SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Financial Statements and Supplemental Information
and Reports as Required by the Uniform Guidance and Chapter 10.550,
Rules of Auditor General

September 30, 2023

(With Independent Auditors' Report Thereon)

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Financial Statements and Supplemental Information

September 30, 2023

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SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Letter of Transmittal

(Unaudited)

Introduction

This section of the annual financial report of the Sarasota County Public Hospital District (the District) provides background about the Sarasota Memorial Health Care System (the System, SMHCS or Sarasota Memorial).

Background

The System is among the largest public health systems in Florida, offering a comprehensive range of inpatient, outpatient, and extended care services. SMHCS had over 61,000 inpatient visits and more than 1.6 million outpatient and physician visits in fiscal year 2023.

The District is an independent special taxing district with boundaries mirroring those of Sarasota County. Governing the District is the Sarasota County Public Hospital Board, made up of nine residents elected by local voters to four-year terms. The Board members, who are unpaid, are charged with serving as good stewards of scarce financial resources. The Board derives its authority to levy property taxes from a special law passed by the Florida Legislature and ratified by voters. Tax revenues are spent within Sarasota County on programs, services, facilities, and equipment based on the community's evolving needs. The Board sets the annual tax rate in a transparent process that includes advertised public hearings that are open to the community.

The District encompasses:

- The Sarasota hospital campus (SMH-Sarasota), a regional medical center and health care safety net providing the greatest depth and breadth of care throughout the Sarasota region, from Sarasota County's only Trauma Center to highly specialized cardiovascular, neurology, orthopedic, oncology, surgery, urology, rehabilitation, obstetrics/maternity and advanced diagnostic services.
- Six new Comprehensive Rehabilitation beds, opened by SMH-Sarasota during fiscal year 2023, bringing the hospital's total number of licensed beds to 901, including 722 Acute Care beds, 60 Comprehensive Rehabilitation beds and 33 Neonatal Intensive Care beds, as well as 86 Adult and Child Psychiatric beds provided in a behavioral health hospital located on the Sarasota campus.
- The Venice hospital campus (SMH-Venice) opened in Venice in the Fall of 2021 to provide the south Sarasota County community with enhanced access to the health system's expertise and high quality of care. The new hospital provides an extensive array of services, from cardiology, neurology, orthopedics, oncology, obstetrics and a pandemic ready Intensive Care Unit, to surgical services, rehabilitation and advanced diagnostics. The campus includes 110 licensed Acute Care beds, with construction under way to nearly double its capacity during calendar year 2024.
- A network of outpatient services, including urgent care and outpatient centers located throughout the region; a freestanding Emergency Room and Health Care Center in North Port; and a full array of laboratory, imaging, and rehabilitation services.
- Corporate services, which consist of various support departments.
- Sarasota Memorial Nursing and Rehabilitation Center (NRC), which provides skilled nursing and rehabilitation programs.
- SMH Health Care, Inc., a corporation providing leased personnel services to all System entities.
- SMH Physician Services, Inc. d/b/a First Physicians Group, a physician practice group that includes more than 570 primary and specialty care physicians and advanced practice providers practicing in over 60 locations.

With more than 10,000 staff, the System is among the region's largest employers.

The System also includes an extensive base of physicians practicing in a wide range of specialties. SMH-Sarasota's Medical Staff includes 2,000 physicians and advanced practice professionals. The Medical Staff of SMH-Venice has 1,200 physicians and advanced practice professionals.

In addition, 850 members of the community serve as volunteers in many areas of the system, contributing their time and expertise.

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

Expansion of SMH-Venice

Since the System opened its new 110-bed hospital in Venice in November of 2021, hospitalizations and emergency care visits have exceeded projections. Patient volumes increased at an even greater pace following the abrupt closure in September of 2022 of ShorePoint Venice Hospital, a privately owned hospital located on Venice island.

To serve the community's large and growing number of patients, the Venice campus is undergoing a large expansion slated for completion during calendar year 2024:

- Construction of a new patient care tower that will include 102 private patient suites, which will increase the hospital's total licensed bed capacity to 212 beds.
- Doubling the size of the Emergency Care Center from 28 to 61 rooms. The number of operating rooms will increase from 6 to 8, with space to add 8 more in the future. Work also is under way to increase diagnostic capacity.
- In 2023, the Venice hospital continued to earn independent confirmation of its high quality of care, including Hip & Knee Replacement Certification from the DNV, a national health care accrediting organization. SMH-Venice also received "Age-Friendly" national recognition from the Institute for Healthcare Improvement, joining the SMH-Sarasota Campus and other select hospitals across the nation honored for providing significant training and resources to enhance care for older adults.

Completion of the new Cornell Behavioral Health Pavilion

Sarasota Memorial completed construction of the new Cornell Behavioral Health Pavilion, centralizing inpatient and outpatient behavioral health services in one state-of-the-art 95,600-square-foot-facility on the SMH-Sarasota Campus. The pavilion, which is replacing the aged Bayside Center for Behavioral Health, includes inpatient units with private rooms specially designed or geriatric, adult, child and adolescent patient populations. It also contains a full range of outpatient behavioral health services, including partial hospitalization and intensive outpatient programs, a 24/7 clinical assessment center, mental wellness programs, and community resources among its many programs.

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

Sarasota Memorial continues to expand its Brian D. Jellison Cancer Institute, with construction under way on a comprehensive new outpatient facility on the SMH-Sarasota Campus. When complete in 2025, the seven-story, 200,000-square-foot Cancer Pavilion will house a new breast health center, outpatient surgery suites, radiation oncology, infusion services, diagnostic imaging and integrative and supportive care. It also will be home to medical, surgical and radiation oncology physician offices, as well as an adjacent parking garage. The third in a series of premier new oncology facilities, the pavilion will be connected via a skybridge to the Jellison Cancer Institute's inpatient Oncology and Surgical Tower, which opened in 2021.

The institute also opened a Radiation Oncology Center in 2020 on the System's outpatient campus on University Parkway.

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

Construction Begins on Kolschowsky Research & Education Institute

Sarasota Memorial is building a new five-story facility to house the System's clinical research division, clinical education and physician training programs and a medical library. The institute also will include a new, state-of-the-art simulation center to provide safe, hands-on clinical training, and an adjacent parking garage. Scheduled to open in 2025, the center will promote collaboration, discovery and innovation in medical education and research, while freeing up space inside the hospital for expanded clinical care.

New Campuses Move Forward in Rapidly Growing South Sarasota County

- In 2023, the System proceeded with plans to design and construct medical campuses in south Sarasota County, including a 32-acre undeveloped site on Sumter Boulevard near Interstate 75 in North Port, and a 27.78-acre vacant site in Wellen Park. The scope of the projects includes a 150-200 bed hospital on the Sumter site, and a freestanding ER and potential 150-bed hospital on the Wellen Park property, and other potential buildings and services. The System is planning to break ground on both campuses in 2025.
- The System also completed its seventh urgent care center, offering people who live in south Venice neighborhoods a more convenient, less costly place to seek care for minor emergencies and pressing health concerns.

New Outpatient Centers Under Development to Serve Patients in North County Communities

The System is planning to build a new freestanding Emergency Room on Lorraine Road and a new urgent care center at State Road 70 to serve fast-growing neighborhoods in the area.

Physician Training Programs Help Attract Providers to the Community

Sarasota Memorial partners with Florida State University's College of Medicine to provide graduate medical education programs, which offer advanced training to 68 physicians each year:

- A three-year Internal Medicine Residency Program includes 39 physician residents caring for patients at SMH-Sarasota and at an Internal Medicine practice in the under-served community of Newtown.
- A three-year Emergency Medicine Residency Program provides training to 27 physician residents.
- A one-year Hospice & Palliative Care Fellowship Program trains two fellows each year to address issues related to serious illness and end-of-life care.

Since many physicians choose to practice in communities where they train, the graduate medical education programs help ease physician shortages and fill gaps in care.

National Recognition for Top-Quality Care

- **5 Stars for Quality 2016 – 2023**: SMH-Sarasota is the only hospital in Florida to earn the highest 5-star overall quality rating from the Centers for Medicare & Medicaid in all reporting periods since the program's inception in 2016.
- **Straight "A's" for Safety 2016 – 2023:** SMH-Sarasota has earned "A's" on every patient safety report card from The Leapfrog Group starting in 2016 and continuing through 2023.
- **World's Best Hospital 2019 – 2023**: SMH-Sarasota has been listed among *Newsweek's* World's Best Hospitals for 5 straight years.

- **Magnet Recognition 2003 – 2023:** After an extensive application process and site visit, SMH-Sarasota earned Magnet designation, the nation's highest honor for nursing excellence, for the 5th time in 2023. Continually recognized for 20 years, SMH-Sarasota is the only hospital in the region to ever earn Magnet status, and one of fewer than 1% of hospitals nationally to receive it 5 times.
- **Ongoing *U.S. News* Honors**: SMH-Sarasota's care has been repeatedly recognized in *U.S. News'* annual "Best Hospitals" reports. In 2023, it was listed among the top hospitals for 20 types of care, including two on the "50 Best" list (Rehabilitation Services & Obstetrics/Gynecology). The System's Nursing & Rehabilitation Center also was recognized among the top nursing homes in a separate report released by *U.S. News*.
- **Re-certification as a Level II Trauma Center**. The SMH-Sarasota trauma team met or exceeded all national benchmarks in its re-designation survey, with no deficiencies noted by the team of American College of Surgeons trauma experts who performed the in-depth, on-site assessment.
- ***Forbes*' Best-in-State Employers:** Sarasota Memorial was named among the 2023 Best-in-State employers, ranking #4 overall and #1 among all health care employers in Florida.
- **Named one of the "Most Wired" hospitals** by the College of Healthcare Information Management Executives (CHIME).
- **Level III Maternal Care Verification from the Joint Commission.**
- **Re-designation as a Baby-Friendly Hospital by Baby-Friendly USA.**
- **Listed among "100 Hospitals and Health Systems With Great Oncology Programs"** by *Becker's Hospital Review*.
- **American Heart Association's national "Get With The Guidelines" awards**:
  - SMH-Sarasota: Stroke Gold Plus Award, Stroke Honor Roll Elite, Type 2 Diabetes Honor Roll and Gold Resuscitation Adult Award.
  - SMH-Venice: Stroke Silver Plus Award, the highest level for a hospital's first year of participation.
- **Age-Friendly Health Systems:** Both SMH-Sarasota and SMH-Venice have been nationally recognized as by the Institute for Healthcare Improvement for implementing best practices to enhance care for older adults.
- **Hip & Knee Replacement Centers of Excellence:** Both SMH-Sarasota and SMH-Venice have earned DNV Hip and Knee Replacement Certification.
- **Stroke Care Recognition:** SMH-Sarasota is Sarasota County's only state-designated Comprehensive Stroke Center, the highest recognition given to regional referral centers for people experiencing highly complex strokes. SMH-Venice has earned Primary Stroke Center specialty designation, while Sarasota Memorial's freestanding ER in North Port is designated as an Acute Stroke Ready Center.
- **HealthFit was named "Medical Fitness Facility of the Year"** by the national Medical Fitness Association.
- **Recipient of the Mitral Valve Repair Reference Center Award** for the third time from the American Heart Association and the Mitral Foundation.

First Physician Group Honors

Sarasota Memorial's First Physicians Group has been named an outstanding performer by the Medical Group Management Association in all categories evaluated by the association.

Clinical Affiliations

Sarasota Memorial has longstanding clinical affiliations and partnerships with New York's Columbia University Medical Center and Johns Hopkins All Children's Hospital that bring additional research, resources and advanced treatments to the community.

The Community's Health Care Safety Net

Sarasota Memorial serves as the community's health care safety net, recognized for both its quality and its mission-driven programs. The System cares for the majority of the county's inpatient Medicaid and uninsured cases and provides many vital services that other local hospitals do not.

The System also is the only hospital in Sarasota County providing trauma care, obstetrical services, neonatal intensive care, inpatient pediatric services and psychiatric services to patients of all ages. The organization's Community Specialty Clinic – the only one of its kind in the region – offers a wide range of free specialty care to eligible uninsured/underinsured residents.

Sarasota Memorial provides traditional charity care to those patients who meet certain criteria established by the State of Florida. In addition, the System provides services to patients who meet other financial criteria that indicate an economic hardship and inability to pay for services, but who either do not meet the strict eligibility requirements for traditional charity care or who do not complete all necessary paperwork to qualify for traditional charity care. These services are referred to as community support.

The System also offers a sliding scale discount program that offers significantly reduced rates to lower-income, uninsured patients. The program's goal is to make health care more affordable for the uninsured and allow eligible patients to pay what they can. The discount plan treats patients with dignity and compassion, and encourages the uninsured to take care of their health needs promptly, before conditions become catastrophic.

Sarasota Memorial registered about 172,000 emergency cases in fiscal year 2023 at the System's Hospital-based Emergency Care Centers and at the freestanding Emergency Room (ER) in North Port. In addition to emergency care, the North Port outpatient facility also has physician offices and outpatient programs including laboratory, radiology and rehabilitation services. The North Port facility also includes a Johns Hopkins All Children's Hospital pediatric specialty clinic.

Sarasota Memorial also offers an array of disease management programs that provide patients with chronic health conditions cost-effective, high-quality alternatives to the emergency room and hospitalization. These services include a Heart Failure Treatment Center, Anti-Coagulation Clinics and a Secondary Stroke & TIA Prevention Clinic.

Economic Driving Force

Among the largest employers in the region, Sarasota Memorial is a significant economic engine, creating and sustaining jobs and income for more than 10,000 staff and a large number of local businesses and vendors. All earnings are re-invested into patient care, technology and assets that benefit the community. Examples of this community investment during the past year include:

- $900.9 million in total payroll – supports local workforce,
- $1.6 billion in total operating expenses that help support a variety of local businesses and community members,
- $2.4 million investment in workforce development and staff training and education, and
- $196.7 million for facility and equipment upgrades in 2023.

Finance

Operational Improvements

Management has continued to make operational improvements focused both on improving revenue cycle efficiency and decreasing the cost of care.

The following are among the major revenue enhancement and cost-reduction initiatives implemented or in process:

- Continued engagement of a third party vendor to augment in-house efforts challenging payment denials from managed care organizations on patient accounts.
- Implemented a software system to track all subscription-based software arrangements and related costs.
- Staffing office implementation and predictive staffing tools resulting in significant reductions in reliance on Agency/Travelers.
- Focused efforts on discharge process improvements, including adjustments to case management processes to involve home health and third party facilities earlier in the process, allowing for more efficient discharge process and quicker time to having a bed ready for the next patient.

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Independent Auditors' Report

The Board Members
Sarasota County Public Hospital District:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the fiduciary activities of Sarasota County Public Hospital District (the District), as of and for the years ended September 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the fiduciary activities of the District, as of September 30, 2023 and 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

We did not audit the financial statements of the SMH Health Care Retirement Plan, which represents 100% of the fiduciary activities as of and for the years ended September 30, 2023 and 2022. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for SMH Health Care Retirement Plan, are based solely on the report of the other auditors.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1(d) to the financial statements, in 2023 the District adopted Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a

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going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management discussion and analysis on pages 10 to 22, schedule of changes in the net pension liability and related ratios, schedule of the District's pension contributions, schedule of changes in the total OPEB liability (asset) and related ratios, and schedule of investment returns on pages 90 to 97 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining balance sheet information on pages 98 and 99 and combining statement of revenues, expenses and changes in net position information on page 100 are presented for purposes of additional analysis and are 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 audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the letter of transmittal on pages 1 to 6, budgetary comparison schedule on page 101, and the schedule of special district reporting on page 102, but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

KPMG LLP

January 26, 2024, except as to the Schedule of Special District Reporting which is as of June 20, 2024

This section of the annual financial report of the Sarasota County Public Hospital District (the District) provides management's discussion and analysis of the organization for the fiscal years ended September 30, 2023 and 2022. The District includes Sarasota Memorial Hospital (the Hospital) among other entities. This discussion has been prepared along with the financial statements and related note disclosures, which should be read in conjunction with one another. This narrative, the financial statements, and notes are the responsibility of the District's management.

Required Financial Statements

The basic financial statements of the District report information about the District using accounting methods prescribed by the Governmental Accounting Standards Board (GASB). These statements provide current and long-term financial information about the District's activities. The following statements are included in this package:

- The Balance Sheets list all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). The Balance Sheets also include information to help compute the rate of return on investments, evaluate the capital structure of the organization, and assess the liquidity and financial flexibility of the District.
- The Statements of Revenues, Expenses, and Changes in Net Position include all of the revenues and expenses for the respective years. This statement measures changes in the District's operations over the year and can be used to determine whether the District has been able to recover all of its costs through patient service revenue and other revenue sources.
- The Statements of Cash Flows provide information about the District's cash from operating, investing, and capital and non-capital financing activities. It presents the sources of cash, how it was spent, and the change in the cash and cash equivalents balance during the current and prior fiscal years.

In addition to the above, the following two financial statements are included in accordance with GASB Statement No. 84.

- The Statements of Fiduciary Net Position reports on the District's defined benefit pension plan's financial position as of the end of the current and prior fiscal years.
- The Statements of Changes in Fiduciary Net Position represents the contributions and deductions that increased and decreased, respectively, the District's defined benefit pension plan's net position across the fiscal year.

Summary of Financial Highlights and Trends

The District's cash and board designated investments increased by $132.5 million and decreased by $235.9 million in the fiscal years ended September 30, 2023 and 2022, respectively. Long-term debt (including current portion) decreased by $14.6 million and increased by $152.3 million in the years ended September 30, 2023 and 2022, respectively. There was an excess of revenue over expenses of $141.3 million and a deficiency of revenue under expense of $3.0 million for the years ended September 30, 2023 and 2022, respectively. Net position increased by $144.9 million in fiscal 2023, and decreased by $0.3 million in fiscal 2022. In 2023, Hospital overall payor mix reflected an increase in Medicare and in the Managed Care and Commercial payor categories, with decreases in the Self-Pay and Other and in the Medicaid payor categories

as compared to fiscal year 2022. In 2022, Hospital overall payor mix reflected an increase in Medicare, with a decrease in each of the three other payor categories as compared to fiscal year 2021.

	2023	2022	2021	2020	2019
Medicare	63.3 %	62.9 %	61.2 %	61.0 %	59.7 %
Managed care and commercial	25.2	24.7	25.0	24.8	25.2
Self-pay and other	4.4	4.6	5.4	6.1	6.5
Medicaid	7.1	7.8	8.4	8.1	8.6
	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Operating Statistics

Based on the most recent data available from the Agency for Health Care Administration for the six months ended March 31, 2023, admissions volumes increased across Sarasota County 12.3% from the same period ending March 31, 2022. SMHCS admissions outperformed the market with an increase of 28.4% during the six months ended March 31, 2023 as compared to the corresponding period in the prior year. Inpatient market share for SMHCS in Sarasota County for the six months ended March 31, 2023 was 85.9%. The System's outpatient volume, excluding emergency room visits, increased by 10.4% and 6.5% during the years that ended September 30, 2023 and 2022, respectively. Emergency Care Center visits increased by 15.0% and 28.1% during the years that ended September 30, 2023 and 2022, respectively.

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

	Fiscal year ended September 30				
	2023	2022	2021	2020	2019
Average number of beds in service:					
Medical/surgical intensive care	84	84	62	62	62
Cardiac telemetry, acute, and intensive care	178	178	156	156	156
Other medical/surgical	535	535	438	438	438
Total medical/surgical	797	797	656	656	656
Obstetrics	40	40	30	30	30
Psychiatric and substance abuse	62	62	60	60	60
Rehabilitation	60	54	54	54	54
Pediatrics	28	28	28	28	28
Total hospital	987	981	828	828	828

	Fiscal year ended September 30				
	2023	**2022**	**2021**	**2020**	**2019**
Combined admissions and observation cases:					
Admissions	61,238	50,844	44,278	41,744	43,120
Observation cases	11,780	12,911	8,161	6,316	7,168
Total admissions and observation cases	73,018	63,755	52,439	48,060	50,288
Admissions:					
Total medical/surgical	51,112	41,823	34,993	33,139	34,677
Obstetrics	4,861	4,546	4,253	4,035	4,049
Psychiatric and substance abuse	2,311	2,350	2,294	2,265	2,333
Rehabilitation	1,684	1,478	1,406	1,389	1,286
Pediatrics	1,270	647	1,332	916	775
Total hospital	61,238	50,844	44,278	41,744	43,120
Average length of stay:					
Total medical/surgical	4.75	5.05	5.11	4.82	4.54
Obstetrics	2.46	2.42	2.48	2.38	2.43
Psychiatric and substance abuse	6.06	5.53	5.44	5.43	5.29
Rehabilitation	12.60	13.16	13.61	13.44	12.80
Pediatrics	3.40	3.46	3.52	2.80	2.82
Total hospital	4.80	5.05	5.10	4.86	4.60
Number of patient days:					
Medical/surgical intensive care	14,852	15,463	18,414	15,792	14,339
Cardiac telemetry, acute, and intensive care	52,298	55,043	43,170	38,517	39,736
Other medical/surgical	175,461	140,519	117,372	105,510	103,439
Total medical/surgical	242,611	211,025	178,956	159,819	157,514
Obstetrics	11,976	10,982	10,556	9,595	9,838
Psychiatric and substance abuse	14,001	13,006	12,488	12,291	12,341
Rehabilitation	21,213	19,456	19,131	18,671	16,462
Pediatrics	4,322	2,240	4,686	2,561	2,187
Total hospital	294,123	256,709	225,817	202,937	198,342

(Continued)

	Fiscal year ended September 30				
	2023	**2022**	**2021**	**2020**	**2019**
Percentage occupancy (admitted patients):					
Medical/surgical intensive care	65.6 %	48.1 %	81.4 %	69.6 %	63.4 %
Cardiac telemetry, acute, and intensive care	91.8	84.7	75.8	67.5	69.8
Other medical/surgical	81.6	72.5	73.4	65.8	64.7
Total medical/surgical	82.4	72.5	74.7	66.6	65.8
Obstetrics	109.4	75.2	96.4	87.4	89.8
Psychiatric and substance abuse	61.9	41.4	57.0	56.0	56.4
Rehabilitation	96.9	88.8	97.1	94.5	83.5
Pediatrics	42.3	21.9	45.9	25.0	21.4
Total hospital	81.6 %	71.7 %	74.7 %	67.0 %	65.6 %
Licensed beds	1,011	1,005	839	839	839
Average number of beds in service	987	981	828	828	828
Average daily census	806	703	619	554	543
Percent occupancy	81.6	71.7	74.7	67.0	65.6
Patient days	294,123	256,709	225,817	202,937	198,342
Admissions	61,238	50,844	44,278	41,744	43,120
Adjusted admissions [(1)]	111,706	90,244	72,776	65,989	68,937
Average length of stay	4.80	5.05	5.10	4.86	4.60
Emergency Room visits/registration	172,428	149,908	117,064	107,579	125,195
Urgent Care Center registrations	179,091	158,106	124,127	112,663	123,456
Surgery cases	31,336	27,612	23,465	23,068	24,685
Radiology procedures	494,897	431,024	400,379	339,012	358,746
Cardiac Catheterization procedures	23,636	19,715	17,784	15,353	15,823

[(1)] Inpatient admissions adjusted for equivalent hospital outpatient volume.

