



INDIAN RIVER COUNTY HOSPITAL DISTRICT

Financial Statements

September 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 19
Financial Statements:	
Statements of Net Position	20
Statements of Revenues, Expenses, and Changes in Net Position	21
Statements of Cash Flows	22
Notes to Financial Statements	23 – 31
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 <i>Government Auditing Standards</i>	32 – 33
Management Letter	34 – 36
Independent Accountants' Report on Examination of Compliance with Section 218.415, Florida Statutes	37

Independent Auditors' Report

The Board of Trustees
Indian River County Hospital District:

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Indian River County Hospital District (the District), as of and for the years ended September 30, 2024 and 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of September 30, 2024 and 2023, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 Auditor's 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 opinion.

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 judgement, 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report January 9, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

JACOBY AND HANSLEY, PLLC

January 9, 2025

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis

Indian River County Hospital District's Mission: To improve the health of Indian River County residents.

Indian River County Hospital District's Vision: An innovative and integrated healthcare network that improves the health of Indian River County residents.

The District was established by Special Act of the State of Florida legislature in 1959, re-established by amended legislation in 1961, was subsequently amended to express evolving legislative intent several times over the years, and finally amended and restated in 2003 with Florida House Bill No. 1601.

Pursuant to the Special Act of the Indian River County Hospital District (the "District"), the Board of Trustees is authorized to:

- a) Provide for the development and/or support of healthcare facilities, i.e. real property in Indian River County;
- b) Through which medical services would be provided, i.e. a wide range of healthcare services to include preventative care;
- c) For the benefit of the general public of the District, i.e. the entire population of Indian River County but particularly for those medically certified as indigent by the District Trustees; and,
- d) For the purpose of the preservation of public health and for the public good.

The following table provides an overview of taxable values and associated millage rates for all Indian River County taxing authorities, demonstrating the District represents just 3.67% of the total millage assessed in Indian River County for fiscal year 2023/2024:

TABLE 1
Total Indian River County 2023/2024 Millage Assessment

Final Adjusted Gross Taxable Property Values	\$	<u>26,561,149,800</u>
Millage by Taxing Authority:		
Schools (State and Local)		5.9110
County General Fund		3.5475
Emergency Services		2.3531
County Municipal Services		<u>1.1506</u>
		<u>12.9622</u>
Others (less than 1 Mil):		
Hospital District		0.5110* 3.67% of total
Mosquito Control District		0.2400
St. Johns Water District		0.1793
Florida Inland Navigation District		<u>0.0288</u>
		<u>0.9591</u>
Total millage	\$	<u>13.9213</u>

* - For 2024/2025 millage is 0.7650. Millage for 2023/2024 and 2022/2023 was 0.5110 and for 2021/2022 was 0.7144.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

Millage In Perspective

Over the past decade, the average millage rate has been 0.7970. The IRCHD millage for 2024/2025 has been set to 0.7650. This is a 4% reduction from the historical average.

IRCHD Data and Timeline

FY 2021/2022, the millage rate was 0.7144.

FY 2022/2023, the millage rate was lowered to 0.5110 primarily due to a 13% year-over-year increase in gross property taxes, driven by a sharp rise in home values. This year-over-year increase in property taxes was nearly triple the previous two years' average growth.

FY 2023/2024, the millage rate remained at 0.5110:

- Indian River County realized a 14% year-over-year increase in gross taxable value, again due to rising home values,
- \$3.5 million in revenue was projected from the planned property sale to VNATC. Without this revenue, the millage rate would have been increased to 0.7100 last year.

FY 2024/2025, the millage rate was increased to 0.7650:

- Year-over-year growth in home values, slowed to 10%,
- Demand for essential services, including primary care, specialty medical and surgical care, and mental health services (especially for children), and substance use treatment and prevention services, have surged,
- Expiration of the COVID continuous coverage provision triggered Florida's Medicaid redetermination process in April 2023, affecting about 10,000 Indian River County residents, including children and adults,
- Inflation has substantially increased operational costs across the programs and services the District supports. In fact, inflation growth was more than double Medicare reimbursement growth between 2021 and 2023.
- The District does not have an additional revenue source, such as a property sale, to offset rising program expenses for FY24/25,
- The rising cost of care is primarily driven by increasing labor costs, rising supply costs, prescription drug prices, new technologies, and an aging population,
- Indian River County's population continues moderate growth,
- The District is now funding high-impact, successful, supportive programs such as Mental Health Court, and preventive care programs by Substance Awareness Center, Tykes & Teens, and Healthy Start, which are no longer supported by the state.
- Preventive care is a strategic investment and a significant priority for the District as preventable chronic conditions, such as heart disease, diabetes, stroke, and obesity are among the leading drivers of healthcare spending,
- Increasing access to primary and mental health preventive care now, reduces the incidence of more costly care in the future.

Data supports a positive impact on health of residents in Indian River County by the District's funded programs, as measured by long-term infant mortality results and access of quality healthcare by low-income residents. The District's strategy incorporates careful stewardship of tax dollars while serving as the community's voice in addressing the healthcare needs of Indian River County in accordance with the District's Special Act, Mission, and Vision.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

As the District's relationship has developed with Cleveland Clinic Indian River Hospital (CCIRH), our work remains essential to ensuring access to high-quality healthcare and preventative care throughout Indian River County, which includes the uninsured and low-income residents who have nowhere else to turn.

The following table presents a few examples of the significant impact the District's supported programs and initiatives provide to Indian River County:

TABLE 2
Hospital District's Program Impact Examples on Healthcare

Partners in Women's Health – Prenatal care for about 64% of annual CCIRH births and continues working with Healthy Start and CCIRH to improve the County's infant mortality rate to meaningfully better than the state average.

Treasure Coast Community Health/Whole Family Health Center – District dedicated about \$4.2 million towards Primary Care Services, Dental, and Behavioral Health Services.

Mental Health – District dedicated about 25% of the program budget to Mental Health and Substance Abuse Programs and Services.

The District's impact on Indian River County's healthcare is significant through its indigent care as well as the program initiatives such as those described above.

The following section of the District's annual financial report presents our discussion and analysis of the District's financial results for the fiscal year that ended September 30, 2024. Please read this section in conjunction with the District's financial statements that begin on page 16.

Major Initiatives for 2023/24

The following initiatives occurred to enable proper execution of its mission and vision during the fiscal year ended September 30, 2024:

Special District Performance Review

The Uniform Special District Accountability Act, outlined in Florida Statute Section 189.0695, ensures transparency, efficiency, and accountability for independent special districts in Florida. The statute mandates regular performance reviews to evaluate programs, activities, and financial management, assessing how well districts achieve their goals and serve their communities. These reviews must be conducted by an external entity with at least five years of relevant experience to ensure impartiality. Findings are compiled into a report and submitted to the District's governing board, the Auditor General, the President of the Senate, and the Speaker of the House of Representatives, promoting informed decision-making and public accountability.

Performance reviews are required every five years for hospital districts (beginning October 1, 2023). The Office of Program Policy Analysis and Government Accountability (OPPAGA) oversees reviews for rural districts, providing reports to legislative leaders. BJM-CPA, Inc., an independent 3rd party, was engaged to conduct this performance review.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

The District received a positive performance review with no major findings and has already started implementing the thoughtful recommendations provided. This review, completed and reviewed by the District Board of Trustees, was submitted in June 2023.

