

**CITRUS COUNTY HOSPITAL BOARD
ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended
September 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Citrus County Hospital Board
Inverness, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the Citrus County Hospital Board (the Board) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and major fund, of the Board, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board, 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, 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 Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 generally accepted 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 aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 Board'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 Board's ability to continue as a going concern for a reasonable period of time.

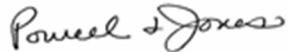
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of proportionate share of net pension liability, and schedule of contributions information 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2024, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Powell & Jones CPA
Lake City, Florida
April 19, 2024

**CITRUS COUNTY HOSPITAL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2023**

The discussion and analysis of the financial performance of Citrus County Hospital Board (the Board) provides an overall review of the Board's financial activities for the fiscal year ended September 30, 2023. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Board's financial performance.

Report Layout

The Board has implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis. Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, and the notes to the financial statements. The first two statements are condensed and present a government-wide view of the Board's finances. Within this view, all Board operations are categorized as applicable, and reported as either governmental or business-type activities. Governmental activities include basic planning related services and general administration. The Board had no business-type activities in this fiscal year. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Board.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets of the Board, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities are reported on the accrual basis of accounting.

- The Statement of Activities focuses on gross and net costs of the Board's programs and the extent to which such programs rely upon general revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

- Fund financial statements focus separately on governmental and proprietary funds, as applicable. Governmental fund statements follow the more traditional presentation of financial statements. As stated above, the Board has no proprietary funds and business-type activities.

- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Board's financial condition.

- The MD&A is intended to serve as an introduction to the Board's basic financial statements and to explain the significant changes in financial position and differences in operations between the current and prior years.

FINANCIAL HIGHLIGHTS AND ANALYSIS

Government-wide Financial Statements

The liabilities of the Board exceeded its assets at the close of the fiscal year ended September 30, 2023 by \$25,508,006, an increase of \$6,601,007 in net position from the prior year. This was primarily the result of the return of unused funds that paid by the Board to other foundations and charities in prior periods.

A condensed version of the Statement of Net Position at September 30, 2023 and 2022 follows:

	Government Activities / Total Government	
	2023	2022
Assets		
Cash and cash equivalents	\$ 17,271,604	\$ 11,198,591
Capital assets	-	480,000
Other assets	1,500	-
Total assets	<u>17,271,604</u>	<u>11,678,591</u>
Deferred outflows of resources	<u>52,050</u>	<u>42,309</u>
Liabilities		
Current liabilities	49,482	43,734
Long-term liabilities	148,484	109,455
Total liabilities	<u>197,966</u>	<u>153,189</u>
Deferred inflows of resources	<u>42,639,324</u>	<u>43,676,724</u>
Invested in capital assets	-	480,000
Unrestricted	(25,508,006)	(32,589,013)
Total net position	<u>\$ (25,508,006)</u>	<u>\$ (32,109,013)</u>

Lease income accounted for 68.7% of total general revenues while an additional 31.2% was generated from investment interest. The return of unused grant payments that had been made to other charitable organization totaled \$5,892,162 and was the largest contributor to the increase in net position from the prior.

A condensed version of the Statement of Activities follows:

	Government Activities / Total Government	
	2023	2022
Revenues		
General Revenues		
Ad valorem taxes	\$ 621	\$ 920
Investment income	471,152	31,472
Lease income	1,037,400	1,056,267
Total revenues	<u>1,509,173</u>	<u>1,088,659</u>
Expenses		
General government	447,902	362,615
Local agency grants	55,000	11,700,000
Total expenses	<u>502,902</u>	<u>12,062,615</u>
Other financing sources/(uses)		
Return of unused grant funds	5,892,162	-
Receipt of Foundation Resolution Corp. funds	111,506	-
Medicare settlement	(319,552)	-
Loss on disposal of assets	(89,380)	-
Contributions to CCCC	-	(1,281)
Total other financing sources/(uses)	<u>5,594,736</u>	<u>(1,281)</u>
Change in net position	<u>6,601,007</u>	<u>(10,975,237)</u>
Beginning net position	<u>(32,109,013)</u>	<u>(21,133,776)</u>
Ending net position	<u>\$ (25,508,006)</u>	<u>\$ (32,109,013)</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

The Board leased all land, buildings, improvements, equipment, furniture, and fixtures to the Citrus Memorial Health Foundation, Inc. (the "Foundation") under a lease agreement for the operation of the Citrus Memorial Health System. The leased facilities were accounted for as a capital lease; therefore, none of these assets are shown in the financial statements of the Board. On September 16, 2013 the Board and the Foundation selected West Florida Division, Inc. ("HCA-WFD"), an affiliate of HCA Holdings, Inc. and Citrus Memorial Hospital, Inc. (Lessee), to lease the hospital. After further negotiations the lease of the hospital was consummated on November 1, 2014 (closing date). At the commencement of the new lease, the existing lease between the Board and the Foundation was terminated. With the implementation SGAS 87, *Leases*, the current lease agreement and prepayment by HCA-WFD has resulted in a deferred inflow of resources related to leases of \$42,619,850 was recorded at year end. This is discussed further in the Notes to Financial Statements.

Additionally, as discussed in greater detail in the related disclosure, all payments of principal and interest were payable solely by the Foundation from their gross revenues. In accordance with the terms of the Master Settlement Agreement, the Foundation's obligations related to debt were paid in full at the time of the lease transaction. The Board's only liability for debt is its proportionate share of the Florida Retirement System net pension liability of \$185,605 at the fiscal year end. This is discussed in detail in the Notes to Financial Statements.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide readers with a general overview of the Board's finances and to reflect the Board's accountability for the revenues it receives. If you have questions about this report or need additional financial information, contact the Citrus County Hospital Board, P.O. Box 1030, Inverness, Florida 34451.