(Continued)

Statements of Revenues, Expenses, and Changes in Net Position

A summary of the District's Statements of Revenues, Expenses, and Changes in Net Position for fiscal years 2023, 2022, and 2021 is presented below (in thousands):

	2023	2022 (as restated)	Change	2021	Change
Net patient service revenue	$ 1,626,213	1,357,556	268,657	1,124,824	232,732
Other revenue	38,088	41,637	(3,549)	28,120	13,517
Total operating revenues	1,664,301	1,399,193	265,108	1,152,944	246,249
Total operating expenses	1,615,999	1,366,973	249,026	1,089,630	277,343
Operating income	48,302	32,220	16,082	63,314	(31,094)
Total nonoperating items	93,017	(35,240)	128,257	98,703	(133,943)
(Deficiency) excess of revenues (under) over expenses	141,319	(3,020)	144,339	162,017	(165,037)
Other changes in net position	3,533	2,706	827	3,352	(646)
Net position, beginning of year (as restated)	1,674,120	1,674,434	(314)	1,509,065	165,369
Net position, end of year	$ 1,818,972	1,674,120	144,852	1,674,434	(314)

As a result of the implementation of Governmental Accounting Standards Board Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96) during the year, the information presented for 2022 has been restated to conform to the new accounting standard.

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

Net patient service revenue increased by $268.7 million, or 19.8%, during fiscal year 2023. Combined hospital admissions increased 20.4% from fiscal year 2022. The inpatient average daily census was 806 in fiscal year 2023 compared to 703 in fiscal year 2022. Outpatient hospital registrations (excluding emergency care center visits) in fiscal year 2023 were higher by 10.4% compared to fiscal year 2022, and emergency care center visits were 15.0% higher. Outpatient surgery cases in fiscal year 2023 were 40.8% higher than in fiscal year 2022, and cardiac catheterization procedures were 19.9% higher, and electrophysiology cases were 17.2% higher in fiscal year 2023 as compared to fiscal year 2022.

Net patient service revenue increased by $232.7 million, or 20.7%, during fiscal year 2022 as compared to fiscal year 2021, with $134.6 million being attributed to the opening of SMH-Venice. Combined hospital admissions increased 14.8% from fiscal year 2021. The inpatient average daily census was 703 in fiscal year 2022 compared to 619 in fiscal year 2021; while there was a slight decrease in the average length of stay, the opening of SMH-Venice and continued impacts of COVID-19 variants drove census higher. Outpatient hospital registrations (excluding emergency care center visits) in fiscal year 2022 were higher by 6.5% compared to fiscal year 2021, and emergency care center visits were 28.1% higher. Outpatient surgery cases in fiscal year

(Continued)

2022 were 9.9% higher than the fiscal year 2021, and cardiac catheterization procedures were 11.0% higher, and electrophysiology cases were 18.0% higher in fiscal year 2022 as compared to fiscal year 2021. Net patient service revenue from employed physicians increased $18.4 million during fiscal year 2022 as a result of the recruitment of new physicians serving the community in primary and specialty care.

Operating expenses increased in fiscal 2023 by $249.0 million, or 18.2%. Salaries and wages increased by $129.7 million, fringe benefits increased by $28.4 million, supplies increased by $48.2 million, purchased services increased $14.9 million, professional fees increased by $0.1 million, and depreciation and amortization increased $24.3 million.

Operating expenses increased in fiscal 2022 by $277.3 million, or 25.5%. Salaries and wages increased by $126.5 million, fringe benefits decreased by $4.4 million, supplies increased by $52.3 million, purchased services increased $59.6 million, professional fees increased by $6.0 million, and depreciation and amortization increased $34.6 million.

Salaries and wages increased $129.7 million, or 19.9%, in 2023. The increase is largely due to having a full year of both the SMH-Venice campus and the Oncology Tower at the SMH-Sarasota campus open, as well as reduced reliance on traveling nurses. Total System FTEs increased from 7,430 in fiscal year 2022 to 8,216 in fiscal year 2023. Also contributing to the overall increase in salaries and wages was a $33.7 million increase in SMH Physicians Services, Inc. related to expanded services in a variety of areas.

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

Fringe benefits increased by $28.4 million in 2023 compared to 2022. Fringe benefits as a percentage of salaries and wages increased from 14.1% in 2022 to 15.4% in 2023. The increase in overall benefit cost was primarily due to a $19.3 million increase in retirement and other post-employment related costs, and a $9.0 million increase in wage-related employment tax costs.

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

Supplies expenses increased in fiscal 2023 by $48.2 million. Supplies expense as a percentage of net patient revenue decreased to 20.8% in fiscal 2023 compared to 21.4% in fiscal 2022. This change is primarily due to a $23.4 million increase in medical supplies, a $21.0 million increase in implants, a $4.3 million increase in drug costs, and Lab and Blood costs that decreased by $0.5 million.

Supplies expenses increased in fiscal 2022 by $52.3 million. Supplies expense as a percentage of net patient revenue increased to 21.4% in fiscal 2022 compared to 21.1% in fiscal 2021. This change is primarily due to a

$26.3 million increase in medical supplies, a $14.3 million increase in implants, a $3.2 million increase in lab and blood products, a $3.8 million increase in drug costs, and Food and Beverage costs that increased by $2.7 million.

Purchased services increased by $14.9 million in fiscal 2023, representing a 8.0% increase compared to 2022. This change is primarily related to purchase of services increased $17.9 million, repairs and maintenance increased $6.1 million, Information Technology as a Service (ITaaS) increased $3.7 million, patient transfer fees increased $3.6 million, collection expense increased $2.3 million, insurance increased $1.8 million, recruiting increased $1.7 million, travel and education/development increased by $1.0 million, temporary/contract personnel increased by $1.0 million, catering increased by $0.3 million, bank charges increased by $0.3 million, offset by a $25.9 million decrease in traveler and non-employee compensation.

Purchased services increased by $59.6 million in fiscal 2022, representing a 47.1% increase compared to 2021. This change is primarily related to temporary labor in the form of traveling nurses increased $41.8 million, utilities increased $5.7 million, purchase of services increased $4.6 million, IT support and maintenance increased $3.8 million, maintenance contracts increased $3.3 million, general and professional liability insurance increased $2.8 million, temporary and contract personnel costs increased by $1.7 million, and laundry and linen increased by $1.3 million, while Information Technology as a Service (ITaaS) increased $3.7 million.

Professional fees increased by $0.1 million in fiscal 2023, as a result of a $0.4 million increase in legal fees partially offset by $0.3 million decrease in physician fees.

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

Depreciation and amortization expense increased by $24.3 million in fiscal 2023 as a result of a $17.5 million increase in depreciation on major equipment, a $2.9 million increase in building depreciation expense, and a $4.2 million increase in amortization primarily driven by recent changes related to leases and Subscription-Based Information Technology Arrangements (SBITAs).

Depreciation and amortization expense increased by $34.6 million in fiscal 2022 due to completion of various construction and renovation and information technology projects, including the notable completion and opening of the SMH-Venice hospital campus, as well as the opening of the new eight-story inpatient and surgical Oncology Tower, both in November of 2022. Additionally depreciation and amortization increase by $11.6 million related to leases and Subscription-Based Information Technology Arrangements (SBITAs).

As a result of the above-noted changes in operating costs, total operating costs decreased from 100.7% to 99.4% of net patient revenue. Total operating cost per adjusted admission, adjusted for the change in case mix index, decreased 0.2% in fiscal year 2023 and increased 5.5% in fiscal year 2022.

Nonoperating items increased by $128.3 million in fiscal year 2023. The increase is primarily due to $113.6 million increase in unrealized gain on the change in market value of investments, a $14.6 million increase in investment income, a $12.5 million increase in ad valorem tax, a decrease in bond issuance costs of $1.8 million, a $0.6 million decrease in the fair value of ineffective interest rate swaps, an $11.7 million increase in interest expense, and a decrease in other non-operating income of $4.2 million.

Nonoperating items decreased by $133.9 million in fiscal year 2022 as compared to fiscal year 2021. The decrease is primarily due to an $88.0 million increase in unrealized loss on the change in market value of investments, a $34.7 million decrease in other non-operating income, and a $16.3 million increase interest expense, and bond issuance costs of $1.8 million. These costs were partially offset by a $4.8 million increase in ad valorem tax receipts and a $2.7 million increase in the fair value of ineffective interest rate swaps. The decrease in other nonoperating income was largely a result of $34.0 million COVID-19 Provider Relief Funds received in 2021.

Revenues exceeded expenses for fiscal year 2023 by $141.3 million, compared to a deficiency of revenues under expenses in fiscal year 2022 of $3.0 million. The $144.3 million change is a result of operating revenues increasing by $265.1 million, offset by operating expenses increasing by $249.0 million, and nonoperating items increasing by $128.2 million.

Expenses exceeded revenues for fiscal year 2022 by $3.0 million, compared to an excess of revenues over expenses in fiscal year 2021 of $162.0 million. The $165.0 million change is a result of operating revenues increasing by $246.2 million, offset by operating expenses increasing by $277.3 million, and nonoperating items decreasing by $133.9 million.

Balance Sheets

The following table is a summary of the balance sheets as of September 30, 2023, 2022, and 2021 (in thousands):

	2023	2022 (as restated)	Change	2021	Change
Cash and cash equivalents	$ 51,847	123,091	(71,244)	65,384	57,707
Patient accounts receivable, net	199,582	149,519	50,063	128,605	20,914
Other current assets	64,046	96,120	(32,074)	86,897	9,223
Total current assets	315,475	368,730	(53,255)	280,886	87,844
Restricted and board designated investments	1,207,083	1,084,923	122,160	1,253,147	(168,224)
Capital assets, net	1,379,385	1,287,063	92,322	1,197,335	89,728
Other assets	138,047	119,629	18,418	71,139	48,490
Interest rate swaps	6,572	10,431	(3,859)	18,406	(7,975)
Noncurrent assets	2,731,087	2,502,046	229,041	2,540,027	(37,981)
Deferred outflows	99,967	51,920	48,047	63,112	(11,192)
Total assets and deferred outflows	$ 3,146,529	2,922,696	223,833	2,884,025	38,671

(Continued)

	2023	2022 (as restated)	Change	2021	Change
Current liabilities	$ 341,500	274,192	67,308	379,018	(104,826)
Noncurrent liabilities	902,897	855,733	47,164	762,695	93,038
Total liabilities	1,244,396	1,129,926	114,472	1,141,713	(11,788)
Deferred inflows	83,161	118,651	(35,490)	67,878	50,773
Net position:					
Net investment in capital assets	689,674	668,963	20,711	593,870	75,093
Restricted for specific purposes	4,238	4,117	121	3,160	957
Unrestricted	1,125,060	1,001,040	124,020	1,077,404	(76,364)
Total net position	1,818,972	1,674,120	144,852	1,674,434	(314)
Total liabilities, deferred inflows and net position	$ 3,146,529	2,922,696	223,834	2,884,025	38,671

As a result of the implementation of Governmental Accounting Standards Board Statement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96) during the prior years, the information presented for 2022 has been restated to conform to the new accounting standard.

Discussion of Balance Sheets

At September 30, 2023, the District's cash, cash equivalents, and board designated investments totaled $1.2 billion, compared to long-term debt, including the current portion, of $775.0 million. The number of days cash on hand was 287, which is above the median of 234.3 days cash on hand for Moody's Investor Services (Moody's) "A1" rated, freestanding hospitals and single and multi-state healthcare systems (2023 median, based on 2022 data).

At September 30, 2022, the District's cash, cash equivalents, and board designated investments totaled $1.1 billion, compared to long-term debt, including the current portion, of $789.7 million. The number of days cash on hand was 299, which is below the median of 303 days cash on hand for Moody's Investor Services (Moody's) "A1" rated, freestanding hospitals and single and multi-state healthcare systems (2022 median, based on 2021 data).

In fiscal 2023, current assets decreased by $53.3 million. Cash and cash equivalents decreased by $71.2 million, patient accounts receivable increased by $50.1 million, prepaid expenses and other assets decreased $32.1 million and inventories of supplies increased by $0.3 million. Additional increases in current assets are due to estimated Medicare and Medicaid settlements increasing by $0.4 million.

In fiscal 2022, current assets increased by $87.8 million. Cash and cash equivalents increased by $57.7 million, patient accounts receivable increased by $20.9 million, and inventories of supplies increased by $6.8 million. Additional increases in current assets are due to estimated Medicare and Medicaid settlements increasing by $5.5 million. The increases were partially offset by a decrease in prepaid expenses and other assets of $3.0 million.

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In fiscal 2023, restricted investments and board designated investments increased $122.2 million. As of September 30, 2023, the Moody's ratings of the District's investments are BBB rated or better.

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

Capital assets increased by $92.3 million in fiscal 2023. There were $196.7 million of capital additions during fiscal year 2023. The additions were partially offset by annual depreciation of $100.5 million. Of the $196.7 million in fiscal 2023 additions, the largest projects accounted for about $121.5 million of expenditures: $46.7 million to add an additional bedtower to the hospital campus in Venice; $45.5 million for further development of a new behavioral health pavilion on the hospital campus in Sarasota; $22.4 million for further development of a cancer care institute; $6.9 million for initial development of a new education center. Additional information on the District's capital assets can be found in note 6 to the financial statements.

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

In fiscal 2023, the financial statements reflect a net pension liability of $57.9 million, compared to a net pension asset reported in fiscal 2022 of $27.2 million. This change was largely due to investment performance experienced by the pension plan during 2022, which is the basis for the 2023 financial statements.

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

Deferred outflows and deferred inflows are related to the defined benefit retirement plan and other postemployment benefits, debt refundings, lease activity and interest rate swaps.

Deferred amounts related to the defined benefit retirement plan result from differences between expected and actual experience, changes in assumptions, the difference between projected and actual earnings on retirement plan investments, and contributions made by the District during the year. Please refer to note 9 to the financial statements for a more detailed discussion of the District's retirement plan.

Deferred amounts related to other postemployment benefits result from differences between expected and actual experience, changes in assumptions, and contributions made by the District during the year. Please refer to note 11 to the financial statements for a more detailed discussion of the District's other postemployment benefits plan.

Deferred amounts related to debt refundings result from debt refinancings and are amortized as interest expense over the related remaining debt service maturity schedule. Please refer to note 8 to the financial statements for a more detailed discussion of the District's long-term debt and interest rate swaps.

Deferred amounts related to leases result from SMHCS leasing to other entities. A correlating lease receivable exists in the asset section of the balance sheet as an offset. As SMHCS receives payments, the lease receivable amount is reduced and interest revenue is recognized. The deferred inflow is also reduced, being offset by revenue recognized, over the life of the leases.

The District has interest rate swaps related to its outstanding bond instruments. The swaps are presented in the Balance Sheets as assets or liabilities at fair value. Changes in fair value are recorded in the Balance Sheets as deferred outflows of resources or deferred inflows of resources for those swaps determined to be effective hedges in accordance with applicable governmental accounting standards or in the Statements of Revenues, Expenses and Changes in Net Position as nonoperating changes in fair value for ineffective interest rate swaps. Please refer to note 8 to the financial statements for a more detailed discussion of the District's interest rate swaps.

In fiscal 2023, current liabilities increased $67.3 million, primarily related to a $25.5 million increase in the accounts payable, a $18.0 million increase in employee compensation and benefits payable, a $17.7 million increase in the current portion of estimated third-party settlements, a $3.1 million increase in other accrued expenses, and a $3.0 million increase of current portion of the State of Florida medical assistance assessment.

In fiscal 2022, current liabilities decreased $104.8 million, primarily related to a $103.1 million decrease in the current portion of the advance payment from third parties, and a $37.1 million decrease in the accounts payable. These were partially offset by a $15.1 million increase in employee compensation and benefits payable, a $10.5 million increase in the current portion of long term debt, a $6.0 million increase in estimated third-party settlements, a $2.4 million increase of current portion of the State of Florida medical assistance assessment, and a $1.4 million increase in other accrued expenses.

In fiscal 2023, noncurrent liabilities increased $47.2 million, primarily as a result of a $57.9 million increase in the net pension liability as a result of becoming a net pension liability in 2023 from an asset in 2022, a $4.4 million increase in other long term liabilities, and $3.1 million increase in the long term portion of the State of Florida medical assistance assessment, partially offset by a $14.7 million decrease in the long term debt (less the current portion), a $2.5 million decrease in interest rate swap liabilities, and a $1.1 million decrease in long-term companion debt (less the current portion).

In fiscal 2022, noncurrent liabilities increased $93.0 million, primarily as a result of an increase of $141.8 million in the long term debt (less the current portion), a $1.4 million increase in the long term portion of the State of Florida medical assistance assessment, and a $0.6 million increase in other long term liabilities, which were partially offset by a $30.6 million decrease in the net pension liability as a result of becoming a net pension asset in 2022, a $19.1 million decrease in interest rate swap liabilities, and a $1.0 million decrease in long-term companion debt, less current portion.

Profitability, Liquidity, and Capital Ratios

The following table outlines ratios monitored by the District as compared to Moody's "A1" rated, freestanding hospitals, single and multi-state healthcare systems:

	2023	2022 (as restated)	2021	2022 Moody's A1 median
Profitability ratios:				
Operating margin	5.7 %	5.6 %	12.7 %	0.8 %
Excess margin	7.5	6.8	14.2	3.4
Return on assets	4.6	3.5	6.7	2.4
Total EBIDA%	16.1	15.0	19.3	n/a
Operating cash flow margin	14.5	13.8	17.9	6.1
Liquidity ratios:				
Days cash on hand	287	302	459	234
Net days in receivables	45	40	42	49
Capitalization ratios:				
Maximum debt service coverage ratio	6.6	5.1	6.6	5.0
Cash to debt	154.6 %	136.0 %	214.0 %	180.2 %

(EBIDA – Earnings Before Interest, Depreciation and Amortization)

(Continued)

Discussion of Ratios

To be consistent with rating agency calculations, tax revenues are considered operating revenues and interest expense, excess swap receipts, net, bond issue costs, recognition of Provider Relief Fund grant revenue, and business interruption insurance proceeds are considered operating expenses for the ratio calculations above.

The profitability and liquidity ratios noted above and the cash to debt ratio were favorable compared to the Moody's A1 medians.

In July 2023, Fitch Ratings affirmed the District's unenhanced long term rating of AA- on its outstanding bonds and stable outlook. In August 2023, Moody's Investors Services affirmed the District's unenhanced long-term rating on its outstanding bonds of A1 and stable outlook. The rating agencies have noted the District's financial performance, strong liquidity, and strong service area characteristics.

This financial report is intended to provide our citizens, patients, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the tax assistance it receives. You may access the District's annual and quarterly financial information, as well as the current budget, via our website, www.smh.com. The District has engaged Digital Assurance Certification, LLC (DAC) as its Investment Relations Provider. To view additional detailed secondary market disclosure information, please visit www.dacbond.com. If you have any questions regarding this report or need additional information, contact the District's Corporate Finance Department at Sarasota Memorial Hospital, Attention: Controller, 1700 S. Tamiami Trail, Sarasota, FL 34239.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Balance Sheets

September 30, 2023 and 2022

Assets	2023	2022 (As restated)
Current assets:		
Cash and cash equivalents	$ 51,847,144	123,090,829
Patient accounts receivable, less allowance for uncollectible accounts of $171,536,758 in 2023 and $148,850,539 in 2022	199,582,058	149,519,209
Inventories of supplies	23,826,379	23,491,115
Prepaid expenses and other assets	33,172,463	65,985,786
Estimated Medicare and Medicaid settlements	5,900,000	5,500,000
Due from related organizations	1,146,813	1,142,601
Total current assets	315,474,857	368,729,540
Noncurrent assets:		
Restricted investments	54,874,417	136,493,995
Board designated investments	1,152,208,283	948,429,489
Capital assets, net	1,379,384,578	1,287,062,740
Net pension asset	—	27,194,918
Other assets	138,047,382	92,434,560
Interest rate swaps	6,572,122	10,430,544
Total noncurrent assets	2,731,086,782	2,502,046,246
Total assets	3,046,561,639	2,870,775,786
Deferred Outflows of Resources		
Deferred outflows related to pensions and OPEB	66,635,988	15,120,815
Deferred amounts on debt refundings	33,101,804	36,478,545
Deferred effective interest rate swap outflows	229,196	320,875
Total deferred outflows of resources	99,966,988	51,920,235
Total assets and deferred outflows of resources	$ 3,146,528,627	2,922,696,021
Liabilities		
Current liabilities:		
Accounts payable	$ 83,729,919	58,205,295
Employee compensation and benefits payable	127,522,715	109,551,930
Other accrued expenses	17,371,872	14,312,454
Estimated third-party settlements	66,600,417	48,934,559
Due to related organizations	10,241	1,705
Current portion of State of Florida medical assistance assessment	18,373,114	15,347,905
Current portion of long-term debt	27,891,341	27,838,449
Total current liabilities	341,499,619	274,192,297
Noncurrent liabilities:		
Long-term debt, less current portion	747,144,671	761,843,560
Long-term companion debt, less current portion	15,958,900	17,031,586
Net pension liability	57,870,734	—
State of Florida medical assistance assessment, less current portion	11,303,388	8,161,472
Other long term liabilities	67,376,183	62,966,459
Interest rate swaps	3,242,678	5,730,370
Total noncurrent liabilities	902,896,554	855,733,447
Total liabilities	1,244,396,173	1,129,925,744
Deferred Inflows of Resources		
Deferred inflows related to pensions and OPEB	11,074,489	35,041,814
Deferred inflows related to leases	41,651,319	41,838,652
Deferred effective interest rate swap inflows	30,435,187	41,770,196
Total deferred inflows of resources	83,160,995	118,650,662
Net Position		
Net investment in capital assets	689,673,624	668,962,432
Restricted for specific purposes	4,237,742	4,116,919
Unrestricted	1,125,060,093	1,001,040,264
Total net position	1,818,971,459	1,674,119,615
Total liabilities, deferred inflows of resources and net position	$ 3,146,528,627	2,922,696,021

See accompanying notes to financial statements.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Statements of Revenues, Expenses and Changes in Net Position

Years ended September 30, 2023 and 2022

	2023	2022 (As restated)
Operating revenues:		
Net patient service revenue, net of provision for bad debts of $236,359,297 in 2023 and $194,661,091 in 2022	$ 1,626,212,575	1,357,556,129
Other revenue	38,087,861	41,636,935
Total operating revenues	1,664,300,436	1,399,193,064
Operating expenses:		
Salaries, wages and fringe benefits	900,884,938	742,671,530
Supplies	338,373,494	290,195,518
Purchased services	200,956,991	186,057,121
Professional fees	36,069,946	35,945,594
State of Florida medical assistance assessment	19,647,586	16,322,221
Depreciation and amortization	120,065,677	95,780,976
Total operating expenses	1,615,998,632	1,366,972,960
Operating income	48,301,804	32,220,104
Nonoperating items:		
Ad valorem tax	81,902,895	69,425,020
Interest expense	(36,588,840)	(25,020,152)
Interest rate swap receipts, net	3,184,509	995,298
Debt issuance costs	—	(1,758,523)
Investment income	32,607,124	17,970,863
Unrealized gains and losses on investments, net	7,477,177	(106,124,310)
Change in fair value of ineffective interest rate swaps	410,319	1,054,729
Other nonoperating income	4,024,069	8,217,365
Total nonoperating items	93,017,253	(35,239,710)
Excess (deficiency) of revenues over (under) expenses	141,319,057	(3,019,606)
Other changes in net position:		
Contributions restricted for capital purposes	3,532,787	2,705,491
Increase (decrease) in net position	144,851,844	(314,115)
Net position, beginning of year, as restated	1,674,119,615	1,674,433,730
Net position, end of year	$ 1,818,971,459	1,674,119,615

