

**BAKER COUNTY HOSPITAL AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Baker County Hospital Authority conform to generally accepted accounting principles as applicable to hospitals. The following is a summary of the more significant policies.

**Reporting Entity**

The Baker County Hospital Authority (the Authority) is an independent special district created by an Act of the Florida Legislature on May 27, 1953. The Act provided for the creation of the Authority for the establishment and building, maintenance and operation of a public hospital at Macclenny in Baker County, primarily (although not limited) for the use and benefit of the citizens of Baker County, Florida. In addition, the Act provided for the appropriation of money and the raising of revenue by Baker County for the erection and maintenance of such hospital, by the allocation to such hospital authority of portions of race track funds which may be received by Baker County; to provide for the levy of ad valorem taxes by Baker County for the benefit of the hospital, and providing for a local referendum. The Authority is governed by a Board of Trustees, five in number, who are appointed by the Governor of Florida.

**Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Authority. Governmental activities, which normally are supported by taxes, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties. The Authority has no governmental 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 for services that are directly related to a given function; and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other revenues not properly included among program revenues are reported as general revenues.

**Fund Financial Statements**

The Authority utilizes one fund to account for its activities. This fund is considered a major fund. The Authority utilizes the proprietary fund whereby revenues and expenses are recognized on the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include hospital operations and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Measurement Focus and 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**BAKER COUNTY HOSPITAL AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)**

**Cash and Cash Equivalents**

For purposes of the statement of net position and statement of cash flows, all highly liquid investments, including restricted cash, are considered to be cash equivalents. GASBS No. 34, paragraph 99 states restricted assets represent assets that have been restricted as to withdrawal or use for other than current operations. In 2008 The Authority voted to designate certain funds for the “Future Medical Needs of Baker County.” As of September 30, 2016, cash totaling \$283,238 was designated for this purpose. This internal designation does not meet the requirements of GASB No. 34, paragraph 34, which governs restrictions of net position on the Statement of Net Position. Accordingly, the net position in the Statement of Net Position is properly stated as entirely unrestricted.

**Deposits with Financial Institutions**

All cash resources of the Authority are placed in banks that qualify as public depositories, as required by law (Florida Security Public Deposits Act). Every qualified public depository is required to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that Authority funds are entirely collateralized throughout the fiscal year.

**Ad Valorem Taxes**

The Authority received approximately 97 percent of its financial support from ad valorem taxes in fiscal year 2015-16. The Authority is a taxing authority in Baker County, Florida (the “County”) and pays a fee to the County for the assessment and collection of property taxes. Authority property tax revenues are recognized when levied, to the extent that they result in current receivables. Details of the Authority’s property tax calendar are presented below:

Lien Date	January 1
Levy Date	October 1
Installment Payments	
1st Installment	No later than June 30
2nd Installment	No later than September 30
3rd Installment	No later than December 31
4th Installment	No later than March 31
Regular Payments	
Discount Periods	November-February
No Discount Period	March
Delinquent Date	April 1

**Accounting Standards**

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

**BAKER COUNTY HOSPITAL AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 2 – INVESTMENTS**

Section 218.415, Florida Statutes, authorizes the Authority to invest in the Local Government Surplus Funds Trust Fund; Securities and Exchange Commission registered money market funds with the highest credit quality rating; savings accounts and certificates of deposits in qualified public depositories; and direct obligations of the U.S. Treasury.

The Authority's investments consist of money market accounts held in qualifying public depositories. These investments are entirely insured (Level 1 category of credit risk) and, due to the nature of their liquidity are properly classified as cash equivalents in the Statement of Net Position.

The Authority is exposed to the following risks associated with its investments:

Credit Risk – the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Interest Rate Risk – the risk that changes in interest rate will adversely affect the fair value of an investment.

The Authority does not have a formal investment policy relating to the aforementioned risks, other than Section 218.415, Florida Statutes, for investing public funds. That statute limits the Authority's exposure to credit risk and interest rate risk by limiting authorized investment options as previously described.

**NOTE 3 – DUE TO BAKER COUNTY TAX COLLECTOR**

During the 2013-14 fiscal-year, the Baker County Tax Collector discovered that errors had been previously made when taxes were distributed to the various taxing authorities. All taxing authorities except the Baker County School Board received excess distributions, while the School Board received distributions less than the amounts it was due. The total overpayment of taxes received by The Authority was \$149,367. The Baker County Tax Collector has executed an agreement to correct the overpayment of taxes over a five-year period as summarized below. The amount of taxes repaid for the year ended September 30, 2016 was \$32,360. The following represents the balance due at September 30, 2016.

<b><u>Year Ended</u></b>	<b><u>September 30, Amount</u></b>
2017	33,916
2018	<u>30,211</u>
	<u>\$ 64,127</u>

**NOTE 4 – MEDICAL SERVICES AGREEMENT**

The Authority is committed in a lease agreement dated October 1, 1993 and later amended and restated August 1, 1998 with BCMS to provide annual funding based on the review of BCMS's annual certified budget and request for funds for the benefit of equipping and maintaining the operation of the leased property. Within the scope of its statutory authority, the Authority shall certify to the County Property Appraiser of Baker County each year a budget for the payment of funds. Under the agreement, BCMS is responsible for the operations and management of the Ed Fraser Memorial Hospital, Frank Wells Nursing Homes and additions (Facilities) in order to provide health care to the citizens of Baker County. The current lease agreement expires July 31, 2025, at which time all assets and related liabilities of the operations of the medical facilities will revert to the Authority. The payment to BCMS for the year ended September 30, 2016 was \$775,000.

**BAKER COUNTY HOSPITAL AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

**NOTE 5 – CONTINGENCIES**

The Authority maintains surety bond coverage for risks associated with errors and omissions of its governing body. Insurance maintained by the BCMS covers risks associated with operations.

**NOTE 6 – SUBSEQUENT EVENTS**

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 12, 2017, the date which the financial statements were available to be issued. There were no subsequent events determined to occur that would have a material effect on the fair presentation of the financial statements taken as a whole through the date of the report, June 12, 2017.

**ADDITIONAL ELEMENTS REQUIRED**  
**BY THE**  
**RULES OF THE AUDITOR GENERAL**

# LYONS AND LYONS

## CERTIFIED PUBLIC ACCOUNTANTS

106 West Boulevard  
Macclenny, Florida 32063

Telephone (904) 259-4307  
Fax (904) 259-5102

---

### INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the Honorable Board of Directors  
Baker County Hospital Authority  
Macclenny, Florida

We have audited the financial statements of the Baker County Hospital Authority (the "Authority") as of and for the fiscal year ended September 30, 2016.

#### Auditor's Responsibility

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; *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General.

#### Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with AICPA *Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated June 12, 2017, should be considered in conjunction with this management letter.

#### Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. If the audit findings in the preceding audit report are uncorrected, we are required to identify those findings that were also included in the second preceding audit report. These requirements of the Rules of the Auditor General are addressed in the Schedule of Findings that accompanies this letter.

#### Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. There are no component units of The Commission. The Baker County Hospital Commission was established by a Special Act of the Legislature of the State of Florida, Chapter 57-1129 and House Bill Number 1899, which became a law without the Governor's approval of June 29, 1957.

#### Financial Condition

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

Members of American and Florida Institutes of Certified Public Accountants