Development of the District Performance Measures and Health Outcomes Dashboard

In the fall of 2023, a performance measures and health outcomes dashboard was developed to monitor the performance of funded agencies against key metrics aligned with the District's strategic initiatives. Additionally, the health outcomes section integrates county-level data from Florida Charts and other essential sources, providing a comprehensive view of the progress and impact of the District's strategic initiatives on community health. Measures include both monthly and quarterly data as available. The dashboard features both monthly and quarterly data, as available, and is accessible to the public on our website at irchd.com.

DiSalvo and Company

After reviewing proposals and conducting interviews, the District engaged DiSalvo and Company to manage day-to-day accounting, payroll, and the preparation of monthly financial statements. The engagement became effective on December 1, 2023.

Development of Finance & Audit Committee

In the fall of 2023, the District convened the inaugural meeting of its Finance and Audit Committee and successfully completed an associated manual during 2023/2024. The formation of this committee reflects the District's commitment to enhancing financial oversight, accountability, and governance. By establishing this committee, the District aims to provide independent and objective oversight of financial performance, budgeting, and reporting processes. The committee also plays a critical role in identifying and mitigating financial risks, ensuring compliance with regulations, and strengthening internal controls to safeguard assets and prevent fraud. Furthermore, the committee fosters transparency and trust among stakeholders by promoting sound financial management practices and aligning financial operations with the District's strategic objectives. This proactive approach underscores the District's dedication to responsible stewardship of its resources and long-term sustainability.

Ensuring Compliance, Accountability, Transparency

In October 2021, the District hired a full-time Internal Audit & Data Analyst to conduct comprehensive audits of programs and services funded by taxpayer dollars. These audits have provided valuable insights, strengthening the District's oversight of funded programs and informing budgetary decisions. To further enhance operational effectiveness, the District approved the creation of a Finance and Program Support Specialist position during 2023/2024, with plans to fill the role in 2024/2025. This new position will focus on reconciling and analyzing the performance of funded agency programs against District goals, ensuring accurate monthly billing, and supporting the transition to fee-for-service models, thereby aligning financial accountability with program outcomes.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

Compliance with Ethics Training

Beginning January 1, 2024, Florida state law requires all elected local officers of independent special districts, as well as individuals appointed to fill vacancies in these positions, to complete four hours of annual ethics training. This training is designed to uphold ethical standards and promote transparency in governance. The curriculum includes two hours dedicated to Chapter 112 of the Florida Statutes, known as Florida's Ethics Law, one hour focused on Chapter 119, the Public Records Law, and one hour addressing Chapter 286, the Public Meetings Law. These requirements ensure that all officials are well-versed in the laws governing ethics, public records, and public meetings, fostering accountability within independent special districts. All District Trustees completed this training as required.

UF Health Center for Psychiatry and Addiction Medicine Closure

Over several months during 2023/2024 the District hosted a series of collaborative meetings to facilitate a smooth and effective transition of care for all 2,600 patients, including 300 children, impacted by the planned closure of the UF Health Center for Psychiatry and Addiction Medicine. Over 24 organizations participated in addressing this crisis, resulting in the successful placement of all children and transition plans for the majority of adults.

Support for Mental Health Court

In February 2023, it was discovered that the three-year grant funding provided by the Department of Children and Families to support vital services for participants in the Mental Health Court would cease and not be renewed. The Indian River County Mental Health Court, implemented in January 2015, is a community-based program that provides court supervision and services to individuals struggling with mental health disorders. Serving approximately 120 residents annually, County Judge Nicole Menz approached the District for assistance to address the funding shortfall and ensure the program's continuation.

Stakeholders were convened to assess the program's structure, and it was determined that optimal gains in efficiency and effectiveness could be achieved by transitioning the entire team under a single program director. This new structure will be administered through Treasure Coast Community Health (TCCH), which already provides healthcare services to inmates at the Indian River County Jail. This transition is scheduled to take effect on January 1, 2025. With a program success rate exceeding 70%, the District recognized the critical importance of sustaining and enhancing this initiative to benefit the community and its participants.

Mobile Response Team

The District partnered with New Horizons to evaluate the impact of expanding the Mobile Response Team (MRT) in Indian River County. The MRT consists of mental health professionals trained to assess and de-escalate crises in the field, ensuring the best possible outcomes for individuals experiencing mental health challenges by delivering appropriate care while prioritizing safety. The analysis revealed that evening and early morning hours are peak times for MRT services. In response, New Horizons successfully expanded its operations to meet the needs of Indian River County residents during these critical hours.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

Transition to e-CImpact Platform

The District transitioned from a paper-based process to a web-based platform to streamline and optimize the application and performance reporting process for all funded agencies. With 22 of the 26 District-funded agencies already utilizing this solution, the transition was a logical and efficient step. This upgrade enhances performance insights, improves efficiency for both the District and its funded agencies, and significantly reduces paper usage.

Fetal Infant Mortality Report (FIMR)

The State Department of Health now advocates annual FIMRs by counties statewide. This recent change in DOH strategy, in part, was likely influenced by the District's decision a few years ago to fund the Indian River County Healthy Start Coalition (Healthy Start) to conduct annual FIMRs. As background, the State DOH had funded FIMRs in Indian River County approximately every 10 years, ostensibly because of low annual volumes of births in the county. After more than 10 years of no FIMR, the District, because of its Partners in Women's Health Program, requested the County DOH to request funding for a FIMR. The State DOH declined to fund it, so the District funded Healthy Start to conduct it. The result was so thoroughly informative, the District has funded FIMRs annually for the county since. This allows every single case of infant mortality to be reviewed instead of a sample being taken in the FIMRs done once per decade. Each case is unique, so the data collection was much more robust. Now the State DOH has asked Healthy Start to guide other low birth rate counties on doing them annually.

Land Sale to VNA of the Treasure Coast

The District sold a 14.5-acre parcel of land, including the Hospice House and adjacent vacant land on 37th Street, for \$3.8 million on April 8, 2024. The sale aimed to repurpose underutilized land to address a critical community healthcare need. Proceeds from the sale were designated to fund the purchase of a property for a much-needed women's sober living residence.

District Brand Refresh and IMPACT Campaign

In the fall of 2023, the District undertook a brand refresh to raise awareness of its role in supporting the health and well-being of underserved populations in our county. This initiative highlights the value the District provides by partnering with 26 funded organizations to create life-changing impacts and addressing future needs as a collective of thought leaders. The brand refresh included a redesigned logo, an updated website, and a digital Impact Report.

Preventive Care Funding Gap

The District intervened to address an abrupt \$321,000 funding cut by Department of Children and Families (DCF) for preventive health programs, which impacted hundreds of residents in Indian River County and three key organizations. To mitigate this issue, the District engaged Representative Brackett and Senator Grall's offices, alongside United Way, the Community Foundation, John's Island Foundation, and the Children's Services Advisory Committee, to collaboratively develop a joint funding solution. In the end, the funding efforts were successful, although DCF did not provide a reason for the abrupt funding cut to these impactful programs.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

Lease to Own Agreement with Edward Via College of Osteopathic Medicine

As part of its commitment to addressing the growing need for primary care providers in Indian River County, the District entered into a lease-to-own agreement with the Edward Via College of Osteopathic Medicine (VCOM) in August 2024, with the agreement becoming effective on October 1, 2024. This partnership includes a 5.6-acre parcel, formerly the Human Services building, which will be transformed into a state-of-the-art educational and healthcare facility. The development of this facility represents a significant investment in the future of medical education and healthcare access in the region, in addition to creating many high-paying jobs. By establishing a local presence for VCOM, the District aims to not only increase the number of primary care providers but also strengthen the overall healthcare infrastructure to meet the evolving needs of the community.

Annual Healthcare Access and Outcomes and Data

Acknowledging the limitations of county-level health outcomes data available on Florida Charts, the District sought bids from professional survey companies to conduct an annual survey of Indian River County residents. The goal is to chart progress on District initiatives with statistically significant data. After evaluating three bids, the District selected Clearview Research to conduct the annual survey. This survey will provide a robust data set each year, serving as a key data point to track progress on both the qualitative and quantitative aspects of our strategic goals. The first survey is scheduled to begin in January 2025. Results of this annual survey will be shared with all community partners to help benefit the those they serve.

Financial Highlights

- The District's net position decreased 0.34% to \$10,593,909 at September 30, 2024. This net decrease was primarily due to an increase in overall program funding, as offset by \$3,800,000 in proceeds from the sale of vacant land. The millage remained the same as the prior year at 0.5110.
- The District's combined cash and investments increased \$360,116 as investment income increased due to higher interest rates. The District also invested approximately \$116,000 in capital expenditures.
- The Board of Trustees reserved \$9,550,000 from available cash brought forward for the 2025 budget.
- The Trustees continue to maintain a minimum reserve of \$3 million. The purpose is to maintain enough cash at fiscal year end to fund operations and pay providers until tax receipts begin to be received again. Normally this occurs by mid-November each year.
- Net unrestricted position on September 30, 2024 was \$9,356,829.
- The indigent care and program funding increased by \$4,610,755 or 40% from the prior year (see pages 10 and 11 for more details). The more significant reasons for the net increase in fiscal year 2023/2024 funding are as follows:

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

1. An increase in funding to Cleveland Clinic Indian River Hospital for the Partners In Women's Health program, expansion of the Intensive Outpatient Program and the addition of the Mental Health Integration in the Emergency Department.
2. An increase in funding to Treasure Coast Community Health Clinic for Behavioral Health and Indigent Medical Services.
3. Increased funding to Senior Resource Association to assist with the Meals on Wheels waitlist and for the expansion of the Emergency Alert Response System Program.
4. Mental Health Court, as described on page 7.
5. Treasure Coast Homeless Services Council – this is a new program that offers a 10-bed medical respite. The respite ensures that unhoused in our community folks have an appropriate place to stay for as they recover post-hospital discharge.

Overview of the Financial Statements

The District's financial statements are prepared on the proprietary fund accrual basis of accounting and present the District's operational activities in a manner similar to that of private sector companies.

This annual report consists of two parts – management's discussion and analysis (this section) and the financial statements.

- The financial statements consist of three statements: (1) Statement of Net Position, (2) Statement of Revenues, Expenses, and Changes in Net Position, and (3) Statement of Cash Flows.
- The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position reflect the District's financial position at the end of the year and report the District's net position and changes in net position as a result of the District's revenues and expenses for the year.
- The term "net position" represents the difference between assets, or the District's investment in resources, and liabilities, or the District's obligation to its creditors. Increases or decreases in net position are an indicator of whether the financial health of the District is improving or deteriorating. In evaluating the financial health of the District, other non-financial factors should also be considered, such as taxable property values, tax millage rate, and changes in the economic climate of Indian River County and its residents.
- The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities. The statement explains where cash came from, how it was used and the change in cash balance during the year.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

Financial Analysis of the District as a Whole

Net position of the District consisted of the following as of September 30, 2024 and 2023:

**TABLE 3
Condensed Summary of Assets, Liabilities, and Net Position**

	<u>2024</u>	<u>2023</u>
Current assets	\$ 10,903,301	10,493,379
Capital assets, net and other	<u>1,384,600</u>	<u>1,448,131</u>
Total assets	<u>12,287,901</u>	<u>11,941,510</u>
Current liabilities	1,633,068	1,224,482
Long term liabilities	<u>60,924</u>	<u>87,352</u>
Total liabilities	<u>1,693,992</u>	<u>1,311,834</u>
Net position:		
Net investment in capital assets	1,237,080	1,256,232
Unrestricted	<u>9,356,829</u>	<u>9,373,444</u>
Total net position	\$ <u>10,593,909</u>	<u>10,629,676</u>

The District's revenues, expenses, and changes in net position for the years ended September 30, 2024 and 2023 were as follows:

**TABLE 4
Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Net ad valorem tax revenues	\$ 12,810,265	11,197,638
Other income	<u>—</u>	<u>206,722</u>
Total operating revenues	<u>12,810,265</u>	<u>11,404,360</u>
Operating expenses:		
Indigent care and program funding	16,042,144	11,431,389
Administrative expenses	1,115,139	893,716
Depreciation	<u>184,991</u>	<u>174,462</u>
Total operating expenses	<u>17,342,274</u>	<u>12,499,567</u>
Non-operating revenues:		
Gain on sale of land	3,800,000	—
Investment income	<u>696,242</u>	<u>543,194</u>
Change in net position	\$ <u>(35,767)</u>	<u>(552,013)</u>

The District's revenues increased by \$1,405,905 or 12.3%, due to an increase in the net ad valorem taxes, resulting from an approximate \$3 billion, or 13.5%, increase in the final gross taxable value of the tax base (property values). The millage rate of \$0.5110 remained the same in 2024 and 2023.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

Indigent care and program funding increased \$4,610,755 or 40.3% from prior year. This was primarily due to the following items:

- The District funding for the CCIRH's Partner's Program, Mental Health in Education, and Mental Health in the Emergency Department increased by \$675,762, or 21.3%. This increase is mainly due to higher volume of clients to be served as well as an increase in annual funding.
- The District funding for Whole Family Health Center (WFHC) increased by \$266,504, or 36.5%. This increase is due to WFHC's Medication Assistance and Behavioral Health programs.
- The District funding for Tykes & Teens increased by \$270,505, or 59.7%. This increase was to sustain the existing program and to provide for an outpatient mental health program.
- The District funding for Senior Resource Association increased by \$827,775, or 186.7% for the expansion of the Emergency Alert Response System, the Meals on Wheels Program waitlist, and increased support of the Public Guardianship Program.
- The District funding for Treasure Coast Community Health Clinic increased by \$625,436, or 20.9% for indigent medical services.
- The District increased funding for psychiatric outpatient clinics and other mental health activities by \$750,000 for the expansion of adolescent outpatient mental health and substance abuse treatment through THRIVE (formerly Substance Awareness Center) in addition to implementation of the Parent and Children Center through a collaboration with Mental Health Association, Tykes & Teens and Suncoast Mental Health Center. Additional funding to provide Mental Health Counseling services was provided to Dynamic Life Recovery Community clients.
- The District added new programs for the Mental Health Court and Treasure Coast Homeless Services Council totaling \$829,022.

Administrative expenses rose by \$221,423, or 24.8%, primarily driven by higher costs for salaries, benefits, and professional services. Significant expenses included payment to BJM CPA for the state-mandated performance review, required every five years; rebranding efforts, which encompassed a new website, logo, and the production of an annual digital Impact Report; and increased legal fees associated with completing the land sale to the VNA and finalizing the agreement with Edward Via College of Osteopathic Medicine.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

During the years ended September 30, 2024 and 2023, the District provided indigent care and program funding to the following agencies:

TABLE 5
Agencies Funded by the District for Indigent Care and Programs

	<u>2024</u>	<u>2023</u>
Treasure Coast Community Health, Inc.	\$ 3,624,774	2,999,338
CCIRH – Partners In Women’s Health	3,127,359	2,491,187
Senior Resource Association, Inc.	1,271,225	443,450
Whole Family Health Center, Inc.	996,153	729,649
Visiting Nurse Association of the Treasure Coast, Inc.	848,703	780,722
Mental Health Association in Indian River County	756,071	591,427
Tykes & Teens	723,306	452,801
Indian River Healthy Start Coalition, Inc.	522,300	445,000
Indian River County Medicaid Assessment	513,627	470,708
Mental Health Court	494,909	–
CCIRH – Integration of Mental Health in Emergency Dept	450,000	450,000
Substance Awareness Center	422,543	210,966
Sunshine Physical Therapy	349,940	148,461
Treasure Coast Homeless Services Council	334,113	–
GlobeChek	304,879	275,716
Childcare Resources of Indian River, Inc.	279,878	173,471
CCIRH – Intensive Outpatient Program	268,167	228,577
Mental Health Collaborative	220,000	220,000
New Horizons of the Treasure Coast, Inc.	90,362	25,227
The Learning Alliance	87,815	–
Dynamic Life Recovery	70,100	50,000
Catholic Charities - Samaritan Center Mental Health	66,893	22,252
Hope for Families Center	53,883	42,140
We Care Foundation of Indian River	47,800	–
Suncoast Mental Health Center	45,133	–
Senior Collaborative of Indian River County	30,000	22,500
Camp Haven	19,600	13,659
Crossover Mission	10,000	–
United Against Poverty	9,211	–
University of Florida Psychiatric OP Clinic	3,400	57,067
Southeast FL Behavioral Health Network	–	87,071
	<u>–</u>	<u>87,071</u>
Total indigent care and program funding	\$ <u>16,042,144</u>	<u>11,431,389</u>

Related Party Information

During 2024 and 2023, the District funded Senior Resource Association, Inc, as indicated above. Senior Resource Association, Inc.’s executive director also serves as a District Trustee. In addition, District Trustees may serve as volunteer board members of funded agencies. In each case, the Trustees maintain compliance with the District’s conflict of interest policies and disclosures.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management’s Discussion and Analysis, Continued

Capital Assets and Debt Financing

Capital Position

As of September 30, 2024, the District had invested \$1,350,111, net of depreciation, in a variety of capital assets as reflected in the following table, which represent a net decrease (additions less disposals and depreciation) of \$40,258, or 2.9% from September 30, 2023.

**TABLE 6
Capital Assets**

	<u>2024</u>	<u>2023</u>
Land and improvements:		
Gifford Health Center	\$ 35,000	35,000
Human Services Building	222,021	223,569
Buildings and improvements:		
Gifford Health Center	757,003	732,756
Human Services Building	205,409	227,654
Leasehold improvements	8,333	12,500
Equipment – Gifford Health Center	3,587	18,130
Equipment	8,681	6,896
Leased assets	<u>110,077</u>	<u>133,864</u>
Net property and equipment	\$ <u>1,350,111</u>	<u>1,390,369</u>

Certain land and building properties held and operated by CCIRH under the terms of its agreement with the District are excluded from the District’s financial statements.

During the year ended September 30, 2024, the District sold vacant land for \$3,800,000.

Depreciation and amortization expense of \$184,991 for the year ended September 30, 2024 was \$10,529 more than the prior year as capital expenditures in the current and prior years resulted in higher depreciation.

Long-Term Debt

The District has no debt financing as of September 30, 2024.

Leases

The District follows the accounting and financial reporting provisions of *GASB Statement No. 87, Leases*, whereby lessees are required to recognize a lease liability and an intangible right-to-use asset, and lessors are required to recognize a lease receivable and a deferred inflow of resources.

During the year ended September 30, 2023, the property underlying the District’s leased office space was sold and the new owner/landlord assumed the existing lease through July 31, 2023. As a result of the sale, the new owner/landlord negotiated a new lease with the District effective August 1, 2023. The new three-year lease agreement provides for monthly payments during the first year of \$3,885 and is subject to annual increases of 3%, but excluded any options to renew.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management’s Discussion and Analysis, Continued

Current Budget

Annually, the Board of Trustees for the District approves a budget for the upcoming fiscal year prior to the beginning of that fiscal year. The following table presents the budget, as modified from the original budget for professional fees, as compared to 2023/2024 actual results.

**TABLE 7
Budget vs. Actual**

	2023/2024		Favorable (Unfavorable) Variance
	Budget	Actual	
Revenues:			
Ad valorem tax revenues	\$ 13,166,106	13,114,227	(51,879)
Investment income	286,500	696,242	409,742
Gain on sale of vacant land	3,500,000	3,800,000	300,000
Total revenues	16,952,606	17,610,469	657,863
Expenses:			
Indigent care and program funding	16,293,850	16,042,144	251,706
Property Appraiser commissions	214,724	154,214	60,510
Tax Collector commissions	263,322	149,748	113,574
Professional fees	345,000	331,928	13,072
Salaries and benefits	525,000	542,244	(17,244)
Other	304,700	240,967	63,733
Depreciation	114,811	184,991	(70,180)
Total expenses	18,061,407	17,646,236	415,171
Change in net position	\$ (1,108,801)	(35,767)	1,073,034

The District’s ad valorem tax revenues and related commissions for the property appraiser and tax assessor are shown gross to conform with the budgetary presentation.

The District’s net favorable variance from budget of \$1,073,034 was due investment income and the gain on sale of land being greater than expected by \$709,742, and expenditures for indigent care and program funding being less than expected by \$251,706, as more fully discussed on pages 9 and 10. Gross ad valorem tax revenues were less than budget by \$51,879 but were offset by lower than budgeted commissions causing an ad valorem tax revenues, net of related commissions, \$122,205 favorable variance from budget.

Factors Bearing on the Future and Plan for 2024/2025

In planning for the 2024/2025 fiscal year, and at the time these financial statements were audited and prepared, the District was aware of the following conditions:

- The District’s Partners In Women’s Health Program, an initiative of the Hospital District established in 1994, will continue to be operated by Cleveland Clinic Indian River Hospital. District funding is budgeted at \$3,201,971, an increase of over \$74,612 from fiscal year 2023/2024. The District’s initiative provides prenatal care for a significant percentage of the babies born in Indian River County that would otherwise be unavailable.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

- The gross taxable value of property used in the 2024/2025 budgeting process increased by approximately \$2.78 billion or 10.5%. The District approved a millage of \$0.7650, producing \$22,445,137 in ad valorem tax for the 2024/2025 fiscal year.
- The District's 2024/2025 budget provides for \$21,150,662 in net ad valorem tax revenues, \$129,000 in other revenues, \$18,900,745 in program expenditures, and \$1,459,000 in administrative expenses, including depreciation. This results in a budgeted increase in the District's total net position of \$919,917.
- The reserves designated and budgeted in 2024/2025 include \$4,000,000 for capital expenditures for District properties, \$3,000,000 reserved for Indigent Care contingencies, and \$2,550,000 for investments.
- The District invests their surplus funds throughout the year to gain additional interest for funding and operating purposes through a relationship with Deep Blue Investments. For the 2024/2025 fiscal year, plans are in place to maintain the Preferred Deposit Pool, with daily liquidity, for the excess funds. All deposits are in the highest quality investments available in accordance with Florida Law and the Seacoast Operating Account will remain for the District's local banking relationship and needs.
- For the 2024/2025 fiscal year, the District is expanding on the strategic framework established with Carter in 2022. This effort will incorporate various methods, including phone surveys, county-level data from the state, local community health assessments, and other relevant data sources. These inputs will guide the District's strategic priorities, ensuring they remain dynamic and adaptable to new data, evidence, and analyses. A key focus will be the prudent and evidence-based use of tax dollars to improve the health and well-being of all residents of Indian River County.
- The District remains committed to addressing the growing need for mental health care and substance use services in Indian River County. This includes evaluating how best to support and fund a comprehensive mental health continuum of care and, where appropriate, providing additional District funding. Progress in this area has advanced as the District strengthens its role as a direct partner in the county's healthcare continuum. This includes fostering a close relationship with the Mental Health Collaborative and its Connections program, as well as supporting the addition of an Intensive Outpatient Program. Moving forward, the District plans to finalize initiatives aimed at expanding access to and support for substance abuse recovery and detoxification services, ensuring that these critical needs are met effectively and sustainably for the community.
- The Indian River County Hospital District is committed to increasing access to direct patient care by partnering with local healthcare organizations, to recruit and retain full-time primary care providers and mental health professionals who accept Medicaid. These partnerships aim to address critical workforce shortages by offering incentives, fostering training programs, and exploring collaborative opportunities with medical colleges. By expanding the availability of these professionals, the District seeks to improve access to high-quality care for underserved populations in Indian River County.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

- Rising operational costs driven by increased pressures and inflation have significantly impacted many of the organizations and programs funded by the District. As a result, the District anticipates a rise in funding requests from these organizations to help sustain their essential services. The additional earnings generated from the District's investments will play a crucial role in offsetting the reliance on the tax base, enabling the District to respond more effectively to these increased demands. Furthermore, these earnings will help the District address unfunded mandates that providers face, ensuring that vital healthcare services remain accessible and that resources are allocated to meet the evolving needs of the community in a fiscally responsible manner.
- Recognizing the critical role that policy plays in shaping access to quality healthcare, the District is exploring the engagement of a lobbyist to advocate for healthcare initiatives that directly benefit the residents of Indian River County. By proactively championing policies at the state and federal levels, the District seeks to address pressing healthcare challenges, such as expanding access to primary care, mental health services, and preventive care. This effort will focus on aligning policy priorities with the unique needs of the community, leveraging legislative opportunities to enhance funding, streamline service delivery, and promote sustainable health outcomes for all residents.
- As an independent special taxing district, the District is uniquely positioned to access federal grants and state funding to support essential healthcare services without competing with local providers. This strategy involves collaborating with an experienced grant writer to develop a comprehensive scope of work and identify proposals to secure these resources. The District aims to reduce reliance on local taxes while making sustainable, impactful investments in community health.
- The District is exploring pilot programs in collaboration with insurance payors and local healthcare providers. These programs aim to enhance reimbursement structures tied to improved health outcomes, fostering a more value-driven healthcare system in our community.
- On December 19, 2024, the District purchased property at 620 and 650 10th Street in Vero Beach for \$3.8 million to establish a women's sober living residence. This purchase was funded using proceeds from the sale of land to the VNA in April, addressing an unmet need in the community. A women's sober living residence provides a structured, supportive environment for women in recovery from substance use disorders, helping them transition from treatment programs to independent, substance-free living. These residences offer safe and stable housing, promote personal accountability and life skills, and foster community through peer support. Additionally, they often provide access to resources such as counseling, job training, and education to address the unique challenges women may face in recovery. Once operational, the residence will have the capacity to accommodate up to 30 women, offering them the tools and support necessary to rebuild their lives and achieve long-term sobriety.

The next steps involve bringing the property up to a high standard in both appearance and functionality to ensure it meets the needs of the residents and reflects the importance of the facility's mission. Following these upgrades, the District will develop a Request for Proposal (RFP) to identify and secure a suitable operator with the expertise to manage the residence effectively and provide high-quality services that support recovery and reintegration into the community.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Management's Discussion and Analysis, Continued

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have questions about this report or need additional information, contact the District's office as follows:

By Mail:

Indian River County Hospital District
1705 19th Place, Suite G3
Vero Beach, Florida 32960

By Phone or Fax:

Indian River County Hospital District
(772) 770-0935
(772) 770-1974

Website: irchd.com

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Statements of Net Position

September 30, 2024 and 2023

<u>Assets</u>	<u>2024</u>	<u>2023</u>
Assets:		
Cash and cash equivalents	\$ 292,547	273,571
Investments (note 2)	10,404,445	10,063,305
Accounts receivable	166,216	121,316
Prepaid expenses	<u>40,093</u>	<u>35,187</u>
Total current assets	10,903,301	10,493,379
Property and equipment, net (note 3)	1,240,034	1,256,505
Right-of-use asset, net (notes 3 and 4)	110,077	133,864
Other asset	<u>34,489</u>	<u>57,762</u>
Total assets	\$ <u>12,287,901</u>	<u>11,941,510</u>
<u>Liabilities and Net Position</u>		
Liabilities:		
Accounts payable	1,480,904	1,075,786
Accrued expenses	100,057	101,911
Lease liabilities, current portion (note 4)	<u>52,107</u>	<u>46,785</u>
Total current liabilities	1,633,068	1,224,482
Lease liabilities, long term portion (note 4)	<u>60,924</u>	<u>87,352</u>
Total liabilities	<u>1,693,992</u>	<u>1,311,834</u>
Net position:		
Net investment in capital assets	1,237,080	1,256,232
Unrestricted (note 6)	<u>9,356,829</u>	<u>9,373,444</u>
Total net position	10,593,909	10,629,676
Commitments and contingencies (note 9)	<u> </u>	<u> </u>
Total liabilities and net position	\$ <u>12,287,901</u>	<u>11,941,510</u>

See accompanying notes to financial statements.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
Net ad valorem tax revenues	\$ 12,810,265	11,197,638
Gain on lease termination	—	13,548
Rental income	<u>—</u>	<u>193,174</u>
Total operating revenues	<u>12,810,265</u>	<u>11,404,360</u>
Operating expenses:		
Indigent care and program funding (note 5)	16,042,144	11,431,389
Professional fees	331,928	267,712
Salaries and benefits	542,244	450,329
Other	240,967	175,675
Depreciation and amortization	<u>184,991</u>	<u>174,462</u>
Total operating expenses	<u>17,342,274</u>	<u>12,499,567</u>
Operating loss	(4,532,009)	(1,095,207)
Non-operating revenues:		
Gain on sale of vacant land	3,800,000	—
Investment income	<u>696,242</u>	<u>543,194</u>
Change in net position	(35,767)	(552,013)
Net position, beginning of year	<u>10,629,676</u>	<u>11,181,689</u>
Net position, end of year	\$ <u>10,593,909</u>	<u>10,629,676</u>

See accompanying notes to financial statements.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Statements of Cash Flows

