

BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
PANAMA CITY, FLORIDA
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2023 AND 2022



Tipton, Marler, Garner & Chastain
The CPA Group

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CONTENTS

	<u>PAGE</u>
Financial Section:	
Independent Auditor's Report	1
Required Supplementary Information:	
Management's Discussion and Analysis	4
Financial Statements:	
Statements of Net Position	8
Statements of Revenues, Expenses, and Changes in Net Position	9
Statements of Cash Flows	10
Statements of Fiduciary Net Position	11
Statements of Changes in Fiduciary Net Position	12
Notes to Financial Statements	13

CONTENTS (Continued)

	<u>PAGE</u>
Required Supplementary Information:	
Schedules of Changes in Net Pension Liability and Related Ratios	32
Schedules of Contributions	33
Schedules of Budgeted and Actual Receipts and Expenses	35
Supplementary Information:	
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 <i>Government Auditing Standards</i>	36
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	38
Schedule of Expenditures of Federal Awards	41
Notes to Schedule of Expenditures of Federal Awards	42
Schedule of Findings and Questioned Costs	43
Independent Auditor's Management Letter	45
Independent Accountant's Report	48
Summary Schedule of Prior Year Audit Findings	49
Management's Corrective Action Plan	50



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Bay Medical Center
d/b/a Bay Health Foundation
Panama City, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Bay Medical Center d/b/a Bay Health Foundation, as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Bay Medical Center d/b/a Bay Health Foundation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bay Medical Center d/b/a Bay Health Foundation, as of September 30, 2023 and 2022, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bay Medical Center d/b/a Bay Health Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules

on pages 4-7 and 32-35 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bay Medical Center d/b/a Bay Health Foundation's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2024 on our consideration of the Bay Medical Center d/b/a Bay Health Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Bay Medical Center d/b/a Bay Health Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bay Medical Center d/b/a Bay Health Foundation's internal control over financial reporting and compliance.

Lipton, Mauls, Gainer, Chastain

Panama City, Florida
May 21, 2024

BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022

Introduction

This section of the annual financial report presents management's discussion and analysis of the financial position and performance of Bay Medical Center, a Special District, (the "District") for the year ended September 30, 2023. The District's management has prepared this analysis, which should be read in conjunction with the financial statements and related footnote disclosures.

Overview

The District is a non-taxable, governmental health care entity created by the Florida legislature as a special district and located in Panama City, Florida. The hospital associated with the District was originally established in 1946 as a community hospital and has been the subject of various special acts of the Florida legislature from 1946 through the present. Currently, the District operates under Chapter 2005-343, Laws of Florida, which superseded and amended all prior special acts relating to the District and the community hospital.

Effective April 1, 2012, the District leased its hospital and other health care facilities to a for profit joint venture between Sacred Heart Health System, Inc. and LHP Hospital Group, Inc. (the "Joint Venture"). The lease is for 40 years with two optional 10-year extensions. The Joint Venture also purchased most of the District's other health care assets and agreed to operate the hospital for the duration of the lease. The District remains intact, but its role has changed. Instead of managing a hospital, the District now primarily provides oversight of the lease, manages the remaining liabilities of the District (including the pension fund), and awards community health care grants from the proceeds of the transaction. To reflect its new purpose and to avoid confusion with the Joint Venture hospital, the District changed its trade name to "Bay Health Foundation." In 2017, LHP Hospital Group merged with Ardent Health Services, and Ardent replaced LHP as the partner in the Joint Venture with Sacred Heart. The Joint Venture entity remained unchanged. In March 2019, LHP transferred its interest in the Lease to Ascension Florida as an assignment to a related entity (see note below on Hurricane Michael).

Hurricane Michael

Hurricane Michael struck Panama City on October 10, 2018. The Hospital sustained significant damage - enough damage to qualify as a casualty loss under the Lease. Immediately after Hurricane Michael, the JV operator of the hospital, LHP Hospital Systems, took steps to mitigate damage and return the hospital to operational status as best as it could under the circumstances at significant cost. As the owner of the hospital, the District worked with LHP to complete emergency remediation measures. By January 2019, the District and LHP were able to restore the North Tower to limited operational status.

Also, in January 2019, the District filed an application with FEMA (Federal Emergency Management Act) for federal aid. As a local government public entity and owner of the hospital facility, the District is an eligible applicant for federal FEMA grants. FEMA representatives have reviewed the Lease and other documents and has agreed that the District, as owner of the hospital, is an eligible applicant. The District continues to work through the FEMA process with LHP and Ascension to restore the hospital to its pre-disaster condition.

In March 2019, LHP transferred its interest in the Lease to Ascension Florida as an assignment to a related entity. As part of the assignment, Ascension agreed that it would not terminate the Lease based on the

casualty provision in the Lease, which was a risk after Hurricane Michael. The District also acknowledged that damage to the hospital had made it impossible to continue obstetric services as previously offered for the foreseeable future. Ascension agreed to continue to provide the other services in the Lease according to the Lease. Ascension Florida transferred the previously for-profit entity to an LLC, which provides the hospital with not for profit status now.

In sum, post Hurricane Michael the 2012 Lease continues to be in effect. Ascension Florida has purchased the interest of the LHP and is now the sole Lessee partner. All other provisions of the 2012 Lease remain except that the District has agreed that obstetrics cannot be provided at this time due to damage to the hospital. The District has applied for FEMA grants to rebuild the hospital and is working with the Lessee on the reconstruction plan.

Governance

The District is governed by a nine-member Board of Trustees (the "Board"). One Board member is nominated and confirmed by the Board of County Commissioners of Bay County, six Board members are nominated by the Board itself and confirmed by the Board of County Commissioners, and two Board members are nominated by the medical staff of the hospital owned (and now leased to the Joint Venture) by the Board and confirmed by the Board of County Commissioners. Each Board member can serve two consecutive four-year terms. This allows for continuity of leadership by the Board members. In addition, the terms are staggered so experienced Board members are on the Board at all times.

Mission

The mission of Bay Health Foundation is to promote the health and well-being of Bay County residents.

Vision

The Board's vision is to ensure Bay County residents have access to diverse and effective services whereby each person, irrespective of income or life circumstances, is able to achieve a healthy lifestyle and a life of health.

Objectives

The Board's major objectives are: (i) to ensure the security of the Bay Medical Pension Fund through prudent investments and conservative actuarial assumptions; (ii) to satisfy and manage all post-transaction liabilities; (iii) to collaborate with other health care organizations to strengthen health care services in the community; (iv) to monitor the covenants related to the lease of the hospital and health care facilities and to ensure the fidelity of all agreements; (v) and to continue to provide for the orderly transition of the operation and management of the hospital.

Pension

The District Board is keenly aware that the greatest responsibility it manages is the Bay Medical Pension Fund that as of the January 1, 2023, Actuarial Valuation had 1,438 participants and an actuarial market value of assets of \$94.5 million resulting in a Plan funding level of 82.2% compared to 101.5% the previous year. For the calendar year 2022, the actuarial market value investment return loss of -13.39% was less than the investment return assumption of 6.75%. The three, five and ten-year average annual investment return has been 2.68%, 4.04% and 6.5% respectively and on an actuarial market value basis. Investment returns are a significant source of actuarial gain for the Plan. Another material source of funding for the Pension comes from the Board in the form of annual required contributions. For fiscal year 2023, those contributions totaled zero because of the overfunded status the prior year.

