

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2019**

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
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SEPTEMBER 30, 2019**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners,  
Southeast Volusia Hospital District:

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southeast Volusia Hospital District, (the District), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

The District's 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.

### ***Auditors' 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 auditors' 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.

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## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the fiduciary fund of Southeast Volusia Hospital District as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

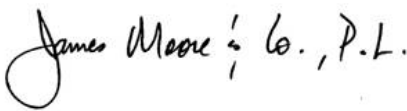
## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, 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 January 27, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



James Moore & Co., P.L.

Daytona Beach, Florida  
January 27, 2020

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2019**

This section of the Southeast Volusia Hospital District's (the District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ended September 30, 2019. The purpose is to provide an overview of the financial activities of the District based on currently known facts and conditions. Please read it in conjunction with the District's financial statements, which follow this section.

**Using this annual report:** This annual report consists of three parts—management's discussion and analysis, the basic financial statements and supplementary schedules.

### **Overview of the Financial Statements**

The discussion and analysis provided here are intended to serve as an introduction to the District's basic financial statements. The classification of activities and funds have changed from our previous reporting. The District's basic financial statements consist of three components:

1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. These financial statements and related notes provide information about the activities of the District, including resources held by the District but restricted for specific purposes by contributors, grantors or enabling legislation. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide the readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The statement of net position presents financial information on all of the District's assets, liabilities and deferred inflows/outflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial assets of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include general government and health care services. The business-type activities include health care services.

The government-wide financial statements include not only the District itself (known as the primary government, but also a legally separate entity (Bert Fish Medical Center Inc.) known as a blended component unit, for which the District is financially accountable. Financial information for the component unit is blended with the financial information presented for the government itself.

The government-wide financial statements can be found on pages 7 and 8 of this report.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2019  
(CONTINUED)**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements.

**Government Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's "near-term" financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. Those reconciliations can be found on pages 10 and 12.

The District maintains one (1) individual governmental fund and it is considered a major fund.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided on page 40 for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 9 and 11 of this report.

**Proprietary Funds.** The District maintains one (1) proprietary fund. The Bert Fish Medical Center Fund, an enterprise fund, is used to report the same functions presented in the business-type activities of the government-wide financial statements.

**Fiduciary Funds.** The Pension Trust Fund (Pension Trust), a fiduciary fund, is used to account for net position held in trust for the pension benefits of employees of the Medical Center under a defined benefit pension plan (see Note 6B). The Pension Trust is presented separately in the fiduciary fund financial statements. These assets are presented at fair value.

**Notes to the Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18 - 39 of this report.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's process in funding its obligation to provide certain pension benefits and other post-employment benefits to its employees and former employees. Required supplementary information can be found on pages 40 - 45 of this report

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2019  
(CONTINUED)**

**Financial Highlights**

On April 1, 2016, the District and Bert Fish Medical Center, Inc. (the Medical Center) entered into agreements with Adventist Health Systems Sunbelt Healthcare Corporation (AHS) and Southeast Volusia Healthcare Corporation (SVHC) to lease, transfer and sell substantially all of the assets of the District and the Medical Center (Transaction). Additional details regarding the Transaction can be found in Note 2 of the accompanying financial statements. The financial highlights for 2019 are an indicator of how the Transaction impacted the District.

**Net Position**

The District's combined net position totaled \$24,921,666 at the close of the 2019 fiscal year.

Net position of the District's Governmental Activities decreased by \$132,530. The District budgeted for a \$1.7 million decrease for the fiscal year (See Budget to Actual-General Fund Schedule). However, as a result of the litigation settlement described in Note 8 for \$1.5 million, the District incurred only a \$132,530 decrease.

Net position of the District's Business-Type Activities increased by \$833,534 as a result of cost reports relating to activity prior to the Transaction settling in favor of the District and estimated accrued expenses being lower than anticipated.

**Governmental Activities**

Total revenue for the District's governmental activities was \$10,381,318 which included \$8,669,397 of ad-valorem taxes and \$200,743 of investment earnings. Governmental activities expenses totaled \$10,513,848 and included \$9,844,672 for healthcare services.

**Business-Type Activities**

Total revenue for the District's business-type activities was \$862,839. These revenues were primarily related to the recognition of lease interest revenue resulting from the Transaction and investment earnings. Business-type expenses totaled \$29,305 which primarily related to the Pension Plan and services provided to wind down the operations of the Medical Center.

**Financial Analysis of Government Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Unassigned fund balance may serve as a useful measure of the District's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes.

At September 30, 2019, the District's governmental fund reported a fund balances of \$7,852,492. \$7,662,980 of the fund balance is considered unassigned.

**Proprietary Funds.** The District's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
SEPTEMBER 30, 2019  
(CONTINUED)**

Total net position of the Bert Fish Medical Center fund as September 30, 2019 was \$17,222,663. This includes assets of \$22,419,943, deferred outflows of resources of 4,051,122, and liabilities of \$9,248,402.

***Budget Variances – General Fund.*** During fiscal year 2019, the District anticipated the General Fund balance to decrease by \$1,730,254. The following is a summary of significant budget variances that occurred.

The District received a \$1.5 million dollar litigation settlement. A description of the settlement can be found in Note 8.

The Schedule of Revenues, Expenditures and Changes in Fund Balances – General Fund – Budget and Actual can be found on page 40.

**Requests for Information**

This financial report is intended to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the tax funding it receives. If you have any questions regarding this report or need additional information, contact the District's Finance Department at Southeast Volusia Hospital District, Attention: Chief Financial Officer, P.O. Box 909, New Smyrna Beach, Florida 32170 or 305 Magnolia Street, New Smyrna Beach, Florida 32170.



