

LAKE SHORE HOSPITAL AUTHORITY

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2020

LAKE SHORE HOSPITAL AUTHORITY

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2020

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INTRODUCTORY SECTION

LAKE SHORE HOSPITAL AUTHORITY

LIST OF PRINCIPAL OFFICIALS

September 30, 2020

BOARD OF TRUSTEES

CHAIRMAN

Brandon Biel

VICE-CHAIR

Dr. Mark Thompson

SECRETARY/TREASURER

Loretta (Lory) Chancy

BOARD MEMBERS

Stephen M. Douglas

FINANCIAL SECTION



Powell & Jones
Certified Public Accountants

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

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Lake City, Florida 32025
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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 Lake Shore Hospital Authority, as of and for the year ended September 30, 2020, 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Lake Shore Hospital Authority, as of September 30, 2020, 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 June 26, 2021, 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
June 26, 2021

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 owns 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 funds 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. This is the main operating fund of the Authority.

Special Revenue Funds - Special Revenue funds are used to account for specific revenues that are 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. This service will continue with a hospital services agreement with Lake City Medical Center.
- **Clinical Service Fund** - Used to account for receipt of ad valorem taxes and payment of eligible clinic indigent patient care and prescription drug assistance.
- **Hospital Building Fund** - Used to account for operating expenses associated with the vacant Shends Lake Shore Hospital building, which is owed by the Authority.
- **Capital Projects Fund** - Used to account for improvements to the hospital facilities.

Authority as a Whole**Government-wide Financial Statements**

condensed version of the Statement of Net Position at September 30, 2020, follows:

Net Position at September 30, 2020 and 2019

	Governmental Activities / Total Government	
	2020	2019
ASSETS		
Cash and investments	\$ 23,553,876	\$ 14,068,128
Receivables	30,262	34,070
Prepaid expenses	9,711	12,363
Capital assets, net of accumulated depreciation	13,888,395	3,645,553
Net Investment in capital lease	-	5,750,054
Total assets	<u>37,482,244</u>	<u>23,510,168</u>
Deferred Outflows of Resources	<u>33,474</u>	<u>58,724</u>
Liabilities		
Current liabilities	76,022	210,794
Long-term liabilities	141,108	199,264
Total liabilities	<u>217,130</u>	<u>410,058</u>
Deferred Inflows of Resources	<u>97,897</u>	<u>69,599</u>
Net Position		
Invested in capital assets	13,888,395	3,645,553
Invested in capital lease	-	5,750,054
Restricted	7,358,454	7,358,454
Unrestricted	15,952,057	6,335,172
Total net position	<u>\$ 37,198,906</u>	<u>\$ 23,089,233</u>

During the year ended September 30, 2020, there was an increase in Net Position, based upon the gain on the termination of the hospital lease and return of the hospital facilities to the Authority.

A condensed version of the Statement of Activities follows:

Governmental Activities
For the Fiscal Years Ended September 30, 2020 and 2019

	Governmental Activities / Total Government	
Revenues:		
General revenues		
Ad valorem taxes	\$ 2,664,068	\$ 2,440,018
Interest	222,030	230,206
Lease income	565,633	430,625
Contributed assets received	10,077,199	-
Gain on Hospital lease settlement	1,749,945	-
Other	14,061	8,662
Total Revenues	15,292,936	3,109,511
 Expenses:		
General government	554,470	514,730
Human service	628,794	1,047,819
Total expenses	1,183,264	1,562,549
Change in net position	14,109,672	1,546,962
Beginning net position	23,089,233	21,542,271
Ending net position	\$ 37,198,906	\$ 23,089,233

Governmental activities

Health care program expenditures decreased \$419,025 from \$1,047,819 in the prior year to \$628,794 in the current year.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2020, the Authority has \$13,888,354 invested in capital assets, consisting primarily of land and buildings. The increase from the prior year of \$10,242,841 was substantially attributable to the return of the hospital facilities to the Authority as a result of the lease termination.

Capital Assets at September 30, 2020 and 2019

	2020	2019
Land	\$ 2,872,999	\$ 2,252,927
Construction in progress	361,062	161,281
Buildings	11,202,142	1,728,237
Office equipment	108,573	108,573
	<u>14,544,776</u>	<u>4,251,018</u>
Accumulated depreciation	(656,382)	(605,465)
Capital assets, net	<u>\$ 13,888,394</u>	<u>\$ 3,645,553</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 Authority, Florida 32055.

Basic Financial Statements

LAKE SHORE HOSPITAL AUTHORITY

STATEMENT OF NET POSITION

September 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 19,240,223
Accounts receivable	4,693
Accrued interest receivable	25,569
Investments	4,313,653
Prepaid expenses	9,711
Total current assets	<u>23,593,849</u>
Capital assets, net of accumulated depreciation	13,888,395
Total assets	<u>37,482,244</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>33,474</u>
LIABILITIES	
Accounts payable	71,290
Accrued liabilities	4,732
Compensated absences	16,084
Net pension liability	125,024
Total liabilities	<u>217,130</u>
DEFERRED INFLOWS OF RESOURCES	<u>69,599</u>
NET POSITION	
Invested in capital assets	13,888,395
Restricted	7,358,454
Unrestricted	15,952,057
Total net position	<u><u>\$ 37,198,906</u></u>

See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2020

	Expenses	Net (Expenses) Revenue and Change in Net Position
		Governmental Activities Total
Governmental activities:		
General government	\$ (554,470)	\$ (554,470)
Human services - healthcare	(628,794)	(628,794)
Total governmental activities	\$ (1,183,264)	(1,183,264)
 General revenues:		
Ad valorem taxes		2,664,068
Interest		222,030
Lease income		565,633
Gain on hospital lease settlement		1,749,945
Capital contribution - hospital facilities		10,077,199
Miscellaneous		14,061
Total general revenues		15,292,936
 Change in net position		14,109,672
 Net position, beginning of the year		23,089,233
 Net position, end of year		\$ 37,198,906

See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY
GOVERNMENTAL FUNDS BALANCE SHEET
September 30, 2020

	Special Revenue Funds					Total Governmental Funds
	General Fund	Hospital Services	Clinical Services	Capital Improvements Fund	Hospital Building Fund	
ASSETS						
Cash	\$ 8,677,165	\$ 7,831,888	\$ 1,203,806	\$ 1,027,364	\$ 500,000	\$ 19,240,223
Investments	3,277,845	1,035,808	-	-	-	4,313,653
Due from other funds	-	686,389	12,829	30,600	-	729,818
Accounts receivable	-	4,693	-	-	-	4,693
Prepaid expenses	9,711	-	-	-	-	9,711
Accrued interest receivable	19,429	6,140	-	-	-	25,569
Total assets	<u>\$ 11,984,150</u>	<u>\$ 9,564,918</u>	<u>\$ 1,216,635</u>	<u>\$ 1,057,964</u>	<u>500,000</u>	<u>\$ 24,323,667</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 6,739	\$ 54,984	\$ 9,567	\$ -	-	\$ 71,290
Accrued liabilities	4,732	-	-	-	-	4,732
Due to other funds	686,389	43,429	-	-	-	729,818
Total liabilities	<u>697,860</u>	<u>98,413</u>	<u>9,567</u>	<u>-</u>	<u>-</u>	<u>805,840</u>
Fund balances:						
Nonspendable, long-term assets	-	-	-	-	-	-
Assigned	-	9,466,506	1,207,068	1,057,965	500,000	12,231,538
Unassigned	11,284,504	-	-	-	-	11,284,504
Total fund balances	<u>11,284,504</u>	<u>9,466,506</u>	<u>1,207,068</u>	<u>1,057,965</u>	<u>500,000</u>	<u>23,516,042</u>
Total liabilities and fund balances	<u>\$ 11,982,364</u>	<u>\$ 9,564,919</u>	<u>\$ 1,216,635</u>	<u>\$ 1,057,965</u>	<u>\$ 500,000</u>	

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	13,888,395
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(205,531)
Net position of governmental activities	<u>\$ 37,198,906</u>

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, 2020

	Special Revenue Funds				Total Governmental Funds	
	General Fund	Hospital Services	Clinical Services	Capital Improvements Fund		Hospital Building Fund
REVENUES						
Taxes - ad valorem	\$ -	\$ 2,664,068	\$ -	\$ -	\$ -	\$ 2,664,068
Lease income	565,633	-	-	-	-	565,633
Interest	194,308	27,722	-	-	-	222,030
Other	5,754	8,231	76	-	-	14,061
Total revenues	765,695	2,700,021	76	-	-	3,465,792
EXPENDITURES						
General government						
Personnel services:						
Salaries	159,034	-	-	-	-	159,034
Retirement	12,243	-	-	-	-	12,243
Payroll taxes	12,541	-	-	-	-	12,541
Workers Compensation	235	-	-	-	-	235
	184,053	-	-	-	-	184,053
Operating expenses:						
Property Appraiser fees	-	116,515	-	-	-	116,515
Legal and accounting	41,850	-	-	-	-	41,850
Utilities	12,532	-	-	-	-	12,532
Insurance	40,589	-	-	-	-	40,589
Repairs and maintenance	13,554	-	-	-	-	13,554
(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, 2020

	Special Revenue Funds					Total Governmental Funds
	General Fund	Hospital Services	Clinical Services	Capital Improvements Fund	Hospital Building Fund	
Operating expenses (continued)						
Supplies	-	-	-	-	-	-
Other	98,346	722	-	216,559	-	315,627
	<u>206,871</u>	<u>117,237</u>	<u>-</u>	<u>216,559</u>	<u>-</u>	<u>540,667</u>
 Total general government	 <u>390,924</u>	 <u>117,237</u>	 <u>-</u>	 <u>216,559</u>	 <u>-</u>	 <u>724,720</u>
Health						
Indigent health services						
Patient care	-	488,720	38,334	-	-	527,054
On-call coverage	-	90,846	-	-	-	90,846
Pharmacy	-	-	9,156	-	-	9,156
Public education	1,738	-	-	-	-	1,738
	<u>1,738</u>	<u>579,566</u>	<u>47,490</u>	<u>-</u>	<u>-</u>	<u>628,794</u>
Total expenditures	<u>392,662</u>	<u>696,803</u>	<u>47,490</u>	<u>216,559</u>	<u>-</u>	<u>1,353,514</u>
Excess (deficiency) of revenues over expenditures	373,033	2,003,218	(47,414)	(216,559)	-	2,112,278
 OTHER FINANCING SOURCES (USES)						
Interfund transfers in	-	-	-	-	500,000	500,000
Interfund transfers out	(500,000)	-	-	-	-	(500,000)
Gain on hospital lease settlement	1,749,945	-	-	-	-	1,749,945
Total other financing	<u>1,249,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>1,749,945</u>
Net change in fund balance	1,622,978	2,003,218	(47,414)	(216,559)	500,000	3,862,223
Fund balances, at beginning of year	9,661,526	7,463,288	1,254,482	1,274,523	-	19,653,819
Fund balances, at end of year	<u>\$ 11,284,504</u>	<u>\$ 9,466,506</u>	<u>\$ 1,207,068</u>	<u>\$ 1,057,965</u>	<u>\$ 500,000</u>	<u>\$ 23,516,042</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, 2020**

Net change in fund balances - Governmental Funds	\$	4,362,223
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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	216,559	
Capital contribution - hospital facilities	10,077,199	
Less current year depreciation	<u>(50,917)</u>	
Difference		10,242,841

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	(1,019)	
Net decrease in net pension liability	59,175	
Net decrease in deferred outflows	(25,250)	
Net increase in deferred inflows	<u>(28,298)</u>	
		<u>4,608</u>

Change in net position of governmental activities	\$	<u><u>14,609,672</u></u>
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See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS September 30, 2020

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 four 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 as well as its administrative expenses.

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.

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, 2020, 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, 2020, 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.

<u>Description</u>	<u>Category</u>		<u>Cost</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>		
Certificates of Deposit	\$ 4,313,653	\$ -	\$ 4,313,653	\$ 4,313,653
	<u>\$ 4,313,653</u>	<u>\$ -</u>	<u>\$ 4,313,653</u>	<u>\$ 4,313,653</u>

F. Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

G. Encumbrances - Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the Authority.

H. Capital Assets - Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of two years. Assets are recorded at historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donations.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Assets	Years
Building and improvements	15 - 40
Machinery and equipment	3 - 20
Street and related infrastructure	20 - 40

I. Unearned Revenues – Unearned revenues reported in government-wide financial statements represent revenues received but not earned. The unearned revenues will be recognized as revenue in the fiscal year they are earned in accordance with the accrual basis of accounting. Unearned revenues represent unearned revenues which are measurable but not available and, in accordance with the modified accrual basis of accounting, are reported as unearned revenues. The Authority had no unearned revenues at year end.

J. Accrued Compensated Absences – The Authority’s policies provide for the accumulation or vesting of vacation benefits by employees which are fully payable upon satisfactory separation.

K. Prepaid Items – Significant payment made to vendors for goods or services that will benefit periods beyond September 30, 2020, are recorded as prepaid items.

L. Restricted Assets - Certain net assets of the Authority are classified as restricted assets on the statement of net assets because their use is limited either by law through constitutional provisions or enabling legislation: or by restrictions imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted net assets then from unrestricted

M. Short-term Interfund Receivables/Payables – During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the balance sheet. Short-term interfund loans are classified as “interfund receivables/payables.

N. Inventories - The costs of governmental funds inventories are recorded as expenditures when purchased rather than consumed. The actual amounts of any inventory type goods on hand at year end would not be material.

O. 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.

P. 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.

Q. Fund Balances – Governmental Funds – As of September 30, 2020, 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 or 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, 2020, fund balances are composed of the following:

	General Fund	Hospital Services	Clinical Services	Capital Improvements	Hospital Building	Total Governmental Funds
Nonspendable, long-term assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Assigned:						
Hospital services	-	9,466,506	-	-	-	9,466,506
Clinical services	-	-	1,207,068	-	-	1,207,068
Capital outlay	-	-	-	1,057,965	-	1,057,965
Hospital building	-	-	-	-	500,000	500,000
Unassigned funds	11,284,504	-	-	-	-	11,284,504
Total Fund Balances	<u>\$ 11,284,504</u>	<u>\$ 9,466,506</u>	<u>\$ 1,207,068</u>	<u>\$ 1,057,965</u>	<u>\$ -</u>	<u>\$ 23,516,042</u>

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 \$23,516,042 differs from “Net Position” of governmental activities \$37,198,906 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:

Cost of capital assets	\$ 14,544,776
Accumulated depreciation	(656,381)
Total	<u>\$ 13,888,395</u>

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, 2020 were:

Compensated Absences	\$ (16,084)
Net pension liability	(125,024)
Deferred inflows of resources	(97,897)
Deferred outflows of resources	33,474
	<u>\$ (205,531)</u>

Eliminations of interfund receivables/payable

Interfund receivables and payables in the amount of \$729,818 between governmental funds must be eliminated for the Statement of Net Position.

<u>Receivables Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Improvements	Hospital Services	\$ 30,600
Clinical Services	Hospital Services	12,829
Hospital Services	Operating	686,389
		<u>\$ 729,818</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
ASSETS					
Cash and cash equivalents	\$ 23,553,876	\$ -	\$ -	\$ -	\$ 23,553,876
Due from other funds	729,818	-	-	(729,818)	-
Accounts receivable	4,693	-	-	-	4,693
Accrued interest receivable	25,569	-	-	-	25,569
Prepaid expenses	9,711	-	-	-	9,711
Capital assets - net	-	13,888,395	-	-	13,888,395
Total assets	\$ 24,323,667	\$ 13,888,395	\$ -	\$ (729,818)	\$ 37,482,244
DEFERRED OUTFLOWS OF RESOURCES	-	-	33,474	-	33,474
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 71,290	\$ -	\$ -	\$ -	\$ 71,290
Accrued liabilities	4,732	-	-	-	4,732
Prepaid lease	-	-	-	-	-
Deposit	-	-	-	-	-
Compensated absences	-	-	16,084	-	16,084
Due to other funds	729,818	-	-	(729,818)	-
Net pension liability	-	-	125,024	-	125,024
Total liabilities	805,840	-	141,108	(729,818)	217,130
DEFERRED INFLOWS OF RESOURCES	-	-	97,897	-	97,897
Fund balances/net position					
Invested in capital assets	-	13,888,395	-	-	13,888,395
Nonspendable, long-term assets	-	-	-	-	-
Assigned	12,231,538	-	-	-	12,231,538
Unassigned	11,284,504	-	(205,531)	-	11,078,973
Total net position	23,516,042	13,888,395	(205,531)	-	37,198,906
Total liabilities and fund balances/ net position	\$ 24,321,883	\$ 13,888,395	\$ (64,423)	\$ (729,818)	\$ 37,416,036

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

The “net change in fund balances” for the Governmental Funds \$3,862,223 differs from the “change in net position” for governmental activities \$14,109,672 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.

Acquisition of capital assets	\$ 10,293,758
Depreciation expense	(50,917)
	<u>\$ 10,242,841</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	\$ (1,019)
Net decrease in net pension liability	59,175
Net decrease in deferred outflows	(25,250)
Net increase in deferred inflows	(28,298)
	<u>\$ 4,608</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	Statement of Activities
REVENUES				
Taxes	\$ 2,664,068	\$ -	\$ -	\$ 2,664,068
Interest	222,030	-	-	222,030
Lease income	565,633	-	-	565,633
Other	14,061	-	-	14,061
Total revenues	3,465,792	-	-	3,465,792
EXPENDITURES				
Current expenditures				
General government	724,720	(165,642)	(4,608)	554,471
Human services	628,794	-	-	628,794
Total expenditures	1,353,514	(165,642)	(4,608)	1,183,265
Excess (deficiency) of revenues over expenditures	2,112,278	165,642	4,608	2,282,527
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	500,000	-	-	500,000
Capital contributions - Hospital facilities	-	10,077,199	-	-
Gain on hospital lease settlement	1,749,945	-	-	1,749,945
Interfund transfers out	(500,000)	-	-	(500,000)
	1,749,945	10,077,199	-	1,749,945
Net change in fund balance	3,862,223	10,242,841	4,608	14,109,671
Fund balances at October 1, 2019	19,653,819	3,645,554	(210,139)	23,089,234
Fund balances at September 30, 2020	\$ 23,516,042	\$ 13,888,395	\$ (205,531)	\$ 37,198,905

NOTE 3. PROPERTY TAX

As provided in the prior "Indigent Care Agreement" between the Authority and HMA Lake Shore Hospital, Inc., and as allowed by its enacting laws, the Authority annually levied 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 PLAN AND THE RETIREE HEALTH INSURANCE SUBSIDY PROGRAM

Florida Retirement System:

General Information - All of the Authority's employees participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, *Florida Statutes*, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, *Florida Statutes*, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating Authority or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, *Florida Statutes*, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class

members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, *Florida Statutes*, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020, respectively, were as follows: Regular—8.47% and 10.00%; Special Risk Administrative Support—38.59% and 35.84%; Special Risk—25.48% and 24.45%; Senior Management Service 25.41% and 27.29%; Elected Officers'—48.82% and 49.18%; and DROP participants—14.60% and 16.98%. These employer contribution rates include 1.66% and 1.66% HIS Plan subsidy for the periods October 1, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020, respectively.

The Authority's contributions, including employee contributions, to the Pension Plan totaled \$8,635 for the fiscal year ended September 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2020, the Authority reported a liability of \$125,024 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Authority’s proportionate share of the net pension liability was based on the Authority’s 2019-20 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2021 the Authority's proportionate share was .00016272227 percent, which was a decrease of (57.68) percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the Authority recognized pension expense of \$5,627. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,699	\$ -
Changes in assumptions	12,767	-
Net difference between projected and actual earnings on Pension Plan investments	4,199	-
Changes in proportion and differences between Authority Pension Plan contributions and proportionate share of contributions	1,384	82,336
Town Pension Plan contributions subsequent to the measurement date	2,005	-
Total	\$ 23,054	\$ 82,336

The deferred outflows of resources related to the Pension Plan, totaling \$2,005 resulting from Authority contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending	
2021	\$ (12,630)
2022	(19,670)
2023	(16,720)
2024	(9,995)
2025	(2,272)
Thereafter	-
	<u>\$ (61,287)</u>

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.00%, The 7.00% return was chosen by the 2020 FRS Actuarial Conference and differs from the 6.80% investment rate for GASB calculations.

Mortality rates were based on the Generational RP-2010 based table generational mortality using gender specific MP-2018 mortality improvement projection scale.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2019 for the period through June 30, 2018.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.20%	2.20%	1.20%
Fixed income	19.00%	3.00%	2.90%	3.50%
Global equity	54.20%	8.00%	6.70%	17.10%
Real estate (property)	10.30%	6.40%	5.80%	11.70%
Private equity	11.10%	10.80%	8.10%	25.70%
Strategic investments	4.40%	5.50%	5.30%	6.90%
Total	<u>100.00%</u>			
 Assumed Inflation - Mean			 2.40%	 1.70%

Discount Rate - The discount rate used to measure the total pension liability was 6.80%. The Pension 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 calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
Authority's proportionate share of the net pension liability	\$ 112,618	\$ 70,526	\$ 21,936

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2020, the Authority had \$949 in payables to report for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2020

HIS Plan

Plan Description - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, *Florida Statutes*, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended September 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2020, the HIS contribution for the period October 1, 2019 through June 30, 2020 and from July 1, 2020 through September 30, 2020 was 2.21% and 2.21%, respectively. The Authority contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled

The Authority's contributions, including employee contributions to the HIS Plan, totaled \$6,6723 for the fiscal year ended September 30, 2020.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2020, the Authority reported a liability of \$153,746 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Authority's proportionate share of the net pension liability was based on the Authority's 2019-20 fiscal year contributions relative to the 2018-19 fiscal year contributions of all participating members. At June 30, 2020, the Authority's proportionate share was .0004463455 percent, which was an decrease of (3.57) percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the Authority recognized pension expense of \$619. In addition the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,229	\$ 42
Changes in assumptions	5,860	3,169
Net difference between projected and actual earnings on HIS Plan investments	44	-
Changes in proportion and differences between Authority HIS Plan contributions and proportionate share of contributions	1,522	12,350
Town HIS Plan contributions subsequent to the measurement date	765	-
Total	\$ 10,420	\$ 15,561

The deferred outflows of resources related to the HIS Plan, totaling \$765 resulting from Authority contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2021	(1,635)
2022	(1,211)
2023	(331)
2024	(769)
2025	(1,048)
Thereafter	(912)
	(5,906)

Actuarial Assumptions - The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.21%

Mortality rates were based on the Generational RP-2010 based table generational mortality using gender specific MP-2018 mortality improvement projection scale.

The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2019 for the period July 1, 2013 through June 30, 2018.

The following changes in assumption occurred in the 2020 fiscal year:

The municipal bond rate used to determine total pension liability was decreased from 3.50% to 2.21% and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with scale MP-2018

Discount Rate - The discount rate used to measure the total pension liability was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Authority's proportionate share of the net pension liability calculated using the discount rate of 2.21%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1% Decrease 1.21%	Current Discount Rate 2.21%	1% Increase 3.21%
Authority's proportionate share of the net pension liability	\$ 62,997	\$ 54,498	\$ 47,541

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2020, the Authority had \$733.62 in payables to report for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2020.

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 – LEASE TERMINATION

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 then outstanding bonds, and provisions requiring clarification of lessee responsibility for building repairs and renovations.

In January, 2014 HMA Lake Shore, Inc. was acquired by Community Health Systems (CHS) as the result of a merger between CHS and Health Management Associates, the parent company of HMA Lake Shore, Inc. The terms of the lease were not affected by this merger.

The Authority's net investment in this direct financing lease at September 30, 2020, was \$5,750,095. Lease payments in the amount of \$565,633 were received for the current year.

Effective September 30, 2020 the Authority and HMA Lake Shore Inc entered into a "Settlement, Release, and Termination of Loan Agreement". (The Agreement). Under the terms of this Agreement HMA Lake Shore ceased operation of the hospital and returned possession of the hospital facilities to the Authority. All associated agreements between the Authority and HMA Lake Shore were also terminated at that time.

In consideration of these provisions the Authority received a termination fee from HMA Lake Shore of \$7,500,000. This transaction was recorded in the Authority's financial records as follows:

Cash received	\$ 7,500,040
Direct financing lease balance	(5,750,095)
Gain on lease settlement	<u>1,749,945</u>

Contribution of hospital facilities	
Estimated acquisition value	
(Columbia County Property Appraiser valuation)	<u>\$ 10,077,199</u>

NOTE 7. INTERFUND ASSETS/LIABILITIES

Due from/to other funds:

<u>Receivables Fund</u>	<u>Inter Payable Fund</u>	<u>Amount</u>
Capital Improvements	Hospital Services	\$ 30,600
Clinical Services	Hospital Services	12,829
Hospital Services	Operating	686,389
		<u>\$ 729,818</u>

Interfund balances generally occur when one fund pays expenses on behalf of another fund, and the reimbursements are received at a later date. All balances are anticipated to be liquidated within the next year.

NOTE 8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2020, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets:				
Non-depreciable capital assets not being depreciated:				
Land	\$ 2,252,927	\$ 620,072	-	2,872,999
Construction in progress	161,281	199,781	-	361,062
Total non-depreciable capital assets	<u>2,414,208</u>	<u>819,853</u>	-	<u>3,234,061</u>
Depreciable capital assets:				
Building and improvements	1,728,237	9,473,905	-	11,202,142
Equipment	108,573	-	-	108,573
Total depreciable capital assets	<u>1,836,810</u>	<u>9,473,905</u>	-	<u>11,310,715</u>
Less accumulated depreciation				
Building and improvements	(515,858)	(46,465)	-	(562,323)
Equipment	(89,607)	(4,452)	-	(94,059)
Total accumulated depreciation	<u>(605,465)</u>	<u>(50,917)</u>	-	<u>(656,382)</u>
Total depreciable capital assets, net	<u>1,231,345</u>	<u>9,422,988</u>	-	<u>10,654,333</u>
Governmental activities capital assets, net	<u>\$ 3,645,553</u>	<u>\$ 10,242,841</u>	\$ -	<u>\$ 13,888,395</u>

Total depreciation of \$50,917 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 June 30, 2021, the date the financial statements were available to be issued.

NOTE 11. OTHER POST-EMPLOYMENT BENEFITS PLAN (OPEB)

The Authority is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the Authority or the retiree. Participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy". This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the Authority younger and statistically healthier active employees. GASB Statement 45 requires governments to report this cost and related liability in its financial statements.

Due to the fact that no retirees participated in the plan during the year and that it is anticipated that this situation will continue in the future because most employees work until they are eligible for Medicare benefits, management had determined that the Authority's OPEB obligation at year end would be of a de minimis amount. Management will monitor this situation in the future and take appropriate steps to properly comply with this GASB Statement.

NOTE 12. CONTINGENT LIABILITIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus was characterized as a pandemic. As a result, uncertainty's have arisen that may have significant negative impacts on the operating activities and results of the Authority. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effect on the financial markets, and (v) the effects on the economy overall, all of which is uncertain.

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, 2020

	Budgeted Amounts	Budgeted Amounts	Actual Amounts	Positive (Negative)
REVENUES				
Lease income	\$ 556,715	\$ 556,715	\$ 565,633	\$ 8,918
Interest	70,000	70,000	194,308	124,308
Gain on Hospital Lease Settlement	-	-	1,749,945	1,749,945
Other	-	-	5,754	5,754
Total revenues	626,715	626,715	2,515,640	1,888,925
EXPENDITURES				
General government				
Personnel services				
Salaries	171,610	171,610	159,034	12,576
Payroll taxes	13,129	13,129	12,541	588
Retirement	12,216	12,216	12,243	(27)
Medical assistance plan	5,000	5,000	-	5,000
Workers Compensation	1,343	1,343	235	1,108
	<u>203,298</u>	<u>203,298</u>	<u>184,053</u>	<u>19,245</u>
Operating expenses				
Legal and accounting	53,000	53,000	41,850	11,150
Insurance	23,000	23,000	40,589	(17,589)
Repairs and maintenance	20,000	20,000	13,554	6,446
Utilities	15,000	15,000	12,532	2,468
Other	79,542	79,542	98,346	(18,804)
	<u>190,542</u>	<u>190,542</u>	<u>206,871</u>	<u>(16,329)</u>
Total general government	393,840	393,840	390,924	2,916
Indigent patient care at clinics				
Indigent patient services				
Public education	5,000	5,000	1,738	3,262
	<u>5,000</u>	<u>5,000</u>	<u>1,738</u>	<u>3,262</u>
Total expenditures	398,840	398,840	392,662	6,178
Excess of revenues over (under) expenditures	227,875	227,875	2,122,978	1,895,103
OTHER FINANCING SOURCES (USES)				
Interfund transfers out	-	-	(500,000)	(500,000)
Total other financing sources (uses)	-	-	(500,000)	(500,000)
Fund balance, at beginning of year	9,699,272	9,699,272	9,661,526	(37,746)
Fund balance, at end of year	\$ 9,927,147	\$ 9,927,147	\$ 11,284,504	\$ 1,357,357

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, 2020

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 2,615,785	\$ 2,615,785	\$ 2,664,068	48,283
Interest	100,000	100,000	27,722	(72,278)
Miscellaneous Income	-	-	8,231	8,231
Total revenues	2,715,785	2,715,785	2,700,021	(15,764)
EXPENDITURES				
Operating expenses				
Tax collector fees	70,000	70,000	-	70,000
Property appraiser fees	75,000	75,000	116,515	(41,515)
Other	-	-	722	(722)
	145,000	145,000	117,237	28,485
Health care services				
Indigent health services	3,050,000	3,050,000	488,720	2,561,280
On-call coverage	160,000	160,000	90,846	69,154
Other indigent care	5,000	5,000	-	5,000
	3,215,000	3,215,000	579,566	2,635,434
Total expenditures	3,360,000	3,360,000	696,803	2,663,919
Excess of revenues over (under) expenditures	(644,215)	(644,215)	2,003,218	2,648,155
Net change in fund balance	(644,215)	(644,215)	2,003,218	2,647,433
Fund balance, at beginning of year	(8,752)	(8,752)	7,463,288	7,472,040
Fund balance, at end of year	\$ (652,967)	\$ (652,967)	\$ 9,466,506	\$ 10,119,473

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, 2020

	Original and Final Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Interest	\$ 20,000	20,000	\$ -	\$ (20,000)
Miscellaneous	-	-	76	76.00
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>76</u>	<u>(19,924)</u>
EXPENDITURES				
Health care services				
Indigent patient services	300,000	300,000	38,334	261,666
Pharmacy	50,000	50,000	9,156	40,844
	<u>350,000</u>	<u>350,000</u>	<u>47,490</u>	<u>302,510</u>
Total expenditures	<u>350,000</u>	<u>350,000</u>	<u>47,490</u>	<u>302,510</u>
Excess of revenues over (under) expenditures	(330,000)	(330,000)	(47,414)	282,586
Fund balance, at beginning of year	<u>(935,720)</u>	<u>(935,720)</u>	<u>1,254,482</u>	<u>(2,190,202)</u>
Fund balance, at end of year	<u>\$ (1,265,720)</u>	<u>\$ (1,265,720)</u>	<u>\$ 1,207,068</u>	<u>\$ (1,907,616)</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, 2020

	Original and Final Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES				
Ad valorem taxes	\$ 10,200	\$ 10,200	\$ -	\$ (10,200.00)
Interest	1,000	1,000	-	(1,000)
Total revenues	11,200	11,200	-	(11,200)
EXPENDITURES				
Capital outlay	5,000,000	5,000,000	216,559	4,783,442
Total expenditures	5,000,000	5,000,000	216,559	4,783,442
Excess of revenues over (under) expenditures	(4,988,800)	(4,988,800)	(216,559)	4,772,242
Net change in fund balance	(4,988,800)	(4,988,800)	(216,559)	4,772,242
Fund balance, at beginning of year	1,467,605	1,458,105	1,274,523	(194,782)
Fund balance, at end of year	\$ (3,521,195)	\$ (3,530,695)	\$ 1,057,965	\$ 4,588,660

See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended September 30, 2020

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.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF LAKE SHORE HOSPITAL AUTHORITY'S
PROPORTIONATE SHARE OF NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Authority's proportion of the FRS net pension liability (asset)	0.000162722%	0.000384476%	0.000621245%	0.000630881%	1.111658922%
Authority's proportionate share of the FRS net pension liability (asset)	\$ 70,526	\$ 132,408	\$ 187,122	\$ 186,610	\$ 166,378
Authority's proportion of the HIS net pension liability (asset)	0.000446346%	0.000462872%	0.000567156%	0.000580905%	0.006049830%
Authority's proportionate share of the HIS net pension liability (asset)	54,498	51,791	60,028	62,113	70,508
Authority's proportionate share of the total net pension liability (asset)	<u>\$ 125,024</u>	<u>\$ 184,199</u>	<u>\$ 247,150</u>	<u>\$ 248,723</u>	<u>\$ 236,886</u>
Authority's covered-employee payroll	\$ 176,479	\$ 153,874	\$ 177,713	\$ 185,107	\$ 189,252
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	70.84%	119.71%	139.07%	134.37%	125.17%
Plan fiduciary net position as a percentage of the total pension liability	74.46%	78.22%	79.86%	79.30%	79.36%

Note 1) The amounts presented for each year were determined as of the June 30 year end of the Florida Retirement System

*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

**REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF LAKE SHORE HOSPITAL AUTHORITY'S CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
LAST 10 FISCAL YEARS***

	2020	2019	2018	2017	2016	2015
Contractually required FRS contribution	\$ 6,906	\$ 11,951	\$ 21,945	\$ 22,974	\$ 23,187	\$ 21,357
Contractually required HIS contribution	5,337	4,674	3,813	4,300	4,075	3,753
Total Contractually Required Contributions	12,243	16,625	25,758	27,274	27,262	25,110
Contributions in relation to the contractually required contribution	(12,243)	(16,625)	(25,758)	(27,274)	(27,262)	(25,110)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 176,479	\$ 153,874	\$ 177,713	\$ 185,107	\$ 189,252	\$ 165,485
Contributions as a percentage of covered-employee payroll	6.94%	10.80%	14.49%	14.73%	14.41%	15.17%

*GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, only those years for which information is available is presented.

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
LAKE SHORE HOSPITAL AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY AND REQUIRED CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY PROGRAM
For the Fiscal Year End September 30, 2020**

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 September 30, 2020, are shown below (in thousands):

	<u>FRS</u>	<u>HIS</u>
Total pension liability	\$ 204,909,739	\$ 12,588,098
Plan fiduciary net position	<u>(161,568,265)</u>	<u>(378,361)</u>
	<u>\$ 43,341,474</u>	<u>\$ 12,209,737</u>

Plan fiduciary net position as a percentage
of the total pension liability

78.85%

3.00%

The total pension liability for each plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2020. 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. The 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.

The HIS actuarial valuation was prepared as of July 1, 2020. 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. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

Basis for Allocation

The employer's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2014, 2015, 2016, 2017, 2018, 2019, and 2020 respectively, for employers that were members of the FRS and HIS during those fiscal years. For fiscal year 2020, in addition to contributions from employers the required accrued contributions for the Division (paid on behalf of the Division's employees who administer the Plans) were allocated to each employer on a proportionate basis. The Division administers the Plans, and therefore, cannot allocate a portion of the liability to itself. 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 each fiscal year agree to the employer contribution amounts reported in the system's CAFR for that fiscal year.

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 for that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflow 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.

Actuarial Methods and Assumptions

Actuarial assumptions for both cost-sharing 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 that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both Plans is assumed at 3.25%. Payroll growth, including inflation, for both Plans is assumed at 2.40%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.80%. 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 2.21% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index) 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 2020:

- **FRS:** The long-term expected rate of return was decreased from 6.90% to 6.80%, and the active mortality assumption was updated.
- **HIS:** The municipal rate used to determine total pension liability was decreased from 3.50% to 2.21% and the mortality assumption was changed based on the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with the Scale MP-2018

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 Authority, 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, 2020, 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 June 30, 2021.

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 (Excess of second 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.

This response has not been subjected to the audit procedures applied in the audit and thus we express no opinion on it.

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
June 24, 2020

MANAGEMENT LETTER

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

We have audited the financial statements of the Lake Shore Hospital Authority, as of and for the year ended September 30, 2020, and have issued our report thereon dated June, 2021. 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 applicable to the management letter

CURRENT YEAR FINDINGS - There were no reportable findings in the current year applicable to the management letter.

AUDITOR GENERAL COMPLIANCE MATTERS

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 10.554(1)(i)5.b. and 10.556(8)), 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.

POWELL & JONES
Certified Public Accountants
June 30, 2021

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Trustees
Lake Shore Hospital Authority
Lake Authority, 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, 2020. 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, 2020.

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
June 30, 2021

Communication with Those Charged with Governance

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

We have audited the financial statements of Lake Shore Hospital Authority for the year ended September 30, 2020. 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 2020. 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 June 30, 2021.

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 & JONES
Certified Public Accountants
June 30, 2021