Other

Not including the Bay Medical Pension Fund, the post-transaction liabilities with the longest time horizon for settling and greatest potential impact on the District's assets are open Medicare Cost Reports and Recovery Audit Contractor (RAC) audits. It is the District's responsibility to finalize all open Medicare, Medicaid and Champus cost reports which can take the Agency for Healthcare Administration (ACHA) and Centers for Medicare & Medicaid Services (CMS) a number of years to settle. In 2015, the District settled all outstanding Medicare cost reports that took all the Medicare cost reports accounts (except for a Medicaid liability) to a zero balance. This change did not have a material effect on the net position of the financial statements, however it's important from management's perspective that the reader of these financial statements be aware that even though the District took the accounts to a zero balance, the District is involved in several Medicare and Medicaid appeals including group appeals with the Florida Hospital Association. In 2017, the District in conjunction with the lessee of the Joint Venture entered a settlement with CMS on all outstanding RAC claims, which resulted in a net payment of \$1.2 million to the District in 2019. Also in 2019, the District received the final Medicaid rate sheets for all periods up to March 31, 2012 and the District was able to write the Medicaid liability of \$1.9 million (being recorded since 4/1/2012) to equity due to receipt of final rate sheets.

Through its grant making program, the District is funding health care organizations in Bay County through various contracts and grants, which support may include, but is not limited to, the Bay Cares program, St. Andrew's Clinic, Avicenna Clinic, chronic disease management programs, and other local health improvement initiatives. In 2023, the District awarded \$500,000 in grants to fourteen local organizations bringing the total awarded since 2012 inception to \$5.3 million. The goal of these grants is to continuously improve health care for the citizens of Bay County and foster collaborations between agencies.

Overview of the Combined Financial Statements for Fiscal Year Ended September 30, 2023

Our annual report consists of a series of financial statements prepared in accordance with accounting standards generally accepted in the United States of America, including Governmental Accounting Standards Board ("GASB") Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.

2023 Statement of Revenues, Expenses and Changes in Net Position

A summary of the District's Statement of Revenues, Expenses and Changes in Net Position is presented below.

	2023	2022
Operating revenues	\$ 400,202	\$ 365,245
Operating expenses	8,976,302	1,140,221
Operating Income (loss)	(8,576,100)	(774,976)
Non-operating revenue	2,670,337	1,262,071
Change in net position	\$ (5,905,763)	\$ 487,095

Net position decreased \$5.9 million during fiscal year 2023. Non-operating revenue of \$2.7 million was mainly the revenue of \$0.7 million expected from FEMA for damages to the hospital sustained from Hurricane Michael on Oct. 10, 2018. The non-operating revenue also included the gain on investments of \$2.0 million or 12.26%.

For the most part, the FEMA related expenses and FEMA revenue offset each other on the financial statements.

The \$0.40 million operating revenues was mostly comprised of a \$0.39 million in operating revenues for reimbursement for management costs from FEMA due to Hurricane Michael.

The net \$9 million operating expenses included \$1.1 million in FEMA expenses for funds expended to rebuild the hospital; \$1.2 million related to grants to the community and other operating expenses; and the operating expenses included a pension expense that was a loss of \$6.7 million due mostly to a -13.39% pension investment loss for calendar year 2022 and the annual required contribution of zero because of the overfunded status the prior year.

For comparison purposes in 2022: Net position increased \$0.5 million during fiscal year 2022. Non-operating revenue of \$1.3 million was mainly the revenue of \$3.6 million expected from FEMA for damages to the hospital sustained from Hurricane Michael on Oct. 10, 2018. The non-operating revenue also included the loss on investments of \$2.3 million or -13.12%.

For the most part, the FEMA related expenses and FEMA revenue offset each other on the financial statements.

The \$0.36 million operating revenues was mostly comprised of a \$0.35 million in operating revenues for reimbursement for management costs from FEMA due to Hurricane Michael.

The net \$1.1 million operating expenses included \$3.9 million in FEMA expenses for funds expended to rebuild the hospital; \$1.1 million related to grants to the community and other operating expenses; and the operating expenses included a pension expense that was a gain of \$3.9 million due mostly to a 12.37% pension investment return for calendar year 2021 and the annual required contribution of \$13 thousand.

BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents - unrestricted	\$ 521,460	\$ 464,620
Cash and cash equivalents - restricted	8,910,432	7,063,869
FEMA receivable	6,140,800	10,124,851
Ardent receivable	153,665	153,665
Ascension receivable	2,266,506	1,193,700
Investments	16,252,778	15,328,316
Total current assets	34,245,641	34,329,021
Noncurrent assets:		
FEMA receivable, less current portion	7,491,441	17,870,944
Ardent receivable, less current portion	6,915,984	1,358,197
Ascension receivable, less current portion	4,756,208	3,405,729
Pension asset, net	-	5,540,726
Prepaid expenses	22,128	19,676
Cash surrender value of life insurance	39,274	36,322
Capital assets, net	6,575,683	6,575,888
Total noncurrent assets	25,800,718	34,807,482
Total Assets	60,046,359	69,136,503
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	11,305,044	-
LIABILITIES		
Current liabilities:		
Accounts payable	191,941	843,354
Payable to Ardent	2,264,636	5,407,450
Payable to Ascension	3,373,932	4,599,734
Other current liabilities	65,713	71,342
Total current liabilities	5,896,222	10,921,880
Noncurrent liabilities:		
Payable to Ardent, less current portion	7,091,726	7,048,876
Payable to Ascension, less current portion	14,376,239	15,552,310
Pension liability, net	21,151,159	-
Long term payable, Ardent escrow	8,910,432	7,063,869
Total noncurrent liabilities	51,529,556	29,665,055
Total Liabilities	57,425,778	40,586,935
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	-	8,718,180
NET POSITION		
Restricted:		
Education programs	8,135	11,135
Invested in capital assets, net of related debt	6,575,683	6,575,888
Unrestricted	7,341,807	13,244,365
Total Net Position	\$ 13,925,625	\$ 19,831,388

See the accompanying notes.

BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Operating revenue	\$ 400,202	\$ 365,245
Operating expenses:		
Salaries	152,907	145,684
Pension expense	6,668,661	(3,910,398)
Supplies	5,789	5,231
Other expenses	891,392	802,557
Indigent assessments, insurance, and fees	141,744	169,934
Storm related expenditures	1,112,931	3,923,129
Depreciation	2,878	4,084
Total operating expenses	<u>8,976,302</u>	<u>1,140,221</u>
Operating loss	<u>(8,576,100)</u>	<u>(774,976)</u>
Nonoperating revenues (expenses):		
Net investment income (loss)	1,970,103	(2,284,303)
FEMA revenue	726,214	3,571,724
Other nonoperating expenses	<u>(25,980)</u>	<u>(25,350)</u>
Total nonoperating revenues (expenses)	<u>2,670,337</u>	<u>1,262,071</u>
Change in net position	<u>(5,905,763)</u>	<u>487,095</u>
Net position, beginning of year	<u>19,831,388</u>	<u>19,344,293</u>
Net position, end of year	<u>\$ 13,925,625</u>	<u>\$ 19,831,388</u>

See the accompanying notes.

BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities:		
Payments to employees (salaries and benefits)	\$ (152,908)	\$ (158,847)
Payments to vendors	(5,789)	(5,231)
Other services recorded	(10,386,430)	(4,972,990)
Net cash used in operating activities	(10,545,127)	(5,137,068)
Cash Flows from Investing Activities:		
Net change in investments	(924,462)	3,498,496
Purchases of capital assets	(2,673)	-
Net investment income (loss)	1,970,103	(2,284,303)
Net cash provided by investing activities	1,042,968	1,214,193
Cash Flows from Noncapital Financing Activities:		
Noncapital grants	15,089,768	27,957,059
Loans from others	(3,655,274)	(16,976,592)
Other nonoperating revenues (expenses)	(28,932)	(26,200)
Net cash provided by noncapital financing activities	11,405,562	10,954,267
Net Increase in Cash and Cash Equivalents	1,903,403	7,031,392
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	7,528,489	497,097
Cash, Cash Equivalents, and Restricted Cash, End of Year	\$ 9,431,892	\$ 7,528,489
Reconciliation of Operating Loss to Net Cash Used In Operating Activities		
Operating loss	\$ (8,576,100)	\$ (774,976)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,878	4,084
(Increase) decrease in -		
Prepaid expenses	(2,452)	6,372
Accounts receivable and other receivables	(7,981,072)	(617,571)
Deferred outflows - pension	(11,305,044)	-
Increase (decrease) in -		
Accounts payable	(651,413)	168,154
Deferred inflows - pension	(8,718,180)	2,499,320
Other current liabilities and other noncurrent liabilities	(5,629)	429
Pension liability, net	26,691,885	(6,422,880)
Net cash used in operating activities	\$ (10,545,127)	\$ (5,137,068)

See the accompanying notes.

BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
STATEMENTS OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 3,327,160	\$ 1,468,910
General investments:		
U.S. Government and Agency Bonds	4,062,119	4,387,227
Corporate Bonds	2,971,778	2,631,757
Equities	12,470,692	16,689,834
Mutual Funds - Fixed Income	21,160,488	28,200,392
Mutual Funds - Equities	50,550,734	65,501,554
Total general investments	<u>91,215,811</u>	<u>117,410,764</u>
Receivables:		
Accrued income	<u>47,077</u>	<u>28,939</u>
Total Assets	<u>94,590,048</u>	<u>118,908,613</u>
LIABILITIES		
Payables	<u>73,718</u>	<u>94,932</u>
NET POSITION		
Restricted for pension benefits	<u>\$ 94,516,330</u>	<u>\$ 118,813,681</u>

See the accompanying notes.

BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023	2022
Additions		
Contributions	\$ -	\$ 13,163
Investment earnings:		
Net appreciation in fair value of investments	(16,376,593)	12,616,516
Interest and dividends	1,380,890	1,332,350
Total investment earnings	(14,995,703)	13,948,866
Less investment expense	(317,223)	(380,799)
Net investment earnings	(15,312,926)	13,568,067
Total additions	(15,312,926)	13,581,230
 Deductions		
Pension payments	8,984,425	8,831,556
 Change in net position	(24,297,351)	4,749,674
 Net position, beginning of year	118,813,681	114,064,007
 Net position, end of year	\$ 94,516,330	\$ 118,813,681

See the accompanying notes.

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Bay Medical Center d/b/a Bay Health Foundation (the "District") owns an acute care general hospital, located in Panama City, Florida. The hospital associated with the District was originally established in 1946 as a community hospital and has been the subject of various special acts of the Florida legislature from 1946 through the present. Currently, the District operates under Chapter 2005-343, Laws of Florida, which superseded and amended all prior special acts relating to the District and the community hospital. The District is governed by a Board of Trustees (the "Board"). The Board is sanctioned by a special act of the Florida Legislature, which bestows it with certain powers of a corporate and political nature. One of the Board members is nominated and confirmed by the Board of County Commissioners of Bay County ("County Commission"), other Board members are nominated by the Board and confirmed by the County Commission. Each Board member can serve two consecutive four-year terms, with a minimum of two members' terms expiring each year. This allows for continuity of leadership by the Board members.

Effective April 1, 2012, the District entered into a lease with Bay County Sacred Heart Leasing Co., Inc. ("BCSHL") a wholly owned subsidiary of Bay County Health System, LLC ("BCHS") that owns, manages, and operates hospitals and health systems. The initial term of the lease is for 40 years, and BCSHL shall have the option to extend the initial term for a period of 10 years, and the option to extend the first extension for a period of 10 years. In exchange for renting and occupying the leased premises, BCSHL paid the District \$123,200,000 on April 1, 2012.

Effective April 1, 2012, the District entered into an asset purchase agreement with BCSHL and LHP Hospital Group, Inc. (the "Joint Venture") where the Joint Venture purchased certain assets and assumed certain liabilities of the District for \$30,800,000. The Joint Venture will continue the District's mission of providing health care to the citizens of Bay County and the surrounding areas regardless of ability to pay.

In March 2019, LHP Hospital Group, Inc. transferred its interest in the lease to BCSHL as an assignment to a related entity. BCSHL, a wholly-owned subsidiary of Ascension Sacred Heart Health System, Inc., is now the sole lessee partner.

Reporting Entity

The accompanying financial statements include financial statements for a related organization in accordance with generally accepted accounting principles. Organizations are included if they are financially accountable to the District, or the nature and significance of their relationship with the District are such that exclusion would cause the financial statements to

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

be misleading or incomplete. Inclusion is determined on the basis of the District’s ability to exercise significant influence. Significant influence or accountability is based primarily on its operational or financial relationship with the District (as distinct from legal relationship).

Component units are related organizations to the primary government. They are legally separate, independently audited, and are incorporated into the Annual Comprehensive Financial Report (“Annual Report”). Factors for determining if an entity should be treated as a component unit of a primary government are as follows:

Fiscal dependency: does the primary government appoint a voting majority of the governing body

Financial benefit or burden relationship or the ability for the primary government to impose its will

Financial presentation: the potential that exclusion would result in misleading financial reporting

There are two classifications of component units: blended and discretely presented.

A blended component unit functions, for all practical purposes, as an integral part of the primary government, much like a department. The following criteria is utilized to determine if a component unit is blended:

Substantively the same governing body and a financial benefit or burden relationship exists

Substantively the same governing body and operational responsibility falls with the primary government

(Almost) exclusive service or benefit to the primary government itself rather than its citizens

Total debt of the component unit repayable (almost) entirely from resources of the primary government

If a component unit does not function as an integral part of the primary government, it is reported as a discretely presented component unit.

The following component unit was included, by blended presentation for 2023 based on the criteria noted above:

Bay Medical Center Pension Plan

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Bay Medical Center Pension Plan is responsible for the administration, management, and operation of the pension system. All members of the Board are appointed by the District. There is a fiscal dependency on the District, and there is the potential that exclusion would result in misleading financial reporting.

The District does not have any discretely presented component units.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates include but are not limited to the collectability of the FEMA funds receivable, estimates are based on historical experience, current economic conditions, and other relevant factors, and represents management's best estimate of the amount that will ultimately be collected. Actual results could differ from those estimates. The District will continue to monitor the status of all estimates and will record any necessary adjustments in the period the adjustment is identified.

Enterprise Fund Accounting

The District uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments maturing within three months of the date when purchased, excluding amounts included in assets whose use is limited, and short-term investments.

Assets Whose Use is Limited

Assets whose use is limited include assets designated by the District for insurance reserves, over which the District retains control and may at its discretion subsequently use for other purposes, and assets designated under the asset purchase agreement.

Investments

Investments are categorized at their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the valuation inputs used to measure fair value of the asset that prioritizes inputs into three levels; Level 1 – quoted prices for identical instruments in active markets; Level 2 – significant inputs that are observable; Level 3 – significant inputs that are unobservable.

