

**LAKE SHORE HOSPITAL AUTHORITY**

**ANNUAL FINANCIAL REPORT**

**For the Fiscal Year Ended September 30, 2015**

**LAKE SHORE HOSPITAL AUTHORITY**

**ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended September 30, 2015

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## **INTRODUCTORY SECTION**

**LAKE SHORE HOSPITAL AUTHORITY**

**LIST OF PRINCIPAL OFFICIALS**

**September 30, 2015**

**BOARD OF TRUSTEES**

**CHAIRMAN**

Loretta (Lory) Chancy

**VICE-CHAIR**

Tim Murphy

**SECRETARY/TREASURER**

Janet Creel

**BOARD MEMBERS**

Dr. Waseem Khan, M.D.

DeKoven (Koby) Adams

Dr. Ronald Foreman

Brandon Beil

**ATTORNEY**

Fred Koberlein

## **FINANCIAL SECTION**



**Powell & Jones**  
Certified Public Accountants

Richard C. Powell, Jr., CPA  
Marian Jones Powell, CPA

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Lake Shore Hospital Authority  
Lake City, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities of Lake Shore Hospital Authority, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Lake Shore Hospital Authority, as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

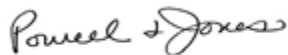
### ***Other Matters***

#### ***Required Supplementary Information***

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2016, on our consideration of the Lake Shore Hospital Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lake Shore Hospital Authority's internal control over financial reporting and compliance.



**POWELL & JONES**  
Certified Public Accounts  
February 3, 2016



## **LAKE SHORE HOSPITAL AUTHORITY Management's Discussion and Analysis**

This discussion and analysis is intended to be an easily readable analysis of the Lake Shore Hospital Authority's (the Authority) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

### **Report Layout**

The Authority has implemented Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement requires governmental entities to report finances in accordance with specific guidelines. Among those guidelines are the components of this section dealing with management's discussion and analysis. Besides this Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, and the notes to the financial statements. The first two statements are condensed and present a government-wide view of the Authority's finances. Within this view, all Authority operations are categorized as applicable, and reported as either governmental or business-type activities. Governmental activities include basic planning related services and general administration. The Authority had no business-type activities in this fiscal year. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the Authority.

### *Basic Financial Statements*

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snap-shot view of the assets the Authority, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Governmental activities are reported on the accrual basis of accounting.
- The Statement of Activities focuses on gross and net costs of the Authority's programs and the extent to which such programs rely upon general revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on governmental and proprietary funds, as applicable. Governmental fund statements follow the more traditional presentation of financial statements. As stated above, the Authority has no proprietary funds and business-type activities.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the Authority's financial condition.
- The MD&A is intended to serve as an introduction to the Authority's basic financial statements and to explain the significant changes in financial position and differences in operations between the current and prior years.

## Reporting the Authority's Most Significant Funds

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Authority as a whole. Some funds are required to be established by state law and by contractual agreements. However, the Authority establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain grants and other money.

- **Governmental funds** - All of the Authority's services are reported in governmental funds. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short term view of the Authority's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is detailed in a reconciliation following the fund balance statements.

The Authority maintains the following governmental funds that it classifies as major funds:

**General Fund** - Used to account for the receipt of lease payments received from HMA Lake Shore, Inc., and the expenditure of these funds by the Authority.

**Special Revenue Funds** - Special Revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

**Hospital Services Fund** - Used to account for the receipt of ad valorem taxes and the payment of eligible indigent patient care and capital purchases, as provided in the lease with HMA Lake Shore, Inc.

**Clinical Service Fund** - Used to account for receipt of ad valorem taxes and payment of eligible clinic indigent patient care and prescription drug assistance.

**Capital Projects Fund** - Capital Projects funds are used to account for the acquisition and construction of major governmental capital facilities. The Authority maintains the Capital Improvements Fund to account for the capital improvements made by the Authority.

### Authority as a Whole

#### *Government-wide Financial Statements*

A condensed version of the Statement of Net Position at September 30, 2015, follows:

**Net Position at September 30, 2015 and 2014**

	Governmental Activities/ Total Government	
	<u>2015</u>	<u>2014</u>
<b>Assets</b>		
Cash and investments	\$ 6,914,909	\$ 7,201,069
Receivables	11,275	9,777
Prepaid expenses	1,986,143	423,628
Capital assets, net of accumulated depreciation	3,668,369	4,242,025
Net investment in capital lease	5,997,654	5,992,837
Total assets	<u>18,578,350</u>	<u>17,869,336</u>
<b>Deferred Outflows of Resources</b>	<u>31,337</u>	<u>15,841</u>
<b>Liabilities</b>		
Current liabilities	147,058	106,145
Long-term liabilities	<u>96,980</u>	<u>86,961</u>
Total liabilities	<u>244,038</u>	<u>193,106</u>
<b>Net position</b>		
Invested in capital assets	3,668,369	4,242,025
Invested in capital lease	5,997,654	5,992,837
Unrestricted	<u>8,699,626</u>	<u>7,457,209</u>
Total net position	<u>\$18,365,649</u>	<u>\$17,692,071</u>

During the year ended September 30, 2015, there was a reduction in Net Position, based upon the adopted budget.

A condensed version of the Statement of Activities follows:

**Governmental Activities**  
For the Fiscal Years Ended September 30, 2015 and 2014

	Governmental Activities/ Total Government	
	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>		
General revenues		
Ad valorem taxes	\$ 2,179,127	\$ 2,206,415
Interest	37,588	38,787
Lease income	519,715	527,485
Other	<u>5,263</u>	<u>7,764</u>
Total revenues	<u>2,741,693</u>	<u>2,780,451</u>
<b>Expenses:</b>		
General government	982,568	710,003
Human services	<u>1,085,547</u>	<u>2,054,236</u>
Total expenses	<u>2,068,115</u>	<u>2,764,239</u>
Other financing services (uses)		
Interfund transfers in	-	1,175,000
Interfund transfers out	-	<u>(1,175,000)</u>
Total other financing services (uses)	<u>-</u>	<u>-</u>
Change in net position	673,578	16,212
Beginning net position	<u>17,692,071</u>	<u>17,675,859</u>
Ending net position	<u>\$18,365,649</u>	<u>\$ 17,692,071</u>

Governmental activities

Health care program expenditures decreased \$968,689 from \$2,054,236 in the prior year to \$1,085,547 in the current year.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At September 30, 2015, the Authority has \$3,668,369 invested in capital assets, consisting primarily of land and buildings.

#### **Capital Assets at September 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
Land	\$2,249,092	\$2,776,592
Building	1,703,237	1,733,073
Office equipment	101,289	61,656
	<u>4,053,618</u>	<u>4,571,321</u>
Accumulated depreciation	(385,249)	(329,296)
Capital assets, net	<u><u>\$3,668,369</u></u>	<u><u>\$4,242,025</u></u>

#### **Financial Contact**

The Authority's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the Authority's finances and to demonstrate the Authority's accountability. If you have questions about the report or need additional financial information, please contact the Authority's Executive Director at 259 N.E. Franklin Street, Lake City, Florida 32055.