CITRUS COUNTY HOSPITAL BOARD
STATEMENT OF NET POSITION
September 30, 2023

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 10,792,096
Restricted cash	6,479,508
Other assets	1,500
Total assets	<u>17,273,104</u>
DEFERRED OUTFLOWS	<u>52,050</u>
LIABILITIES	
Current liabilities	
Accounts payable	12,361
Net pension liability	37,121
Total current liabilities	<u>49,482</u>
Long-term liabilities	
Net pension liability	<u>148,484</u>
Total liabilities	<u>197,966</u>
DEFERRED INFLOWS	<u>42,635,194</u>
NET POSITION	
Unrestricted	<u>(25,508,006)</u>
Total net position	<u>\$ (25,508,006)</u>

See notes to financial statements.

CITRUS COUNTY HOSPITAL BOARD
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2023

	Expenses	Net (Expense) Revenue and Change in Net Position
		Governmental Activities Total
Governmental activities:		
General government	\$ 447,902	
Local agency grants	55,000	
Total governmental activities	\$ 502,902	\$ 502,902
General Revenues:		
Ad valorem taxes		621
Investment income		471,152
Lease income		1,037,400
Total general revenues		1,509,173
Other financing sources/(uses)		
Return of unused grant funds		5,892,162
Receipt of Foundation Resolution Corp. funds		111,506
Medicare settlement		(319,552)
Loss on disposal of assets		(89,380)
Total Charitable Foundation		5,594,736
Change in net position		6,601,007
Net position, beginning of year		(32,109,013)
Net position, end of year		\$ (25,508,006)

See notes to financial statements.

**CITRUS COUNTY HOSPITAL BOARD
GOVERNMENTAL FUND
BALANCE SHEET
September 30, 2023**

	General Fund
ASSETS	
Cash and cash equivalents	\$ 10,792,096
Restricted cash	6,479,508
Other assets	1,500
Total assets	17,273,104
 LIABILITIES	
Accounts payable	12,361
Total liabilities	12,361
 FUND BALANCE	
Restricted	6,479,508
Unassigned	10,781,235
Total fund balance	17,260,743
 Amount reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources represent a consumption of fund equity that will be reported as an outflow of resources in a future period and therefore are not reported in the governmental funds	52,050
Deferred inflows of resources represent an acquisition of fund equity that will be reported as an inflow of resources in a future period and therefore are not reported in the governmental funds	(42,635,194)
Long-term liabilities are not due in the current period and, therefore, are not reported in governmental funds	
Net pension liability	(185,605)
Net Pension	\$ (25,508,006)

See notes to the financial statements.

CITRUS COUNTY HOSPITAL BOARD
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended September 30, 2023

	<u>General Fund</u>
REVENUES	
Ad valorem taxes	\$ 621
Investment income	471,152
Lease income	0
Total revenues	<u>471,773</u>
EXPENDITURES	
General government	
Personnel services	196,597
Operating expenses	216,390
Local agency grants	55,000
Total expenditures	<u>467,987</u>
Deficit of revenues under expenditures	3,786
NONOPERATING SOURCES/(USES)	
Return of unused grant funds	5,892,162
Receipt of Foundation Resolution Corp. funds	111,506
Proceeds from sale of land	390,620
Medicare settlement	(319,552)
Total nonoperating sources/(uses)	<u>6,074,736</u>
Net change in fund balance	6,078,522
Fund balances, at beginning of year, restated	11,182,221
Fund balances, at end of year	<u>\$ 17,260,743</u>

See notes to the financial statements.

CITRUS COUNTY HOSPITAL BOARD
RECONCILIATION OF THE STATEMENT REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2023

Net change in fund balance - total governmental fund	\$	6,078,522
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital-related transactions as increases and decreases in the fund balance. However in the government-wide statements, the disposal of capital assets is recognized as a reduction of assets on the statement of net position and any gain or loss on the disposal of assets is reflected as a change in net assets.

Less: Proceeds from sale of capital assets	(390,620)	
Loss on disposal of capital assets	<u>(89,380)</u>	(480,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Net change in pension liability		(48,786)
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Recognition of certain obligations related to prior and future periods are not recognized in governmental funds.

Net increase in deferred outflows	9,741	
Net decrease in deferred inflows	<u>1,041,530</u>	<u>1,051,271</u>

Change in net position of governmental activities		<u><u>\$ 6,601,007</u></u>
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**CITRUS COUNTY HOSPITAL BOARD
NOTES TO FINANCIAL STATEMENTS
September 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Citrus County Hospital Board (the Board) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

Reporting Entity

The Citrus County Hospital Board (the Board) is a special purpose independent special district of the State of Florida located in Citrus County, Florida. The Citrus County Hospital Board is organized and exists under the laws of the State of Florida pursuant to Chapter 99-442, Laws of Florida as amended, and as particularly amended by Chapter 2001-308, Laws of Florida. Effective July 1, 2011 the aforementioned laws were recodified into Chapter 2011-256, Laws of Florida, which expanded the role and responsibilities of the Citrus County Hospital Board countywide. The Citrus County Hospital Board's purpose is to operate in Citrus County, hospitals, medical nursing homes, and convalescent homes for the benefit of the citizens and residents of Citrus County, Florida. The Citrus County Hospital Board has the power to, but not be limited to, acquire and dispose of real and personal property, to build, elect, expand, equip, maintain, operate, alter, change, lease, finance, and repair hospitals, medical nursing homes, convalescent homes, medical care facilities, and clinics in Citrus County, Florida; to establish a medical staff, to employ personnel, and issue bonds.

Effective October 14, 2014 this law was amended by Chapter 2014 - 254 Laws of Florida which allowed the Board to create a community trust or foundation to manage funds provided by the Board and develop and implement a county health plan.

The criteria used in determining the scope of the entity for financial reporting purposes is that of management oversight by the Board of Trustees of the Citrus County Hospital Board. There are no entities considered to be component units of the Citrus County Hospital Board; therefore, the financial statements include only the operations of the Board. Likewise, the Board is not includible as a component unit within another reporting entity.

Basic Financial Statements – GASB Statement No. 34

The government-wide statement of net position is reflected on a full accrual, economic resource basis. The government-wide statement of activities reflects both the gross and net costs of the Citrus County Hospital Board's functional categories of general government and healthcare which are primarily supported by earnings on reserved funds. There are no program revenues directly associated with the Citrus County Hospital Board's functions. Historically, the previous financial reporting model did not summarize or present net cost by function or activity.