Capital Assets

Capital assets are stated at cost or, if donated, at fair value on the date donated. Depreciation is provided by using the straight-line method over the estimated life of each class of depreciable assets. Useful lives average 3 to 20 years for furniture and equipment.

Routine maintenance, repairs, and replacement costs are charged to operations as incurred. Expenditures that materially increase values, change capacities, or extend useful lives of the respective assets are capitalized.

When properties are retired or otherwise disposed of, the cost of the assets and related allowances for depreciation are removed from the accounts, and any resulting gain or loss is recognized as an operating activity on the statements of revenues, expenses, and changes in net position.

Cash Surrender Value of Life Insurance

The District is the owner of one life insurance policy with a face amount of \$50,000 and net cash surrender value of \$39,274 and \$36,322 at September 30, 2023 and 2022, respectively.

Net Position

Net position of the District is classified in three components. Net position invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation reduced by the balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net positions are noncapital assets that must be used for a particular purpose, as specified by grantors or contributors external to the District. Unrestricted net positions are remaining assets that do not meet the definition of invested in capital assets, net of related debt or restricted.

Operating Revenues and Expenses

The District's statements of revenues, expenses, and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the District's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contributions

From time to time, the District receives federal and state grants, as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

Income Taxes

The District is exempt from federal and state income taxes under the Internal Revenue Code and the Florida Statutes. The financial statements do not reflect a provision for federal or state income taxes. The District has determined that they do not have any material unrecognized tax benefits or obligations as of September 30, 2023 and 2022.

Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. The District is self-insured for professional liability, workers' compensation, and health insurance up to a certain level and commercial insurance coverage is purchased for claims arising from all other matters.

Self-Insurance

The District is self-insured for professional liability and workers' compensation and has established a revocable trust fund for payment of estimated liabilities. The estimated liabilities are adjusted to reflect the total amount to be paid for all known claims or incidents and have been discounted using a 3.3% interest rate for professional liability at September 30, 2023 and 2022, for estimated future investment income on self-insurance trust assets. In addition, management has estimated and recorded an accrual of \$0 and \$5,628 for claims that may be made in the future for incidents not presently known for professional liability and workers' compensation at September 30, 2023 and 2022, respectively. The amounts expected to be paid within one year of \$0 and \$5,628 are included in other current liabilities on the statements of net position at September 30, 2023 and 2022, respectively.

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The District has implemented GASB No. 91 in this report, however, it does not have any current impact on the District.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into public-public partnership arrangements (PPPS) and availability payment arrangements (APAs) and by enhancing the understanding, relevance, and consistency of information about PPPs and APAs. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The District has implemented GASB No. 94 in this report, however, it does not have any current impact on the District.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The District has implemented GASB No. 96 in this report, however, it does not have any current impact on the District.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing 1) practice issues that have been identified during implementation and application of certain GASB Statements and 2) accounting and financial reporting for financial guarantees. Certain provisions of this statement are effective upon issuance, while other provisions are effective for years beginning after June 15, 2022 and 2023. The District has implemented the provisions of GASB Statement No. 99 that are effective upon issuance. The District is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption of all other provisions.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62*. This statement prescribes the

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

accounting and financial reporting for 1) each type of accounting change and 2) error corrections. This statement requires that a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this statement are effective for financial statements for reporting period beginning after June 15, 2023. The District is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement clarifies the recognition and measurement guidance for compensated absences. This statement requires that liabilities for compensated absences be recognized for 1) leave that has not been used and 2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this statement are effective for financial statements for reporting periods beginning after December 15, 2023. The District is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess (1) whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact and (2) whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this statement are effective for fiscal years beginning after June 15, 2024. The District is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

NOTE 2 – DEPOSITS AND INVESTMENTS

The District's investments are reported at fair value, as discussed in Note 1, and included in assets whose use is limited and investments on the statements of net position. At September 30, 2023 and 2022 the District had the following investments:

BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

<u>September 30, 2023</u>	Carrying Amount	Investment Maturities (in years)			
		Less Than 1	1 - 2	3 - 5	More Than 5
<u>Investment Type</u>					
Short-term investments	\$ 496,174	\$ 496,174	\$ -	\$ -	\$ -
Exchange traded funds	894,790	894,790	-	-	-
Equities	4,714,562	4,714,562	-	-	-
Fixed income funds	3,516,316	-	-	907,996	2,608,320
Mutual funds	6,630,936	6,630,936	-	-	-
 Total	 <u>\$ 16,252,778</u>	 <u>\$ 12,736,462</u>	 <u>\$ -</u>	 <u>\$ 907,996</u>	 <u>\$ 2,608,320</u>

<u>September 30, 2022</u>	Carrying Amount	Investment Maturities (in years)			
		Less Than 1	1 - 2	3 - 5	More Than 5
<u>Investment Type</u>					
Short-term investments	\$ 129,142	\$ 129,142	\$ -	\$ -	\$ -
Exchange traded funds	1,773	1,773	-	-	-
Equities	5,308,229	5,308,229	-	-	-
Fixed income funds	3,608,503	-	56,121	772,030	2,780,352
Mutual funds	6,280,669	6,280,669	-	-	-
 Total	 <u>\$ 15,328,316</u>	 <u>\$ 11,719,813</u>	 <u>\$ 56,121</u>	 <u>\$ 772,030</u>	 <u>\$ 2,780,352</u>

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy authorizes a strategic asset allocation that is designed to provide an optimal return over the District's investment horizon within the District's risk tolerance and cash requirements.

Credit Risk

This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy provides guidelines for allowable investments.

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

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

Included in the District's cash balances are amounts deposited with banks in interest-bearing accounts, non-interest-bearing demand accounts, and interest-bearing time deposit accounts. The bank balance is entirely insured by federal depository insurance or by collateral pursuant to the Security for Public Deposits Act of the State of Florida.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the District's investment with a single issuer.

The carrying amounts of deposits, assets whose use is limited and investments are included on the District's statements of net position as follows at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents - unrestricted	\$ 521,460	\$ 464,620
Cash and cash equivalents - restricted	8,910,432	7,063,869
Investments	16,252,778	15,328,316
	<u>\$ 25,684,670</u>	<u>\$ 22,856,805</u>

Net investment income (loss) for assets whose use is limited and investments is comprised of the following for the years ended September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Net investment income (loss):		
Interest and dividend income	\$ 604,510	\$ 667,098
Net realized and unrealized gains (losses) on investments	1,365,593	(2,951,401)
Total net investment income (loss)	<u>\$ 1,970,103</u>	<u>\$ (2,284,303)</u>

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 3 – FAIR VALUES OF FINANCIAL INSTRUMENTS

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The standard describes fair value as an exit price. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard provides guidance for determining a fair value measurement for financial reporting purposes. This standard also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The standard establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets or liabilities, inputs that are observable for the asset or liability, and market-corroborated inputs. Level 3 inputs are unobservable inputs and take into account all information about market participant assumptions that are reasonably available. The District categorizes its fair value measurements within the fair value hierarchy established by this standard.

For assets carried at fair value, the following tables provide fair value information as of September 30, 2023 and 2022:

	Fair value at September 30, 2023	Quoted prices in active markets for identical assets (Level 1 inputs)	Significant observable inputs (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
<u>Investments</u>				
Exchange traded funds	\$ 2,130	\$ 2,130	\$ -	\$ -
Equities	5,607,222	5,607,222	-	-
Fixed income funds	3,516,316	1,994,828	1,521,488	-
Mutual funds	6,630,936	6,630,936	-	-
Total	<u>\$ 15,756,604</u>	<u>\$ 14,235,116</u>	<u>\$ 1,521,488</u>	<u>\$ -</u>

Deposits and investments, described in Note 2, are held at fair value and included in the table above except short-term investments totaling \$496,174, which are recorded at cost.

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 3 – FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

	Fair value at September 30, 2022	Quoted prices in active markets for identical assets (Level 1 inputs)	Significant observable inputs (Level 2 inputs)	Significant unobservable inputs (Level 3 inputs)
<u>Investments</u>				
Exchange traded funds	\$ 1,773	\$ 1,773	\$ -	\$ -
Equities	5,308,229	5,308,229	-	-
Fixed income funds	3,608,503	2,389,890	1,218,613	-
Mutual funds	6,280,669	6,280,669	-	-
Total	<u>\$ 15,199,174</u>	<u>\$ 13,980,561</u>	<u>\$ 1,218,613</u>	<u>\$ -</u>

Deposits and investments, described in Note 2, are held at fair value and included in the table above except short-term investments totaling \$129,142, which are recorded at cost.

NOTE 4 – ACCOUNTS PAYABLE AND OTHER PAYABLES

	2023	2022
Accounts payable	\$ 191,941	\$ 843,354
Payable to Ardent	18,266,794	19,520,195
Payable to Ascension	17,750,171	20,152,044
Total	<u>\$ 36,208,906</u>	<u>\$ 40,515,593</u>

NOTE 5 – CAPITAL ASSETS

Capital asset additions, retirements, transfers, and balances for the years ended September 30, 2023 and 2022 were as follows:

	Balance September 30, 2022	Increases	Decreases	Balance September 30, 2023
Land	\$ 6,570,000	\$ -	\$ -	\$ 6,570,000
Furniture and equipment	58,747	2,673	-	61,420
Total	6,628,747	2,673	-	6,631,420
Accumulated depreciation	(52,859)	(2,878)	-	(55,737)
Capital assets, net	<u>\$ 6,575,888</u>	<u>\$ (205)</u>	<u>\$ -</u>	<u>\$ 6,575,683</u>

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance September 30, 2021	Increases	Decreases	Balance September 30, 2022
Land	\$ 6,570,000	\$ -	\$ -	\$ 6,570,000
Furniture and equipment	58,747	-	-	58,747
Total	6,628,747	-	-	6,628,747
Accumulated depreciation	(48,775)	(4,084)	-	(52,859)
Capital assets, net	\$ 6,579,972	\$ (4,084)	\$ -	\$ 6,575,888

NOTE 6 – RETIREMENT AND HEALTH PLANS

Pension Plan Description

Effective June 23, 1996, Bay Medical Center employees, who were previously participating in Florida Retirement System ("FRS"), began participating in the BayMed Staffing, Inc. ("BMSI") d/b/a Bay Health Foundation, (the "Plan"), created and sponsored by BMSI. The Plan was a noncontributory, single-employer defined benefit plan, administered by a committee appointed by BMSI. Under the provisions of the Plan, BMSI has the authority to amend the Plan. All employees hired on or after January 1, 1996 participate in the Plan after meeting the eligibility requirements including one year of service and attaining a minimum age of 21 years. The Plan provides retirement, disability, and death benefits to plan members and beneficiaries.

On December 31, 2003, the assets and obligations of the Plan were merged into Bay Medical Center d/b/a Bay Health Foundation, The District changed the status of the Plan from an ERISA (Employee Retirement Income Security Act of 1974) plan to a governmental plan under the Florida Statutes, thereby eliminating various ERISA requirements. The Plan administrator believes the Plan is designed and is currently being operated in compliance with applicable requirements of the Internal Revenue Code ("IRC").

The District issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the District.

The District's funding policy for the Plan is to contribute each year an amount that is not less than the minimum required contribution. The minimum required contribution is actuarially determined under Chapter 112 of the Florida Statutes.

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 6 – RETIREMENT AND HEALTH PLANS (Continued)

Effective March 31, 2012, the Plan was frozen and no new entrants were allowed into the Plan.

Pension Benefits

Participants with five or more years of service, as defined by the Plan, are entitled to pension benefits beginning at normal retirement age (62) equal to 1.6% of the participant's final average eligible earnings for each year of service. If employees terminate before rendering five years of continuous service, they forfeit the right to receive pension benefits upon retirement. Pension benefits are provided to participants under several types of retirement options based upon years of service and age. Retirement benefits are paid to pensioners or beneficiaries in various forms of joint and survivor annuities.

Death and Disability Benefits

If an active employee died after normal retirement age (62), a death benefit equal to the value of the employees accumulated pension benefits is paid to the employee's beneficiary. Active employees who became totally disabled after 10 years of service receive annual disability benefits that were equal to the normal retirement benefits they have accumulated as of the time they became disabled.

Employees Covered by Benefit Terms

At the measurement date, December 31, 2022 and 2021, the following employees were covered by the benefit terms:

	09/30/2023	09/30/2022
Inactive employees or beneficiaries currently receiving benefits	705	696
Inactive employees entitled to but not yet receiving benefits	733	767
	1,438	1,463

Contributions

Contributions to provide benefits under the Plan are made solely by the District. The entire cost of the Plan is borne by the District. Plan members are not required to contribute to the Plan.

The District contributes at an actuarially determined rate. The District contributed \$0 and \$13,163 to the Plan for the District's fiscal years ended September 30, 2023 and 2022, respectively.

Although it has not expressed any intent to do so, the District has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions set forth by state law.

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 6 – RETIREMENT AND HEALTH PLANS (Continued)

Net Pension Liability (Asset)

The net pension liability (asset) of the defined benefit pension plan was determined based on the January 1, 2022 actuarial valuations, using membership data as of January 1, 2023 and financial information of the pension funds as of December 31, 2022, using generally accepted actuarial procedures. Information included in the following schedules is based on the certification provided by the consulting actuary, Gabriel, Roeder, Smith & Company.

At September 30, 2023 and 2022, the District reported a net pension liability (asset) of \$21,151,159 and (\$5,540,726), respectively. The net pension liability (asset) was measured as of December 31, 2022 and 2021, respectively. The total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of January 1, 2022 and 2021. The total pension liability was then rolled forward to the measurement dates of December 31, 2022 and 2021 utilizing updated procedures incorporating the actuarial assumptions.

The following represents the changes in the net pension liability (asset) as of September 30, 2023 and 2022:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2022	\$ 113,272,955	\$ 118,813,681	\$ (5,540,726)
Changes for the year:			
Interest	7,597,920	-	7,597,920
Differences between expected and actual experience	(1,078,267)	-	(1,078,267)
Assumption changes	4,859,306	-	4,859,306
Net investment income (loss)	-	(15,312,926)	15,312,926
Benefits paid	(8,984,425)	(8,984,425)	-
Net changes	2,394,534	(24,297,351)	26,691,885
Balances at September 30, 2023	\$ 115,667,489	\$ 94,516,330	\$ 21,151,159

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 6 – RETIREMENT AND HEALTH PLANS (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances at September 30, 2021	\$ 114,946,161	\$ 114,064,007	\$ 882,154
Changes for the year:			
Interest	7,955,649	-	7,955,649
Differences between expected and actual experience	(797,299)	-	(797,299)
Contributions - employer	-	13,163	(13,163)
Net investment income (loss)	-	13,568,067	(13,568,067)
Benefits paid	(8,831,556)	(8,831,556)	-
Net changes	(1,673,206)	4,749,674	(6,422,880)
Balances at September 30, 2022	\$ 113,272,955	\$ 118,813,681	\$ (5,540,726)

Sensitivity Analysis

The following represents the sensitivity of the net pension liability (asset) to changes in the discount rate based on values as of September 30, 2023 and 2022, respectively:

	1% Decrease 5.75%	Current Rate 6.75%	1% Increase 7.75%
September 30, 2023	\$ 31,605,309	\$ 21,151,159	\$ 12,190,078
	1% Decrease 6.25%	Current Rate 7.25%	1% Increase 8.25%
September 30, 2022	\$ 4,562,624	\$ (5,540,726)	\$ (14,211,865)

Actuarial Assumptions and Methods

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about mortality. Amounts determined during the valuation process are subject to continual revision as actual results are compared with past expectations and new estimates are made about the

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 6 – RETIREMENT AND HEALTH PLANS (Continued)

future. The total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Discount rate	6.75%
Inflation	2.50%
Expected return on plan assets	6.75%
Mortality	

For healthy male participants, PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table, separate rates for males and females, setback 1 year for males, with fully generational mortality improvement projected to each future decrement date with Scale MP-2018.

For disabled male participants, PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table, separate rates for males and females, both set forward 3 years, without projected mortality improvements.

The discount rate adopted by the District for valuing plan liabilities was determined by the methods prescribed under GASB Statement No. 68 which requires the use of a long-term rate of return on plan assets unless a projection of the net fiduciary position will not be sufficient to provide for projected benefit payments of the covered current and former employees.

The projected return on plan assets and inflation assumptions are developed through review of current and historical capital markets data and historical performance of investment strategies. These projections are to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

As of September 30, 2023:

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return
Fixed income	30.0%	1.94%
Equities	70.0%	6.63%

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 6 – RETIREMENT AND HEALTH PLANS (Continued)

As of September 30, 2022:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real Rate of Return</u>
Fixed income	30.0%	0.45%
Equities	70.0%	6.30%

Changes in Assumptions

2023: Investment return was updated to 6.75%, compounded annually.

2022: None

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2023, the District reported deferred outflows of resources related to pensions from the following sources:

Difference between expected and actual return on plan assets	<u>\$ 11,305,044</u>
--	----------------------

The amounts reported as deferred outflows related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2024	\$ 580,771
2025	2,636,101
2026	3,482,247
2027	<u>4,605,925</u>
Deferred Outflows of Resources	<u>\$ 11,305,044</u>

At September 30, 2022, the District reported deferred inflows of resources related to pensions from the following sources:

Difference between expected and actual return on plan assets	<u>\$ 8,718,180</u>
--	---------------------

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 7 – WORKERS' COMPENSATION

The District has maintained commercial workers' compensation insurance subject to an incurred loss retro premium. The District is responsible for all costs associated with each incident until the deductible limit is reached. Losses in excess of the deductible are infrequent, essentially establishing a self-funded workers' compensation program. The estimated accrual for identified claims and unreported but incurred claims was \$0 and \$5,628 and are included in other current liabilities at September 30, 2023 and 2022, respectively.

NOTE 8 – OPERATING LEASES

The District is the lessee in an agreement with Drew Station, Inc, for the lease of its commercial office space. The lease is for the period May 2022 through April 2025. The terms of the lease included a minimum monthly payment of \$2,165. The operating lease expense for the years ended September 30, 2023, and 2022 was \$25,980 and \$25,350, respectively.

Future minimum rental payments according to the lease agreement are as follows:

September 30,	Committed	Prepaid	Net
2024	\$ 25,980	\$ 2,165	\$ 23,815
2025	15,155	-	15,155
	\$ 41,135	\$ 2,165	\$ 38,970

NOTE 9 – HURRICANE MICHAEL DISASTER

The hospital facilities that the District owns suffered significant damage during Hurricane Michael in October 2018. Although the tenant has insurance, the reconstruction after a casualty loss remains the ultimate responsibility of the District. The District has filed a FEMA (Federal Emergency Management Act) claim with the cooperation of the tenant to repair and restore the hospital facilities. FEMA has determined that the District is eligible for reimbursement. The District will continue to coordinate with the tenant to rebuild the facilities, but since the District owns the facilities and is ultimately responsible for repair and restoration, there is an additional liability risk during the restoration. Total damages could reach up to \$125 million. Repairs are underway and assessments regarding structures and improvements are ongoing. The estimated costs will be determined in due course and will be reported as eligible expenditures are incurred, of the \$65,651,029 that has been incurred, \$63,199,756 was obligated as of September 30, 2023. The reimbursement percentages depend on the different FEMA categories of work which range from 87.5% to 100% reimbursed. The largest category of permanent work is expected to be reimbursed at 75% by FEMA and 12.5% by the State of Florida. Under the agreements, the amounts not reimbursable by FEMA, will be paid by Ascension and Ardent.

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 10 – SUBSEQUENT EVENTS

The District evaluated the effect subsequent events would have on the financial statements through May 21, 2024, which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION**

BAY MEDICAL CENTER
dlb/a BAY HEALTH FOUNDATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEAR ENDED SEPTEMBER 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability									
Interest	\$ 7,597,920	\$ 7,955,649	\$ 8,061,503	\$ 8,264,052	\$ 8,316,988	\$ 8,399,414	\$ 8,380,457	\$ 7,966,699	\$ 7,882,274
Differences between expected and actual experience	(1,078,267)	(797,299)	(720,990)	(815,143)	(433,106)	(368,533)	53,646	566,504	1,756,490
Assumption changes	4,859,306	-	(1,820,023)	-	2,738,431	2,857	5,111,076	-	4,365,444
Benefits paid	(8,984,425)	(8,831,556)	(8,616,982)	(8,416,639)	(8,047,374)	(7,912,306)	(7,611,704)	(7,617,588)	(7,028,644)
Net change in total pension liability	2,394,534	(1,673,206)	(3,096,492)	(967,730)	2,574,939	121,412	5,933,475	915,615	6,975,564
Total pension liability - beginning	113,272,955	114,946,161	118,042,653	119,010,383	116,435,444	116,314,032	110,380,557	109,464,942	102,489,378
Total pension liability - ending (a)	\$ 115,667,489	\$ 113,272,955	\$ 114,946,161	\$ 118,042,653	\$ 119,010,383	\$ 116,435,444	\$ 116,314,032	\$ 110,380,557	\$ 109,464,942
Plan Fiduciary Net Position									
Contributions - employer	\$ -	\$ 13,163	\$ 1,245,996	\$ 4,304,011	\$ 6,354,376	\$ 2,980,173	\$ 3,007,355	\$ 1,625,102	\$ 1,538,372
Net investment income (loss)	(15,312,926)	13,568,067	11,878,958	17,046,485	(4,768,988)	14,327,633	6,349,221	126,484	5,379,105
Benefits paid	(8,984,425)	(8,831,556)	(8,616,982)	(8,416,639)	(8,047,374)	(7,912,306)	(7,611,704)	(7,617,588)	(7,028,644)
Net change in plan fiduciary net position	(24,297,351)	4,749,674	4,507,972	12,933,857	(6,461,986)	9,395,500	1,744,872	(5,866,002)	(111,167)
Total plan fiduciary net position - beginning	118,813,681	114,064,007	109,556,035	96,622,178	103,084,164	93,688,664	91,943,792	97,809,794	97,920,961
Total plan fiduciary net position - ending (b)	\$ 94,516,330	\$ 118,813,681	\$ 114,064,007	\$ 109,556,035	\$ 96,622,178	\$ 103,084,164	\$ 93,688,664	\$ 91,943,792	\$ 97,809,794
Net pension liability - ending (a) - (b)	\$ 21,151,159	\$ (5,540,726)	\$ 882,154	\$ 8,486,618	\$ 22,388,205	\$ 13,351,280	\$ 22,625,368	\$ 18,436,765	\$ 11,655,148
Plan fiduciary net position as a percentage of the total pension liability	81.71%	104.89%	99.23%	92.81%	81.19%	88.53%	80.55%	83.30%	89.35%
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability (asset) as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule	Valuation Date	Reporting Date (GASB No. 68)
	01/01/2022	09/30/2023
	01/01/2021	09/30/2022
	01/01/2020	09/30/2021
	01/01/2019	09/30/2020
	01/01/2018	09/30/2019
	01/01/2017	09/30/2018
	01/01/2016	09/30/2017
	01/01/2015	09/30/2016
	01/01/2014	09/30/2015

Update procedures were used to roll forward the TPL to the measurement dates.
See Notes to Schedules of Contributions for assumption changes.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, we have only presented information for those years for which information is available.

BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
SCHEDULES OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ -	\$ 13,163	\$ 1,245,996	\$ 2,904,011	\$ 2,354,376	\$ 2,980,173	\$ 3,007,355	\$ 1,625,062	\$ 1,388,975	\$ 1,732,484
Contributions in relation to the actuarially determined contributions	-	13,163	1,245,996	4,304,011	6,354,376	2,980,173	3,007,355	1,625,102	1,538,372	2,400,542
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (1,400,000)	\$ (4,000,000)	\$ -	\$ -	\$ (40)	\$ (149,397)	\$ (668,058)

Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes to Schedule

Measurement Date	December 31 prior to end of reporting period
Valuation Date	January 1 prior to the measurement date
Salary Increases	N/A, plan frozen in 2012
Discount Rates	7.25%
Expected Rate of Return on Plan Assets	7.25%
Inflation Rate	2.50%
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level dollar, closed
Amortization Period	15 years
Asset Valuation Method	Market Value
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition

See the independent auditor's report.

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
SCHEDULES OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED SEPTEMBER 30, 2023**

Notes to Schedule (Continued)

Mortality Rate:

For healthy participants, PUB-2010 Headcount Weighted General Below Median Healthy Retiree Mortality Table, separate rates for males and females, set back 1 year for males, with fully generational mortality improvements projected to each future decrement date with Scale MP-2018.

For disabled participants, PUB-2010 Headcount Weighted General Disabled Retiree Mortality Table, separate rates for males and females, both set forward 3 years, without projected mortality improvements.

Cost-of-Living Increases

0% or 3% for retirees and beneficiaries in payment status of a conversion benefit on September 1, 2009.

Other Information:

Benefit Changes

2012: Effective March 31, 2012, the cash balance plan was frozen and interest credits were applied to the retirement account on the last day of each Plan year, one year of credited service will be earned if the employee had worked 1,000 hours through March 31, 2012 and one month of imputed credit service will be earned on the first day of each month ending on the date of death, disability benefits are no longer provided under the Plan, the Plan was closed to new entrants and no compensation will be considered after March 31, 2012, no retirement credits will be earned after March 31, 2012 and one year of vesting service will be earned upon survival to December 31, 2011: The Conversion Benefit formula was frozen effective December 31, 2010 and participants will continue to earn additional benefits under the Cash Balance formula. Additional service accruals may be earned towards the unreduced early retirement option at 30 years but will not be counted towards the increased multiplier under the Special Postponed Retirement Benefit or due to working past 30 years.

Assumption Changes

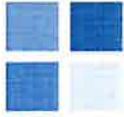
2022: Investment return was updated to 6.75%, compounded annually. 2020: Mortality assumption updated. 2018: Investment return was updated to 7.25%, compounded annual. Form and timing of payment, lump sum conversion basis and retirement rates were updated. 2017: Cash balance interest crediting rate assumption updated. 2016: Mortality assumption updated. 2014: Assumed retirement ages were updated. 2013: The method used for determining the actuarial value of assets was updated to market value. 2012: Investment return was updated to 7.5%, compounded annually. Employee withdrawal rates, salary increase factors, disability rates and assumed retirement ages were updated. 2011: Healthy lives mortality table was updated to project mortality improvements to 2018.

See the independent auditor's report.

BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
SCHEDULES OF BUDGETED AND ACTUAL RECEIPTS AND EXPENSES
YEARS ENDED SEPTEMBER 30, 2023 AND 2022

	2023		2022
	Budget	Actual	Actual
Operating revenues:			
Operating revenue	\$ -	\$ 400,202	\$ 365,245
Operating expenses:			
Salaries	335,000	152,907	145,684
Pension expense	195,000	6,668,661	(3,910,398)
Supplies	71,500	5,789	5,231
Other expenses	530,995	891,392	802,556
Indigent assessments, insurance, and fees	178,600	141,744	169,935
Storm related expenditures	-	1,112,931	3,923,129
Depreciation	3,600	2,878	4,084
Total operating expenses	<u>1,314,695</u>	<u>8,976,302</u>	<u>1,140,221</u>
Operating loss	<u>(1,314,695)</u>	<u>(8,576,100)</u>	<u>(774,976)</u>
Nonoperating revenues (expenses):			
Net investment income (loss)	1,080,000	1,970,103	(2,284,303)
FEMA revenue	-	726,214	3,571,724
Other nonoperating expenses	-	(25,980)	(25,350)
Total nonoperating revenues (expenses)	<u>1,080,000</u>	<u>2,670,337</u>	<u>1,262,071</u>
Net Income	<u>\$ (234,695)</u>	<u>\$ (5,905,763)</u>	<u>\$ 487,095</u>

**SUPPLEMENTARY
INFORMATION**



**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
Bay Medical Center
d/b/a Bay Health Foundation
Panama City, 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 Bay Medical Center d/b/a Bay Health Foundation, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Bay Medical Center d/b/a Bay Health Foundation's basic financial statements and have issued our report thereon dated May 21, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bay Medical Center d/b/a Bay Health Foundation'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 Bay Medical Center d/b/a Bay Health Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Bay Medical Center d/b/a Bay Health Foundation'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Bay Medical Center d/b/a Bay Health Foundation's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Bay Medical Center d/b/a Bay Health Foundation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Bay Medical Center d/b/a Bay Health Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

Lipton, Mauls, Garner: Chastain

Panama City, Florida
May 21, 2024



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

To the Board of Trustees
Bay Medical Center
d/b/a Bay Health Foundation
Panama City, Florida

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Bay Medical Center d/b/a Bay Health Foundation's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Bay Medical Center d/b/a Bay Health Foundation's major federal programs for the year ended September 30, 2023. Bay Medical Center d/b/a Bay Health Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Bay Medical Center d/b/a Bay Health Foundation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Bay Medical Center d/b/a Bay Health Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Bay Medical Center d/b/a Bay Health Foundation's compliance with the requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulation, rules, and provisions of contracts or grant agreements applicable to Bay Medical Center d/b/a Bay Health Foundation's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Bay Medical Center d/b/a Bay Health Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Bay Medical Center d/b/a/ Bay Health Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Bay Medical Center d/b/a/ Bay Health Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Bay Medical Center d/b/a/ Bay Health Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Bay Medical Center d/b/a/ Bay Health Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance

requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Tipton, Mauler, Gaines & Chastain

Panama City, Florida
May 21, 2024

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Disbursements/ Expenditures</u>
U.S. Department of Homeland Security:		
Passed through State of Florida Division of Emergency Management		
Disaster Grants - Public Assistance (Presidential Declared Disasters)	97.036	<u>\$ 2,478,388</u>

See the accompanying notes to the schedule of expenditures of federal awards.

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Bay Medical Center d/b/a Bay Health Foundation under programs of the federal government for the year ended September 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The amounts reported as federal expenditures were obtained from Bay Medical Center d/b/a Bay Health Foundation's general ledger. Because the Schedule presents only a selected portion of the operations of Bay Medical Center d/b/a Bay Health Foundation, it is not intended to and does not present the financial position, changes in net position, or cash flows of Bay Medical Center d/b/a Bay Health Foundation.

For purposes of this Schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass-through entities. Bay Medical Center d/b/a Bay Health Foundation has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the Schedule. CFDA numbers have been appropriately listed by applicable programs. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance.

Disaster Grants – Public Assistance (CFDA No. 97.036)

After a Presidential-Declared disaster, FEMA provided a Public Assistance Grant to reimburse eligible costs associated with repair, replacement, or restoration of disaster-damaged facilities. The Federal government reimburses in the form of cost-shared grants which requires state matching funds. For the fiscal year ended September 30, 2023, \$2,478,388 of approved eligible expenditures that were incurred in a prior year are included on the Schedule.

NOTE 2 – 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.

NOTE 3 – INDIRECT COST RATE

Bay Medical Center d/b/a Bay Health Foundation has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Bay Medical Center d/b/a Bay Health Foundation were prepared in accordance with GAAP.
2. One material weakness and no significant deficiencies were disclosed during the audit of the financial statements is reported in the 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*.
3. No instances of noncompliance material to the financial statements of Bay Medical Center d/b/a Bay Health Foundation, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs disclosed during the audit is reported in the independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Bay Medical Center d/b/a Bay Health Foundation expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:

<u>Federal Program</u>	<u>Federal CFDA No.</u>
Disaster Grants – Public Assistance (Presidential Declared Disasters)	97.036

8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Bay Medical Center d/b/a Bay Health Foundation was determined to be a low-risk auditee.

**BAY MEDICAL CENTER
d/b/a BAY HEALTH FOUNDATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2023**

FINDINGS – FINANCIAL STATEMENT AUDIT

Bay Medical Center d/b/a Bay Health Foundation 2023-001, 2022-001, 2021-001, 2020-002

Condition: The District does not have adequate segregation of duties regarding their accounting procedures.

Criteria: Auditing standards state that a lack of adequate segregation of duties is a weakness in internal control.

Cause: The District lacks the personnel necessary to adequately segregate financial and accounting duties.

Effect: Financial records and transactions without adequate segregation of duties are more at risk for misstatement due to fraud or errors.

Recommendation: We recommend that the Board of Trustees of the District should remain involved in the financial affairs of the Bay Medical Center d/b/a Bay Health Foundation to provide oversight and independent review functions.

Response: See Corrective Action Plan on page 49.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

To the Board of Trustees
Bay Medical Center
d/b/a Bay Health Foundation
Panama City, Florida

Report on the Financial Statements

We have audited the financial statements of Bay Medical Center d/b/a Bay Health Foundation, as of and for the fiscal year ended September 30, 2023, and have issued our report thereon dated May 21, 2024.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; 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 an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 21, 2024, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. See prior year findings and recommendations below for the findings and recommendations made in the current and preceding financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report for finding 2022-001.

The following finding has been included in this report since September 30, 2018:

Prior Year Findings and Recommendations

Segregation of Responsibilities 2022-001

Due to the limited number of people working in the office and the size, Bay Medical Center d/b/a Bay Health Foundation's accounting function precludes certain internal controls that would be preferred for segregation of duties. Oversight provided by the Board of Trustees has been a mitigating factor.

Bay Medical Center d/b/a Bay Health Foundation's Response to Findings

The Board of Trustees will continue to provide oversight.

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. We determined that Bay Medical Center d/b/a Bay Health Foundation compiled this information in Note 1 to the financial statements.

Financial Condition and Management

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

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

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

Special District Component Units

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

Statutes. 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.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Bay Medical Center d/b/a Bay Health Foundation reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as 2.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as 2.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$337,077.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$19,800.
- e. There were no construction projects 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.

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, 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.

Lipton, Mauler, Garner & Chastain

Panama City, Florida
May 21, 2024



INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Trustees
Bay Medical Center
d/b/a Bay Health Foundation
Panama City, Florida

We have examined Bay Medical Center d/b/a Bay Health Foundation's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2023. Management of Bay Medical Center d/b/a Bay Health Foundation is responsible for Bay Medical Center d/b/a Bay Health Foundation's compliance with the specified requirements. Our responsibility is to express an opinion on Bay Medical Center d/b/a Bay Health Foundation's compliance with the specified requirements based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

Our examination does not provide a legal determination on Bay Medical Center d/b/a Bay Health Foundation's compliance with the specified requirements.

In our opinion, Bay Medical Center d/b/a Bay Health Foundation complied, in all material respects, with the requirements specified in the first paragraph during the year ended September 30, 2023.

This report is intended solely for the information and use of Bay Medical Center d/b/a Bay Health Foundation and the Florida Auditor General and is not intended to be, and should not be, used by anyone other than the specified parties.

Tipton, Marler, Garner & Chastain

Panama City, Florida
May 21, 2024



Bay Health Foundation
promoting a healthy community

Board of Trustees	<i>Chairman—James T. Cook, III, M.D.</i>	<i>Gregory M. Brudnicki</i>	<i>Steven M. Johnson</i>
	<i>Vice Chairman—Andrew W. Stein</i>	<i>Kristian B. Chapman</i>	<i>Ashraf Khan, M.D.</i>
	<i>Secretary/Treasurer—Sylvester L. Griffin</i>	<i>Eric R. Claussen, D.M.D.</i>	<i>Alexandra R. Murphy</i>

May 21, 2024

**Bay Medical Center d/b/a Bay Health Foundation
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended September 30, 2023**

Finding Number: 2022-001

Planned Corrective Action:

The prior year's planned corrective action is still in process.

Anticipated Completion Date: Ongoing

Responsible Contact Person: Karen Thomason



Karen Thomason, Executive Director



Bay Health Foundation

promoting a healthy community

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	<i>Secretary/Treasurer—Sylvester L. Griffin</i>	<i>Eric R. Claussen, D.M.D.</i>	<i>Alexandra R. Murphy</i>

May 21, 2024

**Bay Medical Center d/b/a Bay Health Foundation
Management's Corrective Action Plan
For the Fiscal Year Ended September 30, 2023**

Finding Number: 2023-001

Planned Corrective Action:

The size of Bay Health Foundation's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. The Board and staff understand that this situation dictates that the Board remain involved in the financial affairs of the Bay Health Foundation to provide oversight and independent review functions. The Board of Directors currently and will continue to maintain the following review functions:

- 1) Financial statements are prepared and presented to the Board of Directors monthly.
- 2) Two members of the Board signs checks and reviews invoices.
- 3) An officer of the Board opens operating bank statements monthly and reviews for any irregularities.

Anticipated Completion Date: Ongoing

Responsible Contact Person: Karen Thomason



Karen Thomason, Executive Director