**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 324,648	\$ 3,803,894	\$ 4,128,542
Investments	7,746,520	11,093,481	18,840,001
Receivables, net	-	310	310
Other receivables	8,135	213,248	221,383
Prepaid expenses and other current assets	175,627	832	176,459
Capital assets:			
Depreciable, net	2,575	-	2,575
Net pension asset	-	7,308,178	7,308,178
Total assets	<u>\$ 8,257,505</u>	<u>\$ 22,419,943</u>	<u>\$ 30,677,448</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows related to pensions	<u>\$ 97,040</u>	<u>\$ 4,051,122</u>	<u>\$ 4,148,162</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 6,581	\$ 1,287	\$ 7,868
Accrued expenses	143,332	3,042,888	3,186,220
Due to other governments	12,199	-	12,199
Unearned revenue	240,326	5,865,874	6,106,200
Estimated third-party payor settlements	-	122,001	122,001
Noncurrent liabilities:			
Due within one year:			
Compensated absences	34,011	-	34,011
Self-insurance liability	-	30,000	30,000
Due in more than one year:			
Self-insurance liability	-	186,352	186,352
Net pension liability	205,039	-	205,039
Total liabilities	<u>\$ 641,488</u>	<u>\$ 9,248,402</u>	<u>\$ 9,889,890</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	<u>\$ 14,054</u>	<u>\$ -</u>	<u>\$ 14,054</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 2,575	\$ -	\$ 2,575
Restricted for:			
Pension	-	11,359,300	11,359,300
Unrestricted	7,696,428	5,863,363	13,559,791
Total net position	<u>\$ 7,699,003</u>	<u>\$ 17,222,663</u>	<u>\$ 24,921,666</u>

The accompanying notes to financial statements are an integral part of this statement.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<u>Functions/Programs</u>	<u>Program Revenues - Charges for Services</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Net Patient Service Revenue</u>	<u>Lease and Other Revenue</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:						
General government	\$ 669,176	\$ -	\$ 11,178	\$ (657,998)	\$ -	\$ (657,998)
Healthcare services	9,844,672	-	-	(9,844,672)	-	(9,844,672)
Total governmental activities	<u>10,513,848</u>	<u>-</u>	<u>11,178</u>	<u>(10,502,670)</u>	<u>-</u>	<u>(10,502,670)</u>
Business-type activities:						
Bert Fish Medical Center	29,305	313,283	273,950	-	557,928	557,928
Total business-type activities	<u>29,305</u>	<u>313,283</u>	<u>273,950</u>	<u>-</u>	<u>557,928</u>	<u>557,928</u>
Total primary government	<u>\$ 10,543,153</u>	<u>\$ 313,283</u>	<u>\$ 285,128</u>	<u>(10,502,670)</u>	<u>557,928</u>	<u>(9,944,742)</u>
General revenues:						
Property taxes				8,669,397	-	8,669,397
Investment earnings (loss)				200,743	275,606	476,349
Total general revenues				<u>8,870,140</u>	<u>275,606</u>	<u>9,145,746</u>
Change in net position, before special item				(1,632,530)	833,534	(798,996)
Special item - litigation settlement				1,500,000	-	1,500,000
Change in net position				(132,530)	833,534	701,004
Net position - beginning				7,831,533	16,389,129	24,220,662
Net position - ending				<u>\$ 7,699,003</u>	<u>\$ 17,222,663</u>	<u>\$ 24,921,666</u>

The accompanying notes to financial statements are an integral part of this statement.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
SEPTEMBER 30, 2019**

	<b>General</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 324,648
Investments	7,746,520
Other receivables	8,135
Prepaid items	175,627
Total assets	\$ 8,254,930
<b>LIABILITIES</b>	
Accounts payable	\$ 6,581
Accrued expenditures	143,332
Due to other governments	12,199
Unearned revenue	240,326
Total liabilities	402,438
<b>FUND BALANCES</b>	
Nonspendable:	
Prepaid items	\$ 175,627
Assigned to:	
Subsequent year's budget	13,885
Unassigned	7,662,980
Total fund balances	7,852,492
<b>Total liabilities and fund balances</b>	<b>\$ 8,254,930</b>

The accompanying notes to financial statements are an integral part of this statement.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2019**

<b>Fund balance - governmental fund</b>		\$ 7,852,492
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund		
Total governmental capital assets	10,193	
Less: accumulated depreciation	<u>(7,618)</u>	2,575
On the governmental fund statement, a net pension liability is not recorded until an amount is due and payable for payment of those benefits. On the Statement of Net Position, the District's net pension liability of the FRS plan is reported as a noncurrent liability. Additionally, deferred outflows and deferred inflows related to pensions are also reported.		
Net pension liability	(205,039)	
Deferred outflows related to pensions	97,040	
Deferred inflows related to pensions	<u>(14,054)</u>	(122,053)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These long-term liabilities consist of the following:		
Compensated absences		(34,011)
<b>Net position of governmental activities</b>		<u><u>\$ 7,699,003</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>General</b>
<b>Revenues</b>	
Ad valorem taxes	\$ 8,669,397
Investment and other income	200,743
Building/property lease revenue	11,178
Total revenues	8,881,318
<b>Expenditures</b>	
General government	639,122
Healthcare services	9,844,672
Total expenditures	10,483,794
<b>Special item - litigation settlement</b>	1,500,000
<b>Net change in fund balance</b>	(102,476)
<b>Fund balance, beginning of year</b>	7,954,968
<b>Fund balance, end of year</b>	\$ 7,852,492

