	—	—	—	136,493,995
Board designated investments	—	—	—	948,429,489	—	948,429,489	—	—	—	948,429,489
Capital assets, net	719,308,124	310,318,635	3,238,518	247,256,662	—	1,280,121,939	—	6,940,801	—	1,287,062,740
Net pension asset	—	—	—	—	—	—	27,194,918	—	—	27,194,918
Other assets	521,835	108,931	—	33,842,655	—	34,473,421	23,279,077	8,480,115	—	66,232,613
Interest rate swaps	—	—	—	10,430,544	—	10,430,544	—	—	—	10,430,544
Total noncurrent assets	721,220,798	310,427,566	3,238,518	1,375,062,506	—	2,409,949,388	50,473,995	15,420,916	—	2,475,844,299
Total assets	1,431,843,801	340,657,942	7,187,901	1,719,668,175	(546,354,960)	2,953,002,859	360,827,583	31,405,887	(495,303,418)	2,849,932,911
Deferred Outflows of Resources										
Deferred outflows related to pensions and OPEB	—	—	—	—	—	—	15,120,815	—	—	15,120,815
Deferred amounts on debt refundings	—	—	—	36,478,545	—	36,478,545	—	—	—	36,478,545
Deferred effective interest rate swap outflows	—	—	—	—	—	—	—	320,875	—	320,875
Total deferred outflows of resources	—	—	—	36,478,545	—	36,478,545	15,120,815	320,875	—	51,920,235
Total assets and deferred outflows of resources	$ 1,431,843,801	340,657,942	7,187,901	1,756,146,720	(546,354,960)	2,989,481,404	375,948,398	31,726,762	(495,303,418)	2,901,853,146

(Continued)

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Supplemental Information – Combining Balance Sheet Information

September 30, 2022

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	$ 42,409,593	4,596,639	369,321	7,993,792	—	55,369,344	411,488	2,424,463	—	58,205,295
Employee compensation and benefits payable	—	—	—	—	—	—	109,551,930	—	—	109,551,930
Other accrued expenses	4,612,503	229,569	120,676	7,653,570	—	12,616,318	—	1,696,135	—	14,312,453
Estimated third-party settlements	47,638,999	1,100,000	195,560	—	—	48,934,559	—	—	—	48,934,559
Due to related organizations	258,164,514	362,124,782	194,367	233,629,690	(546,354,960)	307,758,393	183,051,217	4,495,513	(495,303,418)	1,705
Current portion of State of Florida medical assistance assessment	14,435,444	912,460	—	—	—	15,347,905	—	—	—	15,347,905
Current portion of long-term debt	236,601	40,746	—	15,804,655	—	16,082,002	—	1,653,467	—	17,735,469
Total current liabilities	367,497,654	369,004,196	879,924	265,081,707	(546,354,960)	456,108,521	293,014,635	10,269,578	(495,303,418)	264,089,316
Noncurrent liabilities:										
Long-term debt, less current portion	190,029	72,584	—	740,741,603	—	741,004,216	—	7,331,826	—	748,336,042
Long-term companion debt, less current portion	—	—	—	17,031,586	—	17,031,586	—	—	—	17,031,586
State of Florida medical assistance assessment, less current portion	7,249,012	912,460	—	—	—	8,161,472	—	—	—	8,161,472
Other long-term liabilities	8,026,863	317,878	332,360	—	—	8,677,101	47,891,948	6,397,410	—	62,966,459
Interest rate swaps	—	—	—	5,730,370	—	5,730,370	—	—	—	5,730,370
Total noncurrent liabilities	15,465,904	1,302,922	332,360	763,503,559	—	780,604,745	47,891,948	13,729,236	—	842,225,929
Total liabilities	382,963,558	370,307,118	1,212,284	1,028,585,266	(546,354,960)	1,236,713,266	340,906,583	23,998,814	(495,303,418)	1,106,315,245
Deferred Inflows of Resources										
Deferred inflows related to pensions and OPEB	—	—	—	—	—	—	35,041,814	—	—	35,041,814
Deferred inflows related to leases	432,029	—	—	41,406,623	—	41,838,652	—	—	—	41,838,652
Deferred effective interest rate swap inflows	—	—	—	41,770,196	—	41,770,196	—	—	—	41,770,196
Total deferred inflows of resources	432,029	—	—	83,176,819	—	83,608,848	35,041,814	—	—	118,650,662
Net Position										
Net investment in capital assets	718,881,494	310,205,305	3,238,518	(337,707,895)	—	694,617,422	—	(2,044,492)	—	692,572,930
Restricted for specific purposes	4,116,919	—	—	—	—	4,116,919	—	—	—	4,116,919
Unrestricted	325,449,804	(339,854,481)	2,737,098	982,092,529	—	970,424,950	—	9,772,439	—	980,197,389
Total net position	1,048,448,217	(29,649,176)	5,975,616	644,384,634	—	1,669,159,291	—	7,727,947	—	1,676,887,238
Total liabilities, deferred inflows of resources and net position	$ 1,431,843,804	340,657,942	7,187,900	1,756,146,719	(546,354,960)	2,989,481,405	375,948,397	31,726,761	(495,303,418)	2,901,853,145

