

2024

Marion County Hospital District

Financial Statements and
Independent Auditor's Report

September 30, 2024

PURVIS GRAY
CERTIFIED PUBLIC ACCOUNTANTS

MARION COUNTY HOSPITAL DISTRICT

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

SEPTEMBER 30, 2024

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Marion County Hospital District
Ocala, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Marion County Hospital District (the District) as of and for the year ended September 30, 2024, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the District as of September 30, 2024, and the respective changes in financial position, thereof and for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

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The Board of Trustees
Marion County Hospital District
Ocala, Florida

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenses and changes in fund balance – budget to actual – governmental fund, schedule of proportionate share of net pension liability, and schedule of contributions, as listed in the table of contents, 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

The Board of Trustees
Marion County Hospital District
Ocala, Florida

INDEPENDENT AUDITOR'S REPORT

supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 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 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.

Purvis Gray

March 25, 2025
Ocala, Florida

**MARION COUNTY HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

This section of the Marion County Hospital District's (the District) annual financial report presents the District's analysis of its financial performance as of September 30, 2024. Please read this analysis in conjunction with the basic financial statements, which follow this section.

Overview of the Financial Statements

Along with management's discussion and analysis, the annual financial report includes the independent auditor's report, and the financial statements of the District referred to herein as the governmental activities. By referring to the accompanying notes to the financial statements, a broader understanding of issues impacting financial performance can be realized.

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

Statement of Net Position

The statement of net position presents the assets, deferred outflows, liabilities, deferred inflows, and net position of the District as of September 30, 2024. Net position, or the difference between total assets, deferred outflows, total liabilities, and deferred inflows, is one indicator of the current financial condition of the District's governmental activities. As of September 30, 2024, the total net position was approximately \$285.0 million. Changes in net position are an indicator of whether the overall financial condition of the organization has improved or worsened over a period of time. During the year ended September 30, 2024, net position of the governmental activities increased by approximately \$43.3 million. Assets and liabilities are generally measured using current values, with the exception of capital assets, which are stated at historical cost less allowances for depreciation.

A summary of the governmental activities statement of net position as of September 30, 2024 and 2023, is presented below (amounts in thousands):

| | <u>2024</u> | <u>2023</u> |
|-------------------------------------|-------------------|-------------------|
| Cash and Cash Equivalents | \$ 3,010 | \$ 437 |
| Investments | 311,589 | 271,993 |
| Accrued Interest on Investments | 153 | 261 |
| Capital Assets, Net | 3,574 | 3,583 |
| Other Assets | 1,557 | 901 |
| Total Assets | <u>319,883</u> | <u>277,175</u> |
| Deferred Outflow of Resourced | 821 | 875 |
| Total Deferred Outflow of Resources | <u>821</u> | <u>875</u> |
| Unearned Lease Revenue | 32,255 | 33,348 |
| Other Liabilities | 3,305 | 2,900 |
| Total Liabilities | <u>35,560</u> | <u>36,248</u> |
| Deferred Inflow of Resources | 117 | 29 |
| Total Deferred Inflow of Resources | <u>117</u> | <u>29</u> |
| Net Position | | |
| Net Investment in Capital Assets | 3,553 | 3,584 |
| Restricted | 265 | 189 |
| Unrestricted | 281,209 | 238,000 |
| Total Net Position | <u>\$ 285,027</u> | <u>\$ 241,773</u> |

**MARION COUNTY HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

Total assets increased by approximately \$42.7 million since September 30, 2023, primarily due to the investment income of \$51.9 million, offset by grantee, general and administrative, and health improvement initiatives of \$9.9 million. The increase in cash holdings was in preparation of quarterly finding to grantees for fiscal year 2024-25.

Investments increased by approximately \$39.6 million since September 30, 2023. The increase is the result of unrealized holding gains caused by strong market performance experienced during the year ended September 30, 2024. The increase is considered temporary in nature, but the District's investments are invested in accordance with policies approved by the board, which were written to comply with all of the applicable laws and rules of Florida Statute 218.415. See Note 2 to the financial statements for further information regarding investment holdings and activity.

Total liabilities decreased by approximately \$688 thousand since September 30, 2023, primarily due to the recognition of lease income, offset by timing of grant expense payments. See the programs funded by the District section of management's discussion and analysis for further information regarding grant payouts.

Other liabilities include non-current self-insured liabilities and net pension liability. Net pension liability is based on actuarial calculations provided by the Florida Retirement System, which remained consistent with September 30, 2023, as disclosed in Note 5 to the financial statements.

Net position increased by approximately \$43.3 million since September 30, 2023, primarily due to the change in net position of \$43.5 million. Net position as of September 30, 2024, will be used to fund ongoing operations, grants, and health initiatives of the District.

Statement of Activities

The following table presents the business-type activities condensed statement of revenues, expenses, and changes in net position for the years ended September 30, 2024 and 2023 (amounts in thousands):

| | <u>2024</u> | <u>2023</u> |
|--------------------------------|------------------|------------------|
| Lease Revenue | \$ 1,093 | \$ 1,093 |
| Investment Income | 44,789 | 16,492 |
| Interest and Dividend Income | 7,098 | 5,769 |
| Other Income | 333 | 72 |
| Total Revenues | <u>53,313</u> | <u>23,426</u> |
| General and Administrative | 1,115 | 1,432 |
| Health Improvement Initiatives | 2,142 | 1,906 |
| Grant Programs | 6,593 | 8,264 |
| Total Expenditures | <u>9,850</u> | <u>11,602</u> |
| Other Financing Sources | 21 | - |
| Total Other Financing Sources | <u>21</u> | <u>-</u> |
| Change in Net Position | <u>\$ 43,484</u> | <u>\$ 11,824</u> |

Revenues

The District's operations generate revenues from the amortization of deferred lease revenue, which is approximately \$1.1 million per year. Investment earnings totaled approximately \$51.9 million for the year ended September 30, 2024, which is an increase resulting from stronger market conditions of approximately \$29.7 million since September 30, 2023.

**MARION COUNTY HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

Expenditures

Operating expenditures decreased approximately \$1.5 million during the year ended September 30, 2024, primarily due to a decrease in grant and health improvement initiatives expenditures during the year ended September 30, 2024. See the programs funded by the District section of management's discussion and analysis for further information regarding grant payouts.