The accompanying notes to financial statements are an integral part of this statement.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

<b>Net change in fund balance - governmental fund</b>	\$ (102,476)
Differences in amounts reported for governmental activities in the statement of activities are:	
Governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	
Depreciation expense	(739)
Governmental fund reports contributions to defined benefit pension plans as expenditures. However, in the statement of activities, the amount contributed to defined benefit pension plans reduces future net pension liability. Also included in pension expense in the Statement of Activities are amounts required to be amortized.	
Change in net pension liability and deferred inflows/outflows related to pensions	(32,253)
Under the modified accrual basis of accounting used in the governmental fund, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. These adjustments are as follows:	
Change in compensated absences liability	2,938
<b>Change in net position of governmental activities</b>	<b>\$ (132,530)</b>

The accompanying notes to financial statements are an integral part of this statement.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
SEPTEMBER 30, 2019**

	<u><b>Bert Fish Medical Center</b></u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 3,803,894
Investments	11,093,481
Accounts receivable, net	310
Other receivables	213,248
Prepaid items	832
Total current assets	<u>15,111,765</u>
Noncurrent assets:	
Net pension asset	7,308,178
Total assets	<u><u>\$ 22,419,943</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension	<u><u>\$ 4,051,122</u></u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	\$ 1,287
Accrued expenses	3,042,888
Estimated third-party payor settlements	122,001
Self insurance liability	30,000
Total current liabilities	<u>3,196,176</u>
Noncurrent liabilities:	
Self-insurance liability, less current portion	186,352
Unearned revenue	5,865,874
Total noncurrent liabilities	<u>6,052,226</u>
Total liabilities	<u><u>\$ 9,248,402</u></u>
<b>NET POSITION</b>	
Restricted for:	
Pension	\$ 11,359,300
Unrestricted	5,863,363
Total net position	<u><u>\$ 17,222,663</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u><b>Bert Fish Medical Center</b></u>
<b>Operating revenues</b>	
Net patient service revenues	\$ 313,283
Lease and other operating revenues, net	273,950
Total operating revenues	<u>587,233</u>
<b>Operating expenses</b>	
General government	29,305
<b>Operating income (loss)</b>	<u>557,928</u>
<b>Nonoperating revenues (expenses)</b>	
Investment earnings	275,606
<b>Change in net position</b>	<u>833,534</u>
<b>Net position</b> , beginning of year	16,389,129
<b>Net position</b> , end of year	<u><u>\$ 17,222,663</u></u>

The accompanying notes to financial statements are an integral part of this statement.



**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u><b>Bert Fish Medical Center</b></u>
<b>Cash flows from operating activities</b>	
Cash received from third-party payers and patients	\$ 307,664
Cash paid to vendors and others	(659,134)
Health insurance subsidies	(33,742)
Net cash provided by (used in) operating activities	<u>(385,212)</u>
<b>Cash flows from noncapital financing activities</b>	
Interfund loans	(95,811)
<b>Net change in cash and cash equivalents</b>	<u>(481,023)</u>
<b>Cash and cash equivalents, beginning of year</b>	4,284,917
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 3,803,894</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>	
Operating income (loss)	\$ 557,928
Adjustments to reconcile net operating income to net cash provided by (used in) operating activities:	
Changes in assets and liabilities:	
Accounts and other receivables	(6,738)
Net pension asset	394,515
Accrued expenses	1,054,447
Estimated third-party payor settlements	(1,993,327)
Unearned revenue	(272,831)
Self-insurance liability	(119,206)
Net cash provided by (used in) operating activities	<u><u>\$ (385,212)</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
SEPTEMBER 30, 2019**

	<u><b>Bert Fish Medical Center Pension Trust Fund</b></u>
<b>ASSETS</b>	
Cash and cash equivalents with trustee	<u>\$ 79,278</u>
Prepaid benefit payments	<u>180,567</u>
Investments, at fair value	
Money market funds	9,311
Equities	33,480,226
Fixed income	13,902,170
Accrued dividends	21,029
Total investments	<u>47,412,736</u>
Total assets	<u><u>\$ 47,672,581</u></u>
<b>LIABILITIES</b>	
Accrued expenses	<u><u>\$ 20,967</u></u>
<b>NET POSITION</b>	
Restricted for pensions	<u><u>\$ 47,651,614</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u><b>Bert Fish Medical Center Pension Trust Fund</b></u>
<b>Additions</b>	
Investment earnings:	
Interest, dividends, and changes in fair value, net of fees	\$ 1,456,039
Other income	93,254
Net investment income (loss)	<u>1,549,293</u>
 Total additions	 <u>1,549,293</u>
<b>Deductions</b>	
Benefit payments	2,445,450
Administrative expenses	130,650
Total deductions	<u>2,576,100</u>
 <b>Change in net position</b>	 <u>(1,026,807)</u>
 <b>Net position</b> , beginning of year	 48,678,421
 <b>Net position</b> , end of year	 <u><u>\$ 47,651,614</u></u>

The accompanying notes to financial statements are an integral part of this statement.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(1) Summary of Significant Accounting Policies:**

The financial statements of the Southeast Volusia Hospital District (the District), have been prepared in accordance with accounting principles generally accepted in the United States of America as appropriate for a special purpose entity engaged in governmental, business type and fiduciary type activities. The government-wide, proprietary fund and fiduciary fund financial statements of the District have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when they are incurred. The Governmental Accounting Standards Board (GASB) is the accepted body for promulgating governmental accounting and financial reporting principles. The following is a summary of the District's significant accounting policies:

(a) **Reporting entity**—The Southeast Volusia Hospital District (the District) is a political subdivision of the State of Florida and provides a source of funding for medically needy residents as well as comprehensive planning, funding and coordination of general health care in Volusia County. The District is a special taxing authority created by Chapter 24961, Laws of Florida, Special Act of 1947, as amended.