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, 2022

	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	$ 1,097,444,496	134,635,639	13,514,896	—	—	1,245,595,031	—	111,961,098	—	1,357,556,129
Other revenue	31,366,189	807,060	752,012	204,438,044	(182,335,612)	55,027,693	746,217,342	3,179,320	(762,787,420)	41,636,935
Total operating revenues	1,128,810,685	135,442,699	14,266,908	204,438,044	(182,335,612)	1,300,622,724	746,217,342	115,140,418	(762,787,420)	1,399,193,064
Operating expenses:										
Salaries, wages, and fringe benefits	398,660,680	65,772,055	9,209,749	119,893,221	—	593,535,705	744,106,253	149,135,824	(744,106,252)	742,671,530
Supplies	241,931,117	30,323,565	1,711,178	8,639,139	—	282,604,999	—	7,590,519	—	290,195,518
Purchased services	263,547,418	32,921,161	3,935,489	69,002,540	(182,236,844)	187,169,764	2,111,089	23,248,086	(17,466,734)	195,062,205
Professional fees	28,874,662	5,751,665	26,730	2,580,739	(98,768)	37,135,028	—	25,000	(1,214,434)	35,945,594
State of Florida medical assistance assessment	14,497,301	1,824,920	—	—	—	16,322,221	—	—	—	16,322,221
Depreciation and amortization	46,161,339	17,556,710	397,020	16,707,766	—	80,822,835	—	3,313,016	—	84,135,851
Total operating expenses	993,672,517	154,150,076	15,280,166	216,823,405	(182,335,612)	1,197,590,552	746,217,342	183,312,445	(762,787,420)	1,364,332,919
Operating income (loss)	135,138,168	(18,707,377)	(1,013,258)	(12,385,361)	—	103,032,172	—	(68,172,027)	—	34,860,145
Nonoperating items:										
Ad valorem tax	51,064,477	7,859,604	804,758	—	—	59,728,839	—	9,696,181	—	69,425,020
Interest expense	(14,626,308)	(10,088,587)	—	(54,005)	—	(24,768,900)	—	(123,670)	—	(24,892,570)
Interest rate swap receipts, net	—	—	—	995,298	—	995,298	—	—	—	995,298
Debt issuance costs	—	—	—	(1,758,523)	—	(1,758,523)	—	—	—	(1,758,523)
Investment income	334,500	—	66	17,615,198	—	17,949,764	—	21,099	—	17,970,863
Unrealized gains and losses on investments, net	—	—	—	(106,124,310)	—	(106,124,310)	—	—	—	(106,124,310)
Change in fair value of ineffective interest rate swaps	—	—	—	1,054,729	—	1,054,729	—	—	—	1,054,729
Other nonoperating income	7,326,927	—	105,779	467,323	—	7,900,029	—	317,336	—	8,217,365
Total nonoperating items	44,099,596	(2,228,983)	910,603	(87,804,290)	—	(45,023,074)	—	9,910,946	—	(35,112,128)
Excess (deficit) of revenues over expenses	179,237,764	(20,936,360)	(102,655)	(100,189,651)	—	58,009,098	—	(58,261,081)	—	(251,983)
Other changes in net position:										
Contributions restricted for capital purposes	2,705,491	—	—	—	—	2,705,491	—	—	—	2,705,491
Net transfers from (to) other component units	(61,392,910)	351,875	—	—	—	(61,041,035)	—	61,041,035	—	—
Increase (decrease) in net position	120,550,345	(20,584,485)	(102,655)	(100,189,651)	—	(326,446)	—	2,779,954	—	2,453,508
Net position, beginning of year, as restated	927,897,869	(9,064,691)	6,078,272	744,574,286	—	1,669,485,736	—	4,947,994	—	1,674,433,730
Net position, end of year	$ 1,048,448,214	(29,649,176)	5,975,617	644,384,635	—	1,669,159,290	—	7,727,948	—	1,676,887,238