Years Ended September 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating activities:		
Net ad valorem taxes received	\$ 12,793,166	11,199,405
Cash received for rents	—	199,289
Cash paid for programs, net	(15,691,998)	(11,173,621)
Cash paid for goods and activities	(1,089,302)	(746,427)
Net cash used in operating activities	<u>(3,988,134)</u>	<u>(521,354)</u>
Capital and related financing activities:		
Cash received from sale of vacant land	3,800,000	—
Acquisition of capital assets	(94,263)	(42,611)
Interest expense payments	(4,331)	(3,585)
Payment of lease liability	(49,398)	(42,274)
Net cash provided by (used in) capital and related financing activities	<u>3,652,008</u>	<u>(88,470)</u>
Investing activities:		
Purchase of investments	(17,096,506)	(17,269,415)
Proceeds on sale of investments	16,744,271	17,496,501
Investment income receipts	707,337	448,913
Net cash provided by investing activities	<u>355,102</u>	<u>675,999</u>
Net increase in cash and cash equivalents	18,976	66,175
Cash and cash equivalents at beginning of year	<u>273,571</u>	<u>207,396</u>
Cash and cash equivalents at end of year	\$ <u>292,547</u>	<u>273,571</u>
Reconciliation of change in net position before capital contributions to net cash used in operating activities:		
Change in net position before capital contributions	\$ (35,767)	(552,013)
Add (deduct):		
Depreciation and amortization	184,991	174,462
Amortization of other assets	1,133	7,456
Interest income	(696,242)	(542,628)
Interest expense	4,331	3,585
Gain on sale of land and lease terminations	(3,800,038)	(13,548)
(Increase) decrease in current assets:		
Accounts receivable	(44,900)	(4,224)
Lease receivable	—	154,434
Prepaid assets	(4,906)	(7,533)
Increase (decrease) in current liabilities:		
Accounts payable	405,118	393,946
Accrued expenses	(1,854)	13,594
Deferred revenue	—	(148,885)
Net cash used in operating activities	\$ <u>(3,988,134)</u>	<u>(521,354)</u>

See accompanying notes to financial statements.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

September 30, 2024 and 2023

(1) *Organization and Summary of Significant Accounting Policies*

(a) *Reporting Entity and Basis of Presentation*

The Indian River County Hospital District (the District) is an independent special tax district located in Indian River County, Florida. The District was created pursuant to Chapter 61-2275 of the Laws of Florida, Special Acts (the Acts) of 1961, as amended. The District currently owns a general acute-care hospital known as the Cleveland Clinic Indian River Hospital (CCIRH) located in Vero Beach, Florida, which is licensed for 335 beds. CCIRH, including the approximately 24 acres of land on which it is located, the buildings, improvements, fixtures and equipment is referred to as the "hospital facility". The District is governed by a Board of Trustees (the Board) which is empowered by the Acts to establish and construct such health facilities in the district area and to levy taxes and issue bonds to finance such operations.

Effective January 1, 2019, the District leased the hospital facility and approximately 45 acres of undeveloped property to Indian River Memorial Hospital, Inc., an affiliated not-for-profit organization established and owned by Cleveland Clinic Florida Regional Health System Nonprofit Corporation, to operate the hospital facility. The lease expires on December 31, 2049 unless extended. The lease term extends automatically for three additional fifteen-year periods unless CCIRH delivers to the District a written Non-Renewal Notice, delivered no later than 30 months prior to the end of the then existing lease term. The District reimburses the CCIRH for certain services provided to the residents of the District. The contractual relationships between the District and CCIRH are discussed further in note 9. Because of the nature of these agreements, the District's financial statements are presented in a manner similar to those of a proprietary fund enterprise.

As more fully described in note 4, the District also leases real estate to other not-for-profit organizations serving in the healthcare industry.

(b) *Authorized Investments*

The District's enabling legislation permits investments as described in Section 218.415 of the Florida Statutes. The District's investment in the Florida Fixed Income Trust is an external investment pool, which does not meet certain amortized cost criteria defined by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and therefore is reported at fair value, as provided for by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

(c) *Cash and Cash Equivalents*

Cash and cash equivalents are defined as highly liquid investments with original maturities of three months or less and consist of amounts held in commercial bank demand deposit accounts and money market accounts.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

(d) Property and Equipment

Property and equipment, which include betterments of existing facilities, are recorded at cost or fair market value at the time of donation. Maintenance, repairs and minor renewals are charged to expense as incurred.

Depreciation is provided using the straight-line method over the estimated lives indicated below.

	<u>Years</u>
Land improvements	15-20
Buildings	24-30
Leasehold improvements	6
Equipment	5-7
Leased assets	Shorter of lease term or useful life

(e) Leases

The District follows the accounting and financial reporting provisions of *GASB Statement No. 87, Leases* (GASB 87), whereby lessors are required to recognize a lease receivable and a deferred inflow of resources equal to the present value of future lease payments to be received.

In addition, under GASB 87, lessees are required to recognize a lease liability and an intangible right-of-use asset representing the present value of future lease payments. The right-of-asset is amortized over the shorter of the lease term or the useful life.

(f) Ad Valorem Tax Revenue

Ad valorem tax revenues are recorded in the year for which the taxes are received, net of uncollectible amounts, collection expenses, and appraisal fees. The District is responsible for setting their portion of the ad valorem millage rates. A millage rate is the rate of tax per thousand dollars of taxable value. The ad valorem taxes are paid in arrears and are based on the calendar year. The Indian River County Tax Collector levies the taxes for the District as provided under the state law. The taxes are collected by the Indian River County Tax Collector and are remitted to the District as received.

Net ad valorem tax revenues consist of the following for the years ended September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Ad valorem tax revenues, net of uncollectible amounts	\$ 13,114,227	11,530,492
Less commissions and fees:		
Property Appraiser	154,214	191,219
Tax Collector	149,748	141,635
Net Ad valorem tax revenues received	\$ <u>12,810,265</u>	<u>11,197,638</u>

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

The taxable assessed property valuation and the millage rate were \$26,561,149,800 and \$0.5110 for 2024, respectively, and \$23,393,633,734 and \$0.5110 for 2023, respectively.

(g) *Basis of Accounting and Presentation*

The District presents the financial statements in accordance with the provisions of Statement No. 34 of the Governmental Accounting Standards Board ("GASB 34"), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. GASB 34 established standards for external financial reporting for all state and local governmental entities. These standards require three financial statements that include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. The Statement of Net Position requires that total net position be reported in three components: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted.

- "Net investment in capital assets" consists of capital assets, including restricted capital assets, net of accumulated depreciation, reduced by the amount outstanding for any bonds, notes, or other financing liabilities that were incurred related to the acquisition, construction, or improvement of the capital assets.
- "Restricted net position" consists of assets that are restricted as to use by external factors such as debt covenants, grantors, contributors, or laws and regulations of other governments or legislation.
- "Unrestricted net position" consists of assets that do not meet the definitions above for "invested in capital assets, net of related debt" or "restricted net position."

The Governmental Accounting Standards Board released Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* on March 11, 2009, which applies only to governmental fund types. The District operates under proprietary fund accounting, therefore, Statement 54 is not applicable.

(h) *Non-operating Revenues (Expenses)*

The District classifies revenues and expenses which are directly related to the healthcare needs of the citizens of Indian River County, Florida, as operating. All other revenues and expenses are classified as non-operating, including interest income.