Bert Fish Medical Center, Inc. (the Medical Center) was originally established for the purposes of operating an acute-care hospital and other related facilities owned by the District. The Medical Center has the same governing board as the District, which is responsible for overseeing the operations of the Medical Center. The entity is reported as a blended component unit because the organization's governing body is substantially the same as the governing body of the District and management has operational responsibility. The Medical Center is the sponsor of a single-employer defined benefit pension plan, which is reported as a fiduciary fund.

The accompanying financial statements present the financial position, results of operations, and cash flows of the applicable funds governed by the Commission of the District, the reporting entity of government for which the District Commission is considered to be financially accountable. In evaluating the District as a reporting entity, management has addressed all potential component units that may or may not fall within the District's oversight and control, and thus, be included in the District's financial statements. No such entities or component units have been identified.

(b) **Government-wide and fund financial statements**—The basic financial statements include both government-wide (based on the District as a whole) and fund financial statements. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business type. In the government-wide statement of net position, both the governmental and business-type activities columns are presented on a consolidated basis and are reflected, on a full accrual, economic resource basis, which incorporates long term assets and receivables as well as long term debt and obligations.

The government-wide statement of activities reflects both the gross and net costs per functional category (general government, healthcare services, etc.), which are otherwise being supported by general revenues (property taxes, investment revenues, etc.). The statement of activities reduces gross expenses (including depreciation) by the related program revenues, charges for services, and other income. The program revenues must be directly associated with the function or a business-type activity.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, investment revenue, etc.). This government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds in either the governmental or business-type categories.

The governmental fund's major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which this fund is normally budgeted. This presentation is deemed most appropriate to demonstrate legal compliance and demonstrate how the District's actual experience conforms to the budgeted fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following the Governmental Fund – Balance Sheet and the Governmental Fund – Statement of Revenues, Expenditures, and Changes in Fund Balance, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The District's fiduciary fund is presented in the fund financial statements by type (pension). Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

As a general rule, the effect of interfund District activities has been eliminated from the government-wide financial statements.

(c) **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*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial statements are reported using *the current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and pensions are recorded only when payment is due.

Taxes, investment revenue, and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

(d) **Financial statement presentation**—The financial transactions of the District are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows, liabilities, deferred inflows, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The GASB Codification sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The District reports the following major governmental fund:

The **General Fund** accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the District other than proprietary fund activities are financed through revenues received by the General Fund.

The District reports the following major proprietary fund:

The **Bert Fish Medical Center Fund** was established to account for the revenues and expenses associated with the healthcare services provided to the residents. It is also the sponsor of a single-employer defined benefit pension plan. The transactions reported relate to both the administration of the pension plan, and the winding down of the Medical Center activity after the lease/sale of its facility and operations, which is described in Note (3).

Additionally, the District reports the following fiduciary fund:

The **Pension Trust Fund** (Pension Trust) is used to account for net position held in trust for the pension benefits of eligible former employees of the Medical Center under a defined benefit pension plan. The Pension Trust is presented separately in the fiduciary fund financial statements.

(e) **Budgets and budgetary accounting**—The Board of Commissioners of the District adopts an annual operating budget for the General Fund, which is prepared on a modified accrual basis and can be amended by the Board throughout the year. At the fund level, actual expenditures cannot exceed the budgeted amounts; however, with proper approval by the Board, budgetary transfers between line items can be made. The accompanying budgeted financial statements for the General Fund reflect the final budget authorization amounts, including all amendments.

(f) **Property tax calendar**—Property tax revenues are recognized when levied, to the extent that they result in current receivables. Details of the property tax calendar are presented below:

Lien date	January 1
Levy date	October 1
Discount periods	November – February
No discount period	March
Delinquent date	April 1

(g) **Deposits and investments**—The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are recorded at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

(h) **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 either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported 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.”

All trade and property tax receivables are reported net of an allowance for uncollectible accounts, which is based upon management's analysis of historical trends.

(i) **Capital assets**—Capital assets are defined by the District as assets with an initial individual cost of \$500 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost, if purchased or constructed. Contributed assets, including donations are recorded at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are only capitalized if they meet the dollar threshold above for capitalization. Maintenance and repairs of capital assets are charged to operating expenses.

Depreciation is reported for the primary government using the straight-line method calculated on a service-life basis to amortize the cost of the asset over their estimated economic useful lives, which are as follows:

Assets	Years
Equipment	3 – 15 years

(j) **Compensated absences**—District policy permits employees to accumulate a limited amount of earned, but unused personal leave, up to a maximum of 480 hours. This benefits is payable to employees upon separation from service and employees may cash in accrued personal leave hours over forty at each fiscal year end. All leave pay is accrued when incurred in the government-wide and proprietary fund financial statements, as applicable. A liability for these amounts is reported in accordance with the GASB Codification. Such liability will be liquidated by the general fund as it becomes due and is considered current due to the amounts not being significant.

(k) **Long-term obligations**—In the government-wide financial statements and proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

(l) **Deferred outflows/inflows of resources**—In addition to assets, the statement of financial position will, if required, report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (6).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (6).

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

(m) **Fund equity**—In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Those classifications are as follows:

*Nonspendable* – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash such as inventories and prepaid amounts.