See accompanying notes to financial statements.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Statements of Cash Flows

Years ended September 30, 2023 and 2022

	2023	2022 (As restated)
Cash flows from operating activities:		
Received from patient care services	$ 1,593,990,002	1,235,551,600
Received from nonpatient sources	34,657,181	39,010,885
Payments to employees	(877,883,432)	(733,984,107)
Payments to suppliers	(580,255,967)	(524,446,847)
Net cash provided by operating activities	170,507,784	16,131,531
Cash flows from noncapital financing activities:		
Ad valorem taxes	81,902,895	69,425,020
Grants and other noncapital items	6,572,801	5,357,973
Net cash provided by noncapital financing activities	88,475,696	74,782,993
Cash flows from capital and related financing activities:		
Proceeds from issuance of long-term debt	—	316,930,000
Payment of debt issuance costs	—	(1,758,523)
Proceeds from donations restricted for capital purposes	3,542,942	4,732,995
Interest rate swap payments paid, net	1,650,061	180,527
Interest received on bond funds held by trustee	3,946,073	100,525
Purchases of capital assets	(198,202,640)	(227,655,285)
Proceeds from disposals of capital assets	1,337,718	—
Interest payments	(41,620,814)	(25,513,728)
Interest income on lease receivables	664,009	660,477
Repayment of long-term debt	(15,000,000)	(180,805,000)
Net cash used in capital and related financing activities	(243,682,651)	(113,128,012)
Cash flows from investing activities:		
Investment income received	26,629,490	18,576,499
Purchase of investments	(764,876,356)	(165,601,497)
Proceeds from sales and maturities of investments	652,962,678	227,762,001
Net cash (used in) provided by investing activities	(85,284,188)	80,737,003
(Decrease) increase in cash and cash equivalents	(69,983,359)	58,523,515
Cash and cash equivalents, beginning of year	124,481,667	65,958,152
Cash and cash equivalents, end of year	$ 54,498,308	124,481,667
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash and cash equivalents in current assets	$ 51,847,144	123,090,829
Cash and cash equivalents in restricted investments	2,651,164	1,390,838
Total cash and cash equivalents	$ 54,498,308	124,481,667
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 48,301,804	32,220,104
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	120,065,677	95,780,976
Provision for bad debts	236,359,297	194,661,091
Changes in:		
Patient accounts receivable	(286,422,146)	(215,575,886)
Other current and noncurrent assets	(39,124,091)	(16,732,634)
Current liabilities and other liabilities	91,327,240	(74,222,120)
Net cash provided by operating activities	$ 170,507,781	16,131,531
Noncash capital and related financing activities:		
Accrued purchases of capital assets	$ 30,119,732	14,195,770
Unrealized gains (losses) on investments, net	7,477,178	(106,124,310)
Change in equity investment	1,128,414	1,742,824

See accompanying notes to financial statements.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

SMH Health Care Retirement Plan

Statements of Fiduciary Net Position

	September 30	
	2023	**2022**
Assets:		
Cash and cash equivalents	$ 6,380,331	6,752,662
Investments, at fair value	387,012,497	355,074,805
Receivables:		
Accrued interest and dividends	—	—
Total assets	393,392,828	361,827,467
Liabilities and fiduciary net position restricted for pensions:		
Liabilities:		
Accrued expenses	(642,082)	(171,276)
Total fiduciary net position restricted for pensions	$ 392,750,746	361,656,191

See accompanying notes to financial statements.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

SMH Health Care Retirement Plan

Statements of Changes in Fiduciary Net Position

	September 30	
	2023	**2022**
Additions:		
Employer contribution	$ 13,883,595	10,835,453
Investment income:		
Net appreciation (depreciation) in fair value of investments	43,313,752	(66,372,760)
Interest and dividends	4,676,394	4,324,880
	47,990,146	(62,047,880)
Less investment expenses	(1,682,128)	(1,206,620)
Net investment income (loss)	46,308,018	(63,254,500)
Total additions (reductions)	60,191,613	(52,419,047)
Deductions:		
Benefits	(28,611,671)	(30,192,176)
Administrative expenses	(485,387)	(482,144)
Total deductions	(29,097,058)	(30,674,320)
Net increase (decrease) in fiduciary net position	31,094,555	(83,093,367)
Fiduciary net position restricted for pensions:		
Beginning of year	361,656,191	444,749,558
End of year	$ 392,750,746	361,656,191

See accompanying notes to financial statements.

(1) Operations, Organization, and Summary of Significant Accounting Policies

(a) Operations and Organization

The Sarasota County Public Hospital District was established in 1949 by a special act of the Florida Legislature, which created and incorporated a special tax district to be known as Sarasota County Public Hospital District (the District), which includes all of Sarasota County, and authorized the District to levy property taxes for various purposes. The District's primary function is to operate Sarasota Memorial Hospital (the Hospital), Sarasota Memorial Nursing and Rehabilitation Center (NRC), and provide other healthcare delivery services in Sarasota County.

The financial statements include the accounts of the Sarasota County Public Hospital District and the following blended component units of the District: SMH Health Care, Inc., and SMH Physician Services, Inc. (PSI). These entities are considered blended component units, as the governing bodies of these entities are substantially the same as the District and the entities provide services almost entirely to the District or benefit the District even though they do not provide services directly to the District. The entities are hereafter referred to collectively as the "District." All intercompany accounts and transactions have been eliminated between the District and its blended component units.

(b) Mission Statement

The mission of the District is to provide health care services which excel in caring, quality, and innovation.

(c) Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(d) Accounting Standards

The District recognizes revenues and expenses on the accrual basis of accounting in accordance with the standards established by the Governmental Accounting Standards Board (GASB).

In 2023, the District adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96).

The objectives of GASB Statement No. 96 are (1) to improve financial reporting by establishing a definition for Subscription-Based Information Technology Arrangements (SBITAs) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition, resulting in greater consistency in practice, (2) to establish the capitalization criteria for implementation costs, reducing diversity and improving comparability in financial reporting by governments, (3) to enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement, and (4) to allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs.

(Continued)

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended.

The District adopted this statement as of October 1, 2021. As a result, the net position as of September 30, 2022 has been restated as follows:

Balance Sheet impact:	
Net position as of September 30, 2022, as previously reported	$ 1,676,887,238
Adjustments:	
Prepaid expenses and other assets	(5,359,072)
Other assets	26,201,947
Current portion of long-term debt	(10,102,980)
Long-term debt, less current portion	(13,507,518)
Net position as of September 30, 2022, as restated	$ 1,674,119,615
Statement of Revenues, Expenses and Changes in Net Position impact:	
Increase in net position as of September 30, 2022, as previously reported	$ 2,453,508
Adjustments:	
Purchased services	9,005,084
Depreciation and amortization	(11,645,125)
Interest expense	(127,582)
Decrease in net position as of September 30, 2022, as restated	$ (314,115)

The above mentioned changes decreased net position for the year ended September 30, 2022 by $2,767,623. This is composed of a decrease in net investment in capital assets of $23,610,498, partially offset by an increase in unrestricted net position of $20,842,875.

(e) Community Programs

The District is a public health care provider established to meet the needs of Sarasota County. Accordingly, services are being provided to the community at no charge or for which only partial payments are received. The following is a summary of the cost, net of actual and estimated

(Continued)

reimbursements, if any, of the District's community programs provided during the years ended September 30, 2023 and 2022:

	2023	2022
Bad debts	$ 45,790,793	39,188,222
Traditional charity care	17,388,844	15,085,238
Medicare losses	111,490,716	121,770,257
Medicaid losses	63,145,195	60,123,896
Trauma and emergency care center call pay and subsidies	3,079,909	9,171,011
Anesthesiologist, hospitalist, and psychiatric coverage	19,485,317	20,262,536
Clinics and other community programs	4,260,205	3,308,414
Indigent care fund payments	19,647,586	16,322,221
	$ 284,288,565	285,231,795

The District provides traditional charity care to those patients who meet certain criteria under its charity care policy. A patient is classified as a charity patient by reference to certain established policies of the District. Amounts determined to qualify as traditional charity care are not reported as revenue. Included in bad debts are estimated community support costs of $12,524,000 and $12,297,000 for the years ended September 30, 2023 and 2022, respectively. Community support recognizes the cost of providing care for those patients that met other financial criteria which indicated an economic hardship and inability to pay for their services, but who either did not meet the strict eligibility requirements for traditional charity care or who did not complete all necessary paperwork to qualify for traditional charity care.

Payments received from the Medicare and Medicaid programs are significantly less than established patient charges and are less than management's estimate of the costs of providing those services. An assessment of 1.00% for net outpatient revenues, 1.50% for net inpatient revenues, and 0.04% of total operating expenses is assessed to the Hospital to help fund the Florida Medicaid and Indigent Care program.

(f) Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors and the provision for bad debts.

The difference between customary charges and the contractually established rates is accounted for as a contractual adjustment. The District's customary charges, contractual adjustments, and provision for bad debts for the years ended September 30, 2023 and 2022 are as follows:

	2023	2022
Gross patient charges	$ 8,322,586,198	6,739,795,235
Contractual adjustments	(6,460,014,326)	(5,187,578,015)
Provision for bad debts	(236,359,297)	(194,661,091)
Net patient service revenue	$ 1,626,212,575	1,357,556,129

The District has agreements with third-party payors that provide for payment to the District at amounts different from its established rates. A summary of the basis of payment with major third-party payors follows:

(i) Medicare

Most services including inpatient acute care services, inpatient rehabilitative services, inpatient psychiatric services, skilled nursing services, and hospital outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Disproportionate share reimbursement partially offsets the revenue losses from furnishing uncompensated care to low income patients. Graduate medical education reimbursement is intended to partially offset the cost of the program and is paid at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits by the Medicare fiscal intermediary.

The Hospital's Medicare cost reports have been audited and final settlements determined by the Medicare intermediary for all years through September 30, 2018. Retroactive adjustments for cost reports and other settlements are accrued on an estimated basis in the period when the related services are rendered and adjusted in future periods when final settlements are determined.

(ii) Medicaid

Effective May 1, 2014, the Florida Medicaid program implemented a system through which most Medicaid enrollees receive services. The program is called the Statewide Medicaid Managed Care Medical Assistance Program. The program is comprised of several types of managed care plans including Health Maintenance Organizations, Provider Service Networks, and a Children's Services Network. The program is designed to emphasize patient centered care, personal responsibility and active patient participation, provide for fully integrated care through alternative delivery models with access to providers and services through a uniform statewide program, and implement innovations in reimbursement methodologies, plan quality and plan accountability. Most Medicaid recipients must enroll in the program. Providers and the managed care plans negotiate mutually agreed upon rates and terms of payment for the provision of services as part of the contract between the provider and the managed care plan. Inpatient and outpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates. These rates vary according to a

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patient classification system that is based on clinical, diagnostic, and other factors. Unless stated in the law, managed care plans do not have to pay in the same way that providers are paid under the fee for service Medicaid program. Before implementation of this system, reimbursement was cost based subject to ceilings and limits. Final settlement was determined through the Medicaid Cost Report. The State completed rate setting audits for these cost based years through June 30, 2015 and no longer requires the submission of hospital cost reports for rate setting purposes.

Final combined Medicare and Medicaid amounts estimated related to prior years resulted in a decrease in net patient service revenue of $7,196,677 and an increase in net patient service revenue of $5,797,865 for the years ended September 30, 2023 and 2022, respectively.

In addition, the Florida Medicaid program provides additional funding through various programs to cover costs related to serving charity care and a disproportionate share of Medicaid and other low income patients, as well as the cost of graduate medical education programs. These programs are funded in part by intergovernmental transfers which are then used to secure matching federal funds and are re-distributed to participating healthcare organizations. For these programs, SMH recorded $25,599,000 and $31,111,917 in net patient service revenue and $7,257,763 and $6,133,940 of other operating revenue for the years ended September 30, 2023 and 2022, respectively.

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

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

Provisions have been recorded in the financial statements for open cost report years through 2023.

(iii) Other

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

(g) Cash and Cash Equivalents

The District considers cash on hand, money in checking accounts, time deposits, short-term unrestricted fund investments, and short-term restricted assets available for current liabilities with a maturity of three months or less when purchased to be cash and cash equivalents.

(h) Investments and Investment Income

Investment securities held by the District are carried at fair value. Realized gains and losses, based on the specific identification method, are included in investment income in nonoperating items in the statements of revenues, expenses, and changes in net position. Unrealized gains and losses are included in unrealized gains and losses on investments, net in nonoperating items in the statements of revenues, expenses and changes in net position.

(i) Inventories of Supplies

Inventories of supplies are stated at the lower of cost or market, on a first-in, first-out basis.

(j) Capital Assets

Capital assets have been recorded at historical cost if purchased or fair value at date of donation. Capital purchases above $5,000 are capitalized. Major asset classifications and estimated useful lives are generally in accordance with those recommended by the American Hospital Association. The provision for depreciation is computed using the straight-line method over the estimated useful lives of the assets as summarized below:

	Estimated useful lives (years)
Land improvements	3–25
Buildings	5–80
Leasehold improvements	3–25
Moveable equipment	3–25
Subscription assets	1–6.5

Routine maintenance, repairs, renewals, and replacement costs are charged against operations. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized, as is interest incurred during the period prior to the related assets being placed in service. Upon sale or retirement of capital assets, the cost and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in other nonoperating income (expense).

(k) Debt Issue Costs, Original Issuance Premiums and Discounts, and Deferred Gains and Losses on Refunding

The District recognizes debt issuance costs as an expense in the period incurred as required by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Original issuance premiums and discounts on bonds payable are amortized using the effective interest method. Amortization of original issuance premiums and discounts is included in interest expense. Deferred losses on refunding, which are included in deferred outflows of resources, are amortized over the shorter of the remaining life of the old debt or the life of the new debt using the straight-line method, which approximates the effective interest method. Amortization of deferred losses on refunding is included in interest expense.

(Continued)

(l) Other Noncurrent Liabilities

Other noncurrent liabilities consist of State of Florida medical assistance assessment and unearned revenue and other long-term liabilities. The changes in other noncurrent liabilities for the years ended September 30, 2023 and 2022 are as follows:

	2023				
	Beginning balance (as restated)	Accrual/ assessments	Payments	Ending balance	Amounts due within one year
State of Florida medical assistance assessment	$ 23,509,377	19,647,585	(13,480,460)	29,676,502	18,373,114
Other long-term liabilities	110,523,879	32,496,071	(21,961,696)	121,058,254	24,878,923
Total	$ 134,033,256	52,143,656	(35,442,156)	150,734,756	43,252,037

	2022				
	Beginning balance (as restated)	Accrual/ assessments	Payments	Ending balance (as restated)	Amounts due within one year (as restated)
State of Florida medical assistance assessment	$ 19,791,543	16,322,221	(12,604,387)	23,509,377	15,347,905
Other long-term liabilities	89,484,675	44,982,988	(23,943,784)	110,523,879	19,348,969
Total	$ 109,276,218	61,305,209	(36,548,171)	134,033,256	34,696,874

(m) Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SMH Health Care Retirement Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

(n) Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated paid time off (PTO A) balances for vacations, holidays, personal needs and sickness and unpaid, accumulated and vested short term disability leave (PTO B) balances. PTO A is earned by eligible employees at varying rates, up to a maximum balance of 400 hours. The unused balance of PTO A is paid at time of employment termination. The liability for PTO A has been calculated based on the unused hours and current rates of pay for each employee and is included in employee compensation and benefits payable on the balance sheets. PTO B is earned by eligible employees up to a maximum balance of 800 hours. Employees hired prior to October 1, 1998 who terminate with ten years minimum years of service are vested in PTO B and will receive one half of accumulated unused PTO B hours. Employees hired on or after October 1, 1998 will not receive any accumulated hours in PTO B upon termination. The liability for PTO B has been calculated for vested employees based on

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half of the unused hours and current rates of pay for each employee. The current and noncurrent portions are estimated based on historical payment experience. The current portion is included in employee compensation and benefits payable on the balance sheets. The noncurrent portion is included in other long-term liabilities on the balance sheets.

(o) Net Position

Net position of the District is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and unspent bond proceeds and reduced by the outstanding balances of any borrowings and deferred outflows of resources used to finance the purchase or construction of those assets. Net investment in capital assets is intended to reflect the portion of net position associated with capital assets, less outstanding balances due on borrowings used to finance the purchase or construction of those assets. Restricted for specific purposes is net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the District, including amounts deposited with trustees as required by bond indentures. Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets nor restricted for specific purposes. When both restricted and unrestricted resources are available for use, the District's policy is to use restricted resources first and thereafter unrestricted resources as needed.

(p) Operating Revenues and Expenses

The District's statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with furtherance of its mission, and include related grant revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Nonexchange revenues and expenses, including ad valorem taxes, investment income, interest expense on borrowed funds, the difference between interest rate swap payments received and paid, unrealized gains and losses on investments, changes in the fair value of ineffective interest rate swaps, gains and losses on disposal of capital assets, debt issuance costs, loss on defeasance, insurance proceeds, and other nonoperating income and expenses are reported as nonoperating items in the financial statements.

(q) Income Taxes

The District is organized as a political subdivision of the State of Florida and is not subject to federal and state income taxes.

SMH Health Care, Inc. and PSI, have been recognized by the Internal Revenue Service (IRS) as tax-exempt organizations described in Internal Revenue Code Section 501(c)(3). Income earned by these organizations in furtherance of their tax-exempt purpose is exempt from federal and state income taxes.

(r) Ad Valorem Taxes

Tax monies received are based on assessments by the District to Sarasota County real property owners for purposes stated in the Millage resolutions. Ad valorem taxes are recorded in the period for

which the taxes are levied and amounted to $81,902,895 and $69,425,020 for the years ended September 30, 2023 and 2022, respectively.

(s) Derivative Instruments

The District uses interest rate swaps, which are recorded based on criteria set forth in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended by GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, to manage net exposure to interest rate changes related to its borrowings and to lower its overall borrowing costs. The derivative instruments are recorded as either assets or liabilities in the balance sheets at fair value. Gains and losses resulting from terminations of swaps, when they occur, are recognized as a component of nonoperating items in the accompanying statements of revenues, expenses and changes in net position. Increases or decreases in the fair value of effective interest rate swaps are recognized as deferred effective interest rate swap inflows or outflows in the accompanying balance sheets. Gains and losses resulting from changes in the fair value of ineffective interest rate swaps are recognized as a component of nonoperating items in the accompanying statements of revenues, expenses and changes in net position.

(t) Impairment of Long-Lived Assets

Management evaluates whether there has been a significant unexpected decline in the utility of a capital asset that could indicate an impairment in the capital asset. If there is an indication that the asset may be impaired, the District follows GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, to determine if the impairment loss should be recognized. The amount of impairment, if any, is determined by comparing the historical carrying value of the asset to the valuation method which most appropriately reflects the decline in service utility of the capital asset. The District concluded that no impairments existed as of September 30, 2023 and 2022.

(2) Cash and Investments

(a) Cash Deposits

For the years ended September 30, 2023 and 2022, the District's governmental bank balances are held in accounts protected under Chapter 280, *Florida Statutes* in institutions classified as qualified public depositories. The District's nongovernmental bank balances of $7,819,428 and $8,817,041 were covered by federal depository insurance to the applicable limits for the years ended September 30, 2023 and 2022, respectively.

(b) Investments

Florida Statutes and the District's enabling legislation authorize the District to invest in obligations of the U.S. government and certain of its agencies, certificates of deposit of qualified public depositories, certain bankers' acceptances, certain domestic commercial paper, corporate notes and bonds, interest-bearing time deposits or savings accounts of qualified banks and savings and loans institutions, and repurchase and reverse repurchase agreements.

The fair value of short-term investments are estimated based on quoted market prices, which are generally equal to carrying amounts because of the short maturity of those instruments. The fair value of restricted investments and board designated investments are based on quoted market prices.

As of September 30, 2023, the District had cash and investments maturing as follows:

		Cash and investment maturities				
	Fair value	Less than 1 year	1–5 years	6–10 years	More than 10 years
U.S. government securities	$ 301,553,865	165,221,463	95,817,402	40,515,000	—
U.S. government agency securities	56,541,694	15,717,420	38,631,840	2,192,434	—
Corporate bonds	528,217,896	133,248,425	327,642,792	67,326,679	—
Municipal securities	225,641,610	40,482,321	56,991,254	128,168,035	—
Other, including bank deposits	146,974,779	146,974,779	—	—	—
Total cash and investments	$ 1,258,929,844	501,644,408	519,083,288	238,202,148	—

As of September 30, 2022, the District had cash and investments maturing as follows:

		Cash and investment maturities				
	Fair value	Less than 1 year	1–5 years	6–10 years	More than 10 years
U.S. government securities	$ 145,682,193	53,370,825	59,021,602	33,289,766	—
U.S. government agency securities	74,843,463	19,010,806	53,592,266	2,240,391	—
Corporate bonds	423,105,272	54,079,134	282,179,476	86,846,662	—
Municipal securities	276,260,171	53,121,104	90,069,727	133,069,340	—
Other, including bank deposits	288,123,214	288,123,214	—	—	—
Total cash and investments	$ 1,208,014,313	467,705,083	484,863,071	255,446,159	—

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's investment policy authorizes a strategic asset allocation that is designed to provide an optimal return over the District's investment horizon within the District's risk tolerance and cash requirements. The District's investment policy states that investment transactions shall be structured to minimize capital losses, whether from securities defaults or erosion of market value. To attain this objective, diversification is required in order to minimize potential losses on the portfolio.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the District's investment portfolio to maturities as follows:

Direct government obligations	10 years
U.S. government and U.S. government agency securities	10 years
Bankers' acceptances	0.5 years
Commercial paper, corporate notes, and bonds	10 years
Certificates of deposit	0.5 years

(Continued)

Although the policy typically prohibits U.S. Government Agency investment maturities greater than 10 years, for asset-backed or similar securities the investment policy limitation is based on weighted average life rather than maturity. At September 30, 2023 and 2022, the weighted average life was less than 10 years. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy provides guidelines for its fund managers and lists specific allowable investments. The policy provides for the utilization of varying styles of managers so that portfolio diversification is maximized and total portfolio efficiency is enhanced. GASB No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*, requires that disclosure be made as to the credit quality ratings of investments in debt securities except for obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government. As of September 30, 2023 and 2022, the credit rating agency ratings of the District's investments range from BBB to AAA, with 12.86% and 13.02% in the BBB/Baa category, respectively.

The investment policy limits commercial paper investments to that of prime quality rated by at least two nationally recognized debt rating agencies in the highest letter and numerical rating of each agency. If not so rated, such prime quality commercial paper may be purchased if secured by a letter of credit provided by a commercial bank, which bank or its holding company carries a credit rating in one of the two highest alphabetical categories from at least two nationally recognized debt rating agencies.

The investment policy limits corporate debt investments to interest-bearing bonds, debentures, and other such evidence of indebtedness with a fixed maturity of any domestic corporation within the United States which is listed on any one or more of the recognized national stock exchanges in the United States and conforms with the periodic reporting requirements under the Securities Exchange Act of 1934. Such obligation shall either carry ratings in one of the three highest classifications of at least two nationally recognized debt rating agencies; or be secured by a letter of credit provided by a commercial bank, which bank or its holding company carries a credit rating in one of the four highest alphabetical categories from at least two nationally recognized debt rating agencies. As of September 30, 2023 and 2022, there were no exceptions to the policy limits.

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The District's investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At September 30, 2023, the District's governmental deposits and investments were not exposed to custodial credit risk since the full amount was insured or registered, or securities held by the District or its agent, in the District's name. The District's investment policy states that District securities be held

with a third-party custodian and all securities purchased by, and all collateral obtained by, the District shall be properly designated as an asset of the District. Other entities of the District have deposits in a financial institution in excess of federally insured limits and which are not collateralized.

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. Disclosure is required for investments in any one issuer that represent 5% or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. The District's investment policy states that no single corporate fixed income issuer shall represent more than 10% of the portfolio. The policy further states that the District's investments shall be diversified to the extent practicable to control the risk of loss resulting from over concentration of assets in a specific maturity, issuer, instrument, dealer, or bank through which financial instruments are bought and sold. At September 30, 2023 and 2022, there were no investment holdings above the applicable concentration of credit risk limits.

(3) Restricted Investments and Board Designated Investments

Restricted investments and board designated investments as of September 30, 2023 and 2022 are as follows:

	2023	2022
Under bond indenture agreements held by trustees, at fair value plus accrued interest, held for:		
Payment of principal and interest	$ 24,265	5,745
Capital project funds	52,198,988	135,097,412
	52,223,253	135,103,157
Restricted funds designated by donors or grantors, at fair value plus accrued interest, held for:		
Plant replacement and expansion	2,651,164	1,390,838
Total restricted investments	$ 54,874,417	136,493,995
Unrestricted funds designated by the Board, at fair value plus accrued interest, held for:		
Capital improvements	$ 1,152,208,283	948,429,489

(4) Fair Value Measurements

The System categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the inputs used in valuation and gives the highest priority to unadjusted quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuations are observable. In determining the level of the

hierarchy in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs.

Level 1 – Valuations based on unadjusted quoted prices for identical instruments in active markets that the System has the ability to access.

Level 2 – Valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each investment. The tables below show the fair value leveling of the System's board designated investments as of September 30, 2023 and 2022.

	2023			
	Fair value measures using			
Investments by fair value level	**Quoted prices in active markets for identical assets Level 1**	**Significant other observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
Obligations:				
U.S. government securities	$ 301,553,865	—	—	301,553,865
U.S. government agency securities	—	56,541,694	—	56,541,694
Corporate bonds	—	528,217,895	—	528,217,895
Municipal securities	—	225,641,610	—	225,641,610
Cash equivalents	40,253,219	—	—	40,253,219
Total board designated investments by fair value level	$ 341,807,084	810,401,199	—	1,152,208,283

(Continued)

	2022			
	Fair value measures using			
Investments by fair value level	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
Obligations:				
U.S. government securities	$ 145,682,192	—	—	145,682,192
U.S. government agency securities	—	74,843,462	—	74,843,462
Corporate bonds	—	423,105,272	—	423,105,272
Municipal securities	—	276,260,170	—	276,260,170
Cash equivalents	28,538,393	—	—	28,538,393
Total board designated investments by fair value level	$ 174,220,585	774,208,904	—	948,429,489

The tables below show the fair value leveling of the System's restricted investments as of September 30, 2023 and 2022.

	2023			
	Fair value measures using			
Investments by fair value level	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
Cash equivalents	$ 2,651,164	—	—	2,651,164
Total restricted investments by fair value level	$ 2,651,164	—	—	2,651,164

(Continued)

	2022			
	Fair value measures using			
Investments by fair value level	**Quoted prices in active markets for identical assets Level 1**	**Significant other observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
Cash equivalents	$ 1,390,838	—	—	1,390,838
Total restricted investments by fair value level	$ 1,390,838	—	—	1,390,838

The above tables exclude certain assets classified as restricted investments on the District's balance sheets, and total to $52,223,253 and $135,103,156 as of September 30, 2023 and 2022, respectively. Such other assets include trustee-held bond funds at September 30, 2023, are valued at cost, and, therefore, are not included in the leveling tables above.

The tables below show the fair value leveling of the System's assets related to deferred compensation arrangements which are included in other long term assets in the accompanying balance sheets as of September 30, 2023 and 2022.

	2023			
	Fair value measures using			
Investments by fair value level	**Quoted prices in active markets for identical assets Level 1**	**Significant other observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
Mutual funds	$ 28,497,904	—	—	28,497,904
Total deferred compensation investments by fair value level	$ 28,497,904	—	—	28,497,904

	2022			
	Fair value measures using			
Investments by fair value level	**Quoted prices in active markets for identical assets Level 1**	**Significant other observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
Mutual funds	$ 23,279,077	—	—	23,279,077
Total deferred compensation investments by fair value level	$ 23,279,077	—	—	23,279,077

The tables below show the fair value leveling of the System's derivative instruments as of September 30, 2023 and 2022.

	2023			
	Fair value measures using			
Investments by fair value level	**Quoted prices in active markets for identical assets Level 1**	**Significant other observable inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
Interest rate swap assets	$ —	6,572,122	—	6,572,122
Interest rate swap liabilities	—	(3,242,678)	—	(3,242,678)

(Continued)

	2022			
	Fair value measures using			
Investments by fair value level	Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3	Total
Interest rate swap assets	$ —	10,430,544	—	10,430,544
Interest rate swap liabilities	—	(5,730,370)	—	(5,730,370)

Debt securities classified in Level 1 are valued using prices quoted in active markets. Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These securities have nonproprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

(5) Leases

Lessor

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

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

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

- The District uses its estimated tax-exempt incremental borrowing rate as the discount rate for leases. The District's tax-exempt incremental borrowing rate is based on the rate of interest it would need to pay if it issued general obligation bonds in the public market. This rate was determined by adding the

applicable “AA-/A3” rated healthcare credit spread to the Thompson Reuter’s Municipal Markets Data “AAA” curve.

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

The District monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease, the receivable is remeasured and a corresponding adjustment is made to the deferred inflow of resources. There were changes in circumstances for the year ended September 30, 2023 that would require remeasurement of the lease receivables.

Noncurrent lease receivables are reported within other assets in the noncurrent asset section of the balance sheet, net of the short-term portion of the lease receivables reported as part of prepaid expenses and other assets within the current asset section of the balance sheet.

As discussed above, the District is a lessor of various noncancellable long-term leases of building space. These leases have terms between 2 and 90 years, with payments required monthly or quarterly. The discount rate used for the calculation of the lease receivable varies per lease depending on the length of the respective leases and ranged from 0.21% to 3.91%.

The System recognized a lease receivable and deferred inflow of resources of $43,870,906 and $41,651,319, respectively as of September 30, 2023, and $43,331,061 and $41,838,652, respectively as of September 30, 2022. Lease income from noncancellable long-term leases totaled $1,927,311 and $1,766,745 for the years ended September 30, 2023 and 2022, respectively. Interest income from noncancellable long-term leases totaled $664,009 and $660,477 for the years ended September 30, 2023 and 2022, respectively. Lease income and interest income is included in other operating revenue and investment income, respectively on the accompanying statements of revenues, expenses and change in net position. The District did not recognize revenue with residual value guarantees and termination penalties.

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

Maturity analysis		Revenue	Interest	Total
10/01/2023–09/30/2024	$	1,968,812	655,846	2,624,658
10/01/2024–09/30/2025		1,334,706	649,307	1,984,013
10/01/2025–09/30/2026		1,195,185	645,357	1,840,542
10/01/2026–09/30/2027		1,154,309	641,307	1,795,616
10/01/2027–09/30/2028		1,014,616	636,863	1,651,479
10/01/2028–09/30/2033		3,166,576	3,152,742	6,319,318
10/01/2033–09/30/2038		2,223,254	3,198,489	5,421,743
10/01/2038–09/30/2043		2,223,254	3,244,926	5,468,180
10/01/2043–09/30/2048		2,223,254	3,273,128	5,496,382
10/01/2048–09/30/2053		2,223,254	3,279,339	5,502,593
10/01/2053–09/30/2058		2,223,254	3,259,263	5,482,517
10/01/2058–09/30/2063		2,223,254	3,207,996	5,431,250
10/01/2063–09/30/2068		2,223,254	3,119,946	5,343,200
10/01/2068–09/30/2073		2,223,254	2,988,754	5,212,008
10/01/2073–09/30/2078		2,223,254	2,807,193	5,030,447
10/01/2078–09/30/2083		2,223,254	2,567,065	4,790,319
10/01/2083–09/30/2088		2,223,254	2,259,078	4,482,332
10/01/2088–09/30/2093		2,223,254	1,872,719	4,095,973
10/01/2093–09/30/2098		2,223,254	1,396,099	3,619,353
10/01/2098–09/30/2103		2,223,254	815,796	3,039,050
10/01/2103–09/30/2108		691,559	163,478	855,037
Total		41,651,319	43,834,691	85,486,010
Less current portion		(1,968,812)	(655,846)	(2,624,658)
Total minimum long term leases	$	39,682,507	43,178,845	82,861,352

Lessee

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

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

(Continued)

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

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

The District monitors changes in circumstances that would require a remeasurement of a lease liability when certain changes occur that are expected to significantly affect the amount of the lease, the liability is remeasured and a corresponding adjustment is made to the lease asset. There were changes in circumstances for the year ended September 30, 2023 that would require remeasurement of the lease liability.

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

The District is lessee under noncancellable long-term leases of land, building, and equipment. The leases have terms between 2 and 15 years requiring monthly or annual payments. The discount rate used for the calculation of the lease liabilities varies per lease depending on the length of the respective leases and ranged from 0.21% to 3.91%.

As of September 30, 2023, the total amount of lease assets, and the related accumulated amortization, is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Leased – equipment expense	$ 761,982	46,328	—	808,310
Leased – real estate expense	23,411,461	7,213,918	(2,460,882)	28,164,497
Total leased assets being amortized	24,173,443	7,260,246	(2,460,882)	28,972,807
Leased – equipment accumulated amortization	(439,633)	(3,418,587)	—	(3,858,220)
Leased – real estate accumulated amortization	(6,831,735)	(90,080)	2,460,882	(4,460,933)
Less accumulated amortization	(7,271,368)	(3,508,667)	2,460,882	(8,319,153)
Total leased assets, net of accumulated amortization	$ 16,902,075	3,751,579	—	20,653,654

(Continued)

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

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

Lease liabilities of $21,565,600 and $17,436,401 were recorded as of September 30, 2023 and 2022, respectively. The District made principal payments of $3,602,025 and $3,467,308 during the years ended September 30, 2023 and 2022, respectively, which are included in purchased services on the accompanying statements of revenues, expenses and changes in net position. Interest expense from these leases totaled $313,700 and $252,603 during the years ended September 30, 2023 and 2022, respectively, and is included in interest expense on the accompanying statements of revenues, expenses, changes in net position.

(Continued)

As of September 30, 2023, the principal and interest requirements to maturity for the lease liability is as follows:

Maturity analysis	Principal	Interest	Total
10/01/2023–09/30/2024	$ 3,008,613	313,700	3,322,313
10/01/2024–09/30/2025	3,282,194	344,478	3,626,672
10/01/2025–09/30/2026	2,615,795	287,897	2,903,692
10/01/2026–09/30/2027	2,257,273	238,149	2,495,422
10/01/2027–09/30/2028	2,122,936	190,804	2,313,740
10/01/2028–09/30/2033	5,942,674	505,340	6,448,014
10/01/2033–09/30/2038	2,336,115	107,081	2,443,196
10/01/2038–09/30/2043	—	—	—
Total	21,565,600	1,987,449	23,553,049
Less current portion	(3,008,613)	(313,700)	(3,322,313)
Total long term leases liabilities	$ 18,556,987	1,673,749	20,230,736

(6) Capital Assets

The changes in capital assets for the years ended September 30, 2023 and 2022 are as follows:

	2023				
	Beginning balance	Additions	Transfers in/ transfers out	Disposals	Ending balance
Nondepreciable:					
Land	$ 65,591,374	—	—	(1,337,718)	64,253,656
Land held for future expansion	27,269,073	—	—	—	27,269,073
Construction in progress	78,985,071	196,654,457	(82,210,565)	—	193,428,963
Total nondepreciable	171,845,518	196,654,457	(82,210,565)	(1,337,718)	284,951,692
Depreciable:					
Land improvements	14,889,953	—	—	—	14,889,953
Buildings	1,231,430,812	(20,341)	33,733,633	(8,522,114)	1,256,621,990
Leasehold improvements	7,053,208	—	—	—	7,053,208
Moveable equipment	579,807,362	67,447	48,476,932	(586,200)	627,765,541
Total depreciable	1,833,181,335	47,106	82,210,565	(9,108,314)	1,906,330,692
	2,005,026,853	196,701,563	—	(10,446,032)	2,191,282,384
Less accumulated depreciation	(717,964,113)	(100,533,246)	—	6,599,553	(811,897,806)
Capital assets, net	$ 1,287,062,740	96,168,317	—	(3,846,479)	1,379,384,578

(Continued)

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

The District has expansion and renovation programs involving various Hospital departments, patient care areas, ambulatory centers and support services. Total estimated cost to complete all projects in progress is approximately $722 million as of September 30, 2023, including $239.2 million to complete a new bed tower, emergency care center, operating room, and central energy plant on the Venice hospital campus; $220 million to complete an outpatient cancer center on the Sarasota hospital campus; $71.1 million for a new behavioral health pavilion on the Sarasota hospital campus; $79.7 million for the SMH Research & Education Institute, including a parking garage, on the Sarasota hospital campus; and $28.2 million for a free-standing emergency care center in Lakewood Ranch.

(7) Subscription-based Information Technology Arrangements (SBITAs)

The District recognizes an intangible subscription asset and corresponding subscription liability for its SBITAs. The subscription asset is measured as the subscription liability plus direct costs incurred in implementing the subscription asset. The subscription asset is amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying subscription asset. At the subscription commencement, the subscription liability is measured at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The discount rate used in the present value calculation is an estimate of the interest rate that would be charged for borrowing the subscription payment amounts during the subscription term.

These changes in SBITA's for the years ended September 30, 2023 and 2022 are as follows, and are included in the long term assets of the balance sheet.

	2023				
	Beginning balance	Additions	Transfers in/ transfers out	Disposals	Ending balance
Subscription IT assets	37,790,437	9,070,530	—	(5,917,241)	40,943,726
Less accumulated amortization	(11,588,490)	(15,048,490)	—	5,507,109	(21,129,871)
Subscription IT assets, net	$ 26,201,947	(5,977,960)	—	(410,132)	19,813,855

	2022				
	Beginning balance	Additions	Transfers in/ transfers out	Disposals	Ending balance
Subscription IT assets	19,906,882	17,940,190	—	(56,635)	37,790,437
Less accumulated amortization	—	(11,645,125)	—	56,635	(11,588,490)
Subscription IT assets, net	$ 19,906,882	6,295,065	—	—	26,201,947

The System's SBITA's are included in other assets in the accompanying balance sheets.

(8) Long Term Debt

The District was obligated under long-term debt as of September 30, 2023 and 2022 as follows:

	2023	2022
Bonds:		
Sarasota County Public Hospital District, Fixed Rate Hospital Revenue Refunding Bonds, Series 1998B, due in annual amounts through 2028 at annual interest rates from 5.25% to 5.50%.	69,000,000	84,000,000
Sarasota County Public Hospital District, Fixed Rate Hospital Revenue Bonds, Series 2022, due in annual amounts through 2052. at interest rates from 4% to 5% (less unamortized bond discount in the amount of $3,662,066 and $3,789,446 at September 30, 2023 and 2022, respectively).	146,337,934	146,210,554
Sarasota County Public Hospital District, Fixed Rate Hospital Revenue Bonds, Series 2018, due in annual amounts through 2048 at interest rates from 3% to 5% (plus unamortized bond premium in the amount of $5,048,592 and $5,369,556 at September 30, 2023 and 2022, respectively).	355,048,592	355,369,556
Total bonds	570,386,526	585,580,110

(Continued)

		2023	2022
Bank notes:			
Direct bank note payable to Bank of America, due in annual amounts through 2034. Interest payable monthly at a rate of 79% of Overnight SOFR, plus 58 basis points, 4.75% at September 30, 2023.	$	59,205,000	59,205,000
Direct bank note payable to DNT Asset Trust, due in annual amounts through 2034. Interest payable monthly at a rate of 80% of 30 day SOFR plus 57 basis points, 4.83% at September 30, 2023.		52,275,000	52,275,000
Direct bank note payable to DNT Asset Trust, due in annual amounts through 2034. Interest payable monthly at a rate of 80% of 30 day SOFR plus 57 basis points, 4.83% at September 30, 2023.		51,575,000	51,575,000
Total bank notes		163,055,000	163,055,000
Subscription-based information technology agreement (SBITA) obligations		20,028,886	23,610,498
Lease obligations		21,565,600	17,436,401
Total bonds, bank notes, SBITA and lease obligations (as restated)		775,036,012	789,682,009
Less current portion (as restated)		(27,891,341)	(27,838,449)
	$	747,144,671	761,843,560

(Continued)

Long-term debt activity for the years ended September 30, 2023 and 2022 was as follows:

	2023				
	Beginning balance (as restated)	**Additions**	**Reductions**	**Ending balance**	**Amounts due within one year**
Bonds:					
Hospital Revenue Refunding Fixed Rate Bonds (1998B)	84,000,000	—	(15,000,000)	69,000,000	15,100,000
Hospital Revenue Variable Rate Rate Bonds (2018)	350,000,000	—	—	350,000,000	—
Hospital Revenue Fixed Rate Bonds (2022)	150,000,000	—	—	150,000,000	—
Total bonds	584,000,000	—	(15,000,000)	569,000,000	15,100,000
Bank notes:					
Direct bank note payable to Bank of America	59,205,000	—	—	59,205,000	—
Direct bank note payable to DNT Asset Trust	103,850,000	—	—	103,850,000	—
Total bank notes	163,055,000	—	—	163,055,000	—
SBITA obligations	23,610,498	19,359,412	(22,941,024)	20,028,886	9,782,728
Lease obligations	17,436,401	10,453,258	(6,324,059)	21,565,600	3,008,613
Plus original issue premium (discount), net	1,580,110	—	(193,584)	1,386,526	—
Total long-term debt	$ 789,682,009	29,812,670	(44,458,667)	775,036,012	27,891,341

(Continued)

	2022				
	Beginning balance (as restated)	Additions	Reductions	Ending balance (as restated)	Amounts due within one year (as restated)
Bonds:					
Municipal Inflation Linked Exempt Variable Rate Bonds (1997A)	$ 10,000,000	—	(10,000,000)	—	—
Hospital Revenue Refunding Fixed Rate Bonds (1998B)	84,000,000	—	—	84,000,000	15,000,000
Hospital Revenue Variable Rate Demand Bonds (2008B)	51,575,000	—	(51,575,000)	—	—
Hospital Revenue Variable Rate Rate Bonds (2018)	350,000,000	—	—	350,000,000	—
Hospital Revenue Fixed Rate Bonds (2022)	—	150,000,000	—	150,000,000	—
Total bonds	495,575,000	150,000,000	(61,575,000)	584,000,000	15,000,000
Bank notes:					
Direct bank note payable to Northern Trust Company	63,080,000	—	(63,080,000)	—	—
Direct bank note payable to Bank of America	—	63,080,000	(3,875,000)	59,205,000	—
Direct bank note payable to DNT Asset Trust	52,275,000	103,850,000	(52,275,000)	103,850,000	—
Total bank notes	115,355,000	166,930,000	(119,230,000)	163,055,000	—
SBITA obligations	18,590,179	17,977,771	(12,957,452)	23,610,498	10,102,980
Lease obligations	20,745,800	157,909	(3,467,308)	17,436,401	2,735,469
Plus original issue premium (discount), net	5,690,520	(3,789,446)	(320,964)	1,580,110	—
Total long-term debt	$ 655,956,499	331,276,234	(197,550,724)	789,682,009	27,838,449

(Continued)

Maturities under the long-term debt agreements, including interest, described above are as follows:

	Bonds			Bank notes		
	Total	Principal	Interest	Total	Principal	Interest
Year ending September 30:						
2024	$ 37,549,914	15,100,000	22,449,914	7,289,179	—	7,289,179
2025	36,026,942	13,930,000	22,096,942	7,927,053	600,000	7,327,053
2026	36,290,735	14,470,000	21,820,735	7,827,099	525,000	7,302,099
2027	35,901,311	14,440,000	21,461,311	8,314,683	1,050,000	7,264,683
2028	36,146,598	15,060,000	21,086,598	8,157,498	950,000	7,207,498
2029–2033	112,245,820	7,295,000	104,950,820	110,669,913	82,565,000	28,104,913
2034–2038	135,545,906	32,475,000	103,070,906	85,604,509	77,365,000	8,239,509
2039–2043	220,943,700	137,490,000	83,453,700	—	—	—
2044–2048	220,944,300	168,740,000	52,204,300	—	—	—
2049–2053	166,021,400	150,000,000	16,021,400	—	—	—
	$ 1,037,616,626	569,000,000	468,616,626	235,789,934	163,055,000	72,734,934

During 1998, the District issued, $120,000,000 of Fixed Rate Hospital Revenue Refunding Bonds, Series 1998B, to refund then-existing debt. The Series 1998B Bonds are collateralized by a municipal bond insurance policy.

On September 2, 2008, to refinance then-existing debt, the District issued the $76,875,000 Variable Rate Demand Hospital Revenue Refunding Bonds, Series 2008A bonds, and the $81,725,000 Variable Rate Demand Hospital Revenue Refunding Bonds, Series 2008B bonds. Both of these series were supported by separate bank credit facilities in the form of a direct pay letter of credit. The 2008A letter of credit was subsequently no longer needed and cancelled in 2015, as noted below. The 2008B bonds were converted to a direct bank loan in 2022, as noted below. There were no drawings or loans on the letter of credit during the year ended September 30, 2023.

On March 1, 2022 the District refinanced the then-existing 2008B bonds through a $51,575,000 direct bank loan with DNT Asset Trust. There are no assets pledged as collateral for the loan with DNT Asset Trust. Failure to make any payments when due or failure to perform or observe any term, covenant or agreement in the Loan Agreement may cause an Event of Default. No Events of Default occurred. The bank loan agreement is for 12 years but maintains the same schedule of principal payments of the 2008B bonds. The loan agreement calls for the District to pay 80% of 30 day SOFR plus 57 basis points in interest each month.

To reduce exposure to the variable rate demand obligation market, the District refinanced the then-existing Series 2008A bonds on April 8, 2015 through a $71,100,000 direct bank loan with Northern Trust Company. The Series 2008A letter of credit was no longer needed and was cancelled. There were no assets pledged as collateral for the loan with Northern Trust Company. Failure to make any payments when due or failure to perform or observe any term, covenant or agreement in the Loan Agreement may cause an Event of Default. No Events of Default occurred. The bank loan agreement was for a period of ten years, but maintained the same schedule of principal payments from the original refinanced Series 2008A bonds through 2037. The loan agreement called for the District to pay 67% of 1 month LIBOR plus 65 basis points in interest each month. In February 2018, the Tax Cuts and Jobs Act was signed which reduced the corporate tax rate to 21%. This invoked a clause in the agreement to increase the interest by 1.22%. The bank had the option of terminating the note on April 8, 2025. Effective September 28, 2018 the District and

(Continued)

Northern Trust Company negotiated a new variable rate and revised the optional termination date on the bank note. The new rate was 80% of 1 month Libor plus 50 basis points, and the new optional termination date was September 28, 2025. On March 1, 2022 the District refinanced this bank note through a $63,080,000 direct placement loan with Bank of America. There were no assets pledged as collateral for the loan with Bank of America. Failure to make any payments when due or failure to perform or observe any term, covenant or agreement in the loan agreement may cause an Event of Default. No Events of Default have occurred. The loan agreement is for 12 years but maintains the same schedule of principal payments or the 2015A bank note agreement. The loan agreement calls for the District to pay 79% of overnight SOFR (along with 11.448 basis points) plus and additional 47 basis points in interest each month.

To reduce exposure to the variable rate demand obligation market, the District refinanced the then-existing Series 2009B bonds on April 8, 2015 through a $70,750,000 bank loan with DNT Asset Trust, an affiliate of JP Morgan. The related letter of credit was no longer needed and was cancelled. There were no assets pledged as collateral for the loan with DNT Asset Trust. Failure to make any payments when due or failure to perform or observe any term, covenant or agreement in the Loan Agreement may cause an Event of Default. No Events of Default occurred. The bank loan agreement was for a period of ten years, but maintained the same schedule of principal payments from the original refinanced Series 2009B bonds through 2037. The bank had the option of terminating the note on April 8, 2025. The loan agreement called for the District to pay 67% of 1 month LIBOR plus 84 basis points in interest each month. In February 2018, the Tax Cuts and Jobs Act was signed which reduced the corporate tax rate to 21%. This invoked a clause in the agreement to increase the interest rate by 1.22%. Effective September 28, 2018 the District and DNT Asset negotiated a new variable rate and a new optional termination date on the bank note. The new rate is 79% of 1 month Libor plus 65 basis points, and the new optional termination date is April 8, 2028. On March 1, 2022 the District refinanced the 2015B bank notes through a $52,275,000 direct bank loan with DNT Asset Trust. There are no assets pledged as collateral for the loan with DNT Asset Trust. Failure to make any payments when due or failure to perform or observe any term, covenant or agreement in the Loan Agreement may cause an Event of Default. No Events of Default have occurred. The bank loan agreement is for 12 years but maintains the same schedule of principal payments of the 2008B bonds. The loan agreement calls for the District to pay 80% of 30 day SOFR plus 57 basis points in interest each month.

On September 24, 2018 the District issued $350,000,000 of Fixed Rate Revenue Bonds, Series 2018, to provide partial funding for a new 110 bed hospital in Venice, Florida, and a new regional cancer institute building on the Hospital's main campus. The bonds were issued with interest rates ranging from 3.0% to 5.0% at yields ranging from 2.68% to 4.13%, resulting in a total net original issuance premium of $6,657,870 which is being amortized using the effective interest method over the life of the bonds which mature in varying amounts through 2048.

On September 1, 2022 the District issued $150,000,000 of Fixed Rate Revenue Bonds, Series 2022, to provide partial funding for the bed tower expansion in Venice, Florida and partial funding for the new Behavioral Health Center on the main campus in Sarasota, Florida. The bonds were issued with interest rates ranging from 4.0% to 5.0% at yields ranging from 4.0% to 4.3% resulting in a total net original issue discount of $3,800,061 which is being amortized using the effective interest method over the life of the bonds which are maturing in varying amounts through 2052.

The Hospital Revenue Bonds described above are collateralized by a lien on and a pledge of the net revenues of the District and all monies held in funds created by the bond resolution. The debt agreements

contain various covenants, which provide for, among other things, the maintenance of specified debt service coverage ratios. Management believes the District was in compliance with all debt covenants at September 30, 2023 and 2022.

The District's ability to borrow is restricted under certain covenants of the Master Trust Indenture. Among these is the limitation of indebtedness not under the Master Indenture, which may not exceed 25% of operating revenue.

The District has entered into agreements to utilize various subscription-based information technology software licenses. The agreements are presented with interest rates ranging from 0.25% to 3.55% depending on the term of the arrangement and the incremental borrowing rate at the commencement of the agreement.

Future annual subscription IT payments are as follows:

	Principal	Interest	Total
Fiscal year:			
2024	$ 9,782,728	217,772	10,000,500
2025	4,986,306	130,488	5,116,794
2026	2,901,106	71,258	2,972,364
2027	1,590,203	27,322	1,617,525
2028	692,698	1,806	694,504
2029–2033	75,845	59	75,904
Total	$ 20,028,886	448,705	20,477,591

(a) Hedging Derivative Instruments

Objectives of the hedging derivative instruments: The District has entered into interest rate swaps to manage interest costs related to long-term debt.

Terms at September 30, 2023:

Associated bond issue	Notional amount of swap	Counterparty	Effective date	District pays	District receives	Termination date	Fair value at September 30, 2023 (1)	Net cash flows during 2023
1998B	$ 69,000,000	Goldman Sachs	9/15/1998	SIFMA	Fixed rates per maturities	7/1/2028	$ 2,413,759	1,383,397
BOA Bank Note	59,205,000	Deutsche Bank	11/19/2010	3.610 %	67% of 1-month SOFR plus 0.077%	7/1/2037	(3,242,678)	(297,479)
2022 DNT Asset Trust Bank Note	51,575,000	Deutsche Bank	7/3/2013	3.766 %	67.1% of 1-month SOFR plus 0.331%	7/1/2037	2,787,369	473,094

(1) Fair value at September 30, 2023 excludes current net accrued interest receivable of $638,449.

Note:
In accordance with GASB 53, the fair value of the novated 2022 DNT Asset Trust Bank Note swap is based on the at-the-market payor rates of the respective swap. The actual fair value of the 2022 DNT Asset Trust Bank Note swap at September 30, 2023 was $(3,200,022).

Definitions:
SIFMA is the Securities Industry Financial Markets Association benchmark rate
SOFR is the Secured Overnight Financing Rate

Terms at September 30, 2022:

Associated bond issue	Notional amount of swap	Counterparty	Effective date	District pays	District receives	Termination date	Fair value at September 30, 2022 (1)	Net cash flows during 2022
1998B	$ 84,000,000	Goldman Sachs	9/15/1998	SIFMA	Fixed rates per maturities	7/1/2028	$ 4,033,562	3,473,755
BOA Bank Note	59,205,000	Deutsche Bank	11/19/2010	3.610 %	67% of 1-month LIBOR	7/1/2037	(5,730,370)	(1,912,293)
2022 DNT Asset Trust Bank Note	51,575,000	Deutsche Bank	7/3/2013	3.766 %	61.7% of 1-month LIBOR plus 0.26%	7/1/2037	1,263,216	(780,504)
2015 DNT Asset Trust Bank Note	52,275,000	U.S. Bank	7/4/2013	3.697 %	61.7% of 1-month LIBOR plus 0.26%	6/28/2023	4,173,091	(785,786)

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

Note:
In accordance with GASB 53, the fair values of the novated 2022 and 2015 DNT Asset Trust Bank Note swaps are based on the at-the-market payor rates of the respective swaps. The actual fair value of the 2022 and 2015 DNT Asset Trust Bank Note swaps at September 30, 2022 were $(5,588,363) and $(5,296,747), respectively.

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

(i) Risks

Credit risk: The District is exposed to credit risk on hedging derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the District's policy to require counterparty collateral posting provisions in its nonexchange-traded swaps. These terms require full collateralization of the fair value of the swaps in asset positions (net of the effect on applicable netting arrangements) should the counterparty's Moody's credit rating fall below Baa3. The District

is not required to post collateral to the counterparty in any circumstance. Collateral is to be posted in the form of U.S. Treasury securities held by a third-party custodian.

Interest rate risk: The District is exposed to interest rate risk on its pay-variable, receive-fixed interest rate swap. As SIFMA increases, the District's net payment on the swap increases. Alternatively, on its pay-fixed, receive variable interest rate swaps, as LIBOR decreases, the District's net payment increases.

Basis risk: The District is exposed to basis risk on its hedging derivative instruments that are pay-fixed, receive variable interest rate swaps because the variable rate payments received by the District are based on an index other than the interest rates the District pays on its hedged variable rate obligations. As of September 30, 2023, the weighted average rate on the District's hedged variable rate debt was 4.79% while the weighted average of the SOFR-based variable receiver rates was 3.99%.

Termination risk: The District or its counterparties may terminate each of the derivative instruments if the other party fails to perform under the terms of the contract. Additionally, the District can terminate the contracts without cause at any time.

The fixed receiver swap with Goldman Sachs (Goldman) can be terminated if Goldman exercises its option to deliver securities under an existing put agreement, or if the District exercises its option to terminate the put agreement. Currently, no determination can be made by management relating to the probability of the termination option being exercised. In exchange for granting the option, the District receives a semi-annual payment of 8 basis points calculated on the outstanding Series 1998B Bonds, the issuance costs of the Series 1998B Bonds paid by the counterparty to the interest rate swap, and, in the event the option is exercised, the reasonable cost of refunding the Series 1998B Bonds into Variable Rate Demand Hospital Revenue Bonds similar in characteristics to the original debt.

In trades completed on June 28, 2013, the District implemented a novation strategy for its existing interest rate swap transactions related to its Series 2008B and Series 2009B Bond issues. The District solicited proposals for new counterparties to replace Citibank, N.A. (Citi) on these two fixed payer interest rate swap agreements, both of which included optional termination events that effectively provided Citi recurring put options. The 2008B termination option would have been first exercisable by Citi in September 2013, and the 2009B termination option first exercisable by Citi in September 2016. The District selected Deutsche Bank AG and U.S. Bank N.A. for the 2008B and 2009B swaps, respectively. The trades took place on June 28, 2013 with effective dates of July 3, 2013, for the 2008B swap and July 4, 2013, for the 2009B swap.

Simultaneously with the novations, confirmations were entered into with the new counterparties that modified the terms of the original swaps. The 2008B swap fixed payment rate was increased 16.8 basis points to 3.766% and the counterparty no longer has any option to terminate early. The variable payment rate remains the same at 61.7% of the 1-month LIBOR rate plus 0.26%. The 2008B swap is in the notional amount of $73,000,000 with reductions tied to the Series 2008B Bond principal payments, and the termination date is July 1, 2037.

For the 2009B swap, the District opted for a 10 year “put” and a fixed payment rate increase of 9.9 basis points to 3.697%. The mandatory termination date on the 2009B swap was June 28, 2023, and the District elected to not renew the swap. The District recorded a loss of $4.3 million on the transaction.

In accordance with GASB No. 53, the novations resulted in a termination of hedge accounting for the replaced Citi swaps. As a result of the terminations of the 2008B and 2009B swaps, losses on termination were recorded in fiscal 2013 in the amounts of $13,739,010 and $13,029,959, respectively. The new swaps were considered to be hybrid instruments consisting of a “companion instrument” and an at-the-market swap. The noncurrent portion of the total companion instrument liability is included in the balance sheets as “long term companion debt, less current portion” and the current portion is included in other accrued expenses. The companion instrument is amortized over the term of the related debt. During the fiscal year ended September 30, 2023, the amortization of the companion debt resulted in an increase to interest expense of $402,189 and an increase in interest rate swap receipts, net, of $1,451,533. During the fiscal year ended September 30, 2022, the amortization of the companion debt resulted in an increase to interest expense of $425,022 and an increase in interest rate swap receipts, net, of $1,451,534.

In accordance with GASB No. 53, the 2015 refinancing of the Series 2008A and Series 2009B bonds resulted in a termination of hedge accounting for the related Deutsche Bank and U.S. Bank swaps, respectively. As a result, the related deferred effective interest rate swap outflows at April 8, 2015 were reclassified to deferred outflows related to refinancing and are being amortized as interest expense over the related remaining debt service maturity schedule. The amount of amortization for the years ended September 30, 2023 and 2022 was $2,698,380 and $2,154,981, respectively.

Long-term companion debt activity for the year ended September 30, 2023 and 2022 was as follows:

	2023				
	Beginning balance	Additions	Reductions	Ending balance	Amounts due within one year
2008B Swap companion debt	$ 9,284,836	—	(538,333)	8,746,503	550,381
2015 DNT Asset Trust Bank Note Swap companion debt	8,796,095	—	(511,012)	8,285,083	522,305
Total long-term companion debt	$ 18,080,931	—	(1,049,345)	17,031,586	1,072,686

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

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

	Total	Principal	Interest
Year ending September 30:			
2024	$ 1,451,533	1,072,686	378,847
2025	1,451,534	1,096,547	354,987
2026	1,451,533	1,120,938	330,595
2027	1,451,534	1,145,872	305,662
2028	1,451,533	1,171,360	280,173
2029–2033	7,257,666	6,258,328	999,338
2034–2038	5,443,248	5,165,855	277,393
	$ 19,958,581	17,031,586	2,926,995

Any termination of a contract would cause a settlement payment or receipt at the fair value of the instrument.

(b) Investment Derivative Instruments

The District has entered into two basis swaps that are accounted for as investment derivative instruments.

Terms as of September 30, 2023:

Associated bond issue	Notional amount of swap	Counterparty	Effective date	District pays	District receives	Termination date	Fair value at September 30, 2023 (1)	Net cash flows during 2023
1998B	69,000,000	CitiGroup	6/24/2005	SIFMA Swap index	62.4% of 1-month SOFR plus 0.828%	7/1/2028	688,860	521,918
2022 BoA Bank Note	59,205,000	J.P. Morgan	4/24/2003	SIFMA Swap index	67% of 1-month SOFR plus 0.732%	7/1/2037	682,134	456,749

(1) Fair value at September 30, 2023 excludes current net accrued interest receivable of $153,693.

Definitions:
SIFMA is the Securities Industry Financial Markets Association benchmark rate
SOFR is the Secured Overnight Financing Rate

Terms as of September 30, 2022:

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

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

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

(i) Risks

Credit risk: The District is exposed to credit risk on investment derivative instruments that are in asset positions. To minimize its exposure to loss related to credit risk, it is the District's policy to require counterparty collateral posting provisions in its nonexchange-traded swaps. These terms require full collateralization of the fair value of the swaps in asset positions (net of the effect on applicable netting arrangements) should the counterparty's Moody's credit rating fall below Baa3. The District is not required to post collateral to the counterparty in any circumstance. Collateral is to be posted in the form of U.S. Treasury securities held by a third-party custodian.

Interest rate risk: The District is exposed to interest rate risk on its pay-fixed, receive variable interest rate swap; as SOFR decreases, the District's net settlement payment increases.

Basis risk: The District is exposed to basis risk on the two swaps in which the District payment is based on the SIFMA index and receives a payment based on the one-month SOFR index. As of September 30, 2023, the SIFMA index was 3.98% and the one-month SOFR index was 5.32%.

Termination risk: The District or its counterparties may terminate each of the derivative instruments if the other party fails to perform under the terms of the contract. Additionally, the District can

terminate the contracts without cause at any time. Any termination of a contract would cause a settlement payment or receipt at the fair value of the instrument.

(9) Retirement Plan

(a) General Information about the Defined Benefit Retirement Plan

Plan description. The SMH Health Care Retirement Plan (the Plan) is a single employer defined benefit pension plan administered by the District. On September 24, 1995, the District withdrew from the Florida Retirement System (FRS). This withdrawal was accomplished by transferring all District employees to SMH Health Care, Inc., a related organization. SMH Health Care, Inc. contracts with the District for leased personnel services. All employees of SMH Health Care, Inc. were given a one-time option to choose between two defined benefit retirement options with an effective date of October 1, 1995. The two options within the single defined benefit Plan were a “Traditional Pension Benefit” component or a “Pension Equity Benefit” component. Participants entering the Plan subsequent to October 1, 1995 accrue benefits under the Pension Equity Benefit component. All employees’ benefits previously earned through FRS are guaranteed under the new retirement plan. Employees who had 10 or more years of service under FRS as of September 30, 1995 were entitled to a pension from the State of Florida. Employees who did not have 10 years of service retained their years of service under the “Traditional Pension Benefit” component of the plan. Plan members are not required or permitted to contribute to the Plan under the funding policy. The District is required to contribute at an actuarially determined contribution to the Plan based on State of Florida rules.

The Plan is a governmental plan under Internal Revenue Code Section 414(d), which defines a governmental plan as “a plan established and maintained for its employees by the Government of the United States, by the government of any State or political subdivision thereof, or by any agency or instrumentality of any of the foregoing.” During the year ended September 30, 2003, the District clarified the status of the Plan as a governmental plan that is exempt from ERISA requirements. The Department of Labor was notified of this clarification through communications with the Pension Benefit Guarantee Corporation. On March 26, 2003, the District formally requested a private letter ruling from the Internal Revenue Service (IRS) confirming the status of the pension plan as a governmental plan. On January 22, 2007, the IRS informed the District that the IRS would not issue letter rulings on whether or not a plan is a “governmental plan” because the IRS intends to publish new guidance regarding the meaning of a “governmental plan”. To date, no such guidance has been published and the IRS continues to refuse to rule on whether any particular retirement plan is a “governmental plan” under Internal Revenue Code Section 414(d). However, on November 24, 2010, the IRS confirmed that the plan sponsor (SMH Health Care, Inc.) is a governmental entity. Management believes, based on discussions with legal counsel, that the pension plan is a governmental plan under Internal Revenue Code Section 414(d) and that if this is ever examined by the IRS, a favorable outcome will ultimately be granted. However, if the IRS were to determine that the Plan is not a “governmental plan”, it is estimated that no additional contribution would be necessary for the Plan to be 80% funded on an ERISA plan basis (including the changes under the Pension Protection Act which impacts ERISA plans starting with 2008 plan years) as of October 1, 2019. This estimate includes any adjustments for the funding relief legislation passed in July 2012, August 2014, and November 2015.

The Plan is closed to any employee hired or rehired on or after October 1, 2009. The District issues a publicly available financial report that includes financial statements and required supplementary

information for the Plan. That report is available on the District's website at www.smh.com and also may be obtained by writing to the District.

Benefits provided. The Plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Retirement benefits accrue under the Plan in one of two ways as set forth below, depending on the component of the Plan. The Sarasota County Public Hospital Board has the authority under which benefit terms are established or may be amended.

Traditional Pension Benefit – Annual benefits accrue beginning at the normal retirement date, equal to the product of a percentage (based on age and years of service) of the final average compensation and the participant's number of years of service, less any vested benefit payable under FRS. The number of years of service includes the credited service under FRS prior to October 1, 1995. After October 1, 1995, the years of service include all plan years with at least 1,000 hours of service.

The percentage of the participant's final average compensation is determined by:

Age less than 63	1.60 %
Age equal to 63 or service equal to 31 years	1.63
Age equal to 64 or service equal to 32 years	1.65
Age equal to 65 or service equal to 33 years	1.68

Final average compensation is a participant's average annual compensation for the five calendar years rendered prior to retirement date during which their compensation was the highest and such participant was an eligible employee.

Pension Equity Benefit – The participant's lump sum benefit amount under the Pension Equity Benefit formula equals the sum of the participant's pension equity credits determined for each year of accrued service credited after September 30, 1995, multiplied by the participant's highest average compensation over any five calendar years preceding termination while an eligible employee. A participant shall earn pension equity credits for each year of accrual service as follows:

Age on October 1 of the plan year	Credits earned
Less than 30	6 %
30–39	9
40–49	12
50 or above	15

Any participant under the Pension Equity Benefit option with less than 10 years of service under the FRS plan as of October 1, 1995 is also entitled to a Traditional Pension Benefit (as described above) based on the participant's service and final average compensation as of September 30, 1995.

Death Benefits – For pre-retirement death benefits, the surviving spouse of a vested participant under the Traditional Pension Benefit option who dies on or after age 42 will be entitled to receive a lifetime

monthly benefit equal to 50% of the benefit the participant would have received under the joint and 50% survivor form of benefit if he had elected immediate commencement of his accrued benefit.

The surviving spouse of a vested participant under the Traditional Pension Benefit option who dies before age 42 will be entitled to receive a lifetime monthly benefit equal to 50% of the benefit the participant would have received under the joint and 50% survivor form of benefit if he had elected commencement of his accrued benefit at age 42. The benefit payable to the surviving spouse will commence on the first day of the month after the early retirement date.

For post-retirement death benefits, the surviving spouse's benefit is determined in accordance with the annuity option selected at retirement.

The pre-retirement death benefit payable to a beneficiary of any vested participant under the Pension Equity Benefit option is a lump sum equal to the Pension Equity Benefit amount at the date of death.

Disability Benefits – A participant who becomes disabled prior to satisfying the requirements for a normal retirement pension will be entitled to receive a monthly retirement benefit commencing on the participant's normal retirement date. The monthly benefit will equal his accrued benefit determined as of his date of disability.

(b) Employees Covered by Benefit Terms.

At October 1, the following employees were covered by the benefit terms:

	2022	2021
Inactive employees (or their beneficiaries) currently receiving benefits	1,079	1,048
Inactive employees entitled to but not yet receiving benefits	448	469
Active employees	908	1,002
	2,435	2,519

Contributions. The Board reserves the right at any time, by majority consent in writing or by a meeting, to amend, suspend or terminate the Plan, any contributions thereunder, the Trust or any contract issued by an insurance carrier forming a part of the Plan, in whole or in part and for any reason and without the consent of any Participating Company, Member, other Employee, Beneficiary or Surviving Spouse. Subject to certain provisions, no amendment or modification can be made which would (i) retroactively impair any right to any benefit under the Plan which any Member, Beneficiary or Surviving Spouse would otherwise have had at the date of such amendment by reason of the contributions theretofore made, or (ii) make it possible for any part of the funds of the Plan (other than such part as is required to pay taxes, if any, and administrative expenses as provided in Section 14.4) to be used for or diverted to any purposes other than for the exclusive benefit of Members and their Beneficiaries and Surviving Spouses under the Plan prior to the satisfaction of all liabilities with respect thereto. Subject to the above, the District contributes to the Plan, the amounts recommended by the Actuary as necessary to maintain the Plan on a sound actuarial basis, in accordance with Florida law

and the Internal Revenue Service Code. The District contributed $13,883,595 and $10,835,453, during the years ended September 30, 2023 and 2022, respectively.

(c) Net Pension Liability

The District's net pension liability of $57,870,734 at September 30, 2023 was measured as of September 30, 2022 using an actuarial valuation as of October 1, 2021 and is included as a net pension liability in the accompanying 2023 balance sheet. The District's net pension asset of $27,194,918 at September 30, 2022 was measured as of September 30, 2021 using an actuarial valuation as of October 1, 2020 and is included as a net pension asset in the accompanying 2022 balance sheet. The total pension liabilities used to calculate the net pension asset or liability were determined by an actuarial valuation as of October 1, 2021 and 2020 rolled-forward to September 30, 2022 and 2021, respectively, using standard roll-forward techniques.

Actuarial assumptions. The total pension liability in the October 1, 2021 and 2020 actuarial valuations was determined using the following actuarial assumptions, applied to all periods included in the measurement:

2021 actuarial valuation assumptions:	
Inflation	2.50 %
Investment rate of return	6.50
2020 actuarial valuation assumptions:	
Inflation	2.50 %
Investment rate of return	6.50

Salary increases, 2023 and 2022 — **Based on actual plan experience**

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

Healthy and disabled mortality rates for the fiscal year ended September 30, 2023, are the Pub-2010 Amount-Weighted Employee, Annuitant and Contingent Survivor mortality tables for males and females, projected generationally using Scale MP-2018 for males and females for healthy mortality rates, and Scale Pub-2010 for disabled mortality rates. Healthy and disabled mortality rates for the fiscal year ended September 30, 2022, are the Pub-2010 Amount-Weighted Employee, Annuitant and Contingent Survivor mortality tables for males and females, projected generationally using Scale MP-2018 for males and females for healthy mortality rates, and Scale Pub-2010 for disabled mortality rates.

The long-term expected rate of return on retirement plan investments was determined using the October 1, 2022 WTW U.S. Capital Market Assumptions Investment Return Model. The Plan asset allocation and long-term rate of return as of September 30, 2022 was:

	Actual allocation	Target allocation	Long-term expected rate of return
Large cap stocks	22.3 %	26.0 %	4.1 %
Small cap stocks	6.4	7.0	3.7
International stocks	24.0	26.0	4.1
Emerging market stocks	9.1	11.0	4.5
Real estate	8.8	5.0	3.0
Hedge fund of funds	13.8	10.0	2.8
BarCap Aggregate bonds	13.7	15.0	1.3
Cash	1.9	—	0.3
	100.0 %	100.0 %	

Based on the target allocation, the mean and median returns over 15 and 20 years was 7.50% to 7.40%, respectively.

The Plan asset allocation and long-term rate of return as of September 30, 2021 was:

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

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

Discount rate. The discount rate used to measure the total pension liability was 6.50% for both the September 30, 2022 and 2021 measurement dates. The projection of cash flows used to determine the

discount rate was based on expected benefit payments and employer contributions based on the actuarially determined contributions. Based on those assumptions, the pension plan fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long term expected rate of return on retirement plan investments was applied to all periods of projected benefit payments to determine the total pension liability and does not incorporate a municipal bond rate.

(d) Changes in the Net Pension Liability (Asset)

	Increase (decrease)		
	Total pension liability (a)	**Plan fiduciary net position (b)**	**Net pension liability (asset) (c)**
Balances at September 30, 2021	$ 418,539,139	387,988,190	30,550,949
Changes for the year:			
Service cost	7,628,975	—	7,628,975
Interest	26,507,541	—	26,507,541
Demographic (gains)/losses	2,288,234	—	2,288,234
Change in actuarial assumptions	(11,371,137)	—	(11,371,137)
Net investment income	—	70,758,181	(70,758,181)
Contributions-employer	—	12,467,731	(12,467,731)
Benefits payments	(26,038,112)	(26,038,112)	—
Administrative expense	—	(426,432)	426,432
Net changes	(984,499)	56,761,368	(57,745,867)
Balances at September 30, 2022	417,554,640	444,749,558	(27,194,918)
Changes for the year:			
Service cost	7,444,717	—	7,444,717
Interest	26,071,915	—	26,071,915
Demographic (gains)/losses	(1,352,171)	—	(1,352,171)
Net investment income	—	(63,254,500)	63,254,500
Contributions-employer	—	10,835,453	(10,835,453)
Benefits payments	(30,192,176)	(30,192,176)	—
Administrative expense	—	(482,144)	482,144
Net changes	1,972,285	(83,093,367)	85,065,652
Balances at September 30, 2023	$ 419,526,925	361,656,191	57,870,734

(Continued)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the District, calculated using the discount rate of 6.50%, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate for the net pension liability (asset) for fiscal year 2023, and calculated using the discount rate of 6.50%, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate for the net pension liability (asset) for fiscal year 2022:

	1% Decrease (5.50%)	Current discount (6.50%)	1% Increase (7.50%)
District's net pension liability (asset), 2023	$ 91,042,216	57,870,734	28,842,028

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

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan audited financial statements, which can be obtained from www.smh.com. The Plan's fiduciary net position has been determined on the same basis used by the Plan. The Plan financial statements have been prepared using the accrual basis of accounting and in accordance with generally accepted accounting principles. The Plan's investments are stated at fair value.

(e) Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The District recognized pension expense of $18,260,694 and $1,981,634, respectively, for the years ended September 30, 2023 and 2022 and is included in salaries, wages and fringe benefits on the statement of revenues, expenses, and changes in net position. At September 30, 2023, the District

(Continued)

reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2023	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 1,144,116	901,447
Changes in assumptions	—	5,685,569
Net difference between projected and actual earnings on pension plan investments	51,462,316	—
Contributions made by the District during the year ended September 30, 2023	13,883,595	—
	$ 66,490,027	6,587,016

District contributions subsequent to the measurement date of $13,883,595 will be recognized as a reduction of the net pension liability during the fiscal year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2024	$ 10,479,769
2025	7,970,489
2026	9,201,576
2027	18,367,582
	$ 46,019,416

(Continued)

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

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

(10) Retirement Plan Disclosures as required by GASB Statement No. 67

(a) General Information

The District applies GASB Statement No. 67, *Financial Reporting for Pension Plans* (GASB Statement No. 67), which specifies the required approach to measuring the pension liability of employers and nonemployer contributing entities for benefits provided through a pension plan. GASB Statement No. 67 requires plans to calculate a net pension liability (asset) to be measured as the total pension liability less the amount of the pension plan's fiduciary net position.

(b) Components of the net pension liability

The components of the net pension liability of SMH Health Care, Inc. on September 30, 2023 and 2022 were as follows:

Net pension liability		
	2023	2022
Total pension liability	$ 422,217,162	419,526,924
Plan fiduciary net position	392,750,746	361,656,190
Net pension liability	$ 29,466,416	57,870,734
Plan fiduciary net position as a percentage of total pension liability	93.02 %	86.21 %
Net pension liability as a percentage of covered payroll	29.84 %	57.19 %

(Continued)

(c) Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent at September 30, 2023 and 6.50 percent at September 30, 2022. The projection of cash flows used to determine the discount rate assumed that plan sponsor contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(d) Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Below is a table providing sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the Plan's net pension liability, if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

		2023		
		1% decrease (5.75%)	Current discount rate (6.75%)	1% increase (7.75%)
Net pension liability	$	61,321,790	29,466,416	1,482,549

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

(e) Actuarial Methods and Assumptions

The information presented in the required supplementary information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	October 1, 2022
	Actuarially determined contributions are calculated as of beginning of each fiscal year and interest-adjusted to end of the year and then paid by SMH Health Care Retirement Plan on a quarterly basis. Contributions shown are for the plan year coincident with the fiscal year end.
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal starting with the 10/1/14 valuation; Projected Unit Credit was used prior to 10/1/2014
Amortization method	Level Dollar amount over working life expectancy; prior to 10/01/12 level dollar amount over 30 years was used

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Remaining amortization period	8 years (based on average remaining expected service of active plan participants as of 10/01/21);
Asset valuation method	5-year smoothed market value
Investment rate of return	6.5%, net of pension plan investment expense, including inflation; 6.5% was used for the 2020 and 2021 actuarial valuations; 6.75% was used for the 2019 actuarial valuation; 7% was used for the 2012 through 2018 actuarial valuations; 7.25% was used for the 2011 actuarial valuation.
Salary increases	3.3% average, including inflation; In the 2012, 2016 and 2020 actuarial valuations, expected salary increases were adjusted to age-graded rates to more closely reflect actual experience.
Inflation	2.5% for 10/01/13 and later; 3.0% for 10/01/12; 2.75% for 10/01/11
Retirement age	Age-graded rates from 50 to 75; Prior to 10/1/2015 valuation, age-graded rates from 50 to 70. In the 2015 and 2010 actuarial valuations, expected retirement rates were adjusted to more closely reflect actual experience.
Mortality	In the 2020 through 2022 valuations, assumed life expectancies were adjusted based on the State mandated tables of the Pub-2010 Headcount-weighted General Below Median Healthy Retiree and Employee Tables, set back one year for males, with generational projection Scale MP-2018 for males and females. For the 2016 through 2019 valuations, assumed life expectancies were adjusted based on the State mandated tables of the combined RP-2000 Mortality Tables for males and females projected generationally from 2000 using Scale BB for males and females. For the 2014 and 2015 actuarial valuations, assumed life expectancies were adjusted as a result of adopting the RP-2014 Employee/Annuitant Mortality Tables for males and females with the MP-2014 projection scale backed out to 2006 and then projected generationally using Scale BB (male). For the 2012 and 2013 actuarial valuations, assumed life expectancies were adjusted as a result of adopting the RP-2000 combined mortality tables for males and females projected to 10 years past the valuation date using Scale AA. For the 2011 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2000 combined mortality tables for males and females projected to 2015 using Scale AA.

(f) Expected Rate of Return

The long-term expected rate of return on Plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of plan investment expense) are developed for each major asset class. These ranges are combined to produce long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real

(Continued)

rates of return for each major asset class included in the Plan's target asset allocation as of September 30, 2023 and 2022 are summarized in the following table:

	2023	2022
Large cap stocks	7.25 %	7.25 %
Small cap stocks	6.86	6.86
International stocks	7.25	7.25
Emerging market stocks	7.75	7.75
Emerging market debt	6.90	—
Real estate	6.44	6.15
Hedge funds	6.57	5.95
BarCap aggregate bonds	5.13	4.42
Cash	4.26	3.41

(g) Method Used to Value Investments

As a key part of the Plan's activities, it holds investments that are measured and reported at fair value on a recurring basis. U.S. generally accepted accounting principles establish a fair value hierarchy for the determination and measurement of fair value. This hierarchy is based on the type of valuation inputs needed to measure the fair value of an asset. The hierarchy generally is as follows:

1. Level 1 – Unadjusted quoted prices in active markets for identical assets.

2. Level 2 – Quoted prices for similar assets, or inputs that are observable or other forms of market corroborated inputs.

3. Level 3 – Pricing based on best available information, including primarily unobservable inputs and assumptions market participants would use in pricing the asset.

In addition to the above three levels, if an investment does not have a readily determinable fair value, the investment can be measured using net asset value (NAV) per share (or its equivalent). Investments valued at NAV are categorized as NAV and not listed as Level 1, 2, or 3.

The Plan presents in the statements of changes in fiduciary net position, the net appreciation (depreciation) in the fair value of its investments which consist of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

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Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

	Total fair value	Quoted prices in active markets for assets identical (Level 1)
September 30, 2023:		
Investments by fair value level:		
Equity securities-domestic:		
Vanguard Institutional Index I	$ 95,080,195	95,080,195
Blackrock FDS Ishares Russell	24,731,502	24,731,502
Total investments by fair value level	119,811,697	$ 119,811,697
Investments measured at net asset value (NAV):		
Equity securities-domestic:		
NTCC Emerging Markets Fund	37,443,895	
Fixed income funds:		
CF Colchester Local Market Debt Fund FD	20,544,423	
CF Frank Russell Multi MGR Bond Fund	44,579,538	
Equity securities-international:		
NTCC International Equity Fund	82,579,805	
Venture capital and partnerships:		
RREEF American REIT II	28,332,182	
Hedge funds:		
CF Magnitude International Class A	53,720,957	
Total investments measured at NAV	267,200,800	
Total investments measured at fair value	$ 387,012,497	

(Continued)

	Total fair value	Quoted prices in active markets for identical assets (Level 1)
September 30, 2022:		
Investments by fair value level:		
Equity securities-domestic:		
Vanguard Institutional Index I	$ 80,649,874	80,649,874
Blackrock FDS Ishares Russell	23,320,342	23,320,342
Total investments by fair value level	103,970,216	$ 103,970,216
Investments measured at net asset value (NAV):		
Equity securities-domestic:		
NTCC Emerging Markets Fund	32,966,750	
Fixed income funds:		
CF Colchester Local Market Debt Fund FD	17,231,873	
CF Frank Russell Multi MGR Bond Fund	49,466,510	
Equity securities-international:		
NTCC International Equity Fund	69,353,378	
Venture capital and partnerships:		
RREEF American REIT II	32,104,653	
Hedge funds:		
CF Magnitude International Class A	49,981,425	
Total investments measured at NAV	251,104,589	
Total investments measured at fair value	$ 355,074,805	

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

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

The Plan holds units in investments in which the fair value is measured on a recurring basis using net asset value per share (or its equivalent) as a practical expedient.

At September 30, 2023 and 2022, the redemption rules of those investments are as follows:

	Redemption frequency (if currently eligible)	Redemption notice period
Investments measured at net asset value (NAV):		
Equity securities-domestic:		
NTCC Emerging Markets Fund	Daily	15 days
Fixed income funds:		
CF Colchester Local Market Debt Fund FD	Daily	10 days
CF Frank Russell Multi MGR Bond Fund	Daily	1 day
Equity securities-international:		
NTCC International Equity Fund	Daily	15 days
Venture capital and partnerships:		
RREEF American REIT II	Quarterly	45 days
Hedge funds:		
CF Magnitude International Class A	Quarterly	60 days

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

CF Colchester Local Market Debt Fund FD – The fund's objective is to achieve favorable income-oriented returns from a globally diversified portfolio of primarily developing market debt or debt-like securities. The fund is permitted to utilize a wide range of debt obligations and other asset classes in attempting to achieve its objectives, including investing in debt obligations issued or guaranteed by foreign governments, their agencies and instrumentalities, zero coupon bonds and floating rate notes. In addition, the fund is permitted to invest in physical currencies and spot and forward currency contracts. The fund is valued at NAV monthly.

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

NTCC International Equity Fund – The Plan invests in this fund which seeks to invest in non-U.S. equity markets directly or through funds including, but not limited to, collective funds, using one or more advisors to recommend specific investments. While non-U.S. equity securities will be the predominant asset class, this fund may invest in other asset classes from time to time, including, but

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not limited to, short-term investment funds and cash equivalents, and may be highly concentrated in specific sectors or securities. The fund is valued at NAV daily.

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

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

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

(h) Credit Risk

The objectives of the Plan's investment policy are to place an emphasis on diversified investment strategies to limit total portfolio financial risks, maximize the return of the portfolio and to preserve purchasing power while avoiding unreasonable investment risk. The investment portfolio maintains sufficient liquidity to enable the Plan to meet cash flow requirements reasonably anticipated for benefits. The U.S. equity securities are to be allocated across the equity market based on the capitalization weights of the Russell 1000 and 2000 index. Core fixed income is defined as investment grade fixed income securities. These securities are typically given one of the four highest ratings by accredited rating agencies. Cash investments are invested in a short-term investment fund. A performance evaluation is done at the total Plan level, for each asset class, and for each fund. The performance review at the fund level evaluates total fund performance versus an overall policy benchmark. The policy benchmark is calculated by multiplying the policy allocation weight for each asset class by the return on the asset class benchmark. The performance review at the asset class level evaluates performance versus the benchmark.

The performance review at the manager level evaluates manager performance versus the appropriate investment style benchmarks and stated investment approaches.

(i) Interest Rate Risk

The Plan manages its exposure to declines in fair values through other methods such as evaluating the credit rating, diversifying the investments in the portfolio, and outside portfolio consulting. The Plan does not limit the weighted average maturity of its investment portfolio.

(j) Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a Plan's investment in a single issuer. The Plan's investment policy requires diversification of the investment portfolio to minimize risk of loss resulting from over-concentration in a particular type of security, risk factor, issuer, or maturity.

Investments that individually represent 5% or more of the Plan's net position restricted for pensions as of September 30, 2023 and 2022 are as follows:

	2023	2022
Vanguard Institutional Index I	$ 95,080,195	80,649,874
NTCC Emerging Markets Fund	37,443,895	32,966,750
Blackrock FDS Ishares Russell	24,731,502	23,320,342
CF Frank Russell Multi MGR Bond Fund	44,579,538	49,466,510
CF Colchester Local Market Debt Fund FD	20,544,423	—
NTCC International Equity Fund	82,579,805	69,353,378
RREEF America REIT II	28,332,182	32,104,653
CF Magnitude International Class A	53,720,957	49,981,425
	$ 387,012,497	337,842,932

(k) Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan does not believe that it has a custodial risk exposure as all its securities are registered and held by an outside custodian.

(l) Foreign Currency Risk

Foreign currency risk is the risk that fluctuations in currency exchange rates may affect transactions conducted in currencies other than U.S. dollars and the carrying value of foreign investments. The Plan's exposure to foreign currency risk derives from its investments in international equity funds.

(m) Plan Fiduciary Net Position

Further detailed information about the Plan's fiduciary net position is available in separately issued financial statements. The Plan's financial statements can be obtained by contacting the District's Corporate Finance Department at Sarasota Memorial Hospital, Attention Controller, 1700 S. Tamiami Trail, Sarasota, FL 34239.

(11) Postemployment Benefits Other Than Pensions (OPEB)

(a) General Information About Postemployment Benefits

Plan description and benefits provided. The District provides other postemployment health care benefits (OPEB Plan) to all employees who retire from the District under the OPEB Plan after 20 or more years of service, 41,600 or more total hours of service and age 55, or after 30 years of service.

Premiums paid by retirees are based on the projected average plan cost of the District's self-insured health benefit program for the year.

The Plan also provides $10,000 Life insurance to those who retire under the Florida Retirement System (FRS) or the OPEB Plan with at least 20 years of service and 41,600 or more total hours of service.

The OPEB Plan is a single-employer defined benefit OPEB plan administered by the District. No assets are accumulated in a trust. Separate financial statements for the District's OPEB Plan are not prepared.

Contributions. The OPEB Plan is funded on a pay as you go basis. The District may make additional contributions as desired. No additional contributions have been made to date.

(b) Employees Covered by Benefit Terms

At October 1, the following employees were covered by the benefit terms:

	2021	2020
Inactive employees currently receiving benefits	809	778
Inactive employees entitled to but not yet receiving benefit payments	—	—
Active employees	6,492	5,864
	7,301	6,642

(c) Total OPEB Liability

The District's total OPEB liability of $12,101,288 at September 30, 2023 was measured as of September 30, 2022 using an actuarial valuation as of October 1, 2021, and is included in other long-term liabilities in the accompanying 2023 balance sheet. The District's total OPEB liability of $16,439,720 at September 30, 2022 was measured as of September 30, 2021 using an actuarial valuation as of October 1, 2020, and is included in other long-term liabilities in the accompanying 2022 balance sheet. Liabilities measured as of September 30, 2022 and 2021 were projected from the valuation dates using standard roll-forward methodology.

(Continued)

Actuarial assumptions and other input. The total OPEB liabilities in the actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Salary increases	Age graded rates:	
	Age	**% increase at attained age**
	Less than 35	5.00 %
	35–39	4.75
	40–44	4.25
	45-49	3.75
	50–54	3.50
	55-59	2.75
	60 and older	2.50
Discount Rate, 2022		2.19
Discount Rate, 2023		4.40
Current Health Care Cost Trend Rate, 2022		6.25
Current Health Care Cost Trend Rate, 2023		6.75
Ultimate Health Care Cost Trend Rate		5.00
Year of Ultimate Trend Rate, 2022		2025
Year of Ultimate Trend Rate, 2023		2028
Participation Assumptions, 2022:		
Medical Coverage		45.00 %
Medical Dependent Coverage		20.00
Participation Assumptions, 2023:		
Medical Coverage		45.00 %
Medical Dependent Coverage		25.00

The discount rates for 2023 and 2022 were based on a 20-year municipal bond rate as of the Measurement Date. The change in discount rate, change in participation assumption, mortality update and change in the medical trend assumption from 2022 to 2023 is reflected as a Changes in Assumptions in the following table. The discount rates used in these valuations were determined using the 20-year yields on the Fidelity AA Municipal General Obligation Fund. For the fiscal year ending September 30, 2023, mortality rates were updated to the Pri-2012 Employee and Annuitant Mortality Tables for males and females projected generationally from 2012 using Scale MP-2020 for males and females. The compensation increase assumption is based on the results of a 5-year experience study based on pay and participant data from 2015 through 2020. The termination and retirement rates assumptions are based on the results of a 5-year experience study based on participant data from October 1, 2015 through September 30, 2020. For the fiscal year ending September 30, 2022, mortality rates were updated to the Pri-2012 Employee and Annuitant Mortality Tables for males and females projected generationally from 2012 using Scale MP-2020 for males and females. The compensation increase assumption is based on the results of a 5-year experience study based on pay and participant data from 2015 through 2020. The termination and retirement rates assumptions are based on the

results of a 5-year experience study based on participant data from October 1, 2015 through September 30, 2020.

(d) Changes in the Total OPEB Liability

		Total OPEB liability
Balance at September 30, 2021	$	15,313,761
Changes for the year:		
Service cost		578,845
Interest cost		379,616
Differences between expected and actual experience		112,556
Changes of assumptions		130,711
Benefit payments		(75,769)
Net changes		1,125,959
Balance at September 30, 2022		16,439,720
Changes for the year:		
Service cost		880,898
Interest cost		362,177
Differences between expected and actual experience		(411,194)
Changes of assumptions		(5,198,147)
Benefit payments		27,834
Net changes		(4,338,432)
Balance at September 30, 2023	$	12,101,288

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District as of September 30, 2023, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.4%) or 1-percentage-point higher (5.4%) than the current discount rate:

		1% decrease (3.40%)	Discount rate (4.40%)	1% increase (5.40%)
Total OPEB liability	$	14,038,264	12,101,288	10,530,806

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District as of September 30, 2022, as well as what the District's total OPEB liability

would be if it were calculated using a discount rate that is 1-percentage-point lower (1.19%) or 1-percentage-point higher (3.19%) than the current discount rate:

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

Sensitivity of total OPEB liability to changes in healthcare cost trend rates. The following presents the total OPEB liability of the District as of September 30, 2023, as well as what the district's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.75% decreasing to 4.00%) or 1-percentage-point higher (7.75% decreasing to 6%) than the current healthcare cost trend rates:

		1% decrease (5.75% decreasing to 4.00%)	Healthcare Cost Trend rates (6.75% decreasing to 5.00%)	1% increase (7.75% decreasing to 6.00%)
Total OPEB liability	$	11,412,938	12,101,288	12,951,006

Sensitivity of total OPEB liability to changes in healthcare cost trend rates. The following presents the total OPEB liability of the District as of September 30, 2022, as well as what the district's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.25% decreasing to 4.00%) or 1-percentage-point higher (7.25% decreasing to 6.00%) than the current healthcare cost trend rates:

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

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

For the years ended September 30, 2023 and 2022, the District recognized OPEB expense of $839,789 and $2,405,256, respectively, and is included in salaries, wages and fringe benefits on the statement of revenues, expenses, and changes in net position. At September 30, 2023, the District

(Continued)

reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2023	
	Deferred outflows of resources	**Deferred inflows of resources**
Differences between expected and actual experience	$ 67,534	328,955
Changes in assumptions	78,427	4,158,518
Benefit payments made by the District during the year ended September 30, 2023	—	—
	$ 145,961	4,487,473

Deferred outflows of resources resulting from benefit payments made by the District during the year ended September 30, 2022 will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended September 30:	
2024	$ (1,073,215)
2025	(1,073,215)
2026	(1,073,215)
2027	(1,121,867)
	$ (4,341,512)

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

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

(Continued)

(12) General Information about the Defined Contribution Plan

Employees hired on or after October 1, 2009 participate in a defined contribution plan named the SMHCS Retirement Savings Plan (RSP Plan), whereby the District contributes a stated percentage of qualified earnings into the RSP Plan. The stated contribution rate for the fiscal years ended September 30, 2023 and 2022 was 4.0% of qualified earnings and does not require a matching contribution by the employee. The expense of the RSP Plan for the years ended September 30, 2023 and 2022 was $17,029,791 and $14,466,545, respectively, and is included in salaries, wages and fringe benefits on the accompanying statements of revenues, expenses and changes in net position.

(13) Related Organizations

The District is related to various organizations through several provisions contained in the articles of incorporation and bylaws of the entities. These related organizations are not component units of the District because while they are legally separate, the District does not appoint the voting majority of the organizations' Boards, they are not fiscally dependent on the District, the District does not have access to the entities' resources nor is it responsible for the entities' debts, and it would not be misleading to exclude the entity as a component unit. Net amounts due from/to these related organizations and investments in related organizations as of September 30, 2023 and 2022 are as follows:

		2023	2022
Current assets:			
Community Health Corporation	$	2,605	4,965
Sarasota Memorial Physician-Hospital Organization, Inc.		71,508	61,570
Sarasota Medical Condominium Association, Inc.		2,418	3,513
Centergate Office Park Condominium Association, Inc.		282	2,553
LeeSar, Inc.		1,070,000	1,070,000
Total current assets	$	1,146,813	1,142,601
Noncurrent assets (included in other assets):			
Investment in LeeSar, Inc.	$	27,179,875	26,051,461
Total noncurrent assets	$	27,179,875	26,051,461
Current liabilities:			
Community Health Corporation	$	9,132	—
Other		1,109	1,705
Total current liabilities	$	10,241	1,705

Community Health Corporation was established to provide educational services, operate, manage, and own health care facilities, provide services for the care of persons suffering from illnesses and disabilities, and to further the interest of the District.

Sarasota Memorial Physician-Hospital Organization, Inc. is a corporation formed by physicians and the Hospital. The corporation contracts with payors to provide health care services. The District and certain

(Continued)

medical staff physicians are each 50% members of the entity. The District utilizes the equity method of accounting for the investment.

During 1998, the Hospital entered into a joint venture with another southwest Florida area governmental hospital. The purpose of the joint venture was to develop a regional service center, LeeSar HealthTrust Partners, L.C. (LeeSar), to meet the materials services and distribution needs of both hospitals. The hospitals agreed to fund initial costs of opening LeeSar and working capital needs through an established line of credit. Each hospital provided a revolving credit loan not to exceed $3,000,000 to assist in funding LeeSar purchases, capital costs, and operational costs. The terms of the amended agreement stated the entire principal and accrued interest would be due and payable on September 30, 2005. The District voted in November 2003 to convert the LeeSar loan to an equity form of investment, effective September 30, 2003, due to LeeSar's inability to repay the loan under the current terms. Each organization had a 50% ownership interest through the year ended September 30, 2010. During 2010, the partners sold 5.555% each, of their respective ownership interest to a central Florida hospital. As a result, the Hospital now has a 44.445% ownership interest. The Hospital is accounting for the joint venture under the equity method of accounting. LeeSar's excess of revenues over expenses was approximately $2,538,899 and $3,921,304 for the years ended September 30, 2023 and 2022, respectively. Effective October 1, 2009, LeeSar Healthtrust Partners, L.C. merged with LeeSar, Inc. LeeSar, Inc., the surviving corporation, is a 501(c)(3) not-for-profit Florida corporation.

Sarasota Memorial Healthcare Foundation, Inc. (the Foundation) was formed to assist in fund-raising activities and community relations. The Foundation is not a component unit of the District because it is a legally separate organization, benefits other healthcare organizations in Sarasota County, and is not controlled by the Sarasota County Public Hospital Board. Funds contributed by the Foundation to the District are recorded as restricted or unrestricted gifts and bequests depending on the nature of the donation. During fiscal year 2020, the District and the Foundation entered into an administrative services agreement to foster the efficient use of resources, whereby the District provides administrative and accounting services for the Foundation and the Foundation maintained its independent governance.

The District has grants receivable from the Foundation of approximately $2,621,000 and $3,159,000 as of September 30, 2023 and 2022, respectively. The District received approximately $8,229,000 and $15,527,000 from the Foundation during the years ended September 30, 2023 and 2022, respectively.

(14) Malpractice Insurance

The District is subject to malpractice claims and litigation. Losses incurred have been estimated and accrued in the accompanying financial statements. The District is potentially liable for losses in excess of amounts accrued. However, in management's opinion, such excess, if any, should not have a material adverse effect on the results of operations or financial position of the District. Effective September 12, 1986, the District, as a "state agency or subdivision," eliminated its malpractice insurance coverage and invoked sovereign immunity for medical malpractice claims in excess of $100,000 per individual and $200,000 per occurrence. Effective October 1, 2011, the sovereign immunity limits increased to $200,000 per individual and $300,000 per occurrence. Effective April 15, 2021, the District purchased malpractice insurance with a limit of $15.0 million per occurrence, $15.0 million in the aggregate, subject to a $10.0 million self-insured retention. The coverage is provided by two separate policies; a primary policy with a $5.0 million limit, and an excess policy with a $10.0 million limit. The District has accrued $12,072,000 and $11,003,831 as of September 30, 2023 and 2022, respectively, for estimated professional

liability claims for the Hospital and for the Sarasota Memorial Nursing and Rehabilitation Center. The current portion of this is included in other accrued expenses and the noncurrent portion is included in other long-term liabilities in the accompanying balance sheets.

PSI is subject to malpractice claims and litigation. Losses incurred have been estimated and accrued in the accompanying financial statements. PSI is potentially liable for losses in excess of amounts accrued. However, in management's opinion, such excess, if any, should not have a material adverse effect on the results of operations or financial position of PSI. PSI has received a favorable ruling on a court decision that its physicians are covered under the doctrine of sovereign immunity. Effective December 1, 2003, PSI as a "state agency or subdivision," eliminated its malpractice insurance coverage and invoked sovereign immunity for medical malpractice claims in excess of $100,000 per individual and $200,000 per occurrence. As noted above, effective October 1, 2011, the sovereign immunity limits increased to $200,000 per individual and $300,000 per occurrence. Effective April 15, 2021, the District purchased malpractice insurance with a limit of $15.0 million per occurrence, $15.0 million in the aggregate, subject to a $10.0 million self-insured retention. This limit is part of the same policies described in the preceding paragraph and therefore covers all of the District's healthcare operations. PSI accrued $8,692,000 and $7,821,820 as of September 30, 2023 and 2022, respectively, for professional liability claims. The current portion of this liability is included in other accrued expenses and the noncurrent portion is included in other long-term liabilities in the accompanying balance sheets.

Activity related to these self-insured professional liability claims included as a component of other accrued expenses and other long-term liabilities in the accompanying balance sheets for the years ended September 30, 2023, 2022, and 2021, is reflected in the tables below:

	2023			
	Self-insured liabilities September 30, 2022	**Insurance expense (credit)**	**Payments**	**Self-insured liabilities September 30, 2023**
Professional liabilities	$ 18,825,651	4,077,344	(2,138,995)	20,764,000

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

(Continued)

	2021			
	Self-insured liabilities September 30, 2020	Insurance expense (credit)	Payments	Self-insured liabilities September 30, 2021
Professional liabilities	$ 13,794,000	2,612,892	(670,892)	15,736,000

The District had no significant reductions in insurance coverage during the fiscal year ended September 30, 2023. There were no settlements which exceeded the District's insurance coverage in any of the past three fiscal years.

(15) Commitments and Contingencies

The District has various contractual arrangements for employment contracts. As of September 30, 2023, there are minimum payments required under these arrangements in the amount of $44,303,948 for the year ending September 30, 2024.

Additionally, the District may from time to time, be party to routine legal proceedings incidental to the operation of its business. The outcome of any pending or threatened proceedings is not expected to have a material adverse effect on the financial condition, operating results, or cash flows of the District.

(16) Concentrations of Credit Risk

Financial instruments which potentially subject the District to concentrations of credit risk consist principally of cash and cash equivalents, investments, patient accounts receivable, other assets, and investments restricted under bond indenture agreements or by donors or designated by the Board for future use.

The District places its cash and cash equivalents with what management believes to be high credit quality financial institutions. As stated in note 2, the custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not held in the District's name. The District's governmental bank balances are held in accounts protected under Chapter 280, *Florida Statutes* in institutions classified as qualified public depositories under Chapter 280 for the years ended September 30, 2023 and 2022. Other entities of the District have deposits in a financial institution in excess of federally insured limits and which are not collateralized.

As noted in note 2(b), the District's board designated and restricted investments are primarily invested in time deposits with high credit quality financial institutions, U.S. Treasury bonds and notes, government-backed mortgage securities, and highly rated corporate bonds.

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The District grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of gross receivables from patients and third-party payors as of September 30, 2023 and 2022 was as follows:

	2023	2022
Medicare	42.6 %	36.9 %
Self-pay and others	20.6	23.6
Managed care and commercial	25.0	25.6
Medicaid	11.8	13.9
	100.0 %	100.0 %

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Required Supplemental Information

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:										
Service cost	$ 7,039,448	7,444,717	7,628,975	7,840,140	7,852,889	7,932,022	8,237,830	9,619,975	9,357,119	9,593,252
Interest	26,604,938	26,071,915	26,507,541	26,327,880	26,111,890	25,733,708	25,040,903	24,231,700	23,572,643	21,938,676
Demographic (gains)/losses	4,085,655	(1,352,171)	2,288,234	(1,422,450)	(649,793)	(3,057,760)	(3,234,518)	(520,626)	(745,239)	(2,337,885)
Change in actuarial assumptions	(6,428,133)	—	(11,371,137)	5,113,930	6,286,177	(5,309,527)	493,692	(2,669,926)	11,080,081	—
Benefit payments	(28,611,671)	(30,192,176)	(26,038,112)	(21,570,970)	(22,054,700)	(22,552,914)	(18,094,587)	(21,007,051)	(19,641,173)	(17,407,572)
Net change in total pension liability	2,690,237	1,972,285	(984,499)	16,288,530	17,546,463	2,745,529	12,443,320	9,654,072	23,623,431	11,786,471
Total pension liability – beginning	419,526,924	417,554,640	418,539,139	402,250,609	384,704,146	381,958,617	369,515,297	359,861,225	336,237,794	324,451,323
Total pension liability – ending (a)	422,217,161	419,526,925	417,554,640	418,539,139	402,250,609	384,704,146	381,958,617	369,515,297	359,861,225	336,237,794
Plan fiduciary net position:										
Contributions-employer	13,883,595	10,835,453	12,467,731	12,231,019	10,049,127	10,824,970	12,139,689	14,551,924	49,810,358	16,606,485
Net investment income	46,308,018	(63,254,500)	70,758,181	18,167,462	13,797,623	19,785,014	35,432,192	30,898,892	(9,642,501)	26,103,829
Benefit payments	(28,611,671)	(30,192,176)	(26,038,112)	(21,570,970)	(22,054,700)	(22,552,914)	(18,094,587)	(21,007,051)	(19,641,173)	(17,407,572)
Administrative expense	(485,387)	(482,144)	(426,432)	(283,153)	(262,951)	(204,717)	(280,241)	(388,330)	(344,878)	(294,193)
Net change in plan fiduciary net position	31,094,555	(83,093,367)	56,761,368	8,544,358	1,529,099	7,852,353	29,197,053	24,055,435	20,181,806	25,008,549
Plan fiduciary net position – beginning	361,656,191	444,749,558	387,988,190	379,443,832	377,914,733	370,062,380	340,865,327	316,809,892	296,628,086	271,619,537
Plan fiduciary net position – ending (b)	392,750,746	361,656,191	444,749,558	387,988,190	379,443,832	377,914,733	370,062,380	340,865,327	316,809,892	296,628,086
Net pension liability (asset) – ending (a)-(b)	$ 29,466,415	57,870,734	(27,194,918)	30,550,949	22,806,777	6,789,413	11,896,237	28,649,970	43,051,333	39,609,708
Plan fiduciary net position as a percentage of the total pension liability	93.0 %	86.2 %	106.5 %	92.7 %	94.3 %	98.2 %	96.9 %	92.2 %	88.0 %	88.2 %
Covered-employee payroll	$ 98,750,411	101,193,797	103,969,380	107,342,655	109,970,976	114,623,636	118,225,538	124,949,986	127,730,377	133,004,920
Net pension liability (asset) as a percentage of covered-employee payroll	29.8 %	57.2 %	(26.2)%	28.5 %	20.7 %	5.9 %	10.1 %	22.9 %	33.7 %	29.8 %

(Continued)

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Required Supplemental Information

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

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

In 2023, amounts reported as changes in actuarial assumptions resulted primarily from a change in the discount rate from 6.50% to 6.75%, an update of the mortality improvement scale from MP-2020 to MP-2021, as well as an update in the CPI assumption from 2.50% to 2.75%.

In 2022, there were no changes in actuarial assumptions.

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

In 2020, amounts reported as changes in actuarial assumptions resulted primarily from a change in the discount rate from 6.75% to 6.50%, an investment loss due to actual returns less than expected for the measurement period ending September 30, 2020, and a decrease in deferred inflows/outflows amortization.

In 2019, amounts reported as changes in actuarial assumptions resulted primarily from a change in the discount rate from 7.00% to 6.75%, as well as a change in the base mortality table from RP-2014 to Pri-2012.

In 2018, amounts reported as changes in actuarial assumptions resulted primarily from an update of healthy and disabled mortality projection scale from Scale BB(male) to Scale MP-2018 for males and females.

In 2017, amounts reported as changes in actuarial assumptions resulted primarily from adjustments to salary increase assumption updated from age-graded rates of 6.5% to 4.00% to age-graded rates of 5.00% to 3.00% and an update to the assumed future increases to the IRC maximum benefit and plan compensation limits from 0% to 2.5%.

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

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Required Supplemental Information

Schedule of District's Contributions (Unaudited)

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 13,883,595	10,835,453	12,467,731	12,231,019	10,049,127	10,824,970	12,139,689	14,551,924	19,810,358	16,606,485
Contributions in relation to the actuarially determined contribution	13,883,595	10,835,453	12,467,731	12,231,019	10,049,127	10,824,970	12,139,689	14,551,924	49,810,358	16,606,485
Contribution deficiency/(excess)	$ —	—	—	—	—	—	—	—	(30,000,000)	—
Covered-employee payroll	$ 98,750,411	101,193,797	103,969,380	107,342,655	109,970,976	114,623,636	118,225,538	124,949,986	127,730,377	133,004,920
Contributions as a% of covered-employee payroll	14.1 %	10.7 %	12.0 %	11.4 %	9.1 %	9.4 %	10.3 %	11.6 %	39.0 %	12.5 %

Schedule of the District's Pension Contributions

Actuarially determined contributions are calculated two years prior to the end of the fiscal year in which contributions are reported. The most recent actuarial valuation was performed as of October 1, 2022. Contributions are made one fiscal year prior to the fiscal year in which the contributions are reported as a reduction in net pension liability. Contributions made in the most recent fiscal year are reported on the balance sheets as deferred outflows related to pensions, and reverse in the following year.

(Continued)

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Required Supplemental Information

Schedule of District's Contributions (Unaudited)

Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal; prior to 10/1/2014 Valuation Date, projected unit credit was used
Amortization method	Level dollar amount over working life expectancy; prior to 10/1/2012 level dollar amount over 30 years was used
Remaining amortization period	8 years (based on average remaining expected service of active plan participants as of 10/1/2022); prior to 10/1/20, 9 year prior to 10/1/2012, 30 years
Asset valuation method	5 year smoothed market value
Inflation	2.5% for 10/1/2013 and later; 3.0% for 10/1/2012; 2.75% for 10/1/2011
Salary increases	3.3%, average, including inflation; In the 2012, 2016, and 2020 actuarial valuations, expected salary increases were adjusted to age-graded rates to more closely reflect actual experience.
Investment rate of return	6.50%, net of pension plan investment expenses, including inflation; 6.50% was used for the 2020 through 2021 actuarial valuations; 6.75% was used for the 2019 actuarial valuation; 7.00% was used for the 2012 through 2018 actuarial valuations; 7.25% was used for the 2011 actuarial valuation
Retirement age	Age graded rates from 50 to 75; Prior to 2015, age-graded rates from 50 to 70. Expected retirement rates were adjusted in 2015 and 2020 to more closely reflect actual experience.
Mortality	In the 2020 through 2022 valuations, assumed life expectancies were adjusted based on the State mandated tables of the Pub-2010 Headcount-weighted General Below Median Healthy Retiree and Employee Tables, set back one year for males, with generational projection Scale MP-2018 for males and females. For the 2016 through 2019 valuations, assumed life expectancies were adjusted based on the State mandated tables of the combined RP-2000 Mortality Tables for males and females projected generationally from 2000 using Scale BB for males and females. For the 2014 and 2015 actuarial valuations, assumed life expectancies were adjusted as a result of adopting the RP-2014 Employee/Annuitant Mortality Tables for males and females with the MP-2014 projection scale backed out to 2006 and then projected forward generationally using Scale BB (male). For the 2012 and 2013 actuarial valuations, assumed life expectancies were adjusted as a result of adopting the RP-2000 combined mortality tables for males and females projected to 10 years past the valuation date using Scale AA. For the 2011 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2000 combined mortality tables for males and females projected to 2015 using Scale AA.
Other information:	The plan was closed to new or rehired employees on or after 10/1/2009.

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Required Supplemental Information

Schedule of Investment Returns (Unaudited)

Fiscal year ended September 30	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	13.41 %	(14.85)%	19.05 %	5.08 %	3.77 %	5.73 %	10.63 %	10.21 %	(2.79)%	10.08 %

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Required Supplemental Information

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

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	$ 880,898	578,845	488,086	301,098	323,551	290,331	272,925
Interest	362,177	379,616	363,620	381,974	368,724	348,432	298,742
Differences between expected and actual experience	(411,194)	112,556	446,524	(55,284)	(132,424)	99,459	—
Changes of assumptions	(5,198,147)	130,711	1,563,263	2,239,923	(878,112)	(416,490)	—
Benefit payments	27,834	(75,769)	(163,847)	(246,775)	(35,157)	(9,820)	(120,590)
Net change in total pension liability	(4,338,432)	1,125,959	2,697,646	2,620,936	(353,418)	311,912	451,077
Total OPEB liability – beginning	16,439,720	15,313,761	12,616,115	9,995,179	10,348,597	10,036,685	9,585,608
Total OPEB liability – ending	$ 12,101,288	16,439,720	15,313,761	12,616,115	9,995,179	10,348,597	10,036,685
Covered-employee payroll	$ 457,353,707	407,530,785	368,846,553	326,412,000	294,022,400	262,680,254	230,474,125
Total OPEB liability as a percentage of covered payroll	2.65 %	4.03 %	4.15 %	3.87 %	3.40 %	3.94 %	4.35 %

Note: The Schedule is intended to present information for 10 years. Additional years will be displayed as the information becomes available.

(Continued)

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

2023

The combined impact of the per capita claims cost and retiree contribution assumption updates decreased the expense and total OPEB liability (TOL).

The dependent coverage assumption was updated from 20% to 25%, which slightly increased the expense and TOL.

The medical trend assumption was updated from 6.25% in 2020/2021 grading down 0.25% per year to 5.00% in 2025/2026 to 6.75% in 2021/2022 grading down 0.25% per year to 5.00% in 2028/2029, which increased the expense and TOL.

The discount rate changed from 2.19% to 4.40%.

Two amortization bases established as of September 30, 2020 were fully amortized for the fiscal year ending September 30, 2022 expense leading to an decrease in the fiscal year ending September 30, 2023 expense of $728,213.

2022

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

The discount rate changed from 2.41% to 2.19%.

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

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

2021

The discount rate changed from 2.75% to 2.41%.

Assumed per capita claims costs were updated for fiscal year ending September 30, 2021 based on most recent premiums provided by SMH and to reflect changes in distribution of enrollment by plan options.

The annual average per capita retiree contributions were updated for fiscal year ending September 30, 2021 due to changes in the distribution of enrollment by plan option and changes in elected coverage categories.

The mortality projection scale was updated from Scale MP-2018 for males and females to Scale MP-2020 for males and females.

(Continued)

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Required Supplemental Information

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

2020

The discount rate changed from 3.83% to 2.75%.

The medical plan coverage assumption was updated from 35% to 45%.

Assumed per capita claims costs were updated for fiscal year ending September 30, 2020 based on most recent premiums provided by SMH and to reflect changes in distribution of enrollment by plan options.

The annual average per capita retiree contributions were updated for fiscal year ending September 30, 2020 from $7,542 to $7,454 due to changes in the distribution of enrollment by plan option and changes in elected coverage categories.

The mortality was updated from RP-2014 Employee and Annuitant Mortality Tables for males and females with the MP-2014 projection scale backed out to 2006 and then projected forward generationally using Scale MP-2018 for males and females to Pri-2012 Employee and Annuitant Mortality Tables for males and females projected generationally using Scale MP-2018 for males and females.

The medical trend assumption was changed from 6.50% in 2018/2019 grading down 0.25% per year to 5.00% in 2025/2026 to 6.75% in 2018/2019 grading down 0.25% per year to 5.00% in 2026/2027.

2019

The discount rate changed from 3.50% to 3.83%.

Assumed per capita claims costs were updated for fiscal year ending September 30, 2019 based on most recent premiums provided by SMH and to reflect changes in distribution of enrollment by plan options.

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

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

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Supplemental Information – Combining Balance Sheet Information

September 30, 2023

Assets	Sarasota Memorial Hospital Sarasota	Sarasota Memorial Hospital Venice	Sarasota Memorial Nursing and Rehabilitation Center	Corporate Division	Eliminations	Sarasota County Public Hospital District	SMH Health Care, Inc.	SMH Physician Services, Inc.	Eliminations	Total
Current assets:										
Cash and cash equivalents	$ 40,019,077	12,500	1,394,485	4,930,378	—	46,356,440	73,325	5,417,379	—	51,847,144
Patient accounts receivable, less allowance for uncollectible accounts	160,581,882	25,035,607	1,150,459	—	—	186,767,948	—	12,814,110	—	199,582,058
Inventories of supplies	18,575,776	5,250,603	—	—	—	23,826,379	—	—	—	23,826,379
Prepaid expenses and other assets	15,430,105	777,333	22,050	16,113,761	—	32,343,249	164,200	665,014	—	33,172,463
Estimated Medicare and Medicaid settlements	—	5,900,000	—	—	—	5,900,000	—	—	—	5,900,000
Due from related organizations	555,996,380	584,939	51,099	297,439,518	(449,720,957)	404,350,979	554,300,014	4,587	(957,508,767)	1,146,813
Total current assets	790,603,220	37,560,982	2,618,093	318,483,657	(449,720,957)	699,544,995	554,537,539	18,901,090	(957,508,767)	315,474,857
Noncurrent assets:										
Restricted investments	2,651,164	—	—	52,223,253	—	54,874,417	—	—	—	54,874,417
Board designated investments	—	—	—	1,152,208,283	—	1,152,208,283	—	—	—	1,152,208,283
Capital assets, net	803,244,825	328,763,824	4,034,207	236,477,643	—	1,372,520,499	—	6,864,079	—	1,379,384,578
Other assets	2,906,527	1,168,123	—	97,504,842	—	101,579,492	28,497,904	7,969,986	—	138,047,382
Interest rate swaps	—	—	—	6,572,122	—	6,572,122	—	—	—	6,572,122
Total noncurrent assets	808,802,516	329,931,947	4,034,207	1,544,986,143	—	2,687,754,813	28,497,904	14,834,065	—	2,731,086,782
Total assets	1,599,405,736	367,492,929	6,652,300	1,863,469,800	(449,720,957)	3,387,299,808	583,035,443	33,735,155	(957,508,767)	3,046,561,639
Deferred Outflows of Resources										
Deferred outflows related to pensions and OPEB	—	—	—	—	—	—	66,635,988	—	—	66,635,988
Deferred amounts on debt refundings	—	—	—	33,101,804	—	33,101,804	—	—	—	33,101,804
Deferred effective interest rate swap outflows	—	—	—	—	—	—	—	229,196	—	229,196
Total deferred outflows of resources	—	—	—	33,101,804	—	33,101,804	66,635,988	229,196	—	99,966,988
Total assets and deferred outflows of resources	$ 1,599,405,736	367,492,929	6,652,300	1,896,571,604	(449,720,957)	3,420,401,612	649,671,431	33,964,351	(957,508,767)	3,146,528,627

(Continued)

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Supplemental Information – Combining Balance Sheet Information

September 30, 2023

Liabilities	Sarasota Memorial Hospital Sarasota	Sarasota Memorial Hospital Venice	Sarasota Memorial Nursing and Rehabilitation Center	Corporate Division	Eliminations	Sarasota County Public Hospital District	SMH Health Care, Inc.	SMH Physician Services, Inc.	Eliminations	Total
Current liabilities:										
Accounts payable	$ 62,405,369	5,952,398	300,852	9,930,330	—	78,588,948	1,678,501	3,462,470	—	83,729,919
Employee compensation and benefits payable	—	—	—	(4,143)	—	(4,143)	127,526,858	—	—	127,522,715
Other accrued expenses	4,795,894	483,239	114,574	8,923,321	—	14,317,028	—	3,054,844	—	17,371,872
Estimated third-party settlements	62,450,000	3,970,000	180,417	—	—	66,600,417	—	—	—	66,600,417
Due to related organizations	247,416,767	369,267,111	82,504	379,675,213	(449,720,957)	546,720,638	402,972,584	7,825,786	(957,508,767)	10,241
Current portion of State of Florida medical assistance assessment	16,548,193	1,824,920	—	—	—	18,373,114	—	—	—	18,373,114
Current portion of long-term debt	912,741	337,950	—	24,985,174	—	26,235,865	—	1,655,476	—	27,891,341
Total current liabilities	394,528,964	381,835,618	678,347	423,509,895	(449,720,957)	750,831,867	532,177,943	15,998,576	(957,508,767)	341,499,619
Noncurrent liabilities:										
Long-term debt, less current portion	2,410,384	834,568	—	737,015,572	—	740,260,524	—	6,884,147	—	747,144,671
Long-term companion debt, less current portion	—	—	—	15,958,900	—	15,958,900	—	—	—	15,958,900
Net pension liability	—	—	—	—	—	—	57,870,734	—	—	57,870,734
State of Florida medical assistance assessment, less current portion	8,344,197	2,959,191	—	—	—	11,303,388	—	—	—	11,303,388
Other long-term liabilities	9,350,124	1,852,799	343,998	—	—	11,546,921	48,548,265	7,280,997	—	67,376,183
Interest rate swaps	—	—	—	3,242,678	—	3,242,678	—	—	—	3,242,678
Total noncurrent liabilities	20,104,705	5,646,558	343,998	756,217,150	—	782,312,411	106,418,999	14,165,144	—	902,896,554
Total liabilities	414,633,669	387,482,176	1,022,345	1,179,727,045	(449,720,957)	1,533,144,278	638,596,942	30,163,720	(957,508,767)	1,244,396,173
Deferred Inflows of Resources										
Deferred inflows related to pensions and OPEB	—	—	—	—	—	—	11,074,489	—	—	11,074,489
Deferred inflows related to leases	1,316,910	—	—	40,334,409	—	41,651,319	—	—	—	41,651,319
Deferred effective interest rate swap inflows	—	—	—	30,435,187		30,435,187	—	—	—	30,435,187
Total deferred inflows of resources	1,316,910	—	—	70,769,596	—	72,086,506	11,074,489	—	—	83,160,995
Net Position										
Net investment in capital assets	799,921,701	327,591,305	4,034,207	(440,198,045)	—	691,349,168	—	(1,675,544)	—	689,673,624
Restricted for specific purposes	4,237,742	—	—	—	—	4,237,742	—	—	—	4,237,742
Unrestricted	379,295,714	(347,580,552)	1,595,748	1,086,273,008	—	1,119,583,918	—	5,476,175	—	1,125,060,093
Total net position	1,183,455,157	(19,989,247)	5,629,955	646,074,963	—	1,815,170,828	—	3,800,631	—	1,818,971,459
Total liabilities, deferred inflows of resources and net position	$ 1,599,405,736	367,492,929	6,652,300	1,896,571,604	(449,720,957)	3,420,401,612	649,671,431	33,964,351	(957,508,767)	3,146,528,627

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Supplemental Information – Combining Statement of Revenues, Expenses and Changes in Net Position Information

Year ended September 30, 2023

	Sarasota Memorial Hospital Sarasota	Sarasota Memorial Hospital Venice	Sarasota Memorial Nursing and Rehabilitation Center	Corporate Division	Eliminations	Sarasota County Public Hospital District	SMH Health Care, Inc.	SMH Physician Services, Inc.	Eliminations	Total
Operating revenues:										
Net patient service revenue, net of provision for bad debts	$ 1,247,834,473	224,441,181	13,689,825	—	—	1,485,965,479	—	140,247,096	—	1,626,212,575
Other revenue	25,291,029	1,497,494	559,679	241,920,547	(215,258,220)	54,010,529	904,516,884	3,391,541	(923,831,093)	38,087,861
Total operating revenues	1,273,125,502	225,938,675	14,249,504	241,920,547	(215,258,220)	1,539,976,008	904,516,884	143,638,637	(923,831,093)	1,664,300,436
Operating expenses:										
Salaries, wages, and fringe benefits	459,821,634	92,980,146	9,153,742	144,381,419	—	706,336,941	902,300,495	194,547,997	(902,300,495)	900,884,938
Supplies	267,062,455	48,385,048	1,695,983	9,184,105	—	326,327,591	—	12,045,903	—	338,373,494
Purchased services	271,432,357	40,006,169	4,227,455	80,277,087	(215,147,178)	180,795,890	2,216,389	38,586,038	(20,641,326)	200,956,991
Professional fees	27,872,388	4,942,715	—	4,224,157	(111,042)	36,928,218	—	31,000	(889,272)	36,069,946
State of Florida medical assistance assessment	16,688,395	2,959,191	—	—	—	19,647,586	—	—	—	19,647,586
Depreciation and amortization	50,785,735	22,728,423	492,675	41,450,806	—	115,457,639	—	4,608,038	—	120,065,677
Total operating expenses	1,093,662,964	212,001,692	15,569,855	279,517,574	(215,258,220)	1,385,493,865	904,516,884	249,818,976	(923,831,093)	1,615,998,632
Operating income (loss)	179,462,538	13,936,983	(1,320,351)	(37,597,027)	—	154,482,143	—	(106,180,339)	—	48,301,804
Nonoperating items:										
Ad valorem tax	60,576,879	9,129,144	934,896	—	—	70,640,919	—	11,261,976	—	81,902,895
Interest expense	(20,302,082)	(12,453,344)	—	(3,695,501)	—	(36,450,927)	—	(137,913)	—	(36,588,840)
Interest rate swap receipts, net	—	—	—	3,184,509	—	3,184,509	—	—	—	3,184,509
Investment income	1,784,724	—	39,794	30,701,775	—	32,526,293	—	80,831	—	32,607,124
Unrealized gains and losses on investments, net	—	—	—	7,477,177	—	7,477,177	—	—	—	7,477,177
Change in fair value of ineffective interest rate swaps	—	—	—	410,319		410,319	—	—	—	410,319
Other nonoperating income	1,859,018	(1,108,640)	—	3,273,691		4,024,069	—	—	—	4,024,069
Total nonoperating items	43,918,539	(4,432,840)	974,690	41,351,970	—	81,812,359	—	11,204,894	—	93,017,253
Excess (deficit) of revenues over expenses	223,381,077	9,504,143	(345,661)	3,754,943	—	236,294,502	—	(94,975,445)	—	141,319,057
Other changes in net position:										
Contributions restricted for capital purposes	3,532,787	—	—	—	—	3,532,787				3,532,787
Net transfers from (to) other component units	(91,263,351)	215,219	—	—	—	(91,048,132)	—	91,048,132	—	—
Increase (decrease) in net position	135,650,513	9,719,362	(345,661)	3,754,943	—	148,779,157	—	(3,927,313)	—	144,851,844
Net position, beginning of year, as restated	1,047,804,644	(29,708,609)	5,975,616	642,320,020	—	1,666,391,671	—	7,727,944	—	1,674,119,615
Net position, end of year	$ 1,183,455,157	(19,989,247)	5,629,955	646,074,963	—	1,815,170,828	—	3,800,631	—	1,818,971,459

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Supplemental Information – Budgetary Comparison Schedule (Unaudited)

Year ended September 30, 2023

	Budget	Actual	Variance
Operating revenues:			
Net patient service revenue, net of provision for bad debts	$ 1,384,517,128	1,626,212,575	241,695,447
Other revenue	35,407,132	38,087,861	2,680,729
Total operating revenues	1,419,924,260	1,664,300,436	244,376,176
Operating expenses:			
Salaries, wages, and fringe benefits	793,801,268	900,884,938	(107,083,670)
Supplies	266,025,335	338,373,494	(72,348,159)
Purchased services	184,905,581	200,956,991	(16,051,410)
Professional fees	41,146,812	36,069,946	5,076,866
State of Florida medical assistance assessment	16,926,693	19,647,586	(2,720,893)
Depreciation and amortization	92,365,746	120,065,677	(27,699,931)
Total operating expenses	1,395,171,435	1,615,998,632	(220,827,197)
Operating income	24,752,825	48,301,804	23,548,979
Nonoperating items:			
Ad valorem tax	81,736,397	81,902,895	166,498
Interest expense	(31,406,190)	(36,588,840)	(5,182,650)
Interest rate swap receipts, net	—	3,184,509	3,184,509
Investment income	18,812,953	32,607,124	13,794,171
Unrealized gains and losses on investments, net	—	7,477,177	7,477,177
Change in fair value of ineffective interest rate swaps	—	410,319	410,319
Other nonoperating income	—	4,024,069	4,024,069
Total nonoperating items	69,143,160	93,017,253	23,874,093
Excess of revenues over expenses	93,895,985	141,319,057	47,423,072
Other changes in net position:			
Contributions restricted for capital purposes	—	3,532,787	3,532,787
Increase in net position	93,895,985	144,851,844	50,955,859
Net position, beginning of year	1,674,119,615	1,674,119,615	—
Net position, end of year	$ 1,768,015,600	1,818,971,459	50,955,859

See accompanying independent auditors' report.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Schedule of Special District Reporting (Unaudited)

Year ended September 30, 2023

		2023
Total number of District Employees compensated in last pay period of September		9,508
Total number of Independent Contractors to whom compensation was paid in September		57
All compensation earned by or awarded to employees, whether paid or accrued regardless of contingency	$	900,884,938
All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency		27,773,316
Millage rate imposed by the District		1.042 %
Total ad valorem taxes collected on behalf of the District	$	81,902,895

Construction projects with total costs of at least $65,000 approved by the District to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project:

Name of project		Budgeted expenditures	Total expenditures
Venice Bed Tower 2nd Floor Build-Out	$	21,954,000	816,154
Lakewood Ranch Freestanding ER		18,500,000	351,788

See accompanying independent auditors' report.

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

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board Members
Sarasota County Public Hospital District:

We have audited, 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, the financial statements of the business-type activities and the fiduciary activities of Sarasota County Public Hospital District (the District) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 26, 2024, which included an emphasis-of-matter paragraph regarding the adoption of Governmental Accounting Standards Board No. 96, *Subscription-Based Information Technology Arrangements*.

Our report includes a reference to other auditors who audited the financial statements of the SMH Health Care Retirement Plan, as described in our report on the District's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

KPMG LLP

January 26, 2024

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

Independent Auditors' Report on Compliance for the Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board Members
Sarasota County Public Hospital District:

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Sarasota County Public Hospital District's (the District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended September 30, 2023. The District's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government*

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the District as of and for the year ended September 30, 2023, and have issued our report thereon dated January 26, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

June 20, 2024

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended September 30, 2023

Federal grantor/pass through agency/program title	Assistance listing number	Contract number	Grant period	Contract or award amount	Passed through to subrecipients	Expenditures
U. S. Department of Health and Human Services:						
Health Resources and Services Administration:						
COVID-19: Prover Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	N/A	1/1/20 – 6/30/2023	6,636,369	$ —	6,636,369
Total U.S. Department of Health and Human Services					—	6,636,369
U. S. Department of Homeland Security:						
Passed through State of Florida Division of Emergency Management:						
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	N/A	1/20/2020 – 5/11/2023	3,082,333	—	3,082,333
Total U.S. Department of Homeland Security					—	3,082,333
Total expenditures of Federal Awards					$ —	9,718,702

See accompanying independent auditors' report.

See accompanying notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

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Independent Auditors' Report on Compliance for Each Major State Project; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of State Financial Assistance Required by Chapter 10.550, *Rules of the Auditor General*

The Board Members
Sarasota County Public Hospital District:

Report on Compliance for Each Major State Project

Opinion on Each Major State Project

We have audited Sarasota County Public Hospital District's (the District) compliance with the types of compliance requirements described in the Florida Department of Financial Services' *State Projects Compliance Supplement* that could have a direct and material effect on each of the District's major state projects for the year ended September 30, 2023. The District's major state projects are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2023.

Basis for Opinion on Each Major State Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.550, *Rules of the Auditor General*, State of Florida (Chapter 10.550). Our responsibilities under those standards and the Chapter 10.550 are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major state project. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and Chapter 10.550 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud

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may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major state project as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Chapter 10.550, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a material weakness.

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 state project on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The District's response and corrective action plan were not

subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response or the corrective action plan.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of State Financial Assistance Required by Chapter 10.550

We have audited the financial statements of the District as of and for the year ended September 30, 2023, and have issued our report thereon dated January 26, 2024, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by Chapter 10.550 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

June 20, 2024

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Schedule of Expenditures of State Financial Assistance

Year ended September 30, 2023

State grantor/pass through agency/program title	CSFA number	Contract number	Grant period	Contract or award amount	Passed through to subrecipients	Expenditures
State of Florida Department of Elder Affairs:						
Alzheimers Disease Initiative	65.002	XZ1014	7/1/22–6/30/23	222,801	$ —	170,947
Alzheimers Disease Initiative	65.002	XZM23	7/1/23–6/30/24	722,801	—	180,700
Total State of Florida Department of Elder Affairs					—	351,647
State of Florida Department of Health – Division of Emergency Preparedness and Community Support:						
Verified Trauma Center Financial Support	64.075	TRA30	1/1/22–12/31/22	140,708	—	140,708
Verified Trauma Center Financial Support	64.075	TRA30	1/1/23–12/31/23	431,975	—	431,975
Total Division of Emergency Preparedness and Community Support					—	572,683
Total expenditures of State Financial Assistance					$ —	924,330

See accompanying independent auditors' report.

See accompanying notes to Schedules of Expenditures of Federal Awards and State Financial Assistance.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance

Year ended September 30, 2023

(1) General

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the Schedules) present the activity of all federal programs and state projects administered by Sarasota County Public Hospital District (the District). Awards received directly from federal and state agencies, as well as those passed through other governmental agencies, are included on the respective Schedules. The information in the respective Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance), and Chapter 10.550, *Rules of the Auditor General* (Chapter 10.550), as applicable.

Therefore, some amounts presented in the Schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Basis of Accounting

Federal programs and state projects administered by the District are accounted for within the District's operating funds. The accompanying Schedules have been prepared on the same basis of accounting as the District's basic financial statements. The District's basic financial statements are prepared in accordance with U.S. generally accepted accounting principles. Transactions are recorded on an accrual accounting basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

(3) Relationship to Financial Statements

Federal awards and state financial assistance revenues are reported in the District's basic financial statements as other revenue.

(4) Contingencies

Grant monies received and disbursed by the District are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the District does not believe that such disallowances, if any, would have a material effect on the financial position of the District. Management is not aware of any material questioned or disallowed costs as a result of grant audits in process or completed.

(5) Indirect Costs

The District did not elect to charge the de minimus rate 10% for determining indirect cost amounts.

(6) Provider Relief Fund and American Rescue Plan Rural Distribution (PRF)

As required by the Uniform Guidance, the PRF amounts presented in the accompanying schedule of expenditures of federal awards represent expenditures as reported to the U.S. Department of Health and Human Services for the periods January 1, 2023 to March 31, 2023 (period 4) and July 1, 2023 to September 30, 2023 (period 5) related to payments received from July 1, 2021 to June 30, 2022.

SARASOTA COUNTY PUBLIC HOSPITAL DISTRICT

Schedule of Findings and Questioned Costs

Year ended September 30, 2023

(1) Summary of Auditors' Results

(a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: Unmodified

(b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:

Material weaknesses: No

Significant deficiencies: None reported

(c) Noncompliance material to the financial statements: No

Federal Awards

(d) Internal control deficiencies over major programs disclosed by the audit:

Material weaknesses: No

Significant deficiencies: None reported

(e) Type of report issued on compliance for major programs: Unmodified

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? No

(g) Major programs:

Federal programs	ALN
U.S. Department of Health and Human Services:	
Health Resources and Services Administration:	
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498

(h) Dollar threshold used to distinguish between type A and type B programs: $750,000

(i) Auditee qualified as low-risk auditee? Yes

State Financial Assistance

(j) Internal control deficiencies over major projects disclosed by the audit:

Material weaknesses: Yes, finding 2023-001

Significant deficiencies: None reported

(k) Type of report issued on compliance for major state projects: Unmodified

(Continued)

(l) Audit findings that are required to be reported under Chapter 10.550, *Rules of the Auditor General*? Yes, finding 2023-001

(m) Major projects:

State projects	CSFA No.
State of Florida Department of Health – Division of Emergency Preparedness and Community Support:	
Verified Trauma Center Financial Support	64.075
State of Florida Department of Elder Affairs:	
Alzheimers Disease Initiative	65.002

(n) Dollar threshold used to distinguish between type A and type B projects: $300,000

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

None.

(4) Findings and Questioned Costs Relating to State Projects

Finding 2023-001: Cash Management and Reporting

State Agency: State of Florida Department of Elder Affairs

State Project: Alzheimer's Disease Initiative (CSFA 65.002)

Award Year: October 1, 2022 to September 30, 2023

Criteria or Specific Requirement

Section 215.97(10), Florida Statutes, The Florida Single Audit Act, requires the nonstate entity to have internal controls in place to provide reasonable assurance of compliance with the provisions of laws, regulations, and other rules, pertaining to state awards.

Condition Found

Of the two submissions selected for cash management and reporting testing, both submissions did not have the proper segregation of duties controls applied to the compilation and submission of the reports.

(Continued)

Cause and Possible Asserted Effect

The District does not have a segregation of duties control in place to review and approve reports (including requests for payment) prior to submission.

Questioned Costs

None.

Whether the Sample Was a Statistically Valid Sample

The sample was not intended to be, and was not, a statistically valid sample.

Identification of Whether the Audit Finding Was a Repeat Finding in the Immediately Prior Audit

Not applicable. This program was not tested in the prior year.

Recommendation

We recommend the District strengthen its internal controls surrounding the reporting submission process (including requests for payment) to further ensure reports are submitted timely and accurately.

View of Responsible Officials

The District will implement a segregation of duties control to ensure that reports (including requests for payment) are reviewed and approved prior to submission to the State.

There are no items related to state financial assistance required to be reported in a management letter pursuant to Chapter 10.550, *Rules of the Auditor General*.

SARASOTA MEMORIAL
HEALTH CARE SYSTEM

Corrective Action Plan

9/30/2023

Finding No.	Name of Responsible Officials	Management's Response to Findings	Description of Corrective Action	Anticipated Completion Date
2023-001	Victoria Morton, Division Manager First Physicians Group or delegate of Victoria other than Danielle	Management agrees with the finding that proper segregation of duties needs to be implemented over the reporting process.	Beginning with any submissions after June 20th, 2024, Danielle Valery, Program Manager for the Memory Disorder Clinic, will continue to aggregate supporting data for timely submission of their reporting. The draft report, in addition to supporting data, will be sent to Danielle's supervisor, Victoria Morton, Division Manager within First Physicians Group, or to Victoria's designated delegate (other than Danielle). Once the documents are reviewed for accuracy and appropriateness, and any related updates made based on review, appropriate documentation of the approval to submit will be obtained and kept on file, and documents submitted.	June 20, 2024

KPMG LLP
Suite 1700
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Tampa, FL 33602-5145

Independent Accountants' Examination Report

The Board Members
Sarasota County Public Hospital District:

Report on Sarasota County Public Hospital District's Compliance with Section 218.415, *Florida Statutes*

Opinion

We have examined Sarasota County Public Hospital District's (the District) compliance with Section 218.415, *Florida Statutes*, as of September 30, 2023.

In our opinion, the District complied with Section 218.415, *Florida Statutes*, in all material respects, as of September 30, 2023.

Basis for Opinion

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We are required to be independent and to meet our other ethical requirements in accordance with relevant ethical requirements related to the engagement. We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Intended use or Purpose

The purpose of this report is to express an opinion on the District's compliance with Section 218.415, *Florida Statutes*. Accordingly, this report is not suitable for any other purposes.

Our opinion is not modified in respect of this matter.

Management's Responsibilities

Management of the District is responsible for:

- the District's compliance with Section 218.415, *Florida Statutes*;
- designing, implementing, and maintaining internal control relevant to compliance with Section 218.415, *Florida Statutes*;
- identifying the applicable requirements and selecting or developing suitable criteria (if applicable), including interpreting such requirements when there are varying interpretations; and
- evaluating the District's compliance with Section 218.415, *Florida Statutes*.

Our Responsibilities

The attestation standards established by the American Institute of Certified Public Accountants require us to:

- plan and perform the examination to obtain reasonable assurance about whether the District complied with Section 218.415, *Florida Statutes*, in all material respects; and
- express an opinion on the District's compliance with Section 218.415, *Florida Statutes*, based on our examination.

KPMG LLP, a Delaware limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

We exercised professional judgment and maintained professional skepticism throughout the engagement. We designed and performed our procedures to obtain evidence about whether the District complied with Section 218.415, *Florida Statutes,* that is sufficient and appropriate to provide a basis for our opinion. The nature, timing, and extent of the procedures selected depended on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We identified and assessed the risks of material noncompliance through understanding Section 218.415, *Florida Statutes,* and the engagement circumstances. We also obtained an understanding of the internal control relevant to the District's compliance with Section 218.415, *Florida Statutes,* in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of internal controls. Our examination does not provide a legal determination on the District's compliance with Section 218.415, *Florida Statutes*.

KPMG LLP

January 26, 2024