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Supplemental Information – Budgetary Comparison Schedule (Unaudited)

Year ended September 30, 2022

	Budget	Actual	Variance
Operating revenues:			
Net patient service revenue, net of provision for bad debts	$ 1,236,415,622	1,357,556,129	121,140,507
Other revenue	37,900,199	41,636,935	3,736,736
Total operating revenues	1,274,315,821	1,399,193,064	124,877,243
Operating expenses:			
Salaries, wages, and fringe benefits	715,130,055	742,671,530	(27,541,475)
Supplies	244,510,431	290,195,518	(45,685,087)
Purchased services	147,521,478	195,062,205	(47,540,727)
Professional fees	38,359,078	35,945,594	2,413,484
State of Florida medical assistance assessment	15,322,000	16,322,221	(1,000,221)
Depreciation and amortization	88,491,099	84,135,851	4,355,248
Total operating expenses	1,249,334,141	1,364,332,919	(114,998,778)
Operating income	24,981,680	34,860,145	9,878,465
Nonoperating items:			
Ad valorem tax	69,492,670	69,425,020	(67,650)
Interest expense	(21,665,903)	(24,892,570)	(3,226,667)
Interest rate swap receipts, net	1,100,946	995,298	(105,648)
Debt issuance costs	—	(1,758,523)	(1,758,523)
Investment income	16,969,049	17,970,863	1,001,814
Unrealized gains and losses on investments, net	—	(106,124,310)	(106,124,310)
Change in fair value of ineffective interest rate swaps	—	1,054,729	1,054,729
Other nonoperating income	—	8,217,365	8,217,365
Total nonoperating items	65,896,762	(35,112,128)	(101,008,890)
(Deficiency) Excess of revenues over expenses	90,878,442	(251,983)	(91,130,425)
Other changes in net position:			
Contributions restricted for capital purposes	—	2,705,491	2,705,491
Increase in net position	90,878,442	2,453,508	(88,424,934)
Net position, beginning of year	1,674,433,730	1,674,433,730	—
Net position, end of year	$ 1,765,312,172	1,676,887,238	(88,424,934)

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Schedule of Special District Reporting (Unaudited)

Year ended September 30, 2022

		2022
Total number of District Employees compensated in last pay period of September		8,540
Total number of Independent Contractors to whom compensation was paid in September		90
All compensation earned by or awarded to employees, whether paid or accrued regardless of contingency	$	742,671,529
All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency		53,783,713
Millage rate imposed by the District		1.0420
Total ad valorem taxes collected on behalf of the District	$	69,968,065

Construction projects with total costs of at least $65k approved by the District to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project:

Name of project		Budgeted expenditures	Total expenditures
Research & Education Institute	$	65,000,000	1,128,396
Venice Hospital ER/OR/CEP Expansion		55,564,000	—

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*

Audit Committee
Sarasota County Public Hospital District
Sarasota, Florida:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of 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, 2022, 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 24, 2023.

Our report includes a reference to other auditors who audited the financial statements of the 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.

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) 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 or significant deficiencies may exist that were not 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 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 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.