*Restricted* – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation (i.e. when the government assesses, levies, charges, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

*Committed* – Fund balance amounts that can only be used for specific purposes pursuant to constraints imposed by ordinance of the District Commission are reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

*Assigned* – Fund balance amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance, except for stabilization arrangements. Assignments can be made by the District Commission or the District Administrator.

*Unassigned* – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

For spendable resources, it is the District's policy to use its resources in the following order as needed to fund expenses: restricted, committed, assigned, unrestricted.

(n) **Net position flow assumption**—Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to determine amounts reported as restricted and unrestricted net position, it is the District's policy to consider restricted net position to have been used before unrestricted net position is applied.

(o) **Implementation of new accounting standards**—At September 30, 2019, and for the year then ended, the District has not implemented any significant new accounting standards.

(p) **Self-insurance liabilities**—Self-insurance liabilities consist of professional liability and workers' compensation claims unpaid and incurred but not reported which occurred while operating the Medical Center. Professional liability claims unpaid and incurred but not reported are recorded based upon actuarial estimates determined by utilizing historical payment levels and claims lag data. Workers' compensation claims unpaid and incurred but not reported are recorded based upon historical payment levels and claims lag data.



**SOUTHEAST VOLUSIA HOSPITAL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(1) **Summary of Significant Accounting Policies:** (Continued)

(q) **Net patient service revenue and patient accounts receivable**—Proprietary funds distinguish between operating revenues and non-operating revenues and net patient service revenue consists of amounts collected or adjusted from patients, third-party payers and others. Net patient service revenue totaled approximately \$313,000 for the year ended September 30, 2019. This included settlements from third-party payers totaling approximately \$256,000.

The Medical Center's Medicare cost reports for all periods through March 31, 2016, have been filed. The cost reports for all years through September 30, 2015, have been examined, and the governmental agency intermediary has determined final settlements. An estimated provision for the settlement of all open cost reports has been reflected in the accompanying financial statements.

(r) **Use of estimates**—Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates assumed in preparing the financial statements.

(2) **Reconciliation of Government-Wide and Fund Financial Statement:**

(a) **Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position**—Following the governmental fund balance sheet is a reconciliation between fund balance – governmental fund and net position – governmental activities as reported in the government-wide statement of net position. A detailed explanation of these differences is provided in this reconciliation.

(b) **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities**—Following the governmental fund statement of revenues, expenditures, and changes in fund balance, there is a reconciliation between net changes in fund balance - governmental fund and changes in net position of governmental activities as reported in the government-wide statement of activities. A detailed explanation of these differences is provided in this reconciliation.

(3) **Lease, Transfer and Sale of Transaction:**

On April 1, 2016, the District, Medical Center, Edgewater Properties, LLC, Oak Hill Land, LLC, and Dixie Highway, LLC entered into a series of agreements with Adventist Health System Sunbelt Healthcare Corporation (AHS) and Southeast Volusia Healthcare Corporation (SVHC) whereby the District, Medical Center, Edgewater Properties, LLC, Oak Hill Land, LLC and Dixie Highway, LLC would lease, transfer, and sell substantially all of their assets to SVHC (the Transaction). Pursuant to these agreements, AHS and SVHC have assumed the operations of the hospital over the course of a 25-year lease of the real property identified in the Lease and Transfer Agreement (Lease) for a pre-paid lease payment of approximately \$18,700,000. The District and Medical Center recorded unearned income on lease of approximately \$7,100,000 at the inception of the Lease. The Lease may be renewed for two consecutive 25-year periods at a lease rate to be determined upon each renewal. The District and Medical Center also agreed to sell capital assets, supplies, and prepaid expenses and other current assets identified in the Asset Purchase Agreement (APA) as "Included Assets" for approximately \$21,300,000. Pursuant to the APA, Medical Center assigned certain capital and operating leases to SVHC. Medical Center credited SVHC approximately \$6,600,000 for the outstanding principal and interest payments remaining for the assigned capital leases. This credit was applied against the approximate \$21,300,000 dollar purchase price of the "Included Assets." The Medical Center committed to the payment of any tangible personal property tax, buyout payment, or return fee that may be owed under such assigned capital leases.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(3) Lease, Transfer and Sale of Transaction:** (Continued)

Pursuant to the Lease, SVHC agreed to a capital expenditure commitment of \$35,000,000 to benefit the hospital and its real property identified in the Lease during the first five years of the Lease. The District and Medical Center were also released of their deed restrictions by The Bert Fish Foundation, Inc.

Medical Center's accrued employee compensation liability was assigned to SVHC for a payment equal to the value of the liability. Pursuant to the APA, the Bert Fish Medical Center Refunding Bonds, Series 2012 were paid off on April 1, 2016. Pursuant to the Healthcare Services Agreement (HSA), the District will continue to pay tax support to SVHC on a sliding scale reduced each year during the first eight years using the base year of 2013. After the completion of each contract year, a reconciliation will be performed to ensure that the tax support payment was accurate.

**(4) Deposits and Investments:**

As of September 30, 2019, all District deposits were covered by private bank acquired insurance, Securities Investor Protection Corporation (SIPC) insurance, private broker/dealer acquired insurance, Federal Depository Insurance Corporation (FDIC) insurance, and/or the State of Florida collateral pool established under the Florida Security for Public Deposits Act (the Act). The Act established guidelines for qualification and participation by banks and savings associations, procedures for administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the qualified depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to 125% may be required if deemed necessary.

Obligations pledged to secure deposits must be delivered to the State Treasurer, or with the approval of the State Treasurer to a bank, savings association, or trust company provided a power of attorney is delivered to the Treasurer. Under the Act, the District is authorized to deposit funds only in Qualified Public Depositories.

The District is subject to using fair value measurement recognized under a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

***District Investment Portfolio***

The District has a formal investment policy for certain Board-designated amounts, authorizing investments in certain items at the discretion of management. The practice is to invest in U.S. governmental obligations and direct obligations of U.S. government agencies, high-quality corporate bonds, money market accounts, mutual funds, certificates of deposit and equity securities.

As of September 30, 2019, the District's governmental and business-type investment portfolio is composed of the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity (years)</u>	<u>Credit Rating (Fitch)</u>	<u>Fair Value Hierarchy Classification</u>
Fixed Income Funds	\$ 4,632,361	7.50	AAA-NR	Level 1
Equities	14,041,015	N/A	NR	Level 1
REIT	161,587	N/A	NR	Level 1
Cash	5,038	N/A	NR	N/A
Total Portfolio	<u>\$ 18,840,001</u>			

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(4) Deposits and Investments:** (Continued)

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the District require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2019, all investments were held in cash or other assets that could be liquidated at any time.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The District utilizes portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. All investments are rated within the investment policy guidelines at September 30, 2019.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The District does not have an investment policy that limits the amount which may be invested in any one issuer. The following chart shows securities held with a single issuer which represent 5% or more of total investments at September 30, 2019:

Issuer	Carrying Value	Percent of Total Portfolio Value
AB Global Core Equity (GCEYX)	\$ 5,708,129	30%
AB Global Bond Fund (ANAIX)	2,319,102	12%
Bernstein Intermediate Duration Institutional Portfolio (SNIDX)	2,313,258	12%
AB International Strategic Equities Portfolio (STEYX)	1,709,037	9%
Bernstein International Portfolio (SIMTX)	951,989	5%
Total	<u>\$ 13,001,515</u>	

*Custodial Credit Risk:* Custodial credit risk is the risk that the District may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At September 30, 2019, 18% of the District and Medical Center investment portfolio was made up of foreign investments.

***Pension Plan of Bert Fish Medical Center Inc. Investment Portfolio***

The Pension Plan of Bert Fish Medical Center Inc. (the Plan) has adopted an investment policy which authorizes the pension manager to invest in certain items, including U.S. governmental obligations and direct obligations of U.S. government agencies, money market accounts, mutual funds and high-quality corporate bonds and equity securities.

The Plan is subject to using the same fair value measurement guidelines as the District.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(4) Deposits and Investments:** (Continued)

The following chart shows the Plan's cash and investment accounts by investment portfolios and their respective maturities (in years) and fair value measurement levels:

Investment Type	Carrying Value	Weighted Average Maturity (years)	Credit Rating (Fitch)	Fair Value Hierarchy Classification
Fixed Income Funds	\$ 13,918,078	7.20	AAA-NR	Level 1
Equities	33,105,676	N/A	NR	Level 1
REIT	379,670	N/A	NR	Level 1
Cash	9,312	N/A	NR	N/A
Total Portfolio	<u>\$ 47,412,736</u>			

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Generally, the longer the time to maturity, the greater the exposure to interest rate risk. The established performance objectives of the Pension Plan require investment maturities to provide sufficient liquidity to pay obligations as they become due. At September 30, 2019, all investments were held in cash or other assets that could be liquidated at any time.

*Credit Risk:* Credit risk is the risk that a debt issuer or other counter-party to an investment will not fulfill its obligations. The Plan utilizes portfolio diversification in order to limit investments to the highest rated securities as rated by nationally recognized rating agencies. All investments are rated within the investment policy guidelines at September 30, 2019.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Plan does not have an investment policy that limits the amount which the Pension Trustee may invest in any one issuer. The following chart shows securities held with a single issuer which represent 5% or more of total investments at September 30, 2019:

Issuer	Carrying Value	Percent of Total Portfolio Value
AB Global Core Equity (GCEYX)	\$ 13,402,583	28%
AB Global Bond Fund (ANAIX)	6,830,081	14%
Bernstein Intermediate Duration Institutional Portfolio (SIIDX)	6,811,465	14%
Alliance Bernstein International Strategic Equities Portfolio (STEYX)	4,044,476	9%
Total	<u>\$ 31,088,605</u>	

*Custodial Credit Risk:* Custodial credit risk is the risk that the District may not recover cash and investments held by another party in the event of financial failure. Custodial credit risk is limited since investments are held in independent custodial safekeeping accounts or mutual funds.

*Foreign Currency Risk:* Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At September 30, 2019, 17% of the Pension Trust portfolio was made up of foreign investments.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

(5) **Capital Assets:**

Capital asset activity for the fiscal year ended September 30, 2019, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Equipment	10,193	-	-	10,193
Less: accumulated depreciation	(6,879)	(739)	-	(7,618)
Governmental activities capital assets, net	<u>\$ 3,314</u>	<u>\$ (739)</u>	<u>\$ -</u>	<u>\$ 2,575</u>

Depreciation expense of \$739 was charged to the general government function of governmental activities for the year ended September 30, 2019.

(6) **Employees' Retirement Plans:**

**A. Florida Retirement System**

**Plan Description and Administration**

The District participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the District's full-time employees with the exception of sworn law enforcement officers. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, FRS participants are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. Eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(6) Employees' Retirement Plans:** (Continued)

**Benefits Provided and Employees Covered**

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**Financial Statements**

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

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

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(6) Employees' Retirement Plans:** (Continued)

**Contributions**

Employers may participate in certain classes of FRS membership. The employee contribution rate for eligible employees are 3.0%. Each class has descriptions and employer contribution rates in effect during the fiscal year ended September 30, 2019, as follows (contribution rates are in agreement with the actuarially determined rates):

FRS Membership Plan & Class	Through June 30, 2019	After June 30, 2019
Regular Class	8.26%	8.47%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll, included in the above rates.

Actual contributions made for entity employees participating in FRS and HIS for the plan year ended June 30, 2019, were as follows:

District Contributions – FRS	\$ 12,640
District Contributions – HIS	3,208
Employee Contributions – FRS	5,798

**Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions**

At September 30, 2019, the entity reported a net pension liability related to FRS and HIS as follows:

Plan	Net Pension Liability
FRS	\$ 140,389
HIS	64,650
Total	\$ 205,039

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer proportion of the net pension liability was based on a projection of the organization's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2019 and June 30, 2018, the organization's proportionate share of the FRS and HIS net pension liabilities were as follows:

Plan	2019	2018
FRS	0.000407651%	0.000409387%
HIS	0.000577803%	0.000576051%

For the plan year ended June 30, 2019, pension expense was recognized related to the FRS and HIS plans as follows:

FRS	\$ 38,970
HIS	9,270
Total	\$ 48,240

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(6) Employees' Retirement Plans:** (Continued)

*Deferred outflows/inflows related to pensions:*

At September 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,327	\$ (87)	\$ 785	\$ (79)
Changes of assumptions	36,058	-	7,486	(5,284)
Net different between projected and actual investment earnings	-	(7,767)	42	-
Change in proportionate share	20,770	(639)	19,794	(198)
Contributions subsequent to measurement date	3,032	-	746	-
	<u>\$ 68,187</u>	<u>\$ (8,493)</u>	<u>\$ 28,853</u>	<u>\$ (5,561)</u>

Amounts reported as deferred outflows (except for contributions made subsequent to the measurement date, which will be recognized in the succeeding fiscal year) and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

2020	\$ 21,047
2021	20,570
2022	17,560
2023	7,734
2024	2,005
Thereafter	10,292
Total	<u>\$ 79,208</u>

*Actuarial assumptions:*

The actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS 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 was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 6.90%. This rate decreased from the prior year rate, which was 7.00%. 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 HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.50% was used to determine the total pension for the program. This rate decreased from the prior year rate, which was 3.87%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.



**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(6) Employees' Retirement Plans:** (Continued)

*Long-term expected rate of return:*

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2019, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. 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. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.3%
Fixed income	18.0%	4.1%
Global equities	54.0%	8.0%
Real estate	10.0%	6.7%
Private equity	11.0%	11.2%
Strategic investments	6.0%	5.9%
Total	<u>100.0%</u>	

*Sensitivity of the net pension liability to changes in the discount rate:*

The following presents the proportionate shares of the FRS and HIS net pension liability of the District calculated using the current discount rates, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<u>Plan</u>	<u>Current Discount Rate</u>	<u>NPL with 1% Decrease</u>	<u>NPL at Current Discount Rate</u>	<u>NPL with 1% Increase</u>
FRS	6.90%	\$ 242,686	\$ 140,389	\$ 54,954
HIS	3.50%	73,802	64,650	57,028

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(6) Employees' Retirement Plans: (Continued)**

**B. Pension Plan of Bert Fish Medical Center Inc.**

**Plan Description and Administration**

On July 1, 1995, the Medical Center terminated its participation in the Florida Retirement System (FRS) Plan. Simultaneous with this termination, the Medical Center established the Pension Plan of Bert Fish Medical Center, Inc. (the Pension Plan), a single-employer defined benefit plan. The Pension Plan is administered by the District. This plan was developed to provide substantially the same benefits as previously provided by the FRS Plan, except that employees are fully vested over a period of five years rather than ten years. The benefits include retirement benefits, cost-of-living adjustments and death benefits to plan members and beneficiaries.

The Pension Plan covers substantially all full-time employees who were employed by the Medical Center on July 1, 1995, and elected to participate. Participation in the Pension Plan is frozen and is limited to those eligible employees who elected to participate at the Pension Plan's inception. The Pension Plan benefits are based on years of service, employee compensation during a five-year period that produces the highest monthly average, and benefit rates applicable to each year of credited service. No stand-alone financial report is issued for the Plan.

**Benefits Provided and Employees Covered**

The Plan provides retirement, disability, termination, and death benefits to plan participants and beneficiaries. Automatic Cost-of-Living adjustments are provided to retirees and beneficiaries effective January 1 of each year at the rate of three percent per year. The Plan's Board of Trustees has contracted with an actuary to provide an actuarial valuation of each plan as of January 1 of every year. Current membership in the Plan was composed of the following at January 1, 2019:

Inactive participants	33
Active participants	10
Retired participants	<u>159</u>
Total current membership	<u><u>202</u></u>

Employees vest with 100% full benefits after 5 years of service. Employees are eligible for normal retirement after attaining age 62 with 5 years of credited service, or 30 years of credited service, but not later than age 65 and completion of 5 years of plan participation. Employees are eligible for early retirement after at any age with 10 years of credited service. Benefits at normal retirement are equal to a monthly benefit of 1.6% of high-5 year average compensation for each year of credited service. Early retirement benefits are reduced by 5/12% for each month by which the early retirement date precedes the normal retirement date.

**Financial Statements**

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The District's contributions are recognized when due and a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. All plan investments are reported at fair value. Separate financial statements have not been prepared for the Plan.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(6) Employees' Retirement Plans:** (Continued)

**Contributions**

The participant contribution rates for the Plan are established by and may be amended by the Board of Trustees. There are currently no contribution requirements for plan members. There is no annual required contribution for the current year as determined as part of the January 1, 2019 actuarial valuation. No contributions were made to the Plan for the plan year ended December 31, 2018 or the District fiscal year ended September 30, 2019.