Basis of Presentation

The financial transactions of the Citrus County Hospital Board are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The purpose of each fund to separate financial information in a manner that will allow the Citrus County Hospital Board to comply with legal requirements and GAAP. All such activities are included in the following fund:

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. They include general, special revenue, capital project and debts service funds. The measurement focus of governmental funds (presented as fund financial data in the basic financial statements) is upon determination of financial position and changes in financial position (the sources, uses, and balance of financial resources) rather than upon net income. The only current active fund and major fund within the Citrus County Hospital Board is described below:

General Fund

The general fund is established to account for all financial transactions not properly accounted for in other funds.

Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

The combined government-wide and fund financial statements presents fund financial data on a modified accrual basis of accounting.

Modified Accrual

Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available when they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The exception to this general rule is that debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

Budgetary Data

Budgetary Policy

An annual budget is prepared and submitted to the Board of Trustees. Public hearings are conducted with the appropriate meeting dates published in the newspaper. The adopted budget amounts are presented in the accompanying basic financial statements for the general fund. The Board of Trustees approves any budget amendments. The budget is prepared on a basis consistent with GAAP. Total budgeted appropriations within a governmental fund type may not be exceeded legally. Appropriations lapse at the end of the year. Budget data, when presented in the financial statements, is prepared on the same basis of accounting as that prescribed for the fund.

Encumbrance Accounting

The Citrus County Hospital Board does not employ an encumbrance system. However, in the event encumbrances are outstanding at year-end, open purchase orders will be reported as reservations of fund balance for subsequent year purchases and not treated as current fund expenditures, in accordance with GAAP.

Fund Balances – Governmental Funds

As of September 30, 2023, fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Governing Board. The Board is the highest level of decision making for the Board. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Trustees.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the Board's general procedure, only the Board of Trustees may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of September 30, 2023, fund balances are composed of the following:

	<u>Governmental fund</u>
Restricted	\$ 6,479,508
Unassigned	<u>10,781,235</u>
	<u>\$ 17,260,743</u>

As applicable year to year, when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Board of Trustees considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Board considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category in the government-wide financial statements, which is charges on pensions. Deferred outflows on pensions are recorded when actual earnings on pension plan investments exceed projected earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred outflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Board’s proportionate share of net pension liability and are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Contributions to pension plans made subsequent to the measurement date are also deferred and reduce net pension liability in the subsequent year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows or resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two items which qualify for reporting in this category. These are deferred charges on pensions and lease receipts that are inclusive under the SGAS 87, *Leases*, accounting standard. Deferred inflows on pension plan investments exceed actual earnings and are amortized to pension expense using a systematic and rational method over a closed five-year period. Deferred inflows on pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Board’s proportionate share of net pension liability. These are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan. Deferred inflows on the qualifying lease receipts are recorded at the value lease receipts for leases on which the Board is the lessor. The deferred inflow is amortized to lease income on a straight-line basis over the life of the lease.

Reclassifications

Certain amounts from the Management Discussion and Analysis section of the financial statements for the fiscal year ending September 30, 2022 have been reclassified in order to remain comparable and conform to the groupings for the current fiscal year.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position.

“Total fund balances of the Board’s governmental funds is \$17,260,743 and differs from net position of governmental activities of \$(25,508,006) that is reported in the statement of net position. This difference results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet.

Long-term debt transactions

Long-term liabilities to the Board’s governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2023 were:

Net pension liability	<u>\$ (185,605)</u>
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Deferred outflows/inflows of resources

Deferred outflows of resources represent a consumption of net position in a future period while deferred inflows of resources represent an acquisition of net position in a future period and accordingly, are not reported in the governmental fund statements. However, the statement of net position included those deferred outflows/inflows of resources.

Deferred outflows	\$ 52,050
Deferred inflows	(15,344)
Pension-related net of deferred outflows/inflows	<u>\$ 36,706</u>
Lease related deferred inflows	<u>\$ (42,619,850)</u>

Capital assets

When capital assets that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the assets of the Board as a whole. During the year ending September 30, 2023, the Board sold all the land that consisted of all of its capital assets and therefore has no remaining balance to report on the Government-wide statement of net position.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Differences Between Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

	Total Governmental Funds	Capital Related Items	Pension Obligations	Long-Term Debt Transactions/ Eliminations	Lease Related Items	Statement of Net Assets
ASSETS						
Cash and cash equivalents	\$ 10,792,096	\$ -	\$ -	\$ -	\$ -	\$ 10,792,096
Restricted cash	6,479,508	-	-	-	-	6,479,508
Capital assets	-	-	-	-	-	-
Other assets	1,500	-	-	-	-	1,500
Total assets	17,273,104	-	-	-	-	17,273,104
DEFERRED OUTFLOWS	-	-	52,050	-	-	52,050
LIABILITIES						
Accounts payable	12,361	-	-	-	-	12,361
Accrued salaries	-	-	-	-	-	-
Due to Citrus County Community Charitable Foundation	-	-	-	-	-	-
Unearned capital lease income	-	-	-	-	-	-
Compensated absences	-	-	-	-	-	-
Net pension liability	-	-	-	185,605	-	185,605
Total liabilities	12,361	-	-	185,605	-	197,966
DEFERRED INFLOWS	-	-	15,344	-	42,619,850	42,635,194
FUND BALANCE/NET POSITION	17,260,743	-	36,706	(185,605)	(42,619,850)	(25,508,006)
Total fund balance/net position	\$ 17,260,743	\$ -	\$ 36,706	\$ (185,605)	\$ (42,619,850)	\$ (25,508,006)

B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities

The “net change in fund balances” for governmental funds \$6,078,522 differs from the “change in net position” for governmental activities \$6,601,007 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Long-term Debt Related Items

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Change in net pension liability	\$	<u><u>(48,786)</u></u>
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Deferred outflows/inflows of resources

Recognition of certain obligations related to prior and subsequent periods are not recognized in governmental funds.

Net change in deferred outflows	\$	9,741
Net change in deferred inflows (pensions)		<u>4,130</u>
Net change in pension related deferred outflows/inflows	\$	<u><u>13,871</u></u>
Net change in deferred inflows (leases)	\$	<u><u>1,037,400</u></u>

Capital assets

Governmental funds report capital-related transactions as increases and decreases in the fund balance. However, in the government-wide statements, the disposal of capital assets is recognized as a reduction of assets and associated accumulated depreciation on the statement of net position with any resulting gain or loss on the disposal as an increase or decrease, respectively, on the statement of activities. Capital-related activities are shown below:

Removal of proceeds from sale of capital assets	\$	(390,620)
Loss on disposal of capital assets		<u>(89,380)</u>
	\$	<u><u>(480,000)</u></u>

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

B. Explanation of Differences Between Government Fund Operating Statements and the Statement of Activities

	Total Governmental Funds	Capital Related Items	Deferred Inflows/Outflows Pensions	Long-Term Debt Transactions	Lease Related Items	Statement of Activities
REVENUES						
Ad valorem taxes	\$ 621	\$ -	\$ -	\$ -	\$ -	\$ 621
Investment income	471,152	-	-	-	-	471,152
Lease income	-	-	-	-	1,037,400	1,037,400
Total revenues	471,773	-	-	-	1,037,400	1,509,173
EXPENDITURES						
General government						
Personnel services	196,597	-	(13,871)	48,786	-	231,512
Operating expenses	216,390	-	-	-	-	216,390
Local agency grants	55,000	-	-	-	-	55,000
Total general government	467,987	-	(13,871)	48,786	-	502,902
Excess of revenues over expenditures	3,786	-	13,871	(48,786)	1,037,400	1,006,271
OTHER FINANCING SOURCES (USES)						
Return of unused grant funds	5,892,162	-	-	-	-	5,892,162
Receipt of Foundation Resolution Corp. funds	111,506	-	-	-	-	111,506
Proceeds from sale of land	390,620	(390,620)	-	-	-	-
Medicare settlement	(319,552)	-	-	-	-	(319,552)
Loss on disposal of assets	-	(89,380)	-	-	-	(89,380)
Total other financing sources (uses)	6,074,736	(480,000)	-	-	-	5,594,736
Net change in fund balance	6,078,522	(480,000)	13,871	(48,786)	1,037,400	6,601,007
Fund balances, at beginning of year, restated	11,182,221	480,000	22,835	(136,819)	(43,657,250)	(32,109,013)
Fund balances, at end of year	\$ 17,260,743	\$ -	\$ 36,706	\$ (185,605)	\$ (42,619,850)	\$ (25,508,006)

NOTE 3. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Compliance with Finance-related Legal and Contractual Provisions

The Citrus County Hospital Board believes it has no material violations of finance-related legal and contractual provisions.

NOTE 4. CASH AND CASH INVESTMENTS

The Citrus County Hospital Board's general fund cash and cash equivalents are maintained in four bank accounts, with a book balance amount of \$10,792,096. Of the the Board's cash and equivalent deposits, \$2,711,037 is held in institutions that qualify as a public depositories under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. These Citrus County Hospital Board's deposits are fully insured by the Public Deposits Trust Fund. The remaining amount of general fund cash and cash equivalents is invested in highly liquid treasury bills that are fully backed by the U.S. Government.

In addition to its general cash fund, the Citrus County Hospital Board is custodian of restricted cash in one trust escrow bank account. The balance in this account totaled \$6,479,508 at September 30, 2023 and consisted primarily of uninsured money market funds. All interest income earned on these funds is considered restricted under the same conditions establishing the escrow bank accounts. The creation of these escrow accounts was directed and are governed by the Master Settlement Agreement that resulted from the settlement of ongoing litigation. This is discussed in greater detail in Note 9.

Investment Policy

The Citrus County Hospital Board follows the Florida Statutes in investing its funds which authorize the Board to invest and reinvest any surplus public funds in:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized by Florida Statutes.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories, as defined by Florida Statutes.
- Direct obligations of U.S. Treasury.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Board does not have a deposit policy for custodial credit risk. As of September 30, 2023, \$6,479,508 of the Board's institutional balances of \$17,271,604 was exposed to custodial credit risk as follows:

These funds are contained in the escrow accounts required by the Master Settlement Agreement.

NOTE 5. COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS – FLORIDA RETIREMENT SYSTEM PENSION PLAN AND THE RETIREE HEALTH INSURANCE SUBSIDY PROGRAM

Florida Retirement System

General Information - All of the Board's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, *Florida Statutes*, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, which include the FRS Pension Plan (Pension Plan) and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, *Florida Statutes*, the FRS also provides a defined contribution plan (Investment Plan) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees who work in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: www.dms.myflorida.com/workforce_operations/retirement/publications.

A. Pension Plan

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. This amount increases with every year of additional service up to a maximum of 1.68% of the final average compensation of their five highest years for each year of credited service at age 65 with 33 or more years of service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service (age 52 if credited service includes at least four years of wartime military service) or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, beginning at 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service and increasing to a maximum of 1.68% for of with each year up to age 58 (55 with wartime service) and 28 years of special risk service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 (age 52 with wartime experience) with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service.

Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, *Florida Statutes*, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before August 1, 2011, the annual cost-of-living adjustment is three percent per year. The cost-of-living adjustment for participants with a retirement date or DROP participation date after August 1, 2011 is determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement and multiplying by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 96 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The FRS and HIS contribution rates were as follows:

Class	October 1, 2021 - June 30, 2021	July 1, 2022 - September 30, 2022
Regular Class	11.91%	13.57%
Special Risk Class	27.83%	32.67%
Special Risk Administrative Support	38.65%	39.82%
County Elected Officers Class	43.77%	44.89%
Senior Management Class	31.57%	34.52%
Deferred Retirement Option Program (DROP)	18.60%	21.13%

The Board's contributions, including employee contributions, to the Pension Plan totaled \$19,255 for the fiscal year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2023, the Board reported a liability of \$125,848 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023. The Board's proportionate share of the net pension liability was based on the Board's 2022-23 fiscal year contributions relative to the 2021-22 fiscal year contributions of all participating members. At June 30, 2023, the Board's proportionate share was 0.000315828 percent, which was an increase of 17.34 percent from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the Board recognized pension expense of \$28,086. In addition, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,816	\$ -
Changes in assumptions	8,204	-
Net difference between projected and actual earnings on Pension Plan investments	5,256	-
Changes in proportion and differences between Town Pension Plan contributions and proportionate share of contributions	15,523	5,932
Consortium Pension Plan contributions subsequent to the measurement date	3,462	-
Total	\$ 44,261	\$ 5,932

The deferred outflows of resources related to the Pension Plan, totaling \$3,462 resulting from Board contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent reporting period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2024	\$ 8,432
2025	3,182
2026	(2,848)
2027	24,776
2028	1,325
Thereafter	-
	\$ 34,867

Actuarial Assumptions – The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

FRS	
Inflation	2.40%
Salary increases	3.25%
Investment rate of return	6.70%
Discount rate	6.70%

Mortality rates were based on the PUB-2010 base table, generational mortality using the gender specific MP 2018 mortality improvement projection scale.

The actuarial assumptions used in the July 1, 2023, valuation was based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.9%	2.9%	1.1%
Fixed income	19.8%	4.5%	4.4%	3.4%
Global equity	54.0%	8.7%	7.1%	18.1%
Real estate	10.3%	7.6%	6.6%	14.8%
Private equity	11.1%	11.9%	8.8%	26.3%
Strategic investments	3.8%	6.3%	6.1%	7.7%
Total	100.0%			

Assumed inflation - mean	2.4%	1.4%
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(1) As outlined in the Pension Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 6.70%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Board's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Board's proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate:

	1 % Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
Board's proportionate share of the net pension liability	<u>\$ 214,974</u>	<u>\$ 125,848</u>	<u>\$ 51,283</u>

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2023, the Board did not have any payables to report for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2023.

B. HIS Plan

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, *Florida Statutes*, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended September 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2023, the HIS contribution for the period October 1, 2022 through June 30, 2023 and from July 1, 2023 through September 30, 2023 was 1.66% and 2.00%, respectively. The Board contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Board's contributions, including employee contributions to the HIS Plan, totaled \$3,137 for the fiscal year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2023, the Board reported a liability of \$59,775 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Board's proportionate share of the net pension liability was based on the Board's 2022-23 fiscal year contributions relative to the 2021-22 fiscal year contributions of all participating members. At June 30, 2023, the Board's proportionate share was 0.000376275 percent, which was an increase of 8.67 percent from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the Board recognized pension expense of \$24,619. In addition, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 875	\$ 140
Changes in assumptions	1,571	5,178
Net difference between projected and actual earnings on HIS Plan investments	31	-
Changes in proportion and differences between Town HIS Plan contributions and proportionate share of contributions	4,483	4,094
Board's HIS Plan contributions subsequent to the measurement date	829	-
Total	\$ 7,789	\$ 9,412

The deferred outflows of resources related to the HIS Plan, totaling \$829 resulting from Board contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent reporting period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2024	\$ (589)
2025	(317)
2026	(145)
2027	(320)
2028	(744)
Thereafter	(337)
	\$ (2,452)

Actuarial Assumptions – The total pension liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

HIS	
Inflation	2.40%
Salary increases	3.25%
Municipal bond rate	3.65%

Mortality rates were based on the PUB-2010 base table, generational mortality using the gender specific MP 2018 mortality improvement projection scale.

Discount Rate - The discount rate used to measure the total pension liability was 3.65%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Board’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Board’s proportionate share of the net pension liability calculated using the discount rate of 3.65 %, as well as what the Board’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate:

	1 % Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
Boards's proportionate share of the net pension liability	<u>\$ 68,173</u>	<u>\$ 59,757</u>	<u>\$ 52,780</u>

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2023, the Board did not have any payables to report for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2023.

C. Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, *Florida Statutes*, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Board employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Board Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts at the end of the 2023 fiscal year, as established by Section 121.72, *Florida Statutes*, are based on a percentage of gross compensation, by class, as follows: Regular class 8.30%, Special Risk Administrative Support class 9.95%, Special Risk class 16.00%, Senior Management Service class 9.67% and Board Elected Officers class 15.23%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2023, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Board.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

The Board did not have any participants in the Investment Plan for the fiscal year ended September 30, 2023.

NOTE 6. LEASE AND MEDICAL SERVICES AGREEMENTS WITH THE FOUNDATION

On March 1, 1990, the Board entered into a lease agreement with the Citrus Memorial Health Foundation (the Foundation), a Florida not-for-profit corporation for the purpose of operating the public hospital as the alter-ego of the Board. The Foundation leased from the Board all the land, buildings, improvements, equipment, furniture, and fixtures of and pertaining to Citrus Memorial Health System. Under the lease, the Foundation agreed to make rental payments equal to the principal and interest and any premium on the Hospital Revenue and Revenue Refunding Bonds. The initial term of the lease was amended to expire on June 15, 2033, unless sooner terminated in accordance with the provisions of the lease.

When the Board executed the above lease, it simultaneously entered into an agreement for hospital care whereby the Board agreed to assist the Foundation pursuant to all applicable laws and in its sole and absolute discretion, with funding for operations and the acquisition, expansion, and maintenance of proposed and existing hospital and health facilities in exchange for medical services provided by the Foundation to residents of Citrus County, Florida. Each of these agreements were terminated effective October 31, 2014. This is discussed further in Note 9.

NOTE 7. LONG-TERM LEASE OF HOSPITAL WITH WEST FLORIDA DIVISION, INC.

On September 16, 2013, the Board and the Foundation, selected West Florida Division, Inc. (HCA-WFD), an affiliate of HCA Holdings, Inc. and Citrus Memorial Hospital, Inc. (Lessee), to purchase or lease the hospital. After further negotiations the lease of the hospital was consummated on November 1, 2014 (closing date). At the commencement of the new lease, the existing lease between the Board and the Foundation was terminated.

The total consideration paid for the purchase of the personal property, the accounts receivable, all inventory, prepaid expenses, assumed contracts, permits and approvals by any governmental authorities, and other tangible and intangible assets as well as the prepaid rent for the lease of the real property totaled \$131,183,242. Of this amount, \$51,870,000 was received as consideration for prepaid rent for the term of the leased hospital. The initial term of the lease is fifty years with the option for HCA-WFD to renew for an additional twenty-five years. The amount received has been recognized at the time of receipt as income in the general fund and as a deferred inflow of resources, in accordance with SGAS 87, *Leases*, in the government-wide statement of net position. The deferred inflow of resources is amortized to lease revenue on the government-wide statement of activities on a straight-line basis over the life of the initial term of the lease, with the renewal term rental value to be determined no later than twenty-seven months prior to the expiration of the initial term. The prepaid rent totaling \$51,870,000 was included in the deferred inflow and is also being amortized over the fifty year period between November 1, 2014 and ending on October 31, 2064. Lease income in the amount of \$1,037,400 was recognized on the government-wide statement of net position for the fiscal year ended September 30, 2023. The funds that were received and all future related lease receipts are restricted as prescribed by the Master Settlement Agreement and are transferable to Citrus County Community Charitable Foundation, Inc. as discussed further in Note 9.

NOTE 8. RISK MANAGEMENT

The Citrus County Hospital Board is exposed to various risks of loss related to theft of, damage to and destruction of assets, and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial or workers' compensation insurance converges for the past three years. There has been no reduction in insurance coverage from the previous year.

NOTE 9. MASTER SETTLEMENT AGREEMENT

On September 16, 2013, the Board and the Foundation selected HCA-WFD, an affiliate of HCA Holdings, Inc. and Citrus Memorial Hospital, Inc. (Lessee), to lease the hospital. After further negotiations the lease of the hospital was consummated on November 1, 2014 (closing date). At the commencement of the new lease, the existing lease between the Hospital Board and the Foundation was terminated.

As part of the transaction with HCA-WFD, the Hospital Board and the Foundation entered into a Global Allocation and Contribution Agreement (the Agreement). This Agreement sets forth the terms, conditions, and obligations among the Hospital Board and the Foundation with regards to the lease of the hospital to HCA-WFD. Among other things the agreement requires the formation of the Citrus County Community Charitable Foundation, Inc., (CCCCF) a Florida not for profit corporation; to manage the final net proceeds from the lease and to ensure that such funds are appropriated only for the medical-related needs of the citizens of Citrus County.

The Agreement also requires that the Foundation provide to the Hospital Board its executed Articles of Dissolution. Those Articles will be filed by the Hospital Board either upon written notice from the Foundation to the Hospital Board that it has winded down its affairs and desires to dissolve, or the passage of six months from the date of closing. In February, 2015, the Foundation adopted a plan of liquidation and filed liquidation documents with the State of Florida to begin a winding down of its remaining operations.

The total consideration paid for the purchase of the personal property, the accounts receivable, all inventory, prepaid expenses, assumed contracts, permits and approvals by any governmental authority, and other tangible and intangible assets as well as the prepaid rent for the lease of the real property totaled \$131,183,242. Pursuant to the terms of an indemnification escrow agreement, \$38,700,000 of the proceeds are to be held by an escrow agent as collateral to secure the Hospital Board and the Foundation's continuing litigations, covenants, agreements and liabilities. Additionally, \$25,000,000 of the proceeds will be placed into a pension escrow account available for loans for funding of the Foundation's defined benefit retirement plan. Proceeds were also used to retire all debt of the Foundation. The remaining proceeds were escrowed for purposes of winding down corporate affairs of the Foundation.

There are several other provisions that were agreed to by the parties and they include a) all employees of the Foundation were guaranteed one year of employment by the lessee; b) the Foundation was required to purchase tail liability insurance and liability insurance for all known claims; c) the Foundation was required to enter into a Letter of Agreement with the American Health Care Association to remit \$1,346,039 in funds to be used for the provision of health services to Medicaid, uninsured, and underinsured residents as set forth in the Letter of Agreement; d) as discussed above, at the closing date the Hospital Board and the Foundation will deposit into an escrow account \$25,000,000 for the funding of the Foundation's defined benefit retirement plan; e) the Foundation will have settled the Kyphoplasty investigation; f) the

Foundation within 10 days of closing will change its corporate name to a name that is not similar to, or confusing with the name “Citrus Memorial Hospital” or “Citrus Memorial Health System”, the name of the organization was changed to the Foundation Resolution Corporation; g) for a period of 15 years following the closing date the lessee will continue to provide obstetrics and emergency room services at its current location assuming the availability of qualified personnel and physicians; and h) following closing the lessee will implement the standard Charity Care policies of HCA and its Affiliates and not modify those policies for a period of five years.

The agreement sets out in detail how the Foundation must spend its cash on hand and how it must request from the escrow agent amounts in excess of their cash on hand to pay expenses to wind down its affairs.

As of September 30, 2023, the Foundation had fully dissolved its operations. In accordance with the provisions of the Agreement, loans in the amount of \$17,400,000 were made from the escrow accounts of the Foundation’s pension plan to provide sufficient funds to close out the plan. This loan was subsequently forgiven by the Hospital Board when litigation to recover funds from the Pension Plan’s administration resulted in no recoveries to the Plan.

As mentioned above, the CCCCCF was formed to manage proceeds from the lease with HCA-WFD provided by the Board pursuant to Chapter 2014 – 254 Laws of Florida. These net proceeds, including all interest earned, related lease income recognized, and remaining prepaid rent will be transferred to CCCCCF upon the dissolution of the Foundation and final settlement of lease issues in accordance with the Agreement from the indemnification and pension escrow accounts.

NOTE 10. SUBSEQUENT EVENTS

In preparing these financial statements, the Board has evaluated events and transactions for potential recognition or disclosure through April 19, 2024, the date the financial statements were available to be issued.