KPMG LLP

January 24, 2023

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 Members
Sarasota County Public Hospital District:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sarasota County Public Hospital District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2022. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government*

Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 financial statements of the District as of and for the year ended September 30, 2022, and have issued our report thereon dated January 24, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

June 28, 2023

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

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:						
COVID-19: Prover Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	N/A	1/1/20–12/31/21	9,663,871	$ —	9,663,871
Total U.S. Department of Health and Human Services					—	9,663,871
U. S. Department of Homeland Security:						
Passed through State of Florida Division of Emergency Management:						
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	N/A	9/10/17–3/10/19	1,116,798	—	1,116,798
Total U.S. Department of Homeland Security					—	1,116,798
Total Federal Awards					$ —	10,780,669

See accompanying independent auditors’ 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 Members
Sarasota County Public Hospital District:

Report on Compliance for the Major State Project

Opinion on 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, 2022. The District's major state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major state project for the year ended September 30, 2022.

Basis for Opinion on the Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Chapter 10.550 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for the major state project. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's state projects.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and Chapter 10.550 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.550, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of and for the year ended September 30, 2022, and have issued our report thereon dated January 24, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

June 28, 2023

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Schedule of Expenditures of State Financial Assistance

Year ended September 30, 2022

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	XZ914	7/1/21–6/30/22	222,801	$ —	167,101
Alzheimers Disease Initiative	65.002	XZ1014	7/1/22–6/30/23	222,801	—	59,774
Total State of Florida Department of Elder Affairs					—	226,875
Division of Emergency Preparedness and Community Support:						
Verified Trauma Center Financial Support	64.075	TRA30	1/1/21–12/31/21	141,494	—	141,494
Verified Trauma Center Financial Support	64.075	TRA30	1/1/22–12/31/22	389,397	—	389,397
Total Division of Emergency Management and Community Support					—	530,891
Total State Financial Assistance					$ —	757,766

See accompanying independent auditors’ 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.

(6) Provider Relief Fund

As required by the Uniform Guidance, the accompanying amounts presented in the schedule of expenditures of federal awards represent expenditures as reported to the U.S. Department of Health and Human Services for the period of July 1, 2020 to June 30, 2021.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Schedule of Findings and Questioned Costs

Year ended September 30, 2022

(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:	
Health Resources and Services Administration:	
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498
U.S. Department of Homeland Security:	
Passed through State of Florida Division of Emergency Management:	
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036

(h)	Dollar threshold used to distinguish between type A and type B programs:	$750,000
(i)	Auditee qualified as low-risk auditee?	No

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 Preparedness 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*.

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

June 28, 2023

The Board Members
Sarasota County Public Hospital District:

Report on the Financial Statements

We have audited the financial statements of the Sarasota County Public Hospital District (the District), Florida, as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated January 24, 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; 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); and Chapter 10.550, *Rules of the Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountants' Report of compliance with Section 218.415, *Florida Statutes*, both of which are dated January 24, 2023. We also issued our Independent Auditor's Report on Compliance for Each Major Federal Program and State Project; Report on Internal Control over Compliance; Report on Schedule of Expenditures of Federal Awards required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Report on State Financial Assistance Required by Chapter 10.550, *Rules of the Auditor General*, dated June 28, 2023. Disclosures in those reports and schedules, if any, should be considered in conjunction with this 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 financial audit report. There were no recommendations made in the preceding financial 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 District was established in 1949 under the provision of Chapter 26468 of the laws of Florida. The District's component units are disclosed in the notes to the financial statements.

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require us to apply appropriate procedures and communicate the results of our determination as to whether or not the District 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 of the financial statements of the District, the results of our tests did not indicate that the District has met 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

As required by Section 218.39(3)(c), *Florida Statutes*, and Section 10.554(1)(i)6, *Rules of the Auditor General*, the District indicated to us that they reported the following:

a. The total number of district employees compensated in the last pay period of the district's fiscal year as 8,540.

b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 90.

c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of continency as $742,671,529.

d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as $53,783,713.

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:

Name of project	Budgeted expenditures	Total expenditures
Research & Education Institute	$ 65,000,000	1,128,396
Venice Hospital ER/OR/CEP Expansion	55,564,000	—

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*, is reported in the 2022 audited financial statements.

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

a. The millage rate or imposed by the district as 1.0420.

b. The total amount of ad valorem taxes collected by or on behalf of the district as $69,968,065.

c. The total amount of outstanding bonds issued by the district and the terms of such bonds are reported in the 2022 audited financial statements.

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.

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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 Board Members, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP