

BAKER COUNTY HOSPITAL AUTHORITY

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2018

LYONS AND LYONS

CERTIFIED PUBLIC ACCOUNTANTS

BAKER COUNTY HOSPITAL AUTHORITY
FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
SEPTEMBER 30, 2018
TABLE OF CONTENTS

	<u>PAGE</u>
BOARD OF DIRECTORS	1
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	7
Statement of Activities	8
Proprietary Fund Financial Statements	
Statement of Revenues, Expenses, and Changes in Net Position	9
Statement of Cash Flows	10
Notes to Financial Statements	11
ADDITIONAL ELEMENTS REQUIRED BY THE RULES OF THE AUDITOR GENERAL	
Independent Auditors' Management Letter	15
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	17
Independent Accountants' Report on Compliance with Local Governments Investment Policies, Section 218.415, Florida Statutes	19
Schedule of Findings	20
Management's Response of Auditors' Findings	-

BAKER COUNTY HOSPITAL AUTHORITY
BOARD OF DIRECTORS
SERVING AS OF SEPTEMBER 30, 2018

BOARD OF DIRECTORS

V. Todd Ferreira

Debra Gnann

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INDEPENDENT AUDITORS' REPORT

The Honorable Board of Directors
Baker County Hospital Authority
Macclenny, Florida

We have audited the accompanying financial statements of the business-type activities and its major fund of the Baker County Hospital Authority (the "Authority") as of and for the year ended September 30, 2018, 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 opinions 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 the business-type activities and its major fund of the Baker County Hospital Authority, as of September 30, 2018, and the respective changes in financial position and cash flows 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 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 14, 2019, on our consideration of the 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 the Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lyons and Lyons, CPAs". The signature is written in black ink and is positioned above the date and location information.

June 14, 2019
Macclenny, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Baker County Hospital Authority's financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the Authority's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2017-18.

- The Authority's overall net position increased by \$108,306.
- Total ending unrestricted net position was approximately \$476,902.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the Authority's activities as a whole.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the Authority's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenditures are recorded, regardless of when cash is received or paid. Net position – the difference between assets and liabilities – can be used to measure the Authority's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the Authority's financial health is improving or deteriorating. However, other non-financial factors, such as changes in the tax base, must also be considered when assessing the overall health of the Authority.

Both of the government-wide financial statements distinguish between functions of the Authority that are principally supported by ad valorem taxes and pari-mutuel taxes.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that are segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Authority uses a proprietary fund to account for its activities.

Proprietary Funds – The Proprietary fund is used to account for all the activities of the Authority and it uses the economic resources measurement focus and 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.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may over time be a useful indicator of a government's financial position. In the case of the Baker County Hospital Authority, assets exceeded liabilities by \$476,902 at the close of the fiscal year ended September 30, 2018.

	<u>Business-Type Activities</u>	
	<u>FY 2018</u>	<u>FY 2017</u>
Current Assets	\$ 142,093	\$ 89,990
Non Current Assets	<u>334,809</u>	<u>308,992</u>
Total Assets	<u>476,902</u>	<u>398,982</u>
Current Liabilities	-	30,386
Long Term Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>30,386</u>	<u>30,386</u>
Net Position:		
Unrestricted	<u>476,902</u>	<u>368,596</u>
Total Net Position	<u>\$ 476,902</u>	<u>\$ 368,596</u>

Changes in Net Position

	<u>FY 2018</u>	<u>FY 2017</u>
Revenues:		
General Revenues:		
Property Taxes	\$ 952,009	\$ 943,561
Other Taxes	25,000	25,000
Interest	<u>1,267</u>	<u>1,128</u>
Total Revenues	<u>978,276</u>	<u>969,689</u>
Expenses:		
Health & Welfare	<u>869,970</u>	<u>867,687</u>
Total Expenses	<u>869,970</u>	<u>867,687</u>
Changes in Net Position	108,306	102,002
Net Position – Beginning of Year	<u>368,596</u>	<u>266,594</u>
Net Position – End of Year	<u>\$ 476,902</u>	<u>\$ 368,596</u>

Business-Type Activities

The Authority's activities are accounted for in a proprietary fund. The business-type activities generated \$978,276 in revenues and incurred \$869,970 of expenses. This resulted in a \$108,306 increase in net position.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Authority had no significant capital asset activity during the year.

Debt Administration

The Authority had no debt activity during the year.

ECONOMIC FACTORS

We are not currently aware of any conditions that are expected to have a significant effect on the Authority's financial position or results of operations.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Baker County Hospital Authority
20 E. Macclenny Ave.
Macclenny, FL 32063

BAKER COUNTY HOSPITAL AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

ASSETS

Current Assets:

Cash and Equivalents	\$ 142,093
Due from Other Governments	-
Total Current Assets	<u>142,093</u>

Noncurrent Restricted Assets:

Cash and Equivalents - designated	<u>334,809</u>
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TOTAL ASSETS	<u>476,902</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	-
Due to Other Governments	<u>-</u>

TOTAL LIABILITIES	<u>-</u>
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NET POSITION

Unrestricted	<u>476,902</u>
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TOTAL NET POSITION	<u>\$ 476,902</u>
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The accompanying "Notes to Financial Statements" form an integral part of this statement.

BAKER COUNTY HOSPITAL AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
Business-Type Activities		
Health and Welfare	\$ 869,970	\$ (869,970)
Total Business-Type Activities	\$ 869,970	(869,970)
 General Revenues:		
Ad valorem Taxes		952,009
Pari-mutuel Taxes		25,000
Interest Income		1,267
Total Business-Type Revenues		978,276
Changes in Net Position		108,306
Net Position - October 1, 2017		368,596
Net Position - September 30, 2018		\$ 476,902

The accompanying "Notes to Financial Statements" form an integral part of this statement.

BAKER COUNTY HOSPITAL AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

OPERATING EXPENSES

Hospital Operations	\$ 775,000
Administrative Services	23,000
Advertising	38
Attorney Services	645
Other Expenses	669
Professional Services	<u>5,750</u>

TOTAL OPERATING EXPENSES	<u>805,102</u>
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OPERATING INCOME (LOSS)	(805,102)
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NONOPERATING REVENUES (EXPENSES)

Ad valorem Taxes	952,009
Pari-mutuel Taxes	25,000
Interest Revenue	1,267
Property Appraiser Expenses	(45,856)
Tax Collector Expenses	<u>(19,012)</u>

TOTAL NONOPERATING REVENUES (EXPENSES)	<u>913,408</u>
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CHANGE IN NET POSITION	108,306
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NET POSITION - October 1, 2017	<u>368,596</u>
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NET POSITION - September 30, 2018	<u>\$ 476,902</u>
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The accompanying "Notes to Financial Statements" form an integral part of this statement.

BAKER COUNTY HOSPITAL AUTHORITY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Payments For Services and Suppliers	\$ (30,277)
Cash Payments For Hospital Operations	<u>(775,000)</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(805,277)</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received From Taxes	977,399
Cash Payments For Tax Assesment Overbillings	(30,211)
Cash Payments For Tax Collection & Assessment	<u>(64,868)</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>882,320</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Cash and Equivalents	<u>1,267</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>1,267</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 78,310
 CASH AND CASH EQUIVALENTS, OCTOBER 1, 2017	 <u>398,592</u>
CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2018	\$ <u>476,902</u>
 CASH AND CASH EQUIVALENTS CLASSIFIED AS:	
Current Assets	\$ 142,093
Non-Current Assets	<u>334,809</u>
TOTAL CASH AND CASH EQUIVALENTS, SEPTEMBER 30, 2018	\$ <u>476,902</u>
 RECONCILIATION OF OPERATING INCOME (LOSS)	
TO NET CASH USED BY OPERATING ACTIVITIES	
Income (loss) from operations	\$ (805,102)
Adjustments to reconcile income (loss) from operations to net cash used by operating activities:	
Changes in assets and liabilities:	
Decrease in Accounts Payable	<u>(175)</u>
NET CASH USED BY OPERATING ACTIVITIES	\$ <u>(805,277)</u>

The accompanying "Notes to Financial Statements" form an integral part of this statement.

BAKER COUNTY HOSPITAL AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

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. As of September 30, 2018, only two board positions were occupied.

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, 2018

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. 54 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, 2018, cash totaling \$334,809 was designated for this purpose. This internal designation does not meet the requirements of GASB No. 54 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 2017-18. 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, 2018

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 – 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, 2018, was \$775,000.

NOTE 4 – 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 5 – SUBSEQUENT EVENTS

Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 14, 2019, 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 14, 2019.

ADDITIONAL ELEMENTS REQUIRED

BY THE

RULES OF THE AUDITOR GENERAL

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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, 2018.

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 14, 2019, 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 Authority. The Baker County Hospital Authority 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

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

Annual Financial Report

Sections 10.554(1)(i)5.b. 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 the annual financial report for the Baker County Hospital Authority for the fiscal year ended September 30, 2018, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2018. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

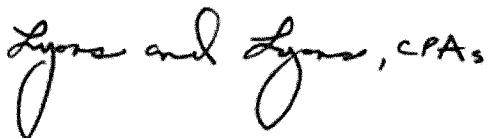
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Recommendations are noted as items 2018-001 and 2018-002 in the accompanying Schedule of Findings and response.

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

Purpose of this Letter

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

We wish to take this opportunity to express our appreciation for the courtesies, which have once again, been extended to our staff. We have sincerely enjoyed our association with the Authority and look forward to a continuing relationship. If you have any questions or comments concerning this letter, our accompanying reports, or any other matters, please do not hesitate to contact us.



June 14, 2019
Macclenny, Florida

LYONS AND LYONS

CERTIFIED PUBLIC ACCOUNTANTS

106 West Boulevard
Macclenny, Florida 32063

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

To the Honorable Board of Directors
Baker County Hospital Authority
Macclenny, 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 business-type activities, its major fund of the Baker County Hospital Authority (the "Authority"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and response, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and response as its 2018-001 and 2018-002 to be material weaknesses

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

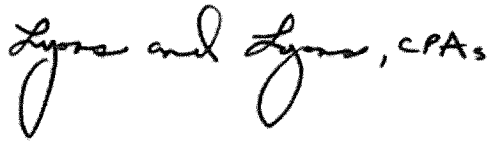
The Honorable Board of Directors
Baker County Hospital Authority
Macclenny, Florida

Baker County Hospital Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



June 14, 2019
Macclenny, Florida

LYONS AND LYONS

CERTIFIED PUBLIC ACCOUNTANTS

106 West Boulevard
Macclenny, Florida 32063

Telephone (904) 259-4307
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INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH LOCAL GOVERNMENT INVESTMENT POLICIES, SECTION 218.415, FLORIDA STATUTES

The Honorable Board of Directors
Baker County Hospital Authority
Baker County, Florida

We have examined the office of the Baker County Hospital Authority's (the "Authority") compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2018. 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, 2018.

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



Macclenny, Florida
June 14, 2019

SCHEDULE OF FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
BAKER COUNTY HOSPITAL AUTHORITY

Findings

2018-001 (Similar findings were reported in previous audits as items as 2017-001 and 2016-001)

Condition - Because of a limited number of personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or all phases of a transaction. The Authority has implemented compensating controls to the extent possible, given available staff, to mitigate the risk of unintentional or intentional errors occurring and not being detected. However, the possibility still exist that unintentional or intentional errors or irregularities could exist and not be detected.

Recommendation - To the extent possible, given available personnel, steps should be taken to segregate employee duties so that no one individual has access to both physical assets and the related accounting records, or all phases of a transaction. Our audit did not reveal any significant errors or irregularities resulting from this lack of separation of duties and responsibilities. However, we feel it is important that you are made aware of this condition.

2018-002 (Similar findings were reported in previous audits as items as 2017-002 and 2016-002)

Condition – Statements of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires auditors to prepare written communication if they identify misstatements during the audit process or if it was necessary to assist with the preparation of the financial statements. As part of the audit process, we proposed material adjustments to the Authority’s financial statements. It was also necessary for us to assist with the preparation of the financial statements. Our proposed adjustments were accepted by management, enabling the financial statements to be fairly presented in conformity with generally accepted accounting principles.

Recommendation – We recommend that you consider and evaluate the costs and benefits of improving internal controls relative to the financial reporting process. By improving the financial reporting process, the Authority will have an enhanced ability to monitor its budget position on an ongoing basis.

Baker County Hospital Authority

20 E. Macclenny Ave - Macclenny, FL 32063 – Ph. 904-259-6433

June 14, 2019

Ms. Sherrill F, Norman, CPA
Office of the Auditor General
State of Florida
Claude Denson Pepper Building
111 West Madison St
Tallahassee, FL 32399-1450

Dear Ms. Norman,

The Following is the response to the audit of the Baker County Hospital Authority's financial statements for the year ended September 30, 2018.

Audit Finding 2018-01

The Baker County Hospital Authority's administrative staff is limited to two individuals. Compensating controls have been implemented to the extent possible given the number of available staff. All checks require the signatures of two board members; administrative staff is not authorized to sign checks. An individual independent of the receipting process prepares bank reconciliations. Finally, the board reviews and approves all expense before checks are prepared.

Audit Finding 2018-02

The finding is duly noted. Due to budget constraints it is not feasible to have someone on staff with the knowledge and experience to correctly prepare the financial statements.

If additional information is required, please do not hesitate to contact me.

Sincerely,



Darryl Register
Administrative Officer