(i) *Statement of Cash Flows*

The District follows Governmental Accounting Standards Board Statement No. 9 "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that Use Proprietary Fund Accounting", as amended by GASB 34. The primary effect of this Statement is the classification of interest receipts and payments as cash flows from capital and related financing activities in the statement of cash flows.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

(j) Use of Estimates

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

(k) Concentration of Credit Risk

The District maintains cash and cash equivalents in accounts, which are not covered by or which at times may be in excess of FDIC and SIPC insurance limits. The District has not experienced any losses on such accounts and does not believe it is exposed to any risk with respect to cash and cash equivalents. The District maintains a savings account at a qualified public depository which had a balance of \$105,932 and \$37,666 at September 30, 2024 and 2023, respectively, and which is insured by the State of Florida under the Florida Security for Public Deposits Act.

(2) Investments

Investments as of September 30, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Preferred Deposit Pool	\$ 5,014,655	2,283,829
U.S. Treasury bills	—	3,220,382
U.S. Treasury notes	4,068,482	3,901,488
First American Government money market fund	<u>1,321,308</u>	<u>657,606</u>
Total investments	\$ <u>10,404,445</u>	<u>10,063,305</u>

The District invests cash reserves in the Florida Fixed Income Trust's Preferred Deposit Pool (PDP Pool). The PDP Pool consists of overnight and term FDIC insured deposits and qualified public depositories, as defined in Chapter 280, Florida Statutes, and therefore the PDP Pool is not currently rated. The PDP Pool provides same day liquidity and, as of September 30, 2024 and 2023, the PDP Pool's weighted average days to maturity is 4 and 3 days, respectively. The District's PDP Pool investment is measured at NAV of \$1 per share, and therefore is not classified within fair value hierarchy defined by GASB No. 72, *Fair Value Measurement and Application*.

As of September 30, 2023, the District had invested in 52-week U.S. Treasury bills with face value totaling \$3,250,000, and maturing on December 2023. The Treasury bills are purchased at a discount, which are amortized over the maturity period and recognized as interest income.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

As of September 30, 2024, the District had invested in U.S. Treasury notes with face value totaling \$4,083,000 with stated interest rates ranging from 0.625% to 2.250% and maturing from October 15, 2024 through December 31, 2024. As of September 30, 2023, the District had invested in U.S. Treasury notes with face value totaling \$3,933,000 with stated interest rates ranging from 0.125% to 0.25% and maturing from October 15, 2023 through January 15, 2024.

During the years ended September 30, 2024 and 2023, the District's investment earnings totaled \$696,242 and \$543,194, respectively.

(3) Property and Equipment

The District's investment in property and equipment consists of the following as of September 30, 2024 and 2023:

	Balance <u>2023</u>	Additions/ <u>Transfers</u>	Retirements/ <u>Transfers</u>	Balance <u>2024</u>
Land	\$ 241,160	-	-	241,160
Land improvements	434,083	-	-	434,083
Buildings	4,119,199	112,550	-	4,231,749
Leasehold improvements	25,000	-	-	25,000
Equipment	282,797	3,853	-	286,650
Leased building	138,908	-	-	138,908
Leased equipment	11,421	30,517	(11,421)	30,517
Total at historical costs	<u>5,252,568</u>	<u>146,920</u>	<u>(11,421)</u>	<u>5,388,067</u>
Less accumulated depreciation for:				
Land improvements	416,674	1,548	-	418,222
Buildings	3,171,435	110,547	-	3,281,982
Leasehold improvements	12,500	4,167	-	16,667
Equipment	245,125	16,612	-	261,737
Less accumulated amortization for:				
Leased assets	<u>16,465</u>	<u>52,117</u>	<u>(9,234)</u>	<u>59,348</u>
Total accumulated depreciation and amortization	<u>3,862,199</u>	<u>184,991</u>	<u>(9,234)</u>	<u>4,037,956</u>
	<u>\$ 1,390,369</u>	<u>(38,071)</u>	<u>(2,187)</u>	<u>1,350,111</u>

(4) Leases

As Lessor

The District leased real estate consisting of three story office building, referred to as the Human Service Building, located in Vero Beach, Florida, to the Visiting Nurse Association of the Treasure Coast, Inc. (VNA), a not-for-profit organization. The lease was to expire on May 31, 2027, however, on October 28, 2022, VNA submitted notice of intent to vacate property effective April 27, 2023. The remaining lease receivable related to this lease of \$154,434 and deferred revenue of \$148,885 as of September 30, 2022, was collected and recognized during the year ended September 30, 2023.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

The District leased approximately four acres of real estate to the VNA, a not-for-profit organization, upon which the VNA has constructed and operates a 12-bed hospice house. The property was leased at \$1 per year and was to terminate on December 31, 2026, with one additional ten year option to renew. This lease is not covered by the provisions of GASB 87 as it is not considered an exchange transaction. In April 2024, VNA purchased the underlying real estate for \$3,800,000, which is recognized as a gain on the sale of land during the year ended September 30, 2024.

The District leases real estate located in Gifford, Florida, upon which the District constructed a health center, referred to as the Gifford Health Center, to Treasure Coast Community Health, Inc. The lease is for \$1 per year and automatically renews on an annual basis, unless 60 days written notice of nonrenewal is provided by either party. This lease is not covered by the provisions of GASB 87 as it is not considered an exchange transaction.

As Lessee

On August 1, 2023, the District entered into a new lease agreement to lease office space for administrative purposes. The three-year lease agreement provides for monthly payments during the first year of \$3,885 and is subject to annual increases of 3%, but excluded any options to renew.

The District leases copying equipment under an agreement that provides for monthly payments of \$543 through January 2029.

Long-term liabilities associated with leases as of September 30, 2024, is as follows:

		<u>Balance</u> <u>2023</u>	<u>Additions</u>	<u>Repayments</u> <u>Modifications</u>	<u>Balance</u> <u>2024</u>
Building lease	\$	131,420	—	(44,068)	87,352
Copier lease		<u>2,717</u>	<u>30,517</u>	<u>(7,555)</u>	<u>25,679</u>
	\$	<u>134,137</u>	<u>30,517</u>	<u>(51,623)</u>	<u>113,031</u>

The future maturities of long-term leases, as of September 30, 2024, are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$	52,107	2,667	54,774
2026		46,496	1,236	47,732
2027		6,004	511	6,515
2028		6,272	243	6,515
2029		<u>2,152</u>	<u>20</u>	<u>2,172</u>
Outstanding at September 30, 2024	\$	<u>113,031</u>	<u>4,677</u>	<u>117,708</u>

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

(5) *Indigent Care and Program Funding*

During the years ended September 30, 2024 and 2023, the District provided indigent care and program funding to the following agencies:

	<u>2024</u>	<u>2023</u>
Treasure Coast Community Health, Inc.	\$ 3,624,774	2,999,338
CCIRH – Partners In Women’s Health	3,127,359	2,491,187
Senior Resource Association, Inc.	1,271,225	443,450
Whole Family Health Center, Inc.	996,153	729,649
Visiting Nurse Association of the Treasure Coast, Inc.	848,703	780,722
Mental Health Association in Indian River County	756,071	591,427
Tykes & Teens	723,306	452,801
Indian River Healthy Start Coalition, Inc.	522,300	445,000
Indian River County Medicaid Assessment	513,627	470,708
Mental Health Court	494,909	–
CCIRH – Integration of Mental Health in Emergency Dept	450,000	450,000
Substance Awareness Center	422,543	210,966
Sunshine Physical Therapy	349,940	148,461
Treasure Coast Homeless Services Council	334,113	–
Globechek	304,879	275,716
Childcare Resources of Indian River, Inc.	279,878	173,471
CCIRH – Intensive Outpatient Program	268,167	228,577
Mental Health Collaborative	220,000	220,000
New Horizons of the Treasure Coast, Inc.	90,362	25,227
The Learning Alliance	87,815	–
Dynamic Life Recovery	70,100	50,000
Catholic Charities - Samaritan Center Mental Health	66,893	22,252
Hope for Families Center	53,883	42,140
We Care Foundation of Indian River	47,800	–
Suncoast Mental Health Center	45,133	–
Senior Collaborative of Indian River County	30,000	22,500
Camp Haven	19,600	13,659
Crossover Mission	10,000	–
United Against Poverty	9,211	–
University of Florida Psychiatric OP Clinic	3,400	57,067
Southeast FL Behavioral Health Network	–	87,071
	<hr/>	<hr/>
Total indigent care and program funding	\$ <u>16,042,144</u>	<u>11,431,389</u>

Related Party Information

During 2024 and 2023, the District funded Senior Resource Association, Inc, as indicated above. Senior Resource Association, Inc.’s executive director also serves as a District Trustee.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

(6) Designated Unrestricted Net Position

To the extent the District has available, unrestricted net position, the following designations have been established as of September 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Designated for investments	\$ 2,550,000	1,528,000
Designated for Healthcare Bill	3,000,000	1,290,979
Designated for capital expenditures	<u>4,000,000</u>	<u>3,650,000</u>
Total designations	\$ <u>9,550,000</u>	<u>6,468,979</u>

(7) Employee Benefit Plans

The District maintains the I.R.C.H.D. Profit Sharing Plan, a qualified defined contribution profit sharing plan covering all eligible employees, as defined, of the District, which provides for employer contributions on a discretionary basis. Participants vest in employer contributions based on years of service over a 6-year vesting period. The District contributed \$15,483 and \$17,674 to the plan during the years ended September 30, 2024 and 2023, respectively.

In addition, the District provides a contributory Section 457 plan that allows employees to defer salary on a pre-tax and after-tax basis, and provides for no employer contributions.

(8) Risk Management

The district maintains general liability, professional liability, and property coverage through purchased commercial insurance with minimal or no deductibles for each line of coverage. During each of the three years ending September 30, 2024, 2023, and 2022, the District experienced no settlements in excess of insurance coverage.

(9) Hospital Facility Agreements

Under the terms of the lease agreement discussed in note 1(a), the District leased the hospital facilities to CCIRH, a separate 501(c)(3) organization. Upon the expiration of the CCIRH lease on December 31, 2049, unless extended or the earlier termination thereof, the District will be required to renew the lease, lease it to another entity, or if it chooses, operate the hospital facilities. At the expiration or termination of the lease, the tangible and intangible assets of the CCIRH and its subsidiaries, together with any outstanding bond obligations, will be transferred to the District, subject to the following paragraph.

Under the terms of the lease agreement, certain land and building improvements owned by the District are operated and held by CCIRH and are therefore excluded from the District's financial statements.

INDIAN RIVER COUNTY HOSPITAL DISTRICT

Notes to Financial Statements

In December 2007, the District, Indian River Medical Center, Inc., and Indian River Hospital Foundation, Inc. (Foundation) entered into an agreement whereby certain real property additions to the hospital facilities funded by the Foundation would be subject to reimbursement to the Foundation in the event of sale of the facilities by the District to entities other than Indian River Medical Center, Inc. or other similar Florida not-for-profit corporations. The reimbursement would be equal to the then undepreciated cost of the assets, as defined by the agreement, using a 30-year depreciable life.

In connection with the January 1, 2019 closing with CCIRH, the First Amendment to the Agreement Regarding Return of Granted Funds remained substantially the same as the original 2007 document, with the following amendment: all grants and contributions made by the Foundation after closing will not be subject to the terms of the Agreement.

(10) Subsequent Events

In preparing these financial statements, management has evaluated subsequent events and transactions for potential disclosure through January 9, 2025, the date the financial statements were available to be issued.

Effective October 1, 2024, as part of the 2024/25 budget cycle, the District entered into agency funding contracts that provided for a fee for service reimbursement with each of the funded agencies. In total, the 2024/25 budget provided for indigent care and program funding in the amount of \$18,900,745.

Effective October 1, 2024, as part of its commitment to addressing the growing need for primary care providers in Indian River County, the District entered into a lease-to-own agreement with the Edward Via College of Osteopathic Medicine (VCOM) in August 2024. This partnership includes a 5.6-acre parcel, formerly known as the Human Services building, which will be transformed into a state-of-the-art educational and healthcare facility. The lease agreement is for 20 years through September 30, 2044, however cancelable by either party with 12 months notice. In lieu of rental payments, the lease agreement establishes certain requirements for developing a medical school and an annual capital investment of at least \$1 million for an aggregate of \$5 million. The agreement further provides an option to purchase the property after October 1, 2034 and the then fair market value of the property.

On December 19, 2024, the District purchased property located in Vero Beach for \$3.8 million for the purpose of establishing a women's sober living residence. This purchase was funded using proceeds from the sale of land to the VNA in April, addressing an unmet need in the community. The District plans certain upgrades and improvements to the property to bring the property up to a high standard in both appearance and functionality to ensure it meets the needs of the facility's mission. Following these upgrades, the District will develop a Request for Proposal (RFP) to identify and secure a suitable operator with the expertise to manage the residence effectively and provide high-quality services that support recovery and reintegration into the community.

**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 of Trustees
Indian River County Hospital District:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Indian River County Hospital District (the District), which comprise the statement of net position as of September 30, 2024, and the related statement of revenues, expenses, and changes in net position, and cash flows for the year then ended, 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 9, 2025.

Report on Internal Control Over Financial Reporting

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



Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

JACOBY AND HANDLEY, PLLC

January 9, 2025

Management Letter

The Board of Trustees
Indian River County Hospital District:

Report on the Financial Statements

We have audited the financial statements of the Indian River County Hospital District (the District) as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated January 9, 2025.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and our Independent Accountants' Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 9, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The official title and legal authority are disclosed in note 1 to the financial statements. There were no component units related to the District.



Financial Condition and Management

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

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

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

Specific Information for an Independent Special District

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

- a. The total number of district employees compensated in the last pay period of the District's fiscal year as 5.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the District's fiscal year as 0.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$444,764.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$0.
- e. Each construction project with a total cost of at least \$65,000 approved by the District that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as follows: None.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the District amends a final adopted budget under Section 189.016(6), Florida Statutes as follows: the District had no amendments between the original and final total District expenditure budget.

Specific Information for an Independent Special District that Imposes Ad Valorem Taxes

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

- a. The millage rate or rates imposed by the District as \$0.5110.
- b. The total amount of ad valorem taxes collected by or on behalf of the District as \$13,114,227.
- c. The total amount of outstanding bonds issued by the District and the terms of such bonds as follows: None.



Additional Matters

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

Purpose of this Letter

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

JACOBY AND HANSLEY, PLLC

January 9, 2025

Independent Accountants' Report

The Board of Trustees
Indian River County Hospital District:

We have examined Indian River County Hospital District's (the District) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies* regarding the investment of public funds during the year ended September 30, 2024. Management is responsible for the District's compliance with those requirements. Our responsibility is to an express opinion on the District's compliance based on our examination.

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

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

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2024.



January 9, 2025