NOTE 11 CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additons</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets:				
Land	\$ 480,000	\$ -	\$ 480,000	\$ -

NOTE 13. LONG-TERM LIABILITIES

Summary of changes in long-term liabilities

The following summarizes the changes in the Board's long-term liabilities during the year ended September 30, 2023:

	Balance			Balance	Due within
	<u>October 1, 2022</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2023</u>	<u>One Year</u>
Net pension liability	<u>\$ 136,819</u>	<u>\$ 48,786</u>	<u>\$ -</u>	<u>\$ 185,605</u>	<u>\$37,121</u>

NOTE 14. POST-EMPLOYMENT BENEFITS

The Board does not currently offer health insurance benefits to its employees, and thus has no liability for post-employment benefits.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**CITRUS COUNTY HOSPITAL BOARD
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL**

For the Fiscal Year Ended September 30, 2023

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Ad valorem taxes	\$ -	\$ -	\$ 621	\$ 621
Investment income	2,000	572,000	471,152	(100,848)
Total revenues	<u>2,000</u>	<u>572,000</u>	<u>471,773</u>	<u>(100,227)</u>
EXPENDITURES				
General government				
Personnel	168,370	204,470	196,597	7,873
Legal services	30,000	21,000	18,779	2,221
Legal services- FRC issues	100,000	60,000	59,266	734
Audit services	57,300	75,300	69,391	5,909
Other professional services	-	5,000	8,335	(3,335)
Office supplies and equipment	600	6,600	9,561	(2,961)
Telephone and internet services	4,000	4,000	3,278	722
Printing and copying	400	400	120	280
Postage and shipping	400	1,500	1,068	432
Rent	5,800	7,800	4,995	2,805
Travel	800	800	540	260
Insurance	48,000	30,000	28,941	1,059
Advertising	300	800	419	381
Membership fees	300	400	375	25
Software	-	-	302	(302)
Miscellaneous	3,200	9,700	11,020	(1,320)
Local agency grants	-	55,000	55,000	-
Total general government	<u>419,470</u>	<u>482,770</u>	<u>467,987</u>	<u>14,783</u>
Excess of revenues over (under) expenditures	(417,470)	89,230	3,786	(115,010)
OTHER FINANCING SOURCES (USES)				
Return of unused grant funds	-	-	5,892,162	5,892,162
Receipt of Foundation Resolution Corp. funds	-	-	111,506	111,506
Proceeds from sale of land	-	-	390,620	390,620
Medicaid recoupment	-	(320,000)	(319,552)	448
Total other financing sources (uses)	<u>-</u>	<u>(320,000)</u>	<u>6,074,736</u>	<u>6,394,736</u>
Net change in fund balance	(417,470)	(230,770)	6,078,522	6,279,726
Fund balances, at beginning of year, restated	<u>11,182,221</u>	<u>11,182,221</u>	<u>11,182,221</u>	<u>-</u>
Fund balances, at end of year	<u>\$ 10,764,751</u>	<u>\$ 10,951,451</u>	<u>\$ 17,260,743</u>	<u>\$ 6,279,726</u>

See notes to required supplementary information.

**CITRUS COUNTY HOSPITAL BOARD
GENERAL FUND
NOTE TO SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2023**

I. Stewardship, Compliance and Accountability:

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for its governmental fund. All annual appropriations lapse at fiscal year end.

The Citrus County Hospital Board (the Board) generally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In accordance with Florida Statutes, prior to July 15, the Board develops a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted following preliminary examination and revision of the proposed operating budget by the Board.
3. After public hearings and necessary revisions have been completed, the budget is legally enacted through passage of a resolution.
4. Revisions that alter the total expenditures of any fund must be approved by the Board. The legal level of budgetary control is at the line item level.
5. Formal budgetary integration is employed as a management control device during the year.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITRUS COUNTY HOSPITAL BOARD'S PROPORTINATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Board's proportion of the FRS net pension liability (asset)	0.000315828%	0.000269147%	0.000301775%	0.000275866%	0.000268982%	0.000260692%	0.000281693%	0.000149882%	0.000204750%
Board's proportionate share of the FRS net pension liability (asset)	\$ 125,848	\$ 100,144	\$ 22,796	\$ 119,564	\$ 92,634	\$ 76,522	\$ 83,323	\$ 37,845	\$ 26,446
Board's proportion of the HIS net pension liability (asset)	0.000376275%	0.000346261%	0.000392119%	0.000391182%	0.000381258%	0.000381258%	0.000396599%	0.000163377%	0.000226219%
Board's proportionate share of the HIS net pension liability (asset)	59,757	36,675	48,099	47,763	42,659	38,825	42,406	19,041	23,071
Board's proportionate share of the total net pension liability (asset)	\$ 185,605	\$ 136,819	\$ 70,895	\$ 167,327	\$ 135,293	\$ 115,347	\$ 125,729	\$ 56,886	\$ 49,517
Board's covered-employee payroll	\$ 153,378	\$ 126,411	\$ 139,561	\$ 136,475	\$ 131,181	\$ 129,141	\$ 124,083	\$ 122,655	\$ 89,063
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	121.01%	108.23%	50.80%	122.61%	103.13%	89.32%	101.33%	46.38%	55.60%
Plan fiduciary net position as a percentage of the total pension liability	77.04%	79.09%	91.09%	78.55%	78.22%	79.86%	85.53%	79.36%	92.00%

Note 1) The amounts presented for each year were determined as of the June 30 year end of the Florida Retirement System

*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITRUS COUNTY HOSPITAL BOARD'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS*

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required FRS contribution	\$ 19,255	\$ 12,931	\$ 11,854	\$ 9,623	\$ 12,541	\$ 11,466	\$ 11,772	\$ 17,661	\$ 11,397
Contractually required HIS contribution	3,137	4,736	2,377	2,265	2,177	2,144	2,059	2,036	2,011
Total Contractually Required Contributions	<u>22,392</u>	<u>17,667</u>	<u>14,231</u>	<u>11,888</u>	<u>14,718</u>	<u>13,610</u>	<u>13,831</u>	<u>19,697</u>	<u>13,408</u>
Contributions in relation to the contractually required contribution	(22,392)	(17,667)	(14,231)	(11,888)	(14,718)	(13,610)	(13,831)	(19,697)	(13,408)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered-employee payroll	\$ 153,378	\$ 126,411	\$ 139,561	\$ 136,471	\$ 131,181	\$ 129,141	\$ 124,083	\$ 122,655	\$ 89,063
Contributions as a percentage of covered-employee payroll	14.60%	13.98%	10.20%	8.71%	11.22%	10.54%	11.15%	16.06%	15.05%

*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
THE CITRUS COUNTY HOSPITAL BOARD'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY AND REQUIRED CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
For the Fiscal Year End September 30, 2023**

Net Pension Liability

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of September 30, 2023, are shown below (in thousands):

	FRS	HIS
Total pension liability	\$ 226,204,201,000	\$ 16,563,148,691
Plan fiduciary net position	(186,357,365,968)	(681,814,936)
	\$ 39,846,835,032	\$ 15,881,333,755
Plan fiduciary net position as a percentage of the total pension liability	82.38%	4.12%
Average Percentage	77.04%	

The total pension liability for the FRS was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2023. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

The total pension liability for the HIS was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2023. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the system's fiscal years ended June 30, 2013, through June 30, 2023, for employers that were members of the FRS and HIS during those fiscal years. For fiscal years ended June 30, 2015, through June 30, 2023, in addition to contributions from employers, the required accrued contributions for the division (paid on behalf of the division's employees who administer the plans) were allocated to each employer on a proportional basis. The division administers the plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's ACFR for that fiscal year.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

Actuarial Methods and Assumptions

The Florida Retirement System (FRS) Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Pension Plan's GASB 67 valuation is performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2021 for the period July 1, 2013, through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.54% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both the FRS Pension Plan and the HIS Program were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information – see Note 4).

The following changes in actuarial assumptions occurred in 2023:

- HIS: The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.
- HIS: Chapter 2023-193 Laws of Florida (Senate Bill 7024) increased the level of monthly benefits from \$5 times years of service to \$7.50, with an increased minimum of \$45 and maximum of \$225. This change applies to all years of service for both members currently receiving benefits and members not yet receiving benefits.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2023.

	1% Decrease 5.70%	Current Discount Rate 6.70%	1% Increase 7.70%
FRS Net Pension Liability	<u>68,066,508,032</u>	<u>39,846,835,032</u>	<u>16,237,702,032</u>

	1% Decrease 2.65%	Current Discount Rate 3.65%	1% Increase 4.65%
HIS Net Pension Liability	<u>18,118,123,208</u>	<u>15,881,333,755</u>	<u>14,027,185,514</u>

PENSION EXPENSE AND DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In accordance with GASB 68, paragraphs 54 and 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes in proportion and differences between contributions and proportionate share of contributions - amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Differences between expected and actual earnings on pension plan investments – amortized over five years

Employer contributions to the pension plans from employers are not included in collective pension expense; however, employee contributions are used to reduce pension expense.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2023, was 5.3 years for FRS and 6.3 years for HIS.

COMPLIANCE SECTION

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

To the Board of Trustees
Citrus County Hospital Board
Inverness, 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 governmental activities and major fund of Citrus County Hospital Board (the Board), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Board’s basic financial statements, and have issued our report thereon dated April 19, 2024.

Internal Control Over Financial Reporting

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

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

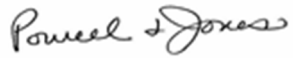
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Powell & Jones".

Powell & Jones CPA
Lake City, Florida
April 19, 2024

**MANAGEMENT LETTER REQUIRED BY
CHAPTER 10.550, RULES OF THE AUDITOR GENERAL**

To the Board of Trustees
Citrus County Hospital Board
Inverness, Florida

Report on the Financial Statements

We have audited the basic financial statements of the Citrus County Hospital Board (the Board) as of and for the year ended September 30, 2023, and have issued our report thereon dated April 19, 2024.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and Chapter 10.550, Rules of the 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 Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 19, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. There were no findings or recommendations made in the preceding annual 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 information is disclosed in Note 1 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 Board has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that Board did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Board. It is management's responsibility to monitor the Board'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.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

Special District 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 Board reported the following data:

- a. The total number of Board employees compensated in the last pay period of the Board's fiscal year: Two
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the Board's fiscal year: One
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency: \$164,212
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency: \$51,689
- e. Each construction project with a total cost of at least \$65,000 approved by the Board that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such projects as: None
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the Board amends a final adopted budget under Section 189.016(6), Florida Statutes, as follows: "see budget"

Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General require entities to report on millage rates and ad valorem taxes received, however, the Board by law does not levy ad valorem taxes, and thus these reporting requirements do not apply.

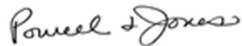
Additional Matters

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

Purpose of this Letter

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

Powell & Jones CPA

A handwritten signature in cursive script that reads "Powell & Jones".

Lake City, Florida
April 19, 2024

INDEPENDENT ACCOUNTANT'S REPORT

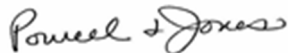
To the Board of Trustees
Citrus County Hospital Board
Inverness, Florida

We have examined the Citrus County Hospital Board's (the Board) compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2023. Management is responsible for the Board's compliance with those requirements. Our responsibility is to express an opinion on the Board's compliance based on our examination.

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

In our opinion, the Board complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2023.

This report is intended solely for the information and use of the Board and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.



Powell & Jones CPA
Lake City, Florida
April 19, 2024

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Trustees
Citrus County Hospital Board
Inverness, Florida

We have audited the financial statements of Citrus County Hospital Board (the Board) for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board are described in Note 1 to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus.

All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting the Board's financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 19, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

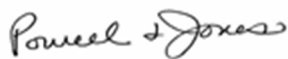
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the schedule of proportionate share of net pension liability, schedule of contributions, and their related notes, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

This information is intended solely for the use of the Board of Trustees and management of Citrus County Hospital Board and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Powell & Jones CPA
Lake City, Florida
April 19, 2024