

# 2021

Marion County Hospital District

Financial Statements and  
Independent Auditor's Report

September 30, 2021

MARION COUNTY HOSPITAL DISTRICT

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2021

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## INDEPENDENT AUDITOR'S REPORT

The Board of Trustees  
Marion County Hospital District  
Ocala, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Marion County Hospital District (the District) and the Munroe Regional Health System (the System) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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The Board of Trustees  
Marion County Hospital District  
Ocala, Florida

## INDEPENDENT AUDITOR'S REPORT

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the blended component unit of the District as of September 30, 2021, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

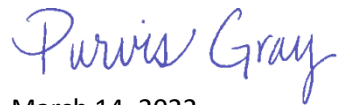
The schedule of expenditures of federal awards is the responsibility of management and was derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Board of Trustees  
Marion County Hospital District  
Ocala, Florida

## INDEPENDENT AUDITOR'S REPORT

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



March 14, 2022  
Ocala, Florida

**MARION COUNTY HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

This section of the Marion County Hospital District (the District) annual financial report presents the District's analysis of its financial performance as of September 30, 2021. Please read this analysis in conjunction with the basic financial statements, which follow this section.

**Overview of the Financial Statements**

Along with management's discussion and analysis, the annual financial report includes the independent auditor's report, and the financial statements of the District and its blended component unit, Munroe Regional Health System, Inc. (the Health System), collectively referred to herein as the business-type activities. The financial statements also include notes that explain in more detail some of the information in the basic financial statements. By referring to the accompanying notes to the financial statements, a broader understanding of issues impacting financial performance can be realized.

Effective April 1, 2014, the District executed a 40-year lease and purchase agreement with Munroe HMA Hospital, LLC, an affiliate of Community Health Systems, Inc. Under the lease and purchase agreement, control of the hospital operations, land, buildings, and equipment was transferred to Munroe HMA Hospital, LLC. Effective August 1, 2018, the Lessee, Munroe HMA Hospital, LLC, assigned the lease to Florida Hospital Ocala, Inc., an affiliate of Adventist Health System Sunbelt Healthcare Corporation. This change of control significantly affected the financial reporting of the business-type activities, which will be referenced throughout the management's discussion and analysis section of the annual financial report. Additional information on the change of control is included in Note 6 to the financial statements.

**Balance Sheet**

The balance sheet presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the District and the Health System as of September 30, 2021. Net position, or the difference between total assets, deferred outflows, total liabilities, and deferred inflows, is one indicator of the current financial condition of the District's business-type activities. As of September 30, 2021, the total net position of the business-type activities was approximately \$276 million. Changes in net position are an indicator of whether the overall financial condition of the organization has improved or worsened over a period of time. During the year ended September 30, 2021, net position of the business-type activities increased by approximately \$41 million. Assets and liabilities are generally measured using current values, with the exception of capital assets, which are stated at historical cost less allowances for depreciation.

A summary of the business-type activities balance sheet as of September 30, 2021 and 2020, is presented below (amounts in thousands):

	<u>2021</u>	<u>2020</u>
Current Assets	\$ 4,864	\$ 1,968
Investments	304,457	270,242
Capital assets, net	3,670	2,480
Other Assets	509	1,275
Total Assets	<u>313,500</u>	<u>275,965</u>
Deferred outflow of resources		
Total Deferred Outflow of Resources	<u>680</u>	<u>-</u>
Current liabilities	1,253	3,194
Long-term liabilities	36,696	37,748
Total Liabilities	<u>37,949</u>	<u>40,942</u>
Deferred inflow of resources	442	-
Total Deferred inflow of Resources	<u>442</u>	<u>-</u>
Net position:		
Net investment in capital assets	3,670	2,480
Restricted	212	1,053
Unrestricted	271,907	231,490
Total Net Position	<u>\$ 275,789</u>	<u>\$ 235,023</u>

**MARION COUNTY HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

Current assets increased by approximately \$2.9 million since September 30, 2020, primarily due to a \$2.5 million increase to cash and cash equivalents and grant receivable of \$593 thousand. See the "Statement of Cash Flows" section that follows for further information regarding cash flow activity and Note 8 to the financial statements for further information regarding Community Development Block Grant activity.

Capital assets increased by approximately \$1.2 million since September 30, 2020, due to the acquisition and construction to the main office of Marion County Hospital District and the Beacon Point mental and behavioral health rehabilitation facility. See Note 1 to the financial statements for further information on additions, as well as depreciation of capital assets.

Current liabilities decreased by approximately \$1.9 million since September 30, 2020, due to a \$2.5 million payment on third-party settlements offset by the timing of grant expense payments of approximately \$600 thousand.

Non-current liabilities decreased approximately \$1.1 million since September 30, 2020, primarily due to continued payments on self-insured liabilities and amortization of unearned lease revenue included in Note 6 to the financial statements.

**Statement of Revenues, Expenses, and Changes in Net Position**

The following table presents the business-type activities condensed statement of revenues, expenses, and changes in net position for the years ended September 30, 2021 and 2020 (amounts in thousands):

	<u>2021</u>	<u>2020</u>
Net patient service revenue	\$ 62	\$ (231)
Lease revenue	1,093	1,093
Total operating revenues	1,155	862
Operating expenses	(6,342)	(9,345)
Operating loss	(5,187)	(8,483)
Non-operating revenues (expenses), net	45,955	18,437
Excess of revenues over expenses	40,768	9,954
Change in net position	<u>\$ 40,768</u>	<u>\$ 9,954</u>

**Operating Revenues**

Operating revenues increased during the year ended September 30, 2021, due to lower chargebacks in the current year from AHCA for years prior to 2014.

**Operating Expenses**

Operating expenses decreased approximately \$3.3 million during the year ended September 30, 2021, due to a \$2.4 million settlement of pension expenses and unplanned grant expenditures of approximately \$622 thousand for COVID-19 relief efforts in Marion County, Florida during the year ended September 30, 2020.

**Programs Funded by the District**

During the years ended September 30, 2021 and 2020, the District provided funding to the following programs:

**MARION COUNTY HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

	<b>2021</b>	<b>2020</b>
Active Marion Project	\$ 157,413	\$ 177,466
Fitness and Nutrition in Schools	802,612	989,102
Beacon Point	190,387	122,424
Community Foundation	100,000	66,667
Community Foundation – COVID-19 Relief	-	517,833
COVID-19 Relief Miscellaneous	-	67,945
Heart of Florida	265,699	1,839,659
Interfaith Emergency Services	170,300	94,219
Kids Central	-	89,333
Kimberly's Center	67,800	43,423
Langley Project Health	195,730	209,984
Life Stream	750,000	189,158
Marion County Sheriff Foundation – COVID-19 Relief	-	164,050
Marion County Children's Alliance	15,000	10,000
Park Place	692,802	-
The Center's/SMA	1,500,000	683,364
Other Diabetes and Obesity	36,909	-
United Hands, Inc. – Dental	193,284	121,533
United Hands, Inc. – Mental Health	6,229	157,760
Total	<u>\$ 5,144,165</u>	<u>\$ 5,543,920</u>

**Non-Operating Gains and Losses, Net**

Non-operating revenues and expenses, net for 2021, increased approximately \$27.5 million. Investment income of approximately \$45.8 million is included in non-operating revenues in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This represents an increase of approximately \$27.5 million during the year ended September 30, 2021, due to stronger market conditions.

**Statement of Cash Flows**

The statement of cash flows provides additional information in regard to the business-type activity financial results by reporting the major sources and uses of cash.

Total cash and cash equivalents increased in fiscal year 2021 by approximately \$2.5 million. This increase is attributed to the liquidation of investment earnings in accordance with the investment policy. Cash and cash equivalents for the District were mainly used to support the operations of the District, fund capital outlay for current and future operations, and fund the third-party settlements accrued for in prior years.

**Capital Assets**

The business-type activities had approximately \$3.7 million in net capital assets as of September 30, 2021, an increase of \$1.2 million. This increase is attributed to relocation and renovations to the District's main office, and expansion of the Beacon Point facility. Additional information on the business-type activities capital assets is included in Note 1 to the financial statements.