## **Basic Financial Statements**

**LAKE SHORE HOSPITAL AUTHORITY**

**STATEMENT OF NET POSITION**

September 30, 2015

	<u>Governmental Activities</u>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash	\$ 4,925,712
Accounts receivable	2,000
Accrued interest receivable	9,275
Investments	1,989,197
Prepaid expenses	<u>1,986,143</u>
Total current assets	8,912,327
Capital assets, net of accumulated depreciation	3,668,369
<b>Other assets</b>	
Net investment in capital lease	<u>5,997,654</u>
Total assets	<u>18,578,350</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>31,337</u>
<b>LIABILITIES</b>	
Accounts payable	31,884
Accrued liabilities	6,879
Prepaid lease	86,750
Deposits	4,000
Compensated absences	17,545
Net pension liability	<u>96,980</u>
Total liabilities	<u>244,038</u>
<b>NET POSITION</b>	
Invested in capital assets	3,668,369
Invested in capital lease	5,997,654
Unrestricted	8,699,626
Total net position	<u><u>\$ 18,365,649</u></u>

See notes to financial statements.

**LAKE SHORE HOSPITAL AUTHORITY**

**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended September 30, 2015

	Expenses	Net (Expenses) Revenue and Change in Net Position
		Governmental Activities Total
<b>Governmental activities:</b>		
General government	\$ (982,568)	\$ (982,568)
Human services - healthcare	(1,085,547)	(1,085,547)
<b>Total governmental activities</b>	<b>\$ (2,068,115)</b>	<b>(2,068,115)</b>
 <b>General revenues:</b>		
Ad valorem taxes		2,179,127
Interest		37,588
Lease income		519,715
Miscellaneous		5,263
<b>Total general revenues</b>		<b>2,741,693</b>
 Change in net position		 673,578
 Net position, beginning of the year		 17,763,191
 Prior period adjustment		 (71,120)
 Net position, end of year		 <b>\$ 18,365,649</b>

See notes to financial statements.

**LAKE SHORE HOSPITAL AUTHORITY**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
September 30, 2015

	Special Revenue Funds			Capital Improvements Fund	Total Governmental Funds
	General Fund	Hospital Services	Clinical Services		
<b>ASSETS</b>					
Cash	\$ 2,539,822	\$ 770,727	\$ 157,958	\$ 1,457,205	\$ 4,925,712
Investments	1,264,297	-	724,900	-	1,989,197
Due from other funds	-	686,389	612,829	10,200	1,309,418
Accounts receivable	2,000	-	-	-	2,000
Prepaid expenses	13,712	1,972,431	-	-	1,986,143
Accrued interest receivable	6,536	-	2,739	-	9,275
Net investment in capital lease	5,997,654	-	-	-	5,997,654
<b>Total assets</b>	<b><u>\$ 9,824,021</u></b>	<b><u>\$ 3,429,547</u></b>	<b><u>\$ 1,498,426</u></b>	<b><u>\$ 1,467,405</u></b>	<b><u>\$ 16,219,399</u></b>
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 8,480	\$ 10,258	\$ 13,146	\$ -	\$ 31,884
Accrued liabilities	6,879	-	-	-	6,879
Prepaid lease	86,750	-	-	-	86,750
Deposit	4,000	-	-	-	4,000
Due to other funds	686,389	623,029	-	-	1,309,418
<b>Total liabilities</b>	<b><u>792,498</u></b>	<b><u>633,287</u></b>	<b><u>13,146</u></b>	<b><u>-</u></b>	<b><u>1,438,931</u></b>
 <b>Fund balances:</b>					
Nonspendable, long-term assets	5,997,654	-	-	-	5,997,654
Assigned	-	2,796,260	1,485,280	1,467,405	5,748,945
Unassigned	3,033,869	-	-	-	3,033,869
<b>Total fund balances</b>	<b><u>9,031,523</u></b>	<b><u>2,796,260</u></b>	<b><u>1,485,280</u></b>	<b><u>1,467,405</u></b>	<b><u>14,780,468</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 9,824,021</u></b>	<b><u>\$ 3,429,547</u></b>	<b><u>\$ 1,498,426</u></b>	<b><u>\$ 1,467,405</u></b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

3,668,369

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

(83,188)

Net position of governmental activities

**\$ 18,365,649**

See notes to financial statements.



**LAKE SHORE HOSPITAL AUTHORITY**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended September 30, 2015

	<u>Special Revenue Funds</u>				<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Hospital Services</u>	<u>Clinical Services</u>	<u>Capital Improvements Fund</u>	
<b>REVENUES</b>					
Taxes - ad valorem	\$ -	\$ 2,168,927	\$ -	\$ 10,200	\$ 2,179,127
Lease income	519,715	-	-	-	519,715
Interest	21,242	3,803	6,727	5,816	37,588
Sale of general fixed asset	26,527	-	-	-	26,527
Other	5,263	-	-	-	5,263
<b>Total revenues</b>	<u>572,747</u>	<u>2,172,730</u>	<u>6,727</u>	<u>16,016</u>	<u>2,768,220</u>
<b>EXPENDITURES</b>					
General government					
Personnel services:					
Salaries	165,485	-	-	-	165,485
Retirement	25,110	-	-	-	25,110
Payroll taxes	12,416	-	-	-	12,416
Insurance	11,016	-	-	-	11,016
	<u>214,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>214,027</u>
Operating expenses:					
Tax Collector fees	-	658	-	-	658
Property Appraiser fees	-	67,849	-	-	67,849
Legal and accounting	39,410	-	-	-	39,410
Utilities	11,734	-	-	-	11,734
Insurance	14,517	-	-	-	14,517
Repairs and maintenance	22,371	-	-	-	22,371

(continued)

See notes to financial statements.

**LAKE SHORE HOSPITAL AUTHORITY**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
For the Fiscal Year Ended September 30, 2015

	<u>Special Revenue Funds</u>			Capital Improvements Fund	Total Governmental Funds
	General Fund	Hospital Services	Clinical Services		
Operating expenses (continued)					
Other	53,563	-	-	-	53,563
	<u>141,595</u>	<u>68,507</u>	<u>-</u>	<u>-</u>	<u>210,102</u>
Capital outlay					
Capital outlay	9,797	-	-	-	9,797
	<u>9,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,797</u>
Total general government	<u>365,419</u>	<u>68,507</u>	<u>-</u>	<u>-</u>	<u>433,926</u>
Health					
Indigent health services					
Patient care	-	847,580	69,210	-	916,790
On-call coverage	-	150,785	-	-	150,785
Pharmacy	-	-	15,771	-	15,771
Public education	2,201	-	-	-	2,201
	<u>2,201</u>	<u>998,365</u>	<u>84,981</u>	<u>-</u>	<u>1,085,547</u>
Total expenditures	<u>367,620</u>	<u>1,066,872</u>	<u>84,981</u>	<u>-</u>	<u>1,519,473</u>
Net change in fund balance	205,127	1,105,858	(78,254)	16,016	1,248,747
Fund balances, at beginning of year	8,826,396	1,690,402	1,563,534	1,451,389	13,531,721
Fund balances, at end of year	<u>\$ 9,031,523</u>	<u>\$ 2,796,260</u>	<u>\$ 1,485,280</u>	<u>\$ 1,467,405</u>	<u>\$ 14,780,468</u>

See notes to financial statements.

**LAKE SHORE HOSPITAL AUTHORITY**

**RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2015**

Net change in fund balances - Governmental Funds \$ 1,248,747

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	9,797	
Less sale of land	(39,000)	
Less interlocal land transfer	(488,500)	
Less current year depreciation	<u>(55,953)</u>	
Difference		(573,656)

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds

Net increase in compensated absences		(6,990)
Net increase in net pension liability		(10,019)
Net increase in deferred inflows		<u>15,496</u>

Change in net position of governmental activities \$ 673,578

See notes to financial statements.

## LAKE SHORE HOSPITAL AUTHORITY

### NOTES TO FINANCIAL STATEMENTS September 30, 2015

#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lake Shore Hospital Authority is a special purpose, independent special district of the State of Florida. The Authority was established on July 10, 1963, by a special act of Florida Legislature, Chapter 63-1247 of the *Laws of Florida*. Accordingly, it is controlled by the Florida Constitution and various Florida Statutes as well as its enacting legislation and Authority policies. It is governed by a seven member board who are appointed by the Governor.

In June 1999, the GASB approved Statement 34 Basic Financial Statements and Management Discussion and Analysis for State and Local Governments. This statement provides for significant changes in financial reporting and is scheduled for phased implementation over a three year period of time based on the size of the government. The Authority implemented these provisions in the 2004 fiscal year as required by the statement.

The financial statements of the Lake Shore Hospital Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below:

**A. Reporting entity** - The Authority's financial statements include all funds over which the Board of Trustees exercises oversight responsibility. Oversight responsibility includes such aspects as appointment of governing body members, designation of management, the ability to significantly influence operations, and accountability for fiscal matters. Based upon the application of these criteria, management determined that no potential component units existed which should be included within the reporting entity. Likewise the Authority is not includible as a component unit within another reporting entity.

**B. Fund Accounting** - The Authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The various funds are grouped in the financial statements in this report into one fund type and three fund categories as follows:

#### Governmental Funds

**General Fund** – The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The Authority maintains the General Fund to account for revenues from its lease payment receipts.

**Special Revenue Funds** - Special Revenue funds are used to account for specific revenues that are legally or contractually restricted to expenditures for particular purposes. The Authority maintains separate special revenue funds to account for revenues from its lease payment receipts and ad valorem tax levies.

**Capital Projects Fund** - Capital Projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. The Authority maintains the Capital Improvements Fund to account for the capital improvements associated with the on-going renovations of the leased hospital facilities.

**C. Basic Financial Statements** - Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type.

Government-wide financial statements report information about the reporting unit as a whole. For the most part, the effect of any interfund activity has been removed from these statements. These statements focus on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Other items not reported as program revenues are reported instead as general revenues.

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. The Authority reports the General Fund, special revenue funds, and a capital projects fund, and a debt service fund which are governmental funds.

**D. Measurement focus, basis of accounting** - 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.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund financial statements are reported as using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net position.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Authority considers most revenues as available if they are collected within sixty days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when amounts have been accumulated for payments to be made early in the following year.

## E. Cash and cash equivalents

**Deposits with Financial Institutions** - The Authority's cash at September 30, 2015, consists of legally authorized deposits in institutions which are certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, the Authority's cash at September 30, 2015, is insured through the Bureau of Collateral Securities, Division of Treasury, State Department of Insurance.

**Investments** - Section 218.415, *Florida Statutes*, authorizes the Authority to invest in the Local Government Surplus Funds Trust, direct obligations of the United States Government, obligations unconditionally guaranteed by the United States, time deposits and savings accounts of Florida Qualified Depositories, and Securities and Exchange Commission restricted money market funds with the highest credit quality rating from a nationally recognized rating agency.

GASB Standard No. 3, "Deposits with Financial Institutions, Investment (including Repurchase Agreements), and Reverse Repurchase Agreements," stipulates that investments should be classified in credit risk categories to give an indication of the level of risk assumed at year end. Category 1 includes deposits that are insured or registered, or for which the securities are held by the Authority or its agent in the Authority's name. Category 2 includes uninsured and unregistered deposits for which the securities are held by the counterparty's trust department or agent in the Authority's name. At year end, Authority investments consisted of certificates of deposit at qualified depositories which are insured. The investments are stated at the lower of cost or fair market value as prescribed by generally accepted accounting principles.

Description	Category		Cost	Market Value
	1	2		
Certificates of Deposit	\$1,989,197	\$ -	\$1,989,197	\$1,989,197
	<u>\$1,989,197</u>	<u>\$ -</u>	<u>\$1,989,197</u>	<u>\$1,989,197</u>

**F. Budgets** - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the Authority's governmental funds. All annual appropriations lapse at fiscal year end. Budgeted amounts are as originally adopted or as amended by the Board of Trustees.

**G. Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**H. Fund Balances – Governmental Funds** – As of September 30, 2015, fund balances of the governmental funds are classified as follows:

**Nonspendable** – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

**Restricted** – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

**Committed** – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision making authority for the

Authority. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purpose. Under the Authority’s adopted policy, only the Board may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of September 30, 2015, fund balances are composed of the following:

	General Fund	Hospital Services Fund	Clinical Services Fund	Capital Improvements Fund	Total Governmental Funds
Nonspendable, long-term assets	\$ 5,997,654	\$ -	\$ -	\$ -	\$ 5,997,654
Assigned:					
Hospital services	-	2,796,260	-	-	2,796,260
Clinical services	-	-	1,485,280	-	1,485,280
Capital outlay	-	-	-	1,467,405	1,467,405
Unassigned funds	3,033,869	-	-	-	3,033,869
<b>Total fund balances</b>	<b>\$ 9,031,523</b>	<b>\$ 2,796,260</b>	<b>\$ 1,485,280</b>	<b>\$ 1,467,405</b>	<b>\$ 14,780,468</b>

**NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

“Total fund balances” of the Authority’s Governmental Funds \$14,780,468 differs from “Net Position” of governmental activities \$18,365,649 reported in the statement of net position. This difference results from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental fund balance sheet.

Capital related items

When capital assets (property, plant, equipment) that are to be used in governmental activities are purchased or constructed, the cost of these assets are reported as expenditures in governmental funds. However, the statement of net position included those capital assets among the capital assets of the Authority as a whole.

Property, plant and equipment of the Authority are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	10 - 50
Machinery and equipment	5 - 14

Cost of capital assets	\$4,053,618
Accumulated depreciation	(385,249)
Total	<u>\$3,668,369</u>

Eliminations of interfund receivables/payable

Interfund receivables and payables in the amount of \$1,309,418 between governmental funds must be eliminated for the Statement of Net Position.

Long-term debt transactions

Long-term liabilities to the Authority's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net position. Balances at September 30, 2015 were:

Compensated absences	\$ 17,545
Net pension liability	96,980
Deferred inflows of resources	(31,337)
	<u>\$ 83,188</u>



**LAKE SHORE HOSPITAL AUTHORITY**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position**

	Total Governmental Funds	Capital Related Items	Long-term Debt	Eliminations	Statement of Net Assets
<b>ASSETS</b>					
Cash and cash equivalents	\$ 6,914,909	\$ -	\$ -	\$ -	\$ 6,914,909
Due from other funds	1,309,418	-	-	(1,309,418)	-
Accounts receivable	2,000	-	-	-	2,000
Accrued interest receivable	9,275	-	-	-	9,275
Prepaid expenses	1,986,143	-	-	-	1,986,143
Net investment in capital lease	5,997,654	-	-	-	5,997,654
Capital assets - net	-	3,668,369	-	-	3,668,369
<b>Total assets</b>	<b>\$ 16,219,399</b>	<b>\$ 3,668,369</b>	<b>\$ -</b>	<b>\$ (1,309,418)</b>	<b>\$ 18,578,350</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
	-	-	31,337	-	31,337
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 31,884	\$ -	\$ -	\$ -	\$ 31,884
Accrued liabilities	6,879	-	-	-	6,879
Prepaid lease	86,750	-	-	-	86,750
Deposit	4,000	-	-	-	4,000
Compensated absences	-	-	17,545	-	17,545
Due to other funds	1,309,418	-	-	(1,309,418)	-
Net pension liability	-	-	96,980	-	96,980
<b>Total liabilities</b>	<b>1,438,931</b>	<b>-</b>	<b>114,525</b>	<b>(1,309,418)</b>	<b>244,038</b>
<b>Fund balances/net position</b>					
Invested in capital assets	-	3,668,369	-	-	3,668,369
Nonspendable, long-term assets	5,997,654	-	-	-	5,997,654
Assigned	5,748,945	-	-	-	5,748,945
Unassigned	3,033,869	-	(83,188)	-	2,950,681
<b>Total net position</b>	<b>14,780,468</b>	<b>3,668,369</b>	<b>(83,188)</b>	<b>-</b>	<b>18,365,649</b>
<b>Total liabilities and fund balances/ net position</b>	<b>\$ 16,219,399</b>	<b>\$ 3,668,369</b>	<b>\$ 31,337</b>	<b>\$ (1,309,418)</b>	<b>\$ 18,609,687</b>

**B. Explanation of Differences Between Governmental Fund Operating Statements and the Statement of Activities**

The “net change in fund balances” for the Governmental Funds \$1,248,747 differs from the “change in net position” for governmental activities \$673,578 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

**Capital related items**

When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balances decrease by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charges for the year.

Expenditures for capital assets	\$ (9,797)
Disposition of fixed assets	527,500
Depreciation expense	55,953
Difference	<u>\$ 573,656</u>

**Long-term debt transactions**

Some expenses reported in the statement of activities do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Net increase in compensated absences	\$ 6,990
Net increase in net pension liability	10,019
Net increase in deferred outflows of resources	(15,496)
	<u>\$ 1,513</u>

**LAKE SHORE HOSPITAL AUTHORITY**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**B. Explanation of Differences Between Government Fund Operating Statements and the Statement of Activities**

	Total Governmental Funds	Capital Related Items	Long-term Debt	Eliminations	Statement of Activities
<b>REVENUES</b>					
Taxes	\$ 2,179,127	\$ -	\$ -	\$ -	\$ 2,179,127
Interest	37,588	-	-	-	37,588
Lease income	519,715	-	-	-	519,715
Sale of general fixed assets	26,527	(26,527)	-	-	-
Other	5,263	-	-	-	5,263
Total revenues	<u>2,768,220</u>	<u>(26,527)</u>	<u>-</u>	<u>-</u>	<u>2,741,693</u>
<b>EXPENDITURES</b>					
<b>Current expenditures</b>					
General government	433,926	547,129	1,513	-	982,568
Human services	1,085,547	-	-	-	1,085,547
Total expenditures	<u>1,519,473</u>	<u>547,129</u>	<u>1,513</u>	<u>-</u>	<u>2,068,115</u>
Excess (deficiency) of revenues over expenditures	1,248,747	(573,656)	(1,513)	-	673,578
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	-	-	-	-	-
Interfund transfers out	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	1,248,747	(573,656)	(1,513)	-	673,578
Fund balances at October 1, 2014	13,531,721	4,242,025	(10,555)	-	17,763,191
Prior period adjustment	-	-	(71,120)	-	(71,120)
Fund balances at September 30, 2015	<u>\$ 14,780,468</u>	<u>\$ 3,668,369</u>	<u>\$ (83,188)</u>	<u>\$ -</u>	<u>\$ 18,365,649</u>

**NOTE 3. PROPERTY TAX**

As provided in the "Indigent Care Agreement" between the Authority and Lake Shore Hospital, Inc., and as allowed by its enacting laws, the Authority annually levies ad valorem property taxes in Columbia County to fund emergency indigent health care to eligible residents of the County.

Procedures for collecting delinquent taxes, including applicable tax certificate sales, tax deed sales and tangible personal property seizure and sales are provided for by the laws of Florida. Collections of Authority taxes and remittances, including delinquent taxes, are accounted for in the County Tax Collector's office in accordance with applicable Florida laws. Due to these collection procedures, no material amounts of unpaid taxes were outstanding at year end.

**NOTE 4. COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS FLORIDA RETIREMENT SYSTEM PENSION PLAN AND THE RETIREE HEALTH INSURANCE SUBSIDY PROGRAM**

**PLAN DESCRIPTION**

**A. Reporting Entity**

The Florida Department of Management Services, Division of Retirement (Division), is part of the primary government of the state of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems (System). For the fiscal year ended June 30, 2015, the Division administered two defined benefit plans, two defined contribution plans, a supplemental funding of defined benefit plans for municipal police officers and firefighters, and various general revenue funded pension programs. Beginning with the fiscal year ended June 30, 2014, the Division issued a publicly-available, audited comprehensive annual financial report (CAFR) on behalf of the System that includes financial statements, notes and required supplementary information for each of the pension plans. Detailed information about the plans is provided in the CAFR which is available online or by contacting the Division (See Additional Financial and Actuarial Information).

**B. Defined Benefit Plans**

As required by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), this report includes the allocation of the collective net pension liability and associated pension expense, deferred outflows of resources and deferred inflows of resources for each of the participating employers in the System's defined benefit plans:

- The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, *Florida Statutes*. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, *Florida Statutes*, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership.

Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

- The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, *Florida Statutes*. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2015, eligible retirees and beneficiaries received 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.

Over 1,000 participating employers are served by the two defined benefit plans. Of these, more than 900 employers, referred to as reporting employers, report payroll and remit contributions to the division for their covered employees and, in some cases, for the covered employees of associated participating employers.

## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Basis of Accounting**

Employers participating in the FRS Pension Plan and HIS Program are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB 68. The Schedules of Employer Allocations and Schedules of Pension Amounts by Employer (pension allocation schedules) and notes to the schedules, along with the System's CAFR, provide employers with the required information for reporting.

The underlying financial information used to prepare the pension allocation schedules is based on the System's records. The financial statements for the defined benefit plans are prepared using the flow of economic resources measurement focus and the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States. The System's financial statements are available online or by contacting the Division (See Additional Financial and Actuarial Information). There have been no significant changes since the publication of the financial statements.

### **B. Employer Contributions**

Contributions are recognized as revenues when due, pursuant to statutory and contractual requirements. Employee contributions required pursuant to section 121.71(3), *Florida Statutes*, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported in the pension allocation schedules is reduced by these amounts.

Total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, *Florida Statutes*. Employer contributions reflected in the financial statements and in the pension allocation schedules for the defined benefit plans represent contributions

specific to each defined benefit plan and do not equal total blended contributions remitted by the employer.

The Authority is required to contribute to the system at an actuarially determined rate. The rates for the Authority contribution at September 30, 2015 were as follows: Regular employees 7.26 % and Senior Management 21.43%. All Plan members are required to contribute a designated rate of 3%. The contribution requirements of plan members and the Authority are established and may be amended by the Florida Legislature. The Authority's contributions to the system for the years ending September 30, 2015, 2014, and 2013 were \$25,110, \$23,838, and \$15,476, respectively. Total contributions were equal to the required contributions for the year.

**C. Use of Estimates**

The preparation of these schedules, and the associated financial statements, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and changes therein, including appropriate disclosures 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.

**NET PENSION LIABILITY OF EMPLOYERS**

**A. Net Pension Liability**

The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2014, are shown below (in thousands):

	<u>FRS</u>	<u>HIS</u>
Total Pension Liability (A)	\$156,115,763	\$9,443,629
Plan Fiduciary Net Position (B)	(150,014,292)	(93,385)
Net Pension Liability (A-B)	<u>\$ 6,101,471</u>	<u>\$9,350,244</u>

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2014. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Each plan's fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements. Update procedures were not used.

Lake Shore Hospital Authority's portion of the total net pension liability for FRS and HIS are as follows:

	<u>Percent Share of Net Pension Liability</u>	<u>Amount</u>
FRS	0.000624707%	\$ 38,116
HIS	0.000629540%	58,864
Total	<u>0.006276330%</u>	<u>\$ 96,980</u>

## **B. Basis for Allocation**

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions for employers that were members of the FRS and HIS during fiscal years 2012/2013 and 2013/2014. Although GASB 68 encourages the use of the employers' projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for the fiscal year ended June 30, 2013, agree to the employer contribution amounts reported in the Florida CAFR. This report is available online (See Additional Financial and Actuarial Information). The aggregate employer contribution amounts for the fiscal year ended June 30, 2014, agree to the employer contribution amounts reported in the System's 2014 CAFR. The fiscal year ended June 30, 2014, was the first year for which a separately-issued CAFR was published for the System.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

## **C. Actuarial Methods and Assumptions**

Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2014, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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 Program uses a pay-as-you-go funding structure, a municipal bond rate of 4.29% was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables (refer to the valuation reports for more information – See Additional Financial and Actuarial Information).

The following changes in actuarial assumptions occurred in 2014:

- FRS: As of June 30, 2014, the inflation rate assumption was decreased from 3.00% to 2.60%, the real payroll growth assumption was decreased from 1.00% to 0.65%, and

the overall payroll growth rate assumption was decreased from 4.00% to 3.25%. The long-term expected rate of return decreased from 7.75% to 7.65%

- HIS: The municipal rate used to determine total pension liability decreased from 4.63% to 4.29%.

**D. Sensitivity Analysis**

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2014.

FRS Net Pension Liability			HIS Net Pension Liability		
Current			Current		
1% Decrease	Discount Rate	1% Increase	1% Decrease	Discount Rate	1% Increase
6.65%	7.65%	8.65%	3.29%	4.29%	5.29%
\$26,098,800,064	\$6,101,470,575	\$(10,530,828,277)	\$10,635,145,405	\$9,350,244,011	\$8,277,719,058

**PENSION EXPENSE AND DEFERRED OUTFLOWS / (INFLOWS) OF RESOURCES**

In accordance with GASB 68, paragraph 71, changes in the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees)
- Differences between expected and actual earnings on pension plan investments – amortized over five years

Lake Shore Hospital Authority’s deferred outflows of resources for FRS and HIS are as follows:

FRS	\$ 28,231
HIS	3,106
Total	<u>\$ 31,337</u>

The amount of pension expense recognized for Lake Shore Hospital Authority is \$19,633. Contributions to the pension plans from employers are not included in pension expense.



The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2014, was 6.3 years for FRS and 7.2 years for HIS. The components of collective pension expense reported in the pension allocation schedules for the fiscal year ended June 30, 2014, are presented below for each plan.

Florida Retirement System

	Recognized in Expense Reporting Period Ending June 30, 2014	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Service cost	\$ 2,256,738,453	Current	\$ -	\$ -	\$ 2,256,738,453
Interest cost	11,489,920,524	Current	-	-	11,489,920,524
Effect of plan changes	-	Current	-	-	-
Effect of economic/demographic gains or losses (difference between expected and actual expense)	(71,240,997)	6.3 years	-	(377,577,284)	(448,818,281)
Effect of assumptions changes or inputs	199,372,297	6.3 years	1,056,673,174	-	1,256,045,471
Member contributions	(682,507,323)	Current	-	-	(682,507,323)
Projected investment earnings	(10,089,454,399)	Current	-	-	(10,089,454,399)
Changes in proportion and differences between contributions and proportionate share of contribution	-	6.3 years	843,049,488	(843,049,488)	-
Net difference between projected and actual investment earnings	(2,544,566,419)	5 years	-	(10,178,265,675)	(12,722,832,094)
Administrative expenses	18,351,882	Current	-	-	18,351,882
<b>Total</b>	<b>\$ 576,614,018</b>		<b>\$ 1,899,722,662</b>	<b>\$ (11,398,892,447)</b>	<b>\$ (8,922,555,767)</b>

Health Insurance Subsidy

	Recognized in Expense Reporting Period Ending June 30, 2014	Recognition Period	Deferred Outflows of Resources	Deferred Inflows of Resources	Total
Service cost	\$ 190,371,170	Current	\$ -	\$ -	\$ 190,371,170
Interest cost	409,906,929	Current	-	-	409,906,929
Effect of plan changes	-	Current	-	-	-
Effect of economic/demographic gains or losses (difference between expected and actual expense)	-	7.2 years	-	-	-
Effect of assumptions changes or inputs	53,664,322	7.2 years	332,718,798	-	386,383,120
Member contributions	-	Current	-	-	-
Projected investment earnings	(5,829,821)	Current	-	-	(5,829,821)
Changes in proportion and differences between contributions and proportionate share of contribution	-	7.2 years	178,597,639	(178,597,639)	-
Net difference between projected and actual investment earnings	1,122,090	5 years	4,488,362	-	5,610,452
Administrative expenses	53,708	Current	-	-	53,708
<b>Total</b>	<b>\$ 649,288,398</b>		<b>\$ 515,804,799</b>	<b>\$ (178,597,639)</b>	<b>\$ 986,495,558</b>

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting period ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Reporting Period	FRS Expense	HIS Expense
2016	\$ (2,416,435,119)	\$ 54,786,412
2017	(2,416,435,119)	54,786,412
2018	(2,416,435,119)	54,786,412
2019	(2,416,435,118)	54,786,414
2020	128,131,300	53,664,322
Thereafter	38,439,390	64,397,188
Total	<u>\$ (9,499,169,785)</u>	<u>\$ 337,207,160</u>

#### **ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION**

Additional audited financial information supporting the Schedules of Employer Allocations and the Schedules of Pension Amounts by Employer, is located in the Florida CAFR for the fiscal year ended June 30, 2013, and in the Florida Retirement System Pension Plan and Other State-Administered Systems CAFR for the fiscal year ended June 30, 2014. The state of Florida CAFR is available on line at <http://www.myfloridacfo.com/Division/AA/Reports/default.htm>.

The system's CAFR and the actuarial valuation reports as of July 1, 2014, are available online at: [http://www.dms.myflorida.com/workforce\\_operations/retirement/publications/annual\\_reports](http://www.dms.myflorida.com/workforce_operations/retirement/publications/annual_reports).

The system's CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at:

Department of Management Services Division of Retirement  
 Bureau of Research and Member Communications  
 P. O. Box 9000  
 Tallahassee, FL 32315-9000  
 850-488-5706 or toll free at 877-377-1737

#### **NOTE 5. DEPOSITS**

The bank balances of the Authority's deposits were fully insured by federal depository insurance or pledged collateral under state law.

#### **NOTE 6. LONG TERM CAPITAL LEASE**

On April 1, 1987, Lake Shore Hospital Authority of Columbia County, Florida (lessor), acting through its Board of Trustees entered into a lease agreement with Lake Shore Hospital, Inc., (lessee), a Florida not-for-profit corporation, a wholly owned subsidiary of Santa Fe Health Care, Inc., and a charitable corporation, as described in section 501(c)(3) of the Internal Revenue Code of 1954, as amended.

Terms of lease are in part as follows:

- A. Property Leased: All hospital property, plant and equipment.
- B. Duration of Term: April 1, 1987 through March 31, 2022.
- C. Lease Payment: The lessee shall pay as lease payments to lessor the sum of \$600,000 annually in equal monthly installments. The lease payment shall be used to pay the debt service required to be paid by lessor on the existing and future long-term debt of the lessor.

On January 31, 1996, the Authority entered into an agreement consenting to the assignment of this lease agreement to Southeastern Healthcare Foundation, Inc. (Southeastern) a wholly owned affiliate of Shands Teaching Hospitals and Clinics, Inc. In conjunction with this lease assignment, the lease terms were amended in the following significant areas concerning financial matters:

1. The lease term was extended nine years, so as to expire on March 31, 2031.
2. Southeastern will guarantee payment of the outstanding bond issue by making an escrow deposit with a Trustee in the amount of the bonds, and directly making all payments and performing all conditions relating to the bonds. This escrow deposit will remain with the Trustee so long as the Authority levies the ad valorem tax required by the "Indigent Care Agreement" described in Note 3.
3. Once these provisions relating to the bond issue are enacted by Southeastern, the lease payments will be reduced to \$240,000 per year, which is net of the bond issue payments. This lease amount will be adjusted annually based upon changes in the Consumer Price Index.
4. The "working capital" long-term receivable of \$1,259,282 was returned to the Authority by Lake Shore Hospital, Inc. on March 4, 1996.

On March 12, 1997, this lease was subsequently assigned by Southeastern to Shands at Lake Shore, Inc., another wholly owned affiliate of Shands Teaching Hospitals and Clinics, Inc., under substantially the same terms.

On July 25, 2003, the Authority entered into an Amended and Restated Lease Agreement with Shands at Lake Shore, Inc. The terms of this agreement incorporated, and were substantially the same as the significant provisions of the preceding agreements.

Effective on July 1, 2010, the Authority entered into an amended and restated lease agreement with HMA Lake Shore, Inc. Under the terms of this agreement, the existing hospital lease was assigned to HMA Lake Shore, Inc., a private corporation. The terms of the lease remained substantially the same except the term which was extended until June 30, 2040, and the full amount of the lease payment was recalculated to \$389,303 annually payable in equal monthly installments. The amount of the monthly payment will be adjusted annually in accordance with the change in the CPI-U index. Other provisions required Shands at Lake Shore, Inc. to pay off the outstanding balance of the bonds described in Note 7, below, and provisions requiring clarification of lessee responsibility for building repairs and renovations.

The Authority's net investment in this direct financing lease at September 30, 2015, was \$5,997,654. Lease payments in the amount of \$434,639 were received for the current year.

Future minimum payments to be received from the direct financing lease as of September 30, 2015, are as follows:

Fiscal Year Ending September 30,			
2016	\$	438,418	
2017		447,186	
2018		456,130	
2019		465,253	
2020		474,558	
2021-2025		2,519,010	
2026-2030		2,781,191	
2031-2035		3,070,660	
2036-2040		3,213,965	
		13,866,371	
Less amount representing interest revenue under the lease		(7,868,717)	
		<u>\$ 5,997,654</u>	

#### NOTE 7. INTERFUND ASSETS/LIABILITIES

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Hospital services	Operating	\$ 686,389
Clinical services	Hospital services	612,829
Capital improvements	Hospital services	10,200
		<u>\$1,309,418</u>

#### NOTE 8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2015, follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$2,776,592	\$ -	\$ (527,500)	\$2,249,092
Depreciable				
Buildings	1,703,237	-	-	1,703,237
Equipment	91,492	9,797	-	101,289
Total depreciable	1,794,729	9,797	-	1,804,526
Accumulated depreciation	(329,296)	(55,953)	-	(385,249)
Depreciable capital assets, net	<u>1,465,433</u>	<u>(46,156)</u>	<u>-</u>	<u>1,419,277</u>
Total capital assets, net	<u>\$4,242,025</u>	<u>\$ (46,156)</u>	<u>\$ (527,500)</u>	<u>\$3,668,369</u>

Total depreciation of \$55,953 was charged to the General Government function of the Authority primary government.

#### NOTE 9. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets; and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks

have not exceeded commercial or workers' compensation insurance coverage for the past three years. There has been no reduction in insurance coverage from the previous year.

**NOTE 10. SUBSEQUENT EVENTS**

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through February 3, 2016, the date the financial statements were available to be issued.

**NOTE 11. CONTINGENT LIABILITIES**

The Authority is a defendant in a lawsuit. Although the outcome of this lawsuit is not presently determinable, in the opinion of the Authority's management the resolution of this matter will not have a material adverse effect on the financial condition of the Authority.

**NOTE 12. PRIOR PERIOD ADJUSTMENT**

The implementation of GASB 68 requires employers participating in cost-sharing defined benefit pension plans to report their proportionate share of the total net pension liability and deferred inflows/outflows of resources for the plan on their government-wide financial statements. The Authority participates in the Florida Retirement System which is a cost-sharing defined benefit pension plan and therefore has to report these amounts in their government-wide financial statements. A prior period adjustment decreasing net position by \$71,120 has been recognized to offset the recording of a net pension liability of \$86,961 and deferred outflows of resources of \$15,841 for the fiscal year ended September 30, 2014.

**REQUIRED SUPPLEMENTARY INFORMATION**

**LAKE SHORE HOSPITAL AUTHORITY**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended September 30, 2015**

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Lease income	\$ 515,257	\$ 515,257	\$ 519,715	\$ 4,458
Interest	20,000	20,000	21,242	1,242
Sale of general fixed asset	-	-	26,527	26,527
Other	-	-	5,263	5,263
<b>Total revenues</b>	<b>535,257</b>	<b>535,257</b>	<b>572,747</b>	<b>37,490</b>
<b>EXPENDITURES</b>				
General government				
Personnel services				
Salaries	170,151	170,151	165,485	4,666
Payroll taxes	13,017	13,017	12,416	601
Insurance	23,760	11,760	11,016	744
Retirement	23,547	25,547	25,110	437
Workers Compensation	1,343	1,343	-	1,343
	<u>231,818</u>	<u>221,818</u>	<u>214,027</u>	<u>7,791</u>
Operating expenses				
Legal and accounting	60,000	55,000	39,410	15,590
Professional services	-	-	-	-
Insurance	22,000	22,000	14,517	7,483
Repairs and maintenance	32,000	32,000	22,371	9,629
Utilities	13,000	13,000	11,734	1,266
Other	48,700	53,700	53,563	137
	<u>175,700</u>	<u>175,700</u>	<u>141,595</u>	<u>34,105</u>
Capital outlay				
Capital outlay	-	10,000	9,797	203
	<u>-</u>	<u>-</u>	<u>9,797</u>	<u>203</u>
<b>Total general government</b>	<b>407,518</b>	<b>407,518</b>	<b>365,419</b>	<b>42,099</b>
Indigent patient care at clinics				
Indigent patient services				
Public education	10,000	10,000	2,201	7,799
	<u>10,000</u>	<u>10,000</u>	<u>2,201</u>	<u>7,799</u>
<b>Total expenditures</b>	<b>417,518</b>	<b>417,518</b>	<b>367,620</b>	<b>49,898</b>
<b>Excess of revenues over expenditures</b>	<b>117,739</b>	<b>117,739</b>	<b>205,127</b>	<b>87,388</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Interfund transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance, at beginning of year	8,826,396	8,826,396	8,826,396	-
<b>Fund balance, at end of year</b>	<b>\$ 8,944,135</b>	<b>\$ 8,944,135</b>	<b>\$ 9,031,523</b>	<b>\$ 87,388</b>

See notes to financial statements.

**LAKE SHORE HOSPITAL AUTHORITY**  
**HOSPITAL SERVICES FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended September 30, 2015**

	Original Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Ad valorem taxes	\$ 2,158,518	\$ 2,168,927	\$ 10,409
Interest	5,000	3,803	\$ (1,197)
Total revenues	<u>2,163,518</u>	<u>2,172,730</u>	<u>9,212</u>
<b>EXPENDITURES</b>			
Operating expenses			
Tax collector fees	100,000	658	99,342
Property appraiser fees	105,000	67,849	37,151
	<u>205,000</u>	<u>68,507</u>	<u>136,493</u>
Health care services			
Indigent health services	2,400,000	847,580	1,552,420
On-call coverage	160,000	150,785	9,215
	<u>2,560,000</u>	<u>998,365</u>	<u>1,561,635</u>
Total expenditures	<u>2,765,000</u>	<u>1,066,872</u>	<u>1,698,128</u>
Excess of revenues over (under) expenditures	(601,482)	1,105,858	1,707,340
Fund balance, at beginning of year	1,690,402	1,690,402	-
Fund balance, at end of year	<u>\$ 1,088,920</u>	<u>\$ 2,796,260</u>	<u>\$ 1,707,340</u>

See notes to financial statements.



**LAKE SHORE HOSPITAL AUTHORITY**  
**CLINICAL SERVICES FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended September 30, 2015**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Interest	\$ 5,000	\$ 6,727	\$ 1,727
Total revenues	<u>5,000</u>	<u>6,727</u>	<u>1,727</u>
<b>EXPENDITURES</b>			
Health care services			
Indigent patient services	550,000	69,210	480,790
Pharmacy	<u>50,000</u>	<u>15,771</u>	<u>34,229</u>
	<u>600,000</u>	<u>84,981</u>	<u>515,019</u>
Total expenditures	<u>600,000</u>	<u>84,981</u>	<u>515,019</u>
Excess of revenues over (under) expenditures	(595,000)	(78,254)	516,746
Fund balance, at beginning of year	<u>1,563,534</u>	<u>1,563,534</u>	-
Fund balance, at end of year	<u>\$ 968,534</u>	<u>\$ 1,485,280</u>	<u>\$ 516,746</u>

See notes to financial statements.

**LAKE SHORE HOSPITAL AUTHORITY**  
**CAPITAL IMPROVEMENTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**  
**For the Fiscal Year Ended September 30, 2015**

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Ad valorem taxes	\$ 10,200	\$ 10,200	\$ -
Interest	1,000	5,816	4,816
Total revenues	<u>11,200</u>	<u>16,016</u>	<u>4,816</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues over expenditures	11,200	16,016	4,816
Fund balance, at beginning of year	<u>1,451,389</u>	<u>1,451,389</u>	<u>-</u>
Fund balance, at end of year	<u>\$ 1,462,589</u>	<u>\$ 1,467,405</u>	<u>\$ 4,816</u>

See notes to financial statements.

**LAKE SHORE HOSPITAL AUTHORITY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended September 30, 2015**

**A. Budgetary Information:**

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for all funds. All annual appropriations lapse at fiscal year end.

The Authority generally follows these procedures in establishing the budgetary data for the governmental funds as reflected in the financial statements:

1. Prior to September 30, the Executive Director submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following October. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted following preliminary examination and revision of the proposed operating budget by the Board of Trustees.
3. After public hearings and necessary revisions have been completed, the budget is approved.
4. The legal level of budgetary control is the fund level.
5. Formal budgetary integration is employed as a management control device during the year for all funds of the Authority.

**Schedule of Lake Shore Hospital Authority's Proportionate Share of Net Pension Liability  
Health Insurance Subsidy Program  
Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>
Lake Shore Hospital Authority's proportion of the net pension liability	0.000629540%	0.000629540%
Lake Shore Hospital Authority's proportionate share of the net pension liability	\$ 58,864	\$ 58,864
Lake Shore Hospital Authority's covered-employee payroll	\$ 165,485	\$ 180,402
Lake Shore Hospital Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	35.57%	32.63%
Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.99%

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

**Note 1:** GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available. Information is available for fiscal years 2014 and 2015 and is presented in the table above.

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

**Note 3:** Due to time constraints for this report it will be released prior to receiving the Florida Retirement System's 2015 report which provides the 2015 net pension liability. The presented 2015 liability balance reflects the 2014 balance reported by the Florida Retirement System, which should not be materially different from the 2015 balances, due to the small size of Lake Shore Hospital Authority's payroll and representative portion of the liability.

**Note 4:** There are several factors that have the potential to significantly affect trends in the amounts reported in these schedules. These are disclosed in detail in Note 4 of Notes to Financial Statements.

**Schedule of Lake Shore Hospital Authority's Proportionate Share of Net Pension Liability  
Florida Retirement System  
Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>
Lake Shore Hospital Authority's proportion of the net pension liability	0.000624707%	0.000624707%
Lake Shore Hospital Authority's proportionate share of the net pension liability	\$ 38,116	\$ 38,116
Lake Shore Hospital Authority's covered-employee payroll	\$ 165,485	\$ 180,402
Lake Shore Hospital Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	23.03%	21.13%
Plan fiduciary net position as a percentage of the total pension liability	96%	96%

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

**Note 1:** GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available. Information is available for fiscal years 2014 and 2015 and is presented in the table above.

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

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**Note 4:** There are several factors that have the potential to significantly affect trends in the amounts reported in these schedules. These are disclosed in detail in Note 4 of Notes to Financial Statements.

**Schedule of Lake Shore Hospital Authority Contributions  
Florida Retirement System  
Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 25,110	\$ 23,838
Contributions in relation to the contractually required contribution	<u>(25,110)</u>	<u>(23,838)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Lake Shore Hospital Authority's covered-employee payroll	\$ 165,485	\$ 180,402
Contributions as a percentage of covered-employee payroll	15.17%	13.21%

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

**Note 1:** GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, governments should present information for only those years for which information is available. Information is available for fiscal years 2014 and 2015 and is presented in the table above.

**Note 4:** There are several factors that have the potential to significantly affect trends in the amounts reported in these schedules. These are disclosed in detail in Note 4 of Notes to Financial Statements.

**COMPLIANCE SECTION**

**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  
Lake Shore Hospital Authority  
Lake City, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of Lake Shore Hospital Authority, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise Lake Shore Hospital Authority's basic financial statements, and have issued our report thereon dated February 3, 2016.

**Internal Control Over Financial Reporting**

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

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

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

**Finding 2011-1 (Fourth succeeding year)  
Financial Statement Preparation**

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the government does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where Lake Shore Hospital Authority is not capable of drafting the financial



statements and all required footnotes disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

#### **MANAGEMENT'S RESPONSE**

***We agree with this finding. We are a very small government and have used our available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. Both staff and the Board of Trustees review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the Board of Trustees.***

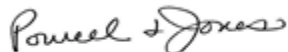
***At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.***

#### **Compliance and Other Matters**

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

#### **Purpose of this Report**

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



**POWELL & JONES**  
Certified Public Accountants  
February 3, 2016

## MANAGEMENT LETTER

To the Board of Trustees  
Lake Shore Hospital Authority  
Lake City, Florida

We have audited the financial statements of the Lake Shore Hospital Authority, as of and for the year ended September 30, 2015, and have issued our report thereon dated February 3, 2016. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

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. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

**PRIOR YEAR FINDINGS** - There were no reportable findings in the prior year.

**CURRENT YEAR FINDINGS** - There were no reportable findings in the current year.

### AUDITOR GENERAL COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of Lake Shore Hospital Authority, for the year ended September 30, 2015.

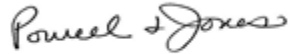
Financial Emergency Status - We determined that the Authority did not meet any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

Financial Condition Assessment - As required by the *Rules of the Auditor General* (Sections 10.555(7)(c) and 10.556(7)), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information they provided.

Our audit did not disclose any further items that would be required to be reported under the *Rules of the Auditor General*, Chapter 10.550.

## **CONCLUSION**

We very much enjoyed the challenge and experiences associated with this year's audit of the Authority. We are pleased with the continuing fiscal strength of the Authority. We look forward to working with you in the future.

A handwritten signature in cursive script that reads "Powell & Jones".

**POWELL & JONES**  
Certified Public Accountants  
February 3, 2016

## INDEPENDENT ACCOUNTANT'S REPORT

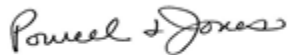
To the Board of Trustees  
Lake Shore Hospital Authority  
Lake City, Florida

We have examined the Lake Shore Hospital Authority's compliance with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

This report is intended solely for the information and use of the Authority and the Auditor General, State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.



**POWELL & JONES**  
Certified Public Accountants  
February 3, 2016

## **Communication with Those Charged with Governance**

To the Board of Trustees  
Lake Shore Hospital Authority  
Lake City, FL

We have audited the financial statements of Lake Shore Hospital Authority for the year ended September 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Lake Shore Hospital Authority are described Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no sensitive estimates affecting Lake Shore Hospital Authority's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no sensitive disclosures affecting the financial statements.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no such misstatements identified during our audit.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated February 3, 2016.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### *Other Audit Findings or Issues*

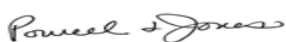
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of Lake Shore Hospital Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



**Powell and Jones**  
**Certified Public Accountants**  
**February 3, 2016**

## RESPONSE TO AUDIT FINDINGS

To the Auditor General  
State of Florida  
Tallahassee, Florida

Dear Sir:

As required by Section 10.558(1), *Rules of the Auditor General*, I am filing this response to our audit report for the fiscal year ended September 30, 2015.

The audit has been presented to and reviewed by the Board of Trustees. No comments were noted regarding the audit report. We are pleased that no prior year or current year findings were noted in the audit, or management letter.

### Finding 2011-Financial Statement Preparation

We agree with this finding. We are a very small government and have used our available resources to employ a competent bookkeeper who maintains excellent accounting records and provides accurate monthly financial reports prepared generally on the cash basis. We likewise have confidence in our audit firm to utilize these records and prepare annual financial statements in the required formats and with all associated note disclosures. Both staff and the Board of Trustees review the annual financial reports and have the opportunity to ask the auditor any questions regarding the report prior to its formal presentation. The report is formally presented by the auditor at a scheduled meeting of the Board of Trustees.

At this time, we do not believe it would be a justifiable expense to employ another accountant on either a part-time or full-time basis to prepare the annual financial statements. We thus accept this required disclosure finding and will continue to monitor this situation in the future.

Sincerely,



Jack Berry  
Executive Director