Programs Funded by the District

During the years ended September 30, 2024 and 2023, the District provided funding to the following programs:

| | <u>2024</u> | <u>2023</u> |
|-----------------------------------|---------------------|----------------------|
| Active Marion Project | \$ 357,242 | \$ 253,216 |
| Fitness and Nutrition in Schools | 1,095,922 | 875,889 |
| Beacon Point | 290,631 | 495,717 |
| Community Home Project | 378,774 | 281,290 |
| Heart of Florida | 596,592 | 1,164,489 |
| Interfaith Emergency Services | 143,702 | 162,998 |
| Kimberly's Center | 257,918 | 250,308 |
| Langley Project Health | 233,475 | 316,994 |
| Life Stream | 638,464 | 696,461 |
| Marion County Children's Alliance | 66,857 | 59,410 |
| Park Place | - | 516,463 |
| SMA Healthcare | 3,388,468 | 1,829,420 |
| Other Diabetes and Obesity | - | 27,323 |
| Other Mental Health/SUD | 97,579 | 55,096 |
| Estella Byrd Whitman | 140,155 | - |
| Mary Sue Rich Community Center | - | 2,018,635 |
| Open Arms Village | - | 96,346 |
| First Responder Program | 318,562 | 98,651 |
| My Life Counsel | 100,000 | 100,000 |
| Hands of Mercy Everywhere | - | 100,000 |
| Faithfully Guided | - | 48,745 |
| Transitions Life Center | 34,361 | 33,956 |
| United Hands, Inc. - Dental | 463,827 | 572,955 |
| Total | <u>\$ 8,602,529</u> | <u>\$ 10,054,362</u> |

Non-Operating Gains and Losses, Net

Non-operating revenues, net for 2024, were approximately \$52.2 million. Investment earnings of approximately \$44.8 million are included in general revenues in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. These earnings were attributable to strong market conditions during 2024 and were supplemented by interest and dividend income of approximately \$7.1 million.

Capital Assets

The governmental activities had approximately \$3.6 million in net capital assets as of September 30, 2024. Additional information on the governmental activities capital assets is included in Note 1 to the financial statements.

| | <u>2024</u> | <u>2023</u> |
|---|---------------------|---------------------|
| Land | \$ 437,625 | \$ 437,625 |
| Buildings, Improvements and Fixed Equipment | 2,987,941 | 3,056,083 |
| Movable Equipment | 59,943 | 25,159 |
| Software | 62,044 | 65,139 |
| Intangible Right-to-Use Vehicle | 26,701 | - |
| Total Capital Assets, Net | <u>\$ 3,574,254</u> | <u>\$ 3,584,006</u> |

**MARION COUNTY HOSPITAL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

Outlook

The Marion County Hospital District's **Mission, Vision, and Values Statement** establishes the foundation for our current and future initiatives. Our **Mission** is to *"Create specific initiatives which will impact prioritized health concerns and promote healthier lifestyles of Marion County citizens."* Our **Vision** is the *"Improved health of Marion County citizens."* Our core **Values**—integrity, stewardship, quality care, and transparency—align with and support our Mission and Vision.

To fulfill our Mission, the District has implemented three **Strategic Goals**:

1. **Chronic Disease Prevention:** Develop and implement long-term chronic disease prevention initiatives that promote a culture of health and improve health outcomes.
2. **Health Grant Program:** Administer Health Grant Program addressing targeted health concerns, including behavioral health/substance use disorders, dental health, diabetes, obesity, unintentional injuries, and prevention. This program is objective, monitored, performance-based, and funded by designated earnings from invested funds and other available grant sources.
3. **Hospital Lease Administration:** Ensure appropriate and long-term hospital lease administration through procedures aligned with the 2014 Lease and Purchase Agreement and its amendments.

Our strategies and objectives focus on the following **Targeted Health Concerns**:

 **Dental Health**

- Support access to quality dental care through partnerships with community organizations like Heart of Florida and FreeDOM Clinic, increasing services for uninsured and Medicaid-eligible individuals.
- Expand capacity by investing in Heart of Florida’s Dental Program.
- Continue supporting FreeDOM Dental Clinics throughout Marion County.
- Strengthen the future dental workforce through investments in the College of Central Florida's Science & Technology facilities and expanding training at the Hampton Center.

 **Diabetes and Obesity**

- Offer **free Diabetes Empowerment Education Classes** through the **Active Marion Project (AMP)** and provide diabetes prevention and management programs with AdventHealth, Heart of Florida, Estella Byrd Whitman Community Health Center, and Interfaith.
- **AMP** promotes increased physical activity through workplace well-being initiatives, group step challenges, and health education to reduce obesity and related chronic diseases.
- **FANS (Fitness and Nutrition in Schools)** delivers school-based nutrition education, fitness opportunities, and healthy lifestyle programs, reaching up to 42,000 students and 6,600 employees.
- **Community Home Project (CHP)** connects individuals to primary care and dental services, provides educational classes on diabetes and healthy eating, and addresses social determinants of health to support long-term wellness.
- The District also funds local non-profits that provide free diabetes medication to uninsured individuals and assist clients in accessing prescription assistance programs.

 **Behavioral Health and Substance Use Disorders**

- **Beacon Point** offers comprehensive behavioral health and substance use treatment services, including detox, short-term inpatient and outpatient care, and Medication Assisted Treatment (MAT) in collaboration with Lutheran Services and the Department of Children and Families.

**MARION COUNTY HOSPITAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
SEPTEMBER 30, 2024**

- Integrated care services at Beacon Point combine primary care, dental, and vision services in collaboration with Heart of Florida and Department of Health.
- Peer support programs and recovery therapy are key components of Beacon Point's services.
- The District provides additional funding to SMA Healthcare, supporting services for uninsured or underinsured citizens, and funds local non-profits that offer mental health medication vouchers and assistance with prescription programs.
- The District also facilitated Marion County's participation in the Governor's Co-Responding Program, securing \$1.26 million for MAT medications, opioid services, and peer recovery specialists working with first responders.
- Tobacco avoidance and cessation are addressed through programs like **FANS** and **AMP**, which incorporate smoking cessation education into school-based programs and workplace wellness initiatives. Additionally, the District funds the Marion County Children's Alliance to administer **Students Against Destructive Decisions (SADD)**, focusing on reducing vaping and tobacco use among youth.

 **Unintentional Injuries**

- The District partners with community organizations to reduce preventable injuries such as choking, drownings, and falls through prevention education and effective treatment interventions.
- Programs include public education campaigns, safety training, and increased access to life-saving interventions such as CPR and first-aid training.

 **Prevention**

- Investments in preventive care include annual physicals, prenatal exams, blood pressure monitoring, cancer screenings, and other essential diagnostics to improve both lifespan and healthspan.
- The District supports **Vet Resource Center, Inc.**, providing early cancer detection and education services for Marion County veterans.
- Additionally, the District partners with local non-profits and healthcare providers to promote early detection and intervention for chronic diseases, ensuring long-term health and well-being.

Through these comprehensive **internal programs** and **strategic partnerships**, the Marion County Hospital District remains dedicated to advancing the health and well-being of every citizen, ensuring access to quality care, education, and preventive services.