	<b>2021</b>	<b>2020</b>
Land	\$ 437,625	\$ 437,625
Work in progress	-	886,554
Buildings, improvements, and fixed equipment	3,078,296	1,002,874
Movable equipment	24,040	19,588
Software	130,414	132,934
Total capital assets, net	<u>\$ 3,670,375</u>	<u>\$ 2,479,575</u>



**MARION COUNTY HOSPITAL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2021**

**Outlook**

The Trustees of the Health System unanimously approved the formal winddown of the Health System effective September 30, 2021. During the winddown of the Health System, management systematically transferred all operations, fulfilled obligations, and transferred net remaining assets and obligations to the District. The District will be the only remaining entity for fiscal year 2022 and beyond.

The District’s Mission, Vision, and Values Statement set the framework for current and future initiatives. Our Mission states *“Create Specific Initiatives Which Will Impact Prioritized Health Concerns and Promote Healthier Lifestyles of Marion County Citizens”*. Our Vision for the District states *“Improved Health of Marion County Citizens”*. Our values are consistent with our mission and vision, which are integrity, stewardship, quality care, and transparency.

The District implemented three strategic goals: 1) Develop and implement long-term chronic disease prevention initiatives that promote a culture of health and improve health outcomes; 2) Administer a Hospital District Demonstration Health Grant Program that addresses targeted health concerns County Hospital District (behavioral health/ substance use disorders, oral health, diabetes, obesity, tobacco use, indigent primary care and nursing shortages), which will be objective, monitored, performance-based, and funded by designated earnings from invested funds and other available matching grant funds; 3) Develop and implement a procedure to ensure appropriate and long-term hospital lease administration, which is consistent with the provisions of the 2014 Lease and Purchase Agreement and its amendments.

The District is focusing its strategies and objectives in the following targeted health concerns:

- Dental – Support uninsured and Medicaid-eligible dental services through matching funds to Federally Qualified Health Centers (FQHC’s) for our safety-net programs. Invest in Heart of Florida’s Low Income Pool funding and increase capacity to serve low-income citizens through investment in their new facility. Continue to support Langley Health’s Low Income Pool funding and their Mobile Dental Bus for uninsured citizens. Support the monthly/quarterly FreeDOM Dental clinics for uninsured citizens throughout the county. Invest in the College of Central Florida’s Science & Technology facilities and increase capacity at the Hampton Center for dental hygienists and dental assistants.
- Diabetes/Obesity – Combating chronic disease through two county-wide wellness programs, AMP (Active Marion Project) and FANS (Fitness and Nutrition in Schools). Establishing Diabetes initiatives and partnerships at new locations which include intensive diabetes education and programming with Advent Health and the FQHC’s. Continued coordination of AMP, Department of Health, Florida Blue, and County and City Parks to establish wellness programs in the community. Investing in the new Mary Sue Rich Community Center in Ocala, which will provide opportunities for exercise and wellness programs to families on the west side of Ocala. Funding is provided to local non-profits to provide free diabetes medication to uninsured individuals, and they assist clients with obtaining prescription assistance programs to pay for future medications.
- Behavioral Health/Substance Use Disorders – Focus on detox, short-term inpatient and outpatient behavioral health and substance use treatment gaps in the community at Beacon Point (for low-income citizens of Marion County). Establishing Medication Assisted Treatment (MAT) in

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2021**

collaboration with Lutheran Services and Department of Children and Families (DCF). Provide integrated primary care, dental and vision services in collaboration with Heart of Florida, Langley, and other community partners. Support life skills, job skills, GED, and trades via grants to improve the future of program participants. Establish peer support programs and recovery therapy into Beacon Point's services. The District provides match and additional funding to Marion County's local community behavioral health and substance abuse provider, SMA, to leverage funding for uninsured or underinsured citizens. Funding is also provided to a local non-profit to provide medication vouchers to those in need of mental health medication that do not have the means to pay for them and to assist clients with obtaining prescription assistance programs to pay for future medications.

- Tobacco Avoidance and Cessation – Health Education through the FANS program, which will impact up to 42,000 students, parents and 6,600 employees. Target Workplace Wellness through AMP by incorporating smoking cessation educational opportunities. Provide grant funding to the Marion County Children Alliance to administer Student's Against Destructive Decisions with an emphasis on vaping and tobacco use.
- Nursing Shortage – Increase the number of available nurses in Marion County through the funding of the College of Central Florida Science & Technology Facilities. Continue to monitor the Muns and Lux Scholarship Funds for nursing and health care scholarships for students within Marion County.
- Policy Development – To expand water fluoridation and the use of dental therapists to improve dental health. Work with legislators to ban the sale of substances used to falsify Urinalyses/Drug tests. Work with the Schools System, the City of Ocala, and Marion County to expand accessibility to exercise options for the community. Work through legislation to raise the age to purchase tobacco to 21 in Marion County.

**Request for Information**

This report is designed to provide a general overview of the District's finances. Questions or requests for additional information should be made in writing to the Chief Executive Officer of the Board of Directors, 2547 East Silver Springs Boulevard, Ocala, Florida 34470.

**BALANCE SHEET**  
**MARION COUNTY HOSPITAL DISTRICT**  
**OCALA, FLORIDA**  
**SEPTEMBER 30, 2021**

**ASSETS**

	<b>Marion County Hospital District</b>	<b>Munroe Regional Health System</b>	<b>Total Business-Type Activities</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 4,207,313	\$ 630	\$ 4,207,943
Grant Receivable	593,275	-	593,275
Notes Receivable, Current	-	10,599	10,599
Prepaid Expenses and Other Current Assets	52,113	-	52,113
<b>Total Current Assets</b>	<b>4,852,701</b>	<b>11,229</b>	<b>4,863,930</b>
<b>Non-Current Assets</b>			
Non-Current Cash and Investments:			
Investments	304,456,954	-	304,456,954
Accrued Interest on Investments	235,518	-	235,518
Assets Limited as to Use - Cash and Investments:			
Board Designated	-	60,596	60,596
Restricted Investments and Beneficial Interest in Gift Annuities	-	212,463	212,463
Total Non-Current Cash and Investments	304,692,472	273,059	304,965,531
Capital Assets, Not Being Depreciated	437,625	-	437,625
Capital Assets, Being Depreciated, Amortized (Net)	3,232,750	-	3,232,750
<b>Total Non-Current Assets</b>	<b>308,362,847</b>	<b>273,059</b>	<b>308,635,906</b>
<b>Total Assets</b>	<b>\$ 313,215,548</b>	<b>\$ 284,288</b>	<b>\$ 313,499,836</b>
<b>Deferred Outflow of Resources</b>			
Deferred Outflow of Resources Related to Pension	680,397	-	680,397
<b>Total Deferred Outflow of Resources</b>	<b>\$ 680,397</b>	<b>\$ -</b>	<b>\$ 680,397</b>

**LIABILITIES AND NET POSITION**

	<b>Marion County Hospital District</b>	<b>Munroe Regional Health System</b>	<b>Total Business-Type Activities</b>
<b>Current Liabilities</b>			
Accounts Payable	\$ 1,200,272	\$ 1,544	\$ 1,201,816
Accrued Liabilities:			
Self-Insured Liabilities	-	50,000	50,000
<b>Total Current Liabilities</b>	<b>1,200,272</b>	<b>51,544</b>	<b>1,251,816</b>
<b>Non-Current Liabilities</b>			
Self-Insured Liabilities	-	900,118	900,118
Net Pension Liability	261,348	-	261,348
Unearned Lease Revenue	35,534,625	-	35,534,625
<b>Total Non-Current Liabilities</b>	<b>35,795,973</b>	<b>900,118</b>	<b>36,696,091</b>
<b>Total Liabilities</b>	<b>36,996,245</b>	<b>951,662</b>	<b>37,947,907</b>
<b>Deferred Inflow of Resources</b>			
Deferred Inflow of Resources Related to Pension	441,882	-	441,882
<b>Total Deferred Inflow of Resources</b>	<b>441,882</b>	<b>-</b>	<b>441,882</b>
<b>Net Position</b>			
Net Investment in Capital Assets	3,670,375	-	3,670,375
Restricted:			
For Donor Purposes - Capital, Scholarships, and Community Outreach Program	-	212,463	212,463
Unrestricted	272,787,443	(879,837)	271,907,606
<b>Total Net Position</b>	<b>276,457,818</b>	<b>(667,374)</b>	<b>275,790,444</b>
<b>Total Liabilities, Deferred Inflows and Net Position</b>	<b>\$ 313,895,945</b>	<b>\$ 284,288</b>	<b>\$ 314,180,233</b>

See accompanying notes.

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**MARION COUNTY HOSPITAL DISTRICT**  
**OCALA, FLORIDA**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Marion County Hospital District</b>	<b>Munroe Regional Health System</b>	<b>Total Business-Type Activities</b>
<b>Operating Revenues</b>			
Patient Service Revenue	\$ -	\$ 61,639	\$ 61,639
Lease Revenue	1,093,368	-	1,093,368
<b>Total Operating Revenues</b>	<u>1,093,368</u>	<u>61,639</u>	<u>1,155,007</u>
<b>Operating Expenses</b>			
Salaries and Benefits	476,066	-	476,066
Pension Expense	162,410	-	162,410
Purchased Services and Other	445,130	-	445,130
Health Improvement Initiatives	1,150,412	-	1,150,412
Depreciation and Amortization	113,684	-	113,684
Grant Expense	3,956,844	36,909	3,993,753
<b>(Total Operating Expenses)</b>	<u>(6,304,546)</u>	<u>(36,909)</u>	<u>(6,341,455)</u>
<b>Operating Income</b>	<u>(5,211,178)</u>	<u>24,730</u>	<u>(5,186,448)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Investment Revenue	41,027,112	124,265	41,151,377
Interest and Dividend Income	4,683,693	-	4,683,693
Grant Revenue	871,182	-	871,182
Other (Expense) Income	17,342	(769,048)	(751,706)
<b>Total Non-Operating Revenues (Expenses), Net</b>	<u>46,599,329</u>	<u>(644,783)</u>	<u>45,954,546</u>
<b>Excess/(Deficiency) of Revenues Over/(Under) Expenses</b>	41,388,151	(620,053)	40,768,098
<b>Transfers (Out)/In</b>	<u>(1,090,977)</u>	<u>1,090,977</u>	<u>-</u>
<b>Change in Net Position</b>	40,297,174	470,924	40,768,098
<b>Net Position, Beginning of Year</b>	<u>236,160,644</u>	<u>(1,138,298)</u>	<u>235,022,346</u>
<b>Net Position, End of Year</b>	<u>\$ 276,457,818</u>	<u>\$ (667,374)</u>	<u>\$ 275,790,444</u>

See accompanying notes.

**STATEMENT OF CASH FLOWS**  
**MARION COUNTY HOSPITAL DISTRICT**  
**OCALA, FLORIDA**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Marion County Hospital District</b>	<b>Munroe Regional Health System</b>	<b>Total Business-Type Activities</b>
<b>Cash Flows from Operating Activities</b>			
Cash Received from Patients and Third-Party Payers	\$ -	\$ 61,639	\$ 61,639
Cash Paid to Suppliers and Grantees	(4,452,253)	(2,968,155)	(7,420,408)
Cash Paid to Employees	(604,466)	-	(604,466)
Cash Paid for Pension	(139,577)	-	(139,577)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(5,196,296)</b>	<b>(2,906,516)</b>	<b>(8,102,812)</b>
<b>Cash Flows from Non-Capital Activities</b>			
Net Operating Transfers In/(Out)	(1,090,977)	1,090,977	-
<b>Net Cash Provided by (Used in) Non-Capital Activities</b>	<b>(1,090,977)</b>	<b>1,090,977</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of Capital Assets	(1,307,845)	-	(1,307,845)
Proceeds from Grants	277,907	-	277,907
Loss on Disposal of Capital Asset	(2,161)	-	(2,161)
Principal Payments Received for Notes Receivable	-	5,967	5,967
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(1,032,099)</b>	<b>5,967</b>	<b>(1,026,132)</b>
<b>Cash Flows Provided by (Used in) Investing Activities</b>			
Purchase of Investments - Restricted and Unrestricted	(76,610,305)	-	(76,610,305)
Proceeds from Sale and Maturity of Investments	83,440,327	-	83,440,327
Cash Received for Interest and Dividends	4,630,179	-	4,630,179
Transfer of Investments Restricted and Unrestricted	-	195,984	195,984
<b>Net Cash Flows Provided by (Used in) Investing Activities</b>	<b>11,460,201</b>	<b>195,984</b>	<b>11,656,185</b>
<b>Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>4,140,829</b>	<b>(1,613,588)</b>	<b>2,527,241</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>66,484</b>	<b>1,614,218</b>	<b>1,680,702</b>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 4,207,313</b>	<b>\$ 630</b>	<b>\$ 4,207,943</b>

See accompanying notes.

**STATEMENT OF CASH FLOWS**  
**MARION COUNTY HOSPITAL DISTRICT**  
**OCALA, FLORIDA**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<b>Marion County Hospital District</b>	<b>Munroe Regional Health System</b>	<b>Total Business-Type Activities</b>
<b>Cash Flows from Operating Activities</b>			
Operating Income (Loss)	\$ (5,211,178)	\$ 24,730	\$ (5,186,448)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Depreciation and Amortization	113,684	-	113,684
Changes in Operating Assets and Liabilities:			
Other Receivables	-	230,345	230,345
Prepaid Expenses and Other:			
Current Assets	(52,113)	19,261	(32,852)
Deferred Outflows Pension	(680,397)	-	(680,397)
Accounts Payable	1,023,846	(509,965)	513,881
Deferred Revenue	(1,093,368)	-	(1,093,368)
Net Pension Liability	261,348	-	261,348
Deferred Inflow on Pension Liability	441,882	-	441,882
Self-Insurance Liabilities	-	(219,900)	(219,900)
Third-Party Settlements	-	(2,450,987)	(2,450,987)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (5,196,296)</b>	<b>\$ (2,906,516)</b>	<b>\$ (8,102,812)</b>

See accompanying notes.

**NOTES TO FINANCIAL STATEMENTS  
MARION COUNTY HOSPITAL DISTRICT  
OCALA, FLORIDA**

**Note 1 - Summary of Significant Accounting Policies**

**Reporting Entity**

The Marion County Hospital District (the District) is a special tax district, which was created by a special act of the Florida Legislature in 1965 and recodified in 2007. The special act provides for the appointment of seven (7) Trustees by the Marion County Board of County Commission for unlimited terms. The District Board of Trustees is authorized to establish, construct, lease, operate, and maintain any hospital or clinic as its opinion is necessary for the use of the people of the District.

Effective September 1, 1984, the District transferred the operations of Munroe Regional Medical Center (the Medical Center) to Munroe Regional Health System, Inc. (the Health System or MRHS), a not-for-profit corporation, which prior to October 1, 1994, was known as Big Sun Healthcare Systems, Inc., in the form of a lease. The Health System Board of Directors is comprised of the seven (7) District Trustees. Prior to April 2014, the Health System Board of Directors was comprised of seven (7) District Trustees and six (6) non-Trustee Directors. The Health System is reported as a blended component unit of the District. On July 28, 2003, the District and the Health System entered into a revised lease agreement, which was effective through September 30, 2023. The lease was renewable automatically for an additional 10-year term, unless canceled by either party. Annual lease payments were equal to the District's debt service obligations and normal and ordinary operating expenses incurred by the lessor. In addition, the lease also required that \$500,000, or an amount equal to the prior fiscal year operating margin, whichever is less, be set aside each year to fund special healthcare projects in the community as approved by the Board of the lessee.

Effective April 1, 2014, this lease was mutually terminated, and control of the hospital was leased to a third-party organization (see Note 6). Subsequent to the change in control, MRHS remained a not-for-profit corporation with winddown operations governed by the Board of Trustees (the Board) of the District. Effective September 30, 2021, Trustees of MRHS resolved to formally terminate operations of MRHS and transferred remaining assets and liabilities to the District. MRHS's operations, assets, liabilities, and net position are reported as a blended component unit of the District for the year ended September 30, 2021.

**Basis of Presentation**

The accounting policies of the District and the Health System conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The accounts of both the District and the Health System are organized as enterprise funds, which are used to account for the District and the Health System's activities in a manner similar to a private business enterprise. Accordingly, the District and the Health System maintain their records on the accrual basis of accounting. Revenues from operations, investments, and other sources are recognized and recorded when earned. Expenses (including depreciation and amortization) of providing services to the public are accrued when incurred. Under this basis, depreciation of assets is recognized, and all assets and liabilities associated with the operation of the District and the Health System are included in the balance sheet.

Non-exchange transactions, in which the District or the Health System receives value without directly giving equal value in return, include grants from federal, state, and local governments. On an accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, and expenditure requirements, in which the resources are provided to the District or the Health System on a reimbursement basis.

**NOTES TO FINANCIAL STATEMENTS  
MARION COUNTY HOSPITAL DISTRICT  
OCALA, FLORIDA**

**Use of Estimates**

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The District and the Health System define cash and cash equivalents to include cash held on deposit with financial institutions.

**Investments**

Investments are reported at fair value based on quoted market prices, except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one (1) year or less, which are reported at amortized cost.

**Assets Limited as to Use and Restricted Investments**

Assets limited as to use - cash and investments primarily include designated assets set aside by the Board for future insurance claims over which the Board retains control and may, at its discretion, subsequently use for other purposes. Restricted investments are segregated for the purpose of meeting donor-imposed restrictions, including gift annuities and charitable remainder trusts.

**Capital Assets**

Capital assets are recorded at historical cost at the date of acquisition, which includes capitalized interest or at fair value at the date of donation. Routine maintenance and repairs are expensed when incurred. Expenditures that increase the value, change the capacity, or extend the useful life of an asset are capitalized. Major asset classifications and useful lives are generally in accordance with those recommended by the American Hospital Association. Depreciation is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization expense in the statements of revenues, expenses, and changes in net position. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed, and any gain or loss is included in non-operating loss.

Estimated useful lives by major asset classification are summarized below:

	<u>Years</u>
Buildings, Improvements and Fixed Equipment	5-40
Moveable Equipment	3-20
Software	5

**Net Position Classification**

Net position is displayed in three (3) components:

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.



**NOTES TO FINANCIAL STATEMENTS  
MARION COUNTY HOSPITAL DISTRICT  
OCALA, FLORIDA**

- Restricted net position consists of net position with constraints placed on the use either by: (1) external groups such as creditors, grantors, donors, or laws or regulations of other governments; or (2) laws through constitutional provisions or enabling legislation. It is the Health System’s policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.
- Unrestricted net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

**Classification of Revenues and Expenses**

The statement of revenues, expenses, and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care and community services. Non-exchange revenues, including grants, and contributions received for purposes other than capital acquisition are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care and community services, other than financing costs.

**Net Patient Service Revenue**

The Health System has agreements with third-party payers that provide for payment at amounts different from its established rates. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers.

A summary of the basis of payment with Medicare, Medicaid, and other third-party payers is as follows:

*Medicare*—Inpatient acute care services, inpatient rehabilitative services, and hospital outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Certain outpatient services rendered to Medicare beneficiaries are paid based upon a cost-reimbursement methodology. The Medical Center is reimbursed for cost reimbursable items at a tentative interim rate with final settlement determined after submission of annual cost reports and audits by the Medicare fiscal intermediary.

The Medical Center’s Medicare cost reports have been audited and final settlements determined by the Medicare intermediary for all fiscal years through March 31, 2015. Retroactive adjustments for cost report settlements are accrued on an estimated basis in the period when the related services are rendered and adjusted in future periods when final settlements are determined.

*Medicaid*—Outpatient services (except for laboratory and pathology services) rendered to Medicaid program beneficiaries are reimbursed under a cost-reimbursement methodology. Reimbursable cost is determined in accordance with the principles of reimbursement established by the Florida Title XIX Hospital Reimbursement Plan, supplemented by the Medicare Principles of Reimbursement. The interim rates are tentatively established on an individual per diem basis for each hospital, subject to cost ceilings with exceptions. The Medical Center is reimbursed at a tentative interim rate with final settlement determined when the prospectively determined rate is adjusted after the intermediary audit of the

**NOTES TO FINANCIAL STATEMENTS  
MARION COUNTY HOSPITAL DISTRICT  
OCALA, FLORIDA**

combined Medicare and Medicaid cost report that was used to determine the prospective rate. Retroactive adjustments for interim rate changes anticipated after the intermediary audit of the cost report are accrued on an estimated basis in the period when final settlements are determined. The Medical Center’s Medicaid interim rates are based on the Medicare/Medicaid cost report. The cost report for fiscal year 2015 has been audited by the fiscal intermediary. Effective with admissions on or after July 1, 2013, the Medicaid program changed the reimbursement for inpatient stays to a Diagnosis Related Group (DRG)-based methodology.

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

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

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

**Income Taxes**

The Health System has been recognized by the Internal Revenue Service as a tax-exempt organization, as described in Section 501(c)(3) of the Internal Revenue Code (the Code). Income earned in furtherance of the Health System’s tax-exempt purpose is exempt from federal and state income taxes. The Code provides for taxation of unrelated business income under certain circumstances. The Health System’s unrelated business income was not significant for the year ended September 30, 2021.

**Note 2 - Deposit and Investments**

At September 30, 2021, the District had cash and cash equivalents and investments at fair value, including the following:

<b>Cash and Cash Equivalents</b>	
Deposits	\$ 4,207,313
<b>Total Cash and Cash Equivalents</b>	<u>\$ 4,207,313</u>
<b>Investments</b>	
Bank of New York – Simon Quick	\$ 102,957,900
Bank of New York – Truist	102,446,035
Bank of New York – Berman	<u>99,053,019</u>
<b>Total Investments</b>	<u>\$ 304,456,954</u>

**NOTES TO FINANCIAL STATEMENTS  
MARION COUNTY HOSPITAL DISTRICT  
OCALA, FLORIDA**

As of September 30, 2021, the Health System had the following cash and cash equivalents and investments, including assets limited as to use, at fair value, including the following:

<b>Cash and Cash Equivalents</b>	
Deposits	\$ <u>630</u>
<b>Total Cash and Cash Equivalents</b>	<b>\$ <u>630</u></b>

<b>Assets Limited as to Use</b>	
Board Designated:	
Cash	\$ <u>60,596</u>
<b>Total Assets Limited as to Use</b>	<b>\$ <u>60,596</u></b>

**Deposits**

The District and the Health System require bank deposits to be secured per Chapter 280, Florida Statutes. This Statute requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida and creates the Public Deposits Trust Fund, a multiple financial institutions pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. As of September 30, 2021, the District and the Health System’s deposits were entirely covered by federal deposit insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, Florida Statutes.

**Investments**

The District and Health System’s investment policies, approved by the Board, were written to comply with all of the applicable laws and rules of Florida Statute 218.415. The Health System currently does not hold any investments that fall under their policy; however, the investments included on the balance sheet fall under trust investment policies.

On September 29, 2021, the Trustee for Angelica Muns Charitable Trust informed the Health System of their intent to make distributions to an unrelated non-profit organization. The derecognition of future distribution receivables was \$916,130 and was accounted for as non-operating expense during the year ended September 30, 2021. The remaining benefit of the gift annuities to be received by the Health System were estimated to be \$212,463 September 30, 2021, and are reported as beneficial interest in gift annuities.

The District and the Health System had the following types of investments by issuer and effective duration presented in terms of years:

**NOTES TO FINANCIAL STATEMENTS  
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OCALA, FLORIDA**

	Fair Value	Weighted Average Duration (Years)	Credit Rating
<b>District Investments</b>			
Cash and Cash Equivalents	\$ 4,402,241	N/A	AAA
Equities	7,567,468	N/A	N/A
Fixed Income:			
Corporate Notes	6,528,249	3.832	A
FGLMC Notes	710,232	2.685	AA+
FNMA Notes	3,763,023	3.472	AA+
FHLMC	205,018	1.617	AA+
GNMA Bonds	72,839	1.905	AA+
Treasury Inflated Protection Securities	274,992	0.071	A-1+
U.S. Government Securities	7,815,248	2.388 & 4.684	AA+ & AA
Total Fixed Income	<u>19,369,601</u>		
Mutual Funds:			
Closed-End Fund	1,436,102	N/A	N/A
Exchange Traded Fund (ETF)	111,766,263	N/A	N/A
Open-End Fund	142,372,711	N/A	N/A
Total Mutual Funds	<u>255,575,076</u>		
Alternatives	17,542,568	N/A	N/A
<b>Total District Investments</b>	<u><u>\$ 304,456,954</u></u>		

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. *Recurring* fair value measurements are those that Governmental Accounting Standards Board Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows as of September 30, 2021:

	Fair Value	Fair Value Measurements Using:		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
<b>District Investments</b>				
Cash and Cash Equivalents	\$ 4,402,241	\$ 4,402,241	\$ -	\$ -
Equities	7,567,468	7,567,468	-	-
Fixed Income:				
Corporate Notes	6,528,249	-	6,528,249	-
FGLMC Notes	710,232	-	710,232	-
FNMA Notes	3,763,023	-	3,763,023	-
GNMA Bonds	205,018	-	205,018	-
FHLMC	72,839	-	72,839	-
Treasury Inflated Protection Securities	274,992	274,992	-	-
U.S. Government Securities	7,815,248	7,815,248	-	-
Mutual Funds:				
Closed-End Fund	1,436,102	1,436,102	-	-
Exchange Traded Fund (ETF)	111,766,263	111,766,263	-	-
Open-End Fund	142,372,711	142,372,711	-	-
Alternative Investments	17,542,568	-	-	17,542,568
<b>Total District Investments</b>	<u><u>\$ 304,456,954</u></u>	<u><u>\$ 275,635,025</u></u>	<u><u>\$ 11,279,361</u></u>	<u><u>\$ 17,542,568</u></u>

**NOTES TO FINANCIAL STATEMENTS**  
**MARION COUNTY HOSPITAL DISTRICT**  
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Cash and Cash Equivalents, Equity Securities, MUNI Bonds, Treasury Inflation Protection Securities, U.S. Government Securities, Closed-End Mutual Fund, and Exchange Traded Fund (ETF) are categorized as Level 1 and are based on prices quoted in active markets for those investments. Fixed Income investments, categorized as Level 2, are based upon evaluated prices from the custodian bank's external pricing vendors. The pricing methodology involved the use of evaluation models such as matrix pricing, which is based on securities' relationship to benchmark quoted prices. The Open and Closed-End Mutual Funds classified as Level 3 are prices from the investment managers' and custodian bank's external pricing vendors or an alternative pricing source, utilizing inputs such as stale prices, cash flow models, broker bids, or cost. Cost or book value may be used as an estimate of fair value when there is a lack of independent pricing source.

*Interest Rate Risk*—Interest rate risk is the risk that the fair value of investments will decrease as a result of an increase in interest rates. The District's investment policy seeks to control risk and reduce the volatility of its portfolio through diversification. Short-term volatility is characteristic of the securities markets and will be tolerated if such volatility is consistent with the volatility of similar investment portfolios. Unless matched to a specific cash flow requirement, the District will not directly invest in securities maturing more than 10 years from the date of purchase. The Health System's investments, which are held in trust agreements, have a moderate risk tolerance and have an investment horizon of 11+ years.

*Credit Risk*—Credit risk is the risk that the District and Health System will not recover their investments due to the ability of the counterparty to fulfill its obligation. The District's investment policy has guidelines for allowable investments including cash and fixed income, U.S. Equity, Non-U.S. Equity, illiquid alternatives, and alternatives. The Health System's investments, which are part of trust agreements, include cash equivalents, fixed income, equities, international mutual funds, alternative investments, and real assets.

As of September 30, 2021, the District and Health System's fixed-income investments are rated in the table above.

*Custodial Credit Risk*—Custodial credit risk is the risk that in the event of the failure of a counterparty, the District or the Health System would not be able to recover the value of their investments or collateral securities that are in the possession of an outside party. The District and the Health System maintain their cash and cash equivalents with several large institutions and all deposit accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 per institution. In addition, all operating accounts of the District and the Health System are insured by the *Florida Security for Public Deposits Act* as outlined in Chapter 280 of the Florida Statutes. The investments for the District are held by a third-party custodian, Bank of New York, in the name Marion County Hospital District and these investments are managed by three investment advisors and cash holdings within are not guaranteed by the Federal Deposit Insurance Corporation. The Health System investments are held in trust with Regions Bank and Wells Fargo Bank, N.A.

*Concentration of Credit Risk*—Concentration of credit risk is the risk of loss attributable to the magnitude of investments in a single issuer. The Health System's investment policies establish limitations on portfolio composition by investment type and issuer to limit its exposure to concentration of credit risk.

**NOTES TO FINANCIAL STATEMENTS  
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The District's investment policies establish limitations on portfolio composition by investment type to limit its exposure to concentration of credit risk. The target allocation of investment by type is as follows: Cash (5%), Fixed Income (35%), U.S. Equity (35%), Non-U.S. Equity Securities (10%), Alternatives (10%) and Illiquid Alternatives (5%). The investment policy provides various factors that the investment advisors should consider when creating an investment portfolio including general economic conditions, the possible effect of inflation or deflation, the expected total return from income, and the appreciation of investments. Management and investment decisions about an individual asset will be made not in isolation but in the context of the portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the portfolio goals of the District. The District does not invest directly in investments that would be classified as derivatives; however, there are underlying assets within commingled or pooled investments which may be classified as derivatives. Information related to investments held in commingled funds has not been separately disclosed in the financial statements or the accompanying footnotes.

**Note 3 - Capital Assets**

The capital asset activity for the District is as follows:

	September 30, 2020	Additions/ Transfers	Deletions	September 30, 2021
Capital Assets Not Being Depreciated:				
Land	\$ 437,625	\$ -	\$ -	\$ 437,625
Work in Process	886,554	1,255,898	(2,142,452)	-
Total Capital Assets Not Being Depreciated	<u>1,324,179</u>	<u>1,255,898</u>	<u>(2,142,452)</u>	<u>437,625</u>
Capital Assets Being Depreciated:				
Buildings, Improvements and Fixed Equipment	1,270,618	2,141,252	-	3,411,870
Moveable Equipment	60,423	13,447	(22,416)	51,454
Software	186,352	38,500	-	224,852
Total Capital Assets Being Depreciated	<u>1,517,393</u>	<u>2,193,199</u>	<u>(22,416)</u>	<u>3,688,176</u>
Less Accumulated Depreciation:				
Buildings, Improvements, and Fixed Equipment	(264,501)	(65,638)	-	(330,139)
Moveable Equipment	(44,078)	(7,025)	20,255	(30,848)
Software	(53,418)	(41,021)	-	(94,439)
Total Accumulated Depreciation	<u>(361,997)</u>	<u>(113,684)</u>	<u>20,255</u>	<u>(455,426)</u>
Total Depreciable Capital Assets, Net	<u>1,155,396</u>	<u>2,079,515</u>	<u>(2,161)</u>	<u>3,232,750</u>
<b>Total Capital Assets, Net</b>	<u><u>\$ 2,479,575</u></u>	<u><u>\$ 3,335,413</u></u>	<u><u>\$ (2,144,613)</u></u>	<u><u>\$ 3,670,375</u></u>

**Note 4 - Risk Management**

The Health System was exposed to various risks of loss related to general, professional, patient care, and workers' compensation until March 31, 2014, when the hospital operations were leased to a third-party organization.

The Health System has a self-insurance program for its medical malpractice exposure. The Health System claims entitlement to the protections of Sovereign Immunity under Section 768.28, Florida Statutes. In addition, the Health System purchases excess professional liability coverage for claims exceeding the self-insured retention amounts of \$3 million per medical incident up to \$25 million per claim and in the

**NOTES TO FINANCIAL STATEMENTS  
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aggregate. Claims of approximately \$420,614 as of September 30, 2021, are included in the balance sheet based upon the expected ultimate cost of the expenses to date (including a provision for unknown incidents). During the year ended September 30, 2021, the Health System recorded a \$0 decrease in medical malpractice expense estimate based on analysis performed by independent actuaries employed by the Health System to estimate the actual costs. In management’s opinion, an adequate reserve for loss contingencies has been recorded in the accompanying financial statements.

The Health System is self-insured for workers’ compensation up to \$600,000 per occurrence subsequent to October 1, 2010, and has purchased excess coverage from commercial carriers up to the amount allowed by Florida Statutes. Workers’ compensation claims of approximately \$529,504 as of September 30, 2021, is accrued and included in the balance sheet based on historical analysis performed by independent actuaries employed by the Health System to estimate the expected costs. In management’s opinion, an adequate reserve for loss contingencies has been recorded in the accompanying financial statements.

As a provider of healthcare services, the Health System was subject to malpractice claims and litigation through the normal course of operations. Certain of these matters were covered by insurance arrangements described above. Losses that are subject to the deductible provisions have been estimated and accrued in the accompanying financial statements. Management believes that these matters will be resolved without material adverse effect on the Health System’s future financial position, results of operations, or cash flows.

A summary of the self-insurance activities for malpractice and workers’ compensation is as follows:

	<b>Medical Malpractice</b>	<b>Workers’ Compensation</b>	<b>Total</b>
<b>Balance at September 30, 2020</b>	\$ 420,614	\$ 749,404	\$ 1,170,018
Claims and Changes in Estimates	-	-	-
Claim Payments	-	(219,900)	(219,900)
<b>Balance at September 30, 2021</b>	<u>\$ 420,614</u>	<u>\$ 529,504</u>	<u>\$ 950,118</u>

	<b>Medical Malpractice</b>	<b>Workers’ Compensation</b>	<b>Total</b>
<b>Balance at September 30, 2019</b>	\$ 420,614	\$ 821,313	\$ 1,241,927
Claims and Changes in Estimates	-	-	-
Claim Payments	-	(71,909)	(71,909)
<b>Balance at September 30, 2020</b>	<u>\$ 420,614</u>	<u>\$ 749,404</u>	<u>\$ 1,170,018</u>

**Note 5 - Benefit Plan**

On and effective October 1, 2020, all employees of the District became eligible to participate in the Florida Retirement System defined benefit plan.

- Plan Description, Membership and Plan Benefits, and Contribution Requirements

**NOTES TO FINANCIAL STATEMENTS  
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Plan Description

The Florida Retirement System (FRS) is a cost-sharing, multiple-employer, contributory retirement system administered by the State of Florida. The FRS was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution plan is the FRS Investment Plan (INV). Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any state-administered retirement system in paying the costs of health insurance.

The FRS and HIS are administered by the Florida Department of Management Services, Division of Retirement. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code. The Florida Legislature has the authority to establish and amend retirement legislation and related bills of significance to members of the FRS and HIS plans (including benefit terms and contribution rates). Passed bills are presented to the Governor of Florida and approved before they may be enacted into law.

The FRS and HIS financial information is included in the Florida Retirement System (the System) Pension Plan and Other State-Administered Systems' Annual Comprehensive Financial Report (ACFR). The System ACFR, including audited financial information to support the Schedules of Employer Allocations and Schedules of Pension Amounts by Employer, are available online at: [http://www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

The System ACFR and actuarial reports may also be obtained by contacting the Division of Retirement by mail or phone at:

Department of Management Services  
Division of Retirement  
Bureau of Research and Member Contributions  
P.O. Box 9000  
Tallahassee, Florida 32315-9000  
850-907-6500 or toll free 844-377-1888

Membership and Plan Benefits - FRS

The FRS has one class of membership applicable to the District, regular class. The FRS pension plan provides for the vesting of benefits after six years of creditable service or after eight years of credible service for members first enrolled after July 1, 2011. Members are eligible for normal retirement when they have met the minimum requirements listed below. Early retirement may be taken any time after vesting; however, there is a 5% benefit reduction for each year prior to normal retirement age. Members are also eligible for regular disability benefits if permanently disabled and unable to work. Benefits are computed on the basis of age, average final compensation, creditable years of service, and accrual value by membership class.



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MARION COUNTY HOSPITAL DISTRICT  
OCALA, FLORIDA**

A DROP was established effective July 1, 1998, subject to provisions of Section 121.091, Florida Statutes. It permits employees eligible for normal retirement under the FRS to defer receipt of monthly benefit payment while continuing employment with a System employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Regular Class: Six years of service and age 62, or the age after 62 the member becomes vested, or thirty years of service, regardless of age, whichever comes first.

After eight years of service for members first enrolled after July 1, 2011, and age 65 the member becomes vested, or the age after 65 the member becomes vested, or thirty-three years of service regardless of the age before 65.

*Membership and Plan Benefits - HIS*

HIS membership is available to all members within the FRS and INV plans. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30, and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

*Contribution Requirements*

The contribution rates for FRS and HIS members are established, and may be amended, by the State of Florida. Employer contributions rates are actuarially recommended but set by the Legislature. These rates are a percentage of covered payroll. The FRS and HIS contribution rates were as follows:

	<u>October 1, 2020 - June 30, 2021</u>	<u>July 1, 2021 - September 30, 2021</u>
<b>Senior Management Service Class</b>	27.29%	29.01%
<b>Regular Class</b>	10.00%	10.82%

Employer rates include 1.66% from October 1, 2020 to September 30, 2021, for the HIS program. In addition, other than for the DROP, rates include .06% from October 1, 2020 to September 30, 2021, for administrative costs.

The District's contributions recognized during the fiscal year ended September 30, 2021, by the FRS and HIS were \$90,723 and \$28,961, respectively.

As of July 1, 2011, members contribute 3% of their salary as retirement contributions. Members participating in DROP are not required to make 3% contributions.

**NOTES TO FINANCIAL STATEMENTS  
MARION COUNTY HOSPITAL DISTRICT  
OCALA, FLORIDA**

■ FRS and HIS Rate of Return, Discount Rate Sensitivity, and Significant Actuarial Assumptions

Long-Term Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2020 the FRS Actuarial Assumption Conference reviewed assumptions by Milliman’s Capital Markets Assumption team. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Annual Target Allocation</u>	<u>Arithmetic Return</u>
Cash	1.0%	2.1%
Fixed Income	20.0%	3.8%
Global Equity	54.2%	8.2%
Real Estate (Property)	10.3%	7.1%
Private Equity	10.8%	11.7%
Strategic Investments	3.7%	5.7%
	<u>100.0%</u>	

The HIS is essentially funded on a pay-as-you go basis and depletion date is considered to be immediate. As such, there is no assumption for a long-term expected rate of return on a portfolio, no assumptions for cash flows into and out of the plan or assumed asset allocation.

Discount Rate Sensitivity Analysis

The following tables demonstrate the sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact if the discount rate was 1.0% higher or 1.0% lower than the current discount rate at June 30, 2021.

Long-Term Rate of Return

<u>FRS Net Pension Liability (Asset)</u>			<u>HIS Net Pension Liability (Asset)</u>		
<u>Current Discount</u>			<u>Current Discount</u>		
<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>	<u>1% Decrease</u>	<u>Rate</u>	<u>1% Increase</u>
5.80%	6.80%	7.80%	1.21 %	2.21%	3.21%
\$ 559,155	\$ 125,033	\$ (237,845)	\$ 157,593	\$ 136,315	\$ 118,882

Actuarial Methods and Assumptions

Actuarial assumptions for both the FRS and HIS are reviewed annually by the System Actuarial Assumptions Conference. The FRS has a valuation performed annually and the HIS has a valuation performed biennially that is updated for Governmental Accounting Standards Board reporting in the year a valuation is not performed. The most recent experience study for the FRS was for the period July 1, 2013 through June 30, 2018. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed.

**NOTES TO FINANCIAL STATEMENTS  
MARION COUNTY HOSPITAL DISTRICT  
OCALA, FLORIDA**

The total pension liability for the FRS and HIS was determined by an actuarial valuation as of July 1, 2020, using the individual entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth for both plans is assumed at 3.25%. Benefits received by retirees and beneficiaries of the FRS plan are increased by a cost-of-living adjustment (COLA) each year based on their previous year benefit amount. Retirements prior to August 2011 receive a 3% COLA, and retirees after August 2011 received a formula-structured COLA. Mortality assumptions for the FRS were based on the PUB2010 base table varied by member category and sex, projected generationally with scale MP-2018; and on the Generational RP-2000 with Projection Scale BB tables for the HIS. Both the discount rate and long-term expected rate of return used for FRS investments is 6.80%. The FRS fiduciary net position was projected to be available to make all projected future benefit payments of 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 uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% was used to determine its total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). As of June 30, 2021, the municipal rate used by HIS decreased from 2.21% to 2.16%.

**Net Pension Liability, Deferred Outflows/Inflows of Resources, and Pension Expense for District Defined Benefit Pension Plans**

■ Proportionate Share of FRS and HIS Plans

Employers participating in the FRS and HIS were provided pension allocation schedules for use in recording their proportionate share of the FRS and HIS collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pensions expense at measurement date June 30, 2021, in accordance with Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of Statement No. 68*. The underlying financial information used to prepare the pension allocation schedules was based on the same basis as mentioned previously, and on the actuarial valuation as of July 1, 2021, for FRS and the HIS. The District’s proportionate share was calculated using the retirement contributions for employees that were members of the FRS and HIS during the measurement year ended June 30, 2021. The aggregate employer contribution amounts in the pension allocation schedules agree to the total employer contribution amounts reported in the System ACFR.

At September 30, 2021, the District reported a net pension liability of \$261,348 for its proportionate share of the collective net pension liability of the FRS and HIS. The following table presents information on the District’s proportionate share of the FRS and HIS:

	<u>FRS</u>	<u>HIS</u>	<u>District Total</u>
Proportionate Share of Net Pension Liability as of June 30, 2021	\$ 125,033	\$ 136,315	\$ 261,348
District’s Proportion at June 30, 2021	0.001655217%	0.001111276%	
District’s Proportion at June 30, 2020	0.000000000%	0.000000000%	
Change on Proportion During Current Year	0.001655217%	0.001111276%	

**NOTES TO FINANCIAL STATEMENTS  
MARION COUNTY HOSPITAL DISTRICT  
OCALA, FLORIDA**

■ Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the District recognized a pension expense of \$90,273 related to FRS, and pension expense of \$28,961 related to the HIS. At September 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS		District Total
	Deferred Outflow	Deferred Inflow	Deferred Outflow	Deferred Inflow	Deferred Outflow/Deferred (Inflow)
Differences Between Expected and Actual Experience	\$ 21,431	\$ -	\$ 4,561	\$ (57)	\$ 25,992 (57)
Changes of Assumptions	85,554	-	10,711	(5,617)	96,265 (5,617)
Net Difference Between Projected and Actual Investment Earnings	-	(436,208)	142	-	142 (436,208)
Changes in Proportion	426,590	-	104,145	-	530,735 -
District Contributions Subsequent to the Measurement Date	24,835	-	2,428	-	27,263
<b>Total Deferred Outflows</b>	<u>\$ 558,410</u>		<u>\$ 121,987</u>		<u>\$ 680,397</u>
<b>Total Deferred (Inflows)</b>		<u>\$ (436,208)</u>		<u>\$ (5,674)</u>	<u>\$ (441,882)</u>

Deferred outflows of resources of \$27,263 are reported by the District for employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Reporting Year Ending June 30,	FRS	HIS	District Total Deferred Outflows/ Deferred (Inflows)
2022	\$ 32,779	\$ 21,969	\$ 54,748
2023	23,149	20,141	43,290
2024	1,200	21,050	22,250
2025	(24,006)	21,626	(2,380)
2026	64,246	21,037	85,283
Thereafter	-	8,062	8,062
<b>Total</b>	<u>\$ 97,638</u>	<u>\$ 113,885</u>	<u>\$ 211,253</u>

**NOTES TO FINANCIAL STATEMENTS  
MARION COUNTY HOSPITAL DISTRICT  
OCALA, FLORIDA**

**Note 6 - Capital Lease Agreement**

**Trustee Execution of Lease/Purchase Agreement (LPA)**

On April 1, 2014, the Health System and District executed a 40-year LPA with Munroe HMA Hospital, LLC, an affiliate of Community Health Systems (CHS); thereby, terminating the revised hospital and operations lease between the Health System and the District. Under the LPA, control of the hospital transferred to CHS, including control of land, buildings, and equipment with a net book value at the time of transfer of approximately \$132 million; and inventory, prepaids, investments in joint ventures, and various assumed obligations with a net book value of approximately \$6 million. The District received approximately \$196 million of cash and consideration under the LPA on April 1, 2014. Net proceeds of the LPA after settlement and closing costs was approximately \$110,535,000. Included in the settlement of the LPA proceeds were refunding of bond payables, prepayment of pension contributions, and closing costs of approximately \$4,788,000. The remaining amount of \$35,534,625 as of September 30, 2021, is reported as unearned lease revenues and amortized over the life of the lease with annual amortization of deferred income in the amount of approximately \$1,093,000 each year.

The executed 2014 LPA was assigned by Munroe HMA Hospital, LLC (the Hospital) to Florida Hospital Ocala, Inc. an affiliate of Adventist Health System Sunbelt Healthcare Corporation. On June 27, 2018, the Fourth Amendment was signed and consented to the Original Lessee's assignment of the LPA to the Lessee, the assignment became effective on August 1, 2018. On and effective February 1, 2019, the Fifth Amendment was signed by the Hospital and required a 16-member Board of Directors for the Hospital consisting of the Hospital's Chief Executive Officer and Chief Medical Officer, three physicians from the Hospital, and five representatives from industry, government, religious organizations, and such other members, as may be selected by the Lessee. On and effective June 24, 2019, the Sixth Amendment was signed by the Hospital making the Third Amendment no longer applicable, as well as extended the completion date of Hospital projects to December 31, 2020 and January 1, 2023. On and effective October 20, 2020, the completion date for the main campus portion of the lease was extended through the Seventh Amendment. On and effective December 31, 2021, a land parcel included in the lease agreement was exchanged for a land parcel not previously included in the lease through the Eighth Amendment.

**Note 7 - Commitments**

The District has contractual grant and project commitments as of September 30, 2021, of the following:

	<b>Total Commitment</b>
College of Central Florida Nursing School Building	\$ 4,800,000
College of Central Florida Additional Floor/Renovate Hampton Center	3,500,000
College of Central Florida Renovate Dental Hygiene Building	800,000
Ocala Community Center	2,300,000
Marion County BOCC - Mental Health Service Provider	988,000
Heart of Florida Low Income Pool Match	479,000
Langley Low Income Pool Match	279,000
	<u>\$ 13,146,000</u>

**NOTES TO FINANCIAL STATEMENTS  
MARION COUNTY HOSPITAL DISTRICT  
OCALA, FLORIDA**

**Note 8 - Grant Revenue**

The District applied for and was awarded \$871,182 of Community Development Block Grant (CDBG) funding for the expansion of facilities. The grant was a federal/state pass-through grant administered by Marion County, Florida. As of September 30, 2021, \$593,275 of the CDBG was receivable.

**Note 9 - Subsequent Events**

On and effective November 30, 2021, the Trustees resolved to discontinue investment advisory services with an existing investment advisor. On and effective December 1, 2021, the Trustees resolved to engage a new third-party investment manager to manage the assets managed by the previously terminated third-party investment advisor. This change had no impact to the investment policy of the District.

On and effective December 31, 2021, the District executed an Eighth Amendment to the lease with Adventist Health System Sunbelt Healthcare Corporation. See Note 6 for details of the amendment.

**REQUIRED SUPPLEMENTARY INFORMATION**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**LAST 10 FISCAL YEARS**

<b>Florida Retirement System (FRS):</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's Proportion of the Net Pension Liability (Asset)	0.00165520000%	0.00000000000%	0.00000000000%	0.00000000000%	0.00000000000%	0.00000000000%	0.00000000000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 125,033	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	393,416	-	-	-	-	-	-
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	31.78%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Note 2)	96.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Health Insurance Subsidy (HIS):</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's Proportion of the Net Pension Liability (Asset)	0.00111127600%	0.00000000000%	0.00000000000%	0.00000000000%	0.00000000000%	0.00000000000%	0.00000000000%
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 136,315	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	393,416	-	-	-	-	-	-
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	34.65%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Note 2)	3.56%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

\* The amounts presented for each measurement year were determined as of June 30.

**Note 1:** Governmental Accounting Standards Board Statement No. 68 requires information for 10 years. However, until a 10-year trend is compiled, the District is presenting information for only those years for which information is available.

**Note 2:** The Plan's fiduciary net position as a percentage of the total pension liability is published in Note 4 of the Plan's Annual Comprehensive Financial Report.



**REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS**

<b>Florida Retirement System (FRS):</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contribution	\$ 87,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	(87,892)	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 542,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered-Employee Payroll	8.06%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Health Insurance Subsidy (HIS):</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contribution	\$ 8,960	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	(8,960)	-	-	-	-	-	-
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered-Employee Payroll	\$ 542,666	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a Percentage of Covered-Employee Payroll	1.65%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

\*The amounts presented for each fiscal year-end were determined as of September 30.

**Note 1:** Governmental Accounting Standards Board Statement No. 68 requires information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for only those years for which information is available.

**ADDITIONAL ELEMENTS OF REPORTING PREPARED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*,  
ISSUED BY THE COMPTROLLER GENERAL OF THE  
UNITED STATES, THE UNIFORM GUIDANCE  
AND *RULES OF THE AUDITOR GENERAL***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
MARION COUNTY HOSPITAL DISTRICT  
OCALA, FLORIDA  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

<b>Grantor/Pass-Through Agency(ies) Program Title</b>	<b>Assistance Listing Number</b>	<b>Contract Number</b>	<b>Expenditures</b>
<b><u>Federal Awards</u></b>			
<b>U.S. Department of Housing and Urban Development</b>			
<i>Passed-Through Marion County Board of County Commissioners</i>			
Community Development Block Grant	14.218	N/A	\$ 869,182
<b>Total Federal Awards</b>			<b><u>\$ 869,182</u></b>

**NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021  
MARION COUNTY HOSPITAL DISTRICT - OCALA, FLORIDA**

**Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards includes federal award activity of Marion County Hospital District (the District). The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the District.

**Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. No amounts were passed through to sub-recipients during the fiscal year ended September 30, 2021.

**Indirect Cost Rate Election**

The District did not elect to use the 10% de minimis indirect cost rate as covered in 200.4.414, *Indirect (F&A) Costs*, of the Uniform Guidance.

**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  
Marion County Hospital District  
Ocala, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the blended component unit, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Marion County Hospital District's (the District) basic financial statements, and have issued our report thereon dated March 14, 2022.

**Internal Control Over Financial Reporting**

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

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

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

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To the Board of Trustees  
Marion County Hospital District  
Ocala, Florida

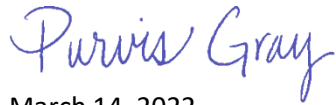
**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Compliance and Other Matters**

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

**Purpose of this Report**

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



March 14, 2022  
Ocala, Florida

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees  
Marion County Hospital District  
Ocala, Florida

### Report on Compliance for Each Major Federal Program

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

### Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the major federal program. However, our audit does not provide a legal determination on the District's compliance.

### Opinion on Each Major Federal Program

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

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Ocala, Florida

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

**Report on Internal Control Over Compliance**

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.



March 14, 2022  
Ocala, Florida



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARDS PROGRAMS  
MARION COUNTY HOSPITAL DISTRICT - OCALA, FLORIDA**

**Summary of Audit Results**

**Financial Statements**

Type of Auditor's Report Issued:	Unmodified
Internal Control Over Financial Reporting:	
Material weakness(es) identified?	No
Significant Deficiency(ies) identified?	No
Non-compliance material to financial statements noted?	No

**Federal Awards**

Internal Control Over Major Programs and Projects:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Type of Auditor's Report Issued on Compliance for Major Programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with CFR 200.516(a)?	No

Identification of Major Federal Program:

Federal Program:

- U.S. Department of Housing and Urban Development:
  - Community Development Block Grant (14.218)

Dollar Threshold Used to Distinguish Between Type A and Type B:

Federal Programs: \$750,000

Auditee qualified as a low-risk auditee pursuant to the Uniform Guidance? No

**Findings and Questioned Costs for Major Federal Programs Required to be Reported Under Section 200.516(a) of the Uniform Guidance**

The audit disclosed no findings which are required to be reported under Section 200.516(a) of the Uniform Guidance.

**Prior Audit Findings**

There were no prior year audit findings.

## INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

To the Board of Trustees  
Marion County Hospital District  
Ocala, Florida

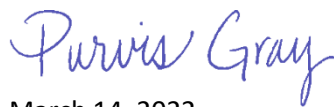
We have examined the Marion County Hospital District (the District) and the Munroe Regional Health System's (the Health System) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2021, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the District's and the Health System's compliance with those requirements. Our responsibility is to express an opinion on the District's and Health System's compliance based on our examination.

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

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

In our opinion, the District and the Health System complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2021.

The report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, federal and other granting agencies, the Board of Trustees, and applicable management, and is not intended to be, and should not be, used by anyone other than those specified parties.



March 14, 2022  
Ocala, Florida

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## MANAGEMENT LETTER

To the Board of Trustees  
Marion County Hospital District  
Ocala, Florida

### Report on the Financial Statements

We have audited the financial statements of the Marion County Hospital District (the District) and the Munroe Regional Health System (the Health System) as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated March 14, 2022.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, *Rules of the Auditor General*.

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on examination conducted in accordance with American Institute of Certified Public Accountants 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 March 14, 2022, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### 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 (see Note 1 of the financial statements).

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To the Board of Trustees  
Marion County Hospital District  
Ocala, Florida

## MANAGEMENT LETTER

### Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), *Rules of the Auditor General*, require that we apply appropriate procedures and report on the results of our determination as to whether or not the District or the Health System has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District and the Health System 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. It is management's responsibility to monitor the District's and the Health System's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

### 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. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

### Specific Information

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

- a. The total number of District employees compensated in the last pay period of the District's fiscal year was 7.
- b. The total number of independent contractors to whom non-employee compensation was paid in the last month of the District's fiscal year was 2.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was \$542,665.
- d. All compensation, earned by or awarded to non-employee independent contractors, whether paid or accrued, regardless of contingency was \$201,571.
- e. Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project was \$947,944.

To the Board of Trustees  
Marion County Hospital District  
Ocala, Florida

### MANAGEMENT LETTER

- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes, was \$106,578 under budget.

#### **Additional Matters**

Section 10.554(1)(i)3., *Rules of the Auditor General*, requires us to communicate non-compliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not 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 the Board of Trustees and applicable management, and is not intended to be, and should not be, used by anyone other than these specified parties.



March 14, 2022  
Ocala, Florida