Request for Information

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

**MARION COUNTY HOSPITAL DISTRICT
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
OCALA, FLORIDA
SEPTEMBER 30, 2024**

Assets

| | |
|---|--------------------|
| Cash and Cash Equivalents | \$ 3,010,158 |
| Investments | 311,589,490 |
| Accrued Interest on Investments | 152,592 |
| Investment in Cooperative | 290,707 |
| Assets Limited as to Use - Cash and Investments: | |
| Board Designated | 66,728 |
| Restricted Investments and Beneficial Interest in Gift Annuities | 265,416 |
| Prepaid Expenses and Other Current Assets | 934,638 |
| Capital Assets, Not Being Depreciated | 437,625 |
| Capital Assets, Being Depreciated, Amortized (Net) | 3,136,629 |
| Total Assets | <u>319,883,983</u> |

Deferred Outflow of Resources

| | |
|--|----------------|
| Deferred Outflow of Resources Related to Pension | 820,635 |
| Total Deferred Outflow of Resources | <u>820,635</u> |

Liabilities

| | |
|----------------------------------|-------------------|
| Accounts Payable | 878,277 |
| Accrued Liabilities: | |
| Self-Insured Liabilities | 50,000 |
| Non-Current Liabilities: | |
| Self-Insured Liabilities | 875,965 |
| Right of Use Liability - Vehicle | 21,342 |
| Net Pension Liability | 1,480,177 |
| Unearned Lease Revenue | 32,254,521 |
| Total Liabilities | <u>35,560,282</u> |

Deferred Inflow of Resources

| | |
|---|----------------|
| Deferred Inflow of Resources Related to Pension | 117,447 |
| Total Deferred Inflow of Resources | <u>117,447</u> |

Net Position

| | |
|---|-----------------------|
| Net Investment in Capital Assets | 3,552,912 |
| Restricted: | |
| For Donor Purposes - Capital, Scholarships, and Community Outreach Program | 265,416 |
| Unrestricted | 281,208,561 |
| Total Net Position | <u>\$ 285,026,889</u> |

See accompanying notes.

**MARION COUNTY HOSPITAL DISTRICT
STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
OCALA, FLORIDA
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

| Functions/Programs | Program Revenues | | Total |
|--|-------------------------|-----------------------------|-----------------------|
| | Expenses | Charges for Services | |
| Governmental activities: | | | |
| General and Administrative | \$ 1,167,102 | \$ 1,093,368 | \$ (73,734) |
| Health Improvement Initiatives | 2,142,547 | - | (2,142,547) |
| Grant Programs | 6,592,530 | - | (6,592,530) |
| Depreciation and Amortization | 156,650 | - | (156,650) |
| Total Governmental Activities | 10,058,829 | 1,093,368 | (8,965,461) |
| General Revenues: | | | |
| Interest and Dividend Income | | | 7,097,740 |
| Investment Income | | | 44,789,496 |
| Miscellaneous Revenue | | | 331,969 |
| Total General Revenues | | | 52,219,205 |
| Change in Net Position | | | 43,253,744 |
| Net Position, Beginning of Year | | | 241,773,145 |
| Net Position, End of Year | | | \$ 285,026,889 |

See accompanying notes.

**MARION COUNTY HOSPITAL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUND
OCALA, FLORIDA
SEPTEMBER 30, 2024**

Assets

| | |
|---|--------------|
| Cash and Cash Equivalents | \$ 3,010,158 |
| Investments | 311,589,490 |
| Accrued Income on Investments | 152,592 |
| Investment in Cooperative | 290,707 |
| Assets Limited as to Use - Cash and Investments: | |
| Board Designated | 66,728 |
| Restricted Investments and Beneficial Interest in Gift Annuities | 265,416 |
| Prepaid Expenses and Other Current Assets | 934,638 |

Total Assets

\$ 316,309,729

Liabilities

| | |
|--------------------------|------------|
| Accounts Payable | \$ 878,277 |
| Self-Insured Liabilities | 925,965 |
| Unearned Lease Revenue | 32,254,521 |

Total Liabilities

34,058,763

Fund Balances

| | |
|---|-------------|
| Non-Spendable: | |
| Prepaid Expenses and Other Current Assets | 934,638 |
| Restricted: | |
| For Donor Purposes - Capital, Scholarships, and Community Outreach Program | 265,416 |
| Unassigned | 281,050,912 |

Total Fund Balances

282,250,966

Total Liabilities and Fund Balances

\$ 316,309,729

See accompanying notes.

**MARION COUNTY HOSPITAL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION
OCALA, FLORIDA
SEPTEMBER 30, 2024**

| | | |
|---|----|-------------|
| Total Fund Balance - Governmental Fund | \$ | 282,250,966 |
|---|----|-------------|

**Amounts Reported for Governmental Activities in the Statement of
Net Position are Different Because:**

| | | |
|--|--|-----------|
| Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the Fund. The cost of the assets is \$4,503,409 and the accumulated depreciation was \$929,155. | | 3,574,254 |
|--|--|-----------|

Deferred outflows and inflows of resources related to pensions are applicable to future period and not reported in governmental funds.

| | | |
|---|--|-----------|
| Deferred Outflows of Resources for Pensions | | 820,635 |
| Deferred Inflows of Resources for Pensions | | (117,447) |

Long-term liabilities are not due and payable in the current year and, accordingly, are not reported as fund liabilities. All liabilities, both current and long-term are reported in the statement of net position. Long-term liabilities at year-end consist of:

| | | |
|-----------------------|--|-------------|
| Net Pension Liability | | (1,480,177) |
| Lease Payable | | (21,342) |

| | | |
|--|-----------|---------------------------|
| Total Net Position of Governmental Activities | \$ | <u>285,026,889</u> |
|--|-----------|---------------------------|

See accompanying notes.

MARION COUNTY HOSPITAL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND
OCALA, FLORIDA
FOR THE YEAR ENDED SEPTEMBER 30, 2024

| | |
|--|----------------|
| Revenues | |
| Lease Revenue | \$ 1,093,368 |
| Investment Income | 44,789,496 |
| Interest and Dividend Income | 7,097,740 |
| Other Income | 331,969 |
| Total Revenues | 53,312,573 |
| Expenditures | |
| General and Administration | 1,114,779 |
| Health Improvement Initiatives | 2,142,547 |
| Grant Programs | 6,592,530 |
| Total Expenditures | 9,849,856 |
| Other Financing Sources | |
| Issuance of Leases | 21,342 |
| Net Change in Fund Balance | 43,484,059 |
| Net Position, Beginning of Year | 238,766,907 |
| Net Position, End of Year | \$ 282,250,966 |

See accompanying notes.

**MARION COUNTY HOSPITAL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
OCALA, FLORIDA
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Net Change in Fund Balance - Governmental Fund \$43,484,059

**Amounts Reported for Governmental Activities in the Statement
of Activities are Different Because:**

Governmental fund reported capital purchases as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

| | | |
|---------------------------------|------------------|---------|
| Expenditures for Capital Assets | \$ 146,898 | |
| Depreciation Expense | <u>(156,650)</u> | (9,752) |

Governmental funds report the District pension contributions as expenditures. In the statement of activities, the cost of pension benefits earned net of contributions and benefit payments is reported as pension expense.

| | | |
|--|--|-----------|
| Difference Between Pension Contributions and Net Pension Expense | | (199,221) |
|--|--|-----------|

The issuance of long-term debt provides current financial resources to governmental funds and thus contributes to the change in fund balance. In the statement of net position, however issuing debt increases long-term liabilities and does not affect the statement of activities.

| | | |
|--------------------------|--|-----------------|
| Debt Issued or Incurred: | | |
| Issuance of Leases | | <u>(21,342)</u> |

Change in Net Position of Governmental Activities \$43,253,744

See accompanying notes.

**MARION COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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Note 1 - Summary of Significant Accounting Policies

Reporting Entity

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

Effective September 1, 1984, the District leased the operations of Munroe Regional Medical Center to Munroe Regional Health System, Inc. (the Health System or MRHS), a not-for-profit corporation formerly known as Big Sun Health Care Systems, Inc. The Health System was reported as a blended component unit of the District and had a Board of Directors comprised of seven (7) District Trustees. The lease was extended to September 30, 2023; however, effective April 1, 2014, this lease was mutually terminated, and control of the hospital was leased to a third-party organization (see Note 6). Subsequent to the change in control, MRHS remained a not-for-profit corporation with winddown operations governed by the Board of Trustees (the Board) of the District. Effective September 30, 2021, Trustees of MRHS resolved to formally terminate operations of MRHS and transferred remaining assets and liabilities to the District.

Measurement Focus, Basis of Presentation and Financial Statement Presentation

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and statement of activities) report information on all the activities of the primary government. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are allocated automatically, and certain indirect costs are included in program expenses reported for individual functions and activities. *Program revenues* include rental income. Other items, such as investment income, internally designated resources, interest, and dividends are reported instead as *general revenues*.

Separate financial statements are provided for the District's governmental fund, the general fund.

The accounting and financial reporting treatment is determined by the applicable measurement focus. Measurement flow indicates the type of resources being measured such as *current financial resource* or *economic resources*. Basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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The governmental fund financial statements are reported using the *current financial resources measurement focus* and the modified *accrual basis of accounting*. Revenues are recognized when they have been earned and they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences and claims and judgments, are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right to use leased assets, are reported as expenditures in governmental funds, if applicable. Issuance of long-term debt and financing through leases are reported as other financial sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the District.

Use of Estimates

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

Cash and Cash Equivalents

The District defines cash and cash equivalents to include cash held on deposit with financial institutions.

Investments

Investments are reported at fair value based on quoted market prices, except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one (1) year or less, which are reported at amortized cost. For liquid and illiquid alternative investments, where no readily ascertainable market value exists, fair values for the investments are based on the net asset value (NAV), which equates to the capital account balance, at the closest available reporting period, as communicated by the general partner and/or investment manager, adjusted for subsequent contributions and distributions.

Assets Limited as to Use and Restricted Investments

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

**MARION COUNTY HOSPITAL DISTRICT
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Capital Assets

Capital assets are recorded at historical cost at the date of acquisition, which includes capitalized interest or at fair value at the date of donation. Routine maintenance and repairs are expensed when incurred. Expenditures that increase the value, change the capacity, or extend the useful life of an asset are capitalized. Major asset classifications and useful lives are generally in accordance with those recommended by the American Hospital Association. Depreciation is computed using the straight-line method. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed, and any gain or loss is included in non-operating loss.

Estimated useful lives by major asset classification are summarized below:

| | Years |
|---|--------------|
| Buildings, Improvements and Fixed Equipment | 5-40 |
| Moveable Equipment | 3-20 |
| Software | 5 |

Deferred Outflows and Deferred Inflows of Resources

In addition to assets and liabilities, the District reports the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to future periods and will not be recognized as an outflow of resources (expenditure or expense) until that applicable time. Deferred inflows of resources represent an acquisition of net asset that applies to future periods and will not be recognized as an inflow of resources (revenue) until that applicable time.

The District reports one item that qualifies as a deferred outflow of resources on its statement of financial position and balance sheet, the deferred outflow for pensions. The deferred amounts for pensions is an aggregate of items related to pensions as calculated in accordance with Governmental Accounting Standards Board Statements No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The District reports one item that qualifies as deferred inflows of resources on its statement of financial position and balance sheet, the deferred inflow for pensions. The deferred inflows for pensions are an aggregate of items related to pensions as calculated under the same principles as the deferred outflows for pensions.

Net Position Classification

Net position is displayed in three (3) components:

- Net investment in capital assets consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position consists of net position with constraints placed on the use either by: (1) external groups such as creditors, grantors, donors, or laws or regulations of other governments; or (2) laws through constitutional provisions or enabling legislation. It is the District’s policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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- Unrestricted net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

Fund Balance Reporting and Governmental Fund-Type Definitions

The District follows Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The GASB Statement No. 54 clarifies governmental fund balance classifications fund-type definitions. Governmental fund balances are classified either as non-spendable or spendable. Spendable fund balances are further classified below non-spendable in a hierarchy based on the extent to which there are external and internal constraints on the spending of these fund balances. These classifications are described as follows:

Non-spendable fund balance – include amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. Non-spendable governmental fund balances at year-end are for inventories and prepaid items.

Restricted fund balance – include amounts that can be spent only for the exact purposes stipulated by external resources providers either constitutionally or thru enabling legislation. Examples include grants.

Committed fund balance – include amounts that can only be used for the specific purpose determined by a formal action of the government’s highest level of decision-making authority.

Assigned fund balance – include amounts intended to be used by government for specific purposes.

Unassigned fund balance – is the residual classification of the general fund only. Unassigned amounts are technically available for any purpose in the general fund.

While multiple categories of fund balance are available for expenditures, the district will start with the most restricted category in its order of use (restricted resources are used first, followed by committed resources, followed by assigned resources). Unassigned fund balance is used when expenditures are incurred for purposes which amounts in any classification could be used.

Classification of Revenues and Expenses

The statement of activities distinguishes between program and general revenues and expenses. Program revenues result from exchange transactions associated with providing health care and community services. Non-exchange revenues, including grants and contributions received for purposes other than capital acquisition, are reported as general revenues. Program expenses are all expenses incurred to provide health care and community services, other than financing costs.

Change in Presentation

Previously the District presented a single enterprise type fund for its operations; however, after further assessment of its programs and revenue sources is now presented as governmental type fund.

Note 2 - Deposit and Investments

At September 30, 2024, the District had cash and cash equivalents and investments, including assets limited as to use, at fair value, including the following:

**MARION COUNTY HOSPITAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
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| | |
|--|-----------------------|
| Cash and Cash Equivalents | |
| Deposits | \$ 3,010,158 |
| Total Cash and Cash Equivalents | <u>\$ 3,010,158</u> |
| | |
| Investments by Custodian/Manager | |
| U.S. Bank – Graystone | \$ 107,987,279 |
| U.S. Bank – Truist | 102,443,191 |
| U.S. Bank – Berman Cresset | <u>101,159,020</u> |
| Total Investments by Custodian/Manager | <u>\$ 311,589,490</u> |
| | |
| Assets Limited as to Use | |
| Board Designated: | |
| Cash | \$ 66,728 |
| Restricted Investments and Beneficial Trust in Gift Annuities | <u>265,416</u> |
| Total Assets Limited as to Use | <u>\$ 332,144</u> |

Deposits

The District requires bank deposits to be secured per Chapter 280, Florida Statutes. This statute requires local governments to deposit funds only in financial institutions designated as qualified public depositories by the Chief Financial Officer of the State of Florida and creates the Public Deposits Trust Fund, a multiple financial institutions pool with the ability to assess its member financial institutions for collateral shortfalls if a default or insolvency has occurred. As of September 30, 2024, the District's deposits were entirely covered by federal deposit insurance or by collateral pledged with the State Treasurer pursuant to Chapter 280, Florida Statutes.

Investments

The District's investment policies, approved by the Board, were written to comply with all of the applicable laws and rules of Florida Statute 218.415.

On September 29, 2021, the trustee for Angelica Muns Charitable Trust (the Trust) informed the Health System of their intent to make distributions to an unrelated non-profit organization. The Trust document still lists the District as the beneficiary in the Trust assets upon dissolution of the Trust. The remaining benefit of the gift annuities to be received by the District were estimated to be \$265,116 as of September 30, 2024, and are reported as beneficial interest in gift annuities.

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

| | Fair Value | Weighted Average Duration (Years) | Credit Rating |
|--|-----------------------|--------------------------------------|---------------|
| District Investments | | | |
| Cash and Cash Equivalents | \$ 12,705,824 | N/A | N/A |
| Equity Securities and Related Mutual Funds | 144,004,860 | N/A | N/A |
| Fixed Income and Related Mutual Funds | 106,215,066 | 5.40 to 5.91 | AA- to AA |
| Liquid and Illiquid Alternatives | 48,663,740 | N/A | N/A |
| Total District Investments | <u>\$ 311,589,490</u> | | |

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Investments in cash and cash equivalents, equities and related mutual funds, and fixed income and related mutual funds, are measured at fair value on a recurring basis. Recurring fair value measurements are those that GASB statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' fair value measurements are as follows as of September 30, 2024:

| Investments | Total | Fair Value Measurements Using: | | |
|---------------------------------------|-----------------------|--------------------------------|---------------------|-------------|
| | | Level 1 | Level 2 | Level 3 |
| Investments at Fair Value: | | | | |
| Cash and Cash Equivalents | \$ 12,705,824 | \$ 12,705,824 | \$ - | \$ - |
| Equities and Related Mutual Funds | 144,004,860 | 144,004,860 | - | - |
| Fixed Income and Related Mutual Funds | 106,215,066 | 100,095,274 | 6,119,792 | - |
| Total Investments at Fair Value | <u>\$ 262,925,750</u> | <u>\$ 256,805,958</u> | <u>\$ 6,119,792</u> | <u>\$ -</u> |
| Investments Measured at the NAV | | | | |
| Private Equity Funds | 14,737,501 | | | |
| Managed Futures | 859,400 | | | |
| Hedge Funds | 21,247,527 | | | |
| Private Debt/Credit Funds | 5,480,947 | | | |
| Private Real Estate Funds | 4,400,474 | | | |
| Commingled International Equity Funds | 1,937,891 | | | |
| Total Investments Measured at the NAV | <u>48,663,740</u> | | | |
| Total Investments | <u>\$ 311,589,490</u> | | | |

Cash and Cash Equivalents, Equity Securities, Fixed Income Investments, and Mutual Funds are categorized as Level 1 and Level 2 and are based on prices quoted in active markets for those investments. The pricing methodology involved the use of evaluation models such as matrix pricing, which is based on securities' relationship to benchmark quoted prices.

The alternatives and illiquid investments include the following various fund and the pricing methodology associated with each type.

Private Equity Funds: Eleven private equity funds with fair value determined using the NAV at September 30, 2024, or one quarter in arrears, adjusted for current quarter cash flows. One fund allows for bi-annual redemption with 100 days' notice, and one fund allows for quarterly redemption with variable redemption days. Ten funds are closed-end funds, with no redemption.

Managed Futures Funds: One managed futures fund with fair value determined using the NAV as September 30, 2024, or daily, adjusted for cash flows, with a one-day redemption period.

Hedge Funds: Eleven hedge funds with fair value determined using the NAV at September 30, 2024, or one quarter in arrears, adjusted for current quarter cash flows. Redemption is allowed monthly for two funds, semi-annually for one fund, and quarterly for five funds, with notice ranging from 30 to 95 days' notice.

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Private Debt/Credit Funds: Three private debt/credit funds with fair value determined using the NAV at September 30, 2024, or one quarter in arrears, adjusted for current quarter cash flows. These funds are closed-end funds, with no redemption.

Private Real Estate: One private real estate fund with fair value determined using the NAV at September 30, 2024, or one quarter in arrears, adjusted for current quarter cash flows. This fund is a closed-end fund, with no redemption.

Commingled International Equity Funds: One commingled international equity fund with fair value determined using the NAV at September 30, 2024, or one quarter in arrears adjusted for current quarter cash flows. Redemption is allowed monthly, with 25 days notice.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that the District will not recover their investments due to the ability of the counterparty to fulfill its obligation. The District's investment policy has guidelines for allowable investments including cash and fixed income, U.S. Equity, Non-U.S. Equity, illiquid alternatives, and alternatives.

As of September 30, 2024, the District's fixed-income investments are rated in the table above.

Custodial Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of investments in a single issuer. The District's investment policies establish limitations on portfolio composition by investment type to limit its exposure to concentration of credit risk. The target allocation of investment by type is as follows: Cash (5%), Fixed Income (35%), U.S. Equity (35%), Non-U.S. Equity Securities (10%), Alternatives, and Illiquid Alternatives (16%). The investment policy provides various factors that the investment advisors should

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consider when creating an investment portfolio, including general economic conditions, the possible effect of inflation or deflation, the expected total return from income, and the appreciation of investments. Management and investment decisions about an individual asset will be made not in isolation but in the context of the portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the portfolio goals of the District. The District does not invest directly in investments that would be classified as derivatives; however, there are underlying assets within commingled or pooled investments which may be classified as derivatives. Information related to investments held in commingled funds has not been separately disclosed in the financial statements or the accompanying footnotes.

Note 3 - Capital Assets

The capital asset activity for the District is as follows:

| | September 30, 2023 | Additions/ Transfers | Deletions | September 30, 2024 |
|--|-----------------------|-------------------------|-------------|-----------------------|
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 437,625 | \$ - | \$ - | \$ 437,625 |
| Total Capital Assets Not Being Depreciated | 437,625 | - | - | 437,625 |
| Capital Assets Being Depreciated: | | | | |
| Buildings, Improvements, and Fixed Equipment | 3,605,731 | 42,672 | - | 3,648,403 |
| Moveable Equipment | 63,903 | 45,025 | - | 108,928 |
| Software | 249,252 | 32,500 | - | 281,752 |
| Intangible Right-to-Use Leases | | | | |
| Right to Use Vehicle | - | 26,701 | - | 26,701 |
| Total Capital Assets Being Depreciated | 3,918,886 | 146,898 | - | 4,065,784 |
| Less Accumulated Depreciation: | | | | |
| Buildings, Improvements, and Fixed Equipment | (549,648) | (110,814) | - | (660,462) |
| Moveable Equipment | (38,744) | (10,241) | - | (48,985) |
| Software | (184,113) | (35,595) | - | (219,708) |
| Total Accumulated Depreciation | (772,505) | (156,650) | - | (929,155) |
| Total Depreciable Capital Assets, Net | 3,146,381 | (9,752) | - | 3,136,629 |
| Total Capital Assets, Net | \$ 3,584,006 | \$ (9,752) | \$ - | \$ 3,574,254 |

Note 4 - Risk Management

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

The District had a self-insurance program for its medical malpractice exposure. The District claims entitlement to the protections of Sovereign Immunity under Section 768.28, Florida Statutes. In addition, the District purchases excess professional liability coverage for claims exceeding the self-insured retention amounts of \$3 million per medical incident up to \$25 million per claim and in the aggregate. Claims of approximately \$925,965 as of September 30, 2024, are included in the statement of net position and balance sheet based upon the expected ultimate cost of the expenses to date (including a provision for unknown incidents).

During the year ended September 30, 2024, reimbursement for claim payments exceeding the self-insured retention amounts totaled \$82,362. No other adjustments to the worker's compensation expense estimate were necessary as of September 30, 2024. In management's opinion, an adequate reserve for loss contingencies has been recorded in the accompanying financial statements.

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

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

| | Medical Malpractice and Workers' Compensation |
|---|--|
| Balance at September 30, 2023 | \$ 1,008,327 |
| Claim Payments and Changes in Estimates | (82,362) |
| Balance at September 30, 2024 | \$ 925,965 |
| | |
| Balance at September 30, 2022 | \$ 294,787 |
| Claims and Changes in Estimates | 713,540 |
| Balance at September 30, 2023 | \$ 1,008,327 |

Note 5 - Benefit Plan

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

Plan Description, Membership and Plan Benefits, and Contribution Requirements

Plan Description

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

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

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

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

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

Membership and Plan Benefits - FRS

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

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

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

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

Membership and Plan Benefits - HIS

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

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Contribution Requirements

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

| | <u>October 1, 2023 - June 30, 2024</u> | <u>July 1, 2024 - September 30, 2024</u> |
|--|--|--|
| Senior Management Service Class | 34.52% | 34.52% |
| Regular Class | 13.57% | 13.63% |

Employer rates include 1.66% from October 1, 2023 to June 30, 2024 and 2.00% from July 1, 2024 to September 30, 2024, for the HIS program. In addition, other than for the DROP, rates include .06% from October 1, 2023 to September 30, 2024, for administrative costs.

The District's contributions recognized during the fiscal year ended September 30, 2024, by the FRS and HIS were \$166,152 and \$19,979, respectively.

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

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

Long-Term Rate of Return

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

| <u>Asset Class</u> | <u>Annual Target Allocation</u> | <u>Arithmetic Return</u> |
|------------------------|---|------------------------------|
| Cash | 1.0% | 3.3% |
| Fixed Income | 29.0% | 5.7% |
| Global Equity | 45.0% | 8.6% |
| Real Estate (Property) | 12.0% | 8.1% |
| Private Equity | 11.0% | 12.4% |
| Strategic Investments | 2.0% | 6.6% |
| | <u>100.0%</u> | |

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

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Discount Rate Sensitivity Analysis

The following tables demonstrate the sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact if the discount rate was 1.0% higher or 1.0% lower than the current discount rate at June 30, 2024.

Long-Term Rate of Return

| <u>FRS Net Pension Liability (Asset)</u> | | | <u>HIS Net Pension Liability (Asset)</u> | | |
|--|--------------|--------------------|--|-------------|--------------------|
| <u>Current Discount</u> | | | <u>Current Discount</u> | | |
| <u>1% Decrease</u> | <u>Rate</u> | <u>1% Increase</u> | <u>1% Decrease</u> | <u>Rate</u> | <u>1% Increase</u> |
| 5.7% | 6.7% | 7.7% | 2.93% | 3.93% | 4.93% |
| \$ 1,984,794 | \$ 1,128,387 | \$ 410,965 | \$ 400,467 | \$ 351,789 | \$ 311,379 |

Actuarial Methods and Assumptions

Actuarial assumptions for both the FRS and HIS are reviewed annually by the System Actuarial Assumptions Conference. The FRS has a valuation performed annually and the HIS has a valuation performed biennially that is updated for Governmental Accounting Standards Board reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2024 for the period July 1, 2018 through June 30, 2023. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program.

The total pension liability for the FRS and HIS was determined by an actuarial valuation as of July 1, 2024, using the individual entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.50%. Benefits received by retirees and beneficiaries of the FRS plan are increased by a cost-of-living adjustment (COLA) each year based on their previous year benefit amount. Retirements prior to August 2011 receive a 3% COLA, and retirees after August 2011 received a formula-structured COLA. Mortality assumptions for the FRS were based on the PUB2010 base table varied by member category and sex, projected generationally with scale MP-2018; and on the Generational RP-2000 with Projection Scale BB tables for the HIS. Both the discount rate and long-term expected rate of return used for FRS investments is 6.70%. The FRS fiduciary net position was projected to be available to make all projected future benefit payments of active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS uses a pay-as-you-go funding structure, a municipal bond rate of 3.93% was used to determine its total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). As of June 30, 2024, the municipal rate used by the HIS increased from 3.65% to 3.93%.

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

Proportionate Share of FRS and HIS Plans

Employers participating in the FRS and HIS were provided pension allocation schedules for use in recording their proportionate share of the FRS and HIS collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pensions expense at measurement date June 30, 2024, in accordance with Governmental Accounting Standards Board Statements No. 68, *Accounting and Financial Reporting for Pensions* and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An*

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

Amendment of Statement No. 68. The underlying financial information used to prepare the pension allocation schedules was based on the same basis as mentioned previously, and on the actuarial valuation as of July 1, 2023, for the FRS and the HIS. The District's proportionate share was calculated using the retirement contributions for employees that were members of the FRS and HIS during the measurement year ended June 30, 2024. The aggregate employer contribution amounts in the pension allocation schedules agree to the total employer contribution amounts reported in the System ACFR.

At September 30, 2024, the District reported a net pension liability of \$1,480,177 for its proportionate share of the collective net pension liability of the FRS and HIS. The following table presents information on the District's proportionate share of the FRS and HIS:

| | <u>FRS</u> | <u>HIS</u> | <u>District Total</u> |
|--|--------------|--------------|---------------------------|
| Proportionate Share of Net Pension Liability as of June 30, 2024 | \$ 1,128,388 | \$ 351,789 | \$ 1,480,177 |
| District's Proportion at June 30, 2024 | 0.002916882% | 0.002345110% | |
| District's Proportion at June 30, 2023 | 0.002760288% | 0.000307187% | |
| Change on Proportion During Current Year | 0.000156594% | 0.002037923% | |

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

For the year ended September 30, 2024, the District recognized a pension expense of \$327,137 related to FRS, and pension expense of \$58,256 related to the HIS. At September 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>FRS</u> | | <u>HIS</u> | | <u>District Total</u> |
|---|-----------------------------|----------------------------|-----------------------------|----------------------------|--|
| | <u>Deferred Outflow</u> | <u>Deferred Inflow</u> | <u>Deferred Outflow</u> | <u>Deferred Inflow</u> | <u>Deferred Outflow/ Deferred (Inflow)</u> |
| Differences Between Expected and Actual Experience | \$ 113,997 | \$ - | \$ 3,397 | \$ (675) | \$ 117,394 (675) |
| Changes of Assumptions | 154,656 | - | 6,266 | (41,647) | 160,922 (41,647) |
| Net Difference Between Projected and Actual Investment Earnings | - | (74,998) | - | (127) | - (75,125) |
| Changes in Proportion | 343,445 | - | 149,023 | - | 492,468 - |
| District Contributions Subsequent to the Measurement Date | 44,557 | - | 5,294 | - | 49,851 |
| Total Deferred Outflows | <u>\$ 656,655</u> | | <u>\$ 163,980</u> | | <u>\$ 820,635</u> |
| Total Deferred (Inflows) | | <u>\$ (74,998)</u> | | <u>\$ (42,449)</u> | <u>\$ (117,447)</u> |

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

Deferred outflows of resources of \$49,851 are reported by the District for employer contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the fiscal year ended 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:

| <u>Reporting Year Ending June 30,</u> | <u>FRS</u> | <u>HIS</u> | <u>District Total Deferred Outflows/ Deferred (Inflows)</u> |
|---|-------------------|------------------|---|
| 2025 | \$ (7,745) | \$ 2,786 | \$ (4,959) |
| 2026 | 195,761 | 1,541 | 197,302 |
| 2027 | 22,994 | (1,461) | 21,533 |
| 2028 | 10,052 | 1,419 | 11,471 |
| 2029 | 22,462 | 4,465 | 26,927 |
| Thereafter | - | 9,528 | 9,528 |
| Total | <u>\$ 243,524</u> | <u>\$ 18,278</u> | <u>\$ 261,802</u> |

Note 6 - Lease Agreement

Trustee Execution of Lease/Purchase Agreement (LPA)

On April 1, 2014, the Health System and District executed a 40-year LPA with Munroe HMA Hospital, LLC, an affiliate of Community Health Systems (CHS); thereby, terminating the revised hospital and operations lease between the Health System and the District. Under the LPA, control of the hospital transferred to CHS, including control of land, buildings, and equipment with a net book value at the time of transfer of approximately \$132 million; and inventory, prepaids, investments in joint ventures, and various assumed obligations with a net book value of approximately \$6 million. The District received approximately \$196 million of cash and consideration under the LPA on April 1, 2014. Net proceeds of the LPA after settlement and closing costs was approximately \$110,535,000. Included in the settlement of the LPA proceeds were refunding of bond payables, prepayment of pension contributions, and closing costs of approximately \$4,788,000. The remaining amount of \$32,254,521 as of September 30, 2024, is reported as unearned lease revenues and amortized over the life of the lease with annual amortization of unearned income in the amount of approximately \$1,093,000 each year.

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

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

Note 7 - Leases Payable

The District has entered into a three-year lease agreement as lessee for the acquisition of a vehicle. As of September 30, 2024, the value of the lease liability was \$21,342. The District is required to make monthly principal and interest payments of \$776. The lease has an implicit interest rate of 9.25% per annum. The vehicle has a three-year estimated useful life. The value of the right-to-use assets as of September 30, 2024, was \$26,701 and had accumulated amortization of \$9,167.

The future principal and interest lease payments as of September 30, 2024, were as follows:

| <u>Fiscal Year Ending September 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---|------------------|-----------------|------------------|
| 2025 | \$ 7,664 | \$ 1,655 | \$ 9,319 |
| 2026 | 8,404 | 915 | 9,319 |
| 2027 | 5,272 | 164 | 5,436 |
| Total | <u>\$ 21,340</u> | <u>\$ 2,734</u> | <u>\$ 24,074</u> |

Note 8 - Commitments

The District has contractual grant and project commitments as of September 30, 2024, of the following:

| | <u>Total Commitment</u> |
|---|-----------------------------|
| College of Central Florida Nursing School Building | \$ 3,744,251 |
| Marion County BOCC - Mental Health Service Provider | 1,400,000 |
| Heart of Florida Low Income Pool Match | 372,030 |
| | <u>\$ 5,516,281</u> |

REQUIRED SUPPLEMENTARY INFORMATION

**MARION COUNTY HOSPITAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST 10 FISCAL YEARS**

| Florida Retirement System (FRS): | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| District's Proportion of the Net Pension Liability (Asset) | 0.00291688215% | 0.00276028800% | 0.00255226000% | 0.00165520000% | 0.00000000000% | 0.00000000000% | 0.00000000000% | 0.00000000000% | 0.00000000000% | 0.00000000000% |
| District's Proportionate Share of the Net Pension Liability (Asset) | \$ 1,128,388 | \$ 1,099,887 | \$ 949,646 | \$ 125,033 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered-Employee Payroll | 992,475 | 816,971 | 631,434 | 393,416 | - | - | - | - | - | - |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 113.69% | 134.63% | 150.40% | 31.78% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Note 2) | 76.23% | 77.26% | 83.13% | 96.40% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Health Insurance Subsidy (HIS): | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| District's Proportion of the Net Pension Liability (Asset) | 0.23451105239% | 0.00276028800% | 0.00181984800% | 0.00111127600% | 0.00000000000% | 0.00000000000% | 0.00000000000% | 0.00000000000% | 0.00000000000% | 0.00000000000% |
| District's Proportionate Share of the Net Pension Liability (Asset) | \$ 351,789 | \$ 323,649 | \$ 192,751 | \$ 136,315 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered-Employee Payroll | 992,475 | 816,971 | 631,434 | 393,416 | - | - | - | - | - | - |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 35.45% | 39.62% | 30.53% | 34.65% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Note 2) | 23.77% | 22.74% | 16.87% | 3.56% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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

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

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

**MARION COUNTY HOSPITAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS**

| Florida Retirement System (FRS): | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Contractually Required Contribution | \$ 166,152 | \$ 144,226 | \$ 116,214 | \$ 87,892 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in Relation to the Contractually Required Contribution | (166,152) | (144,226) | (116,214) | (87,892) | - | - | - | - | - | - |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered-Employee Payroll | \$ 991,543 | \$ 889,517 | \$ 675,214 | \$ 542,666 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions as a Percentage of Covered-Employee Payroll | 16.76% | 16.21% | 17.21% | 16.20% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Health Insurance Subsidy (HIS): | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Contractually Required Contribution | \$ 19,979 | \$ 15,469 | \$ 11,690 | \$ 8,960 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions in Relation to the Contractually Required Contribution | (19,979) | (15,469) | (11,690) | (8,960) | - | - | - | - | - | - |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's Covered-Employee Payroll | \$ 991,543 | \$ 889,517 | \$ 675,214 | \$ 542,666 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Contributions as a Percentage of Covered-Employee Payroll | 2.01% | 1.74% | 1.73% | 1.65% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

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

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

**MARION COUNTY HOSPITAL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
FUND BALANCES - BUDGET TO ACTUAL - GOVERNMENTAL FUND
OCALA, FLORIDA
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|-----------------------|-----------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Lease Revenue | \$ - | \$ - | \$ 1,093,368 | \$ 1,093,368 |
| Investment Income | 11,167,834 | 11,167,837 | 44,789,496 | 33,621,659 |
| Interest and Dividend Income | - | - | 7,097,740 | 7,097,740 |
| Other Income | - | - | 331,969 | 331,969 |
| Total Revenues | <u>11,167,834</u> | <u>11,167,837</u> | <u>53,312,573</u> | <u>42,144,736</u> |
| Expenditures | | | | |
| General and Administration | 994,140 | 1,048,890 | 1,114,779 | (65,889) |
| Health Improvement Initiatives | 2,615,200 | 2,575,450 | 2,142,547 | 432,903 |
| Grant Programs | 7,368,929 | 7,522,144 | 6,592,530 | 929,614 |
| Total Expenditures | <u>10,978,269</u> | <u>11,146,484</u> | <u>9,849,856</u> | <u>1,296,628</u> |
| Other Financing Sources | | | | |
| Issuance of Leases | 21,350 | 21,350 | 21,342 | (8) |
| Net Change in Fund Balance | 210,915 | 42,703 | 43,484,059 | 43,441,356 |
| Net Position, Beginning of Year | <u>238,766,907</u> | <u>238,766,907</u> | <u>238,766,907</u> | <u>-</u> |
| Net Position, End of Year | <u>\$ 238,977,822</u> | <u>\$ 238,809,610</u> | <u>\$ 282,250,966</u> | <u>\$ 43,441,356</u> |

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Marion County Hospital District's (the District) basic financial statements, and have issued our report thereon dated March 25, 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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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To the Board of Trustees
Marion County Hospital District
Ocala, Florida

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

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, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Purvis Gray

March 25, 2025
Ocala, Florida

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

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

We have examined the Marion County Hospital District's (the District) compliance with the requirements of Section 218.415, Florida Statutes, as of and for the year ended September 30, 2024, as required by Section 10.556(10)(a), *Rules of the Auditor General*. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an 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 with the requirements referenced above. An examination involves performing procedures to obtain evidence about whether the County complied with the specified requirements. The nature, timing, and extent of procedures selected depend on our judgment, including an assessment of the risk of material non-compliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

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.

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

Purvis Gray

March 25, 2025
Ocala, Florida

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MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the Marion County Hospital District (the District) as of and for the fiscal year ended September 30, 2024, and have issued our report thereon dated March 25, 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 Auditor General*.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance; and Independent Accountant's Report on an examination conducted in accordance with the American Institute of Certified Public Accountants Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, *Rules of the Auditor General*. Disclosures in those reports and schedule, which are dated March 25, 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 prior year findings or recommendations.

Official Title and Legal Authority

Section 10.554(1)(i)4., *Rules of the Auditor General*, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements (see Note 1 of the financial statements).

Financial Condition and Management

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

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

MANAGEMENT LETTER

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

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

Property Assessed Clean Energy (PACE) Programs

As required by Section 10.554(1)(i)6.a., *Rules of the Auditor General*, the District did not operate a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, within the District's geographical boundaries during the fiscal year under audit.

As required by Section 10.554(1)(i)6.b., *Rules of the Auditor General*, if a PACE program was operating within the geographical areas of the District, a list of all program administrators and third-party administrators that administered the program. None Noted.

As required by Section 10.554(1)(i)6.c., *Rules of the Auditor General*, if a PACE Program was operating within the geographical area of the District, the full names and contact information of each such program administrator and third-party administrator. None Noted.

Special District Component Units

Section 10.554(1)(i)5.c., *Rules of the Auditor General*, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Specific Information

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

- a. The total number of district employees compensated in the last pay period of the district's fiscal year was 9.
- b. The total number of independent contractors to whom non-employee compensation was paid in the last month of the district's fiscal year was 21.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency was \$999,660.
- d. All compensation, earned by or awarded to non-employee independent contractors, whether paid or accrued, regardless of contingency was \$1,091,436.

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

MANAGEMENT LETTER

- e. Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project was \$0.
- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, was \$1,296,620 under budget.

Additional Matters

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

Purpose of this Letter

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

Purvis Gray

March 25, 2025
Ocala, Florida

PURVIS GRAY

CERTIFIED PUBLIC ACCOUNTANTS

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