**Investment Policy**

See Note (3) for additional discussion of the investment policies for the Plan.

**Net Pension Liability (Asset)**

The components of the net pension liability (asset) for the Plan at September 30, 2019 based on a Plan measurement date of January 1, 2019, was as follows:

Total pension liability	\$ 36,097,803
Plan fiduciary net position	43,405,981
Net pension liability (asset)	<u>\$ (7,308,178)</u>
Plan fiduciary net position as percentage of total pension liability	120%

The total pension liability (asset) was determined by an actuarial valuation as of January 1, 2019, with a measurement date of January 1, 2019, using the following actuarial assumptions to all measurement periods.

Inflation		3.00%
Salary increases	N/A for Benefit Accruals Since the Plan is Frozen	
	3.00% for EAN Cost Method	
Discount rate		6.50%

Mortality rates for the Plan were based on the RP-2014 Combined Mortality Table, with full generational improvements in mortality using Scale BB.

The long-term expected rate of return on pension plan investments was determined based on the target asset allocation, as outlined in the investment policy and long term expected return for the asset classes, as discussed with the pension plan investment committee.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(6) Employees' Retirement Plans:** (Continued)

Best estimates of arithmetic real rates of return for each major class included in the pension plan's target asset allocation as of September 30, 2019, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Equities/Global REIT	70%	7.9%
Fixed Income	30%	3.6%
Total	<u>100%</u>	6.6%

*Discount rate:*

The discount rate used to measure the total pension liability for the pension plan was 6.50%. The pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Changes in net pension liability:*

Changes in the plan's net pension liability for the calendar year ended December 31, 2018, were as follows:

	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (Asset) (a - b)</u>
Beginning Balance	\$ 36,251,132	\$ 49,344,996	\$ (13,093,864)
Changes for year:			
Service cost	53,688	-	53,688
Interest	2,279,054	-	2,279,054
Differences between expected/actual experience	32,483	-	32,483
Contributions – employer/state	-	-	-
Contributions – employee	-	-	-
Net investment income	-	(3,448,702)	3,448,702
Benefit payments, including refunds	(2,415,541)	(2,415,541)	-
Administrative expenses	-	(74,772)	74,772
Changes of assumptions	(103,013)	-	(103,013)
Ending Balance	<u>\$ 36,097,803</u>	<u>\$ 43,405,981</u>	<u>\$ (7,308,178)</u>



**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

(6) **Employees' Retirement Plans:** (Continued)

**C. Other Postemployment Benefits**

Retirees and their dependents are permitted to remain covered under the Authority's respective health care plans as long as they pay a full premium applicable to the coverage elected. This conforms to the minimum required of Florida governmental employers per Chapter 112.08 of Florida Statutes.

As a result, the District is subject to the recording of an OPEB (other postemployment benefits) liability in accordance with the GASB Codification. However, given the minimal amount of employee activity (two employees) relative to the size of the District's budget and overall financial activity, management believes the OPEB liability to be inconsequential to the financial statements. As such, no provision for an OPEB liability has been calculated or recorded.

(7) **Commitments and Contingencies:**

Amounts received or receivable from grantor agencies in current and prior years are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute, a liability of the applicable fund(s). The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in coverage from the prior year. The District occasionally faces legal claims incidental to the ordinary course of its operations. In the opinion of management and based on the advice of legal counsel, the ultimate disposition of open inquiries and claims, if any, will not have a material adverse effect on the financial position or results of operations of the District.

(a) **Medical malpractice and general liability**—For claims prior to April 1, 2003, the Medical Center was insured for professional liability under a claims-made policy provided through a commercial insurance company. Subsequent to April 1, 2003, the Medical Center established a self-insurance trust. Excess policy coverage has been purchased for losses exceeding the self-insurance trust retention. At September 30, 2019, management was not aware of any asserted or un-asserted claims that exceed the Medical Center's insurance coverage that existed prior to April 1, 2003. Subsequent to April 1, 2003, through June 30, 2010, the Medical Center was self-insured for professional liability and placed reliance on the sovereign immunity principle, which would limit the Medical Center's liability to \$100,000 per person and \$200,000 per occurrence.

Effective July 1, 2010, through June 30, 2011, the Medical Center participated in a self-insured revocable trust (the Trust), which covered Adventist's facilities for claims below a specified level (Excess Level). Claims above the Excess Level are covered by a claims-made policy with a commercial insurance company. The Excess Level was at \$15,000,000 for the period from July 1, 2010 through June 30, 2011. The assets and liabilities related to the Trust are recorded in Adventist's consolidated financial statements, as Adventist is responsible for any claims incurred during this period.

Effective June 30, 2011, the Medical Center is self-insured for professional and general liability and places reliance on the sovereign immunity principle, which would limit the Medical Center's liability to \$100,000 per person and \$200,000 per occurrence. These limits increased effective October 2, 2011, to \$200,000 per person and \$300,000 per occurrence. The estimated accrual for medical malpractice and general liabilities was approximately \$186,000 at September 30, 2019, for claims that arose during the periods for which the Medical Center is liable, and is included in self-insurance liabilities in the accompanying statement of net position.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

(7) **Commitments and Contingencies:** (Continued)

(b) **Workers' compensation**—The Medical Center was a member of the Florida Hospital Workers' Compensation Self-Insurance Trust Fund (the Fund), a self-insurance risk management trust fund in which members jointly and severally agree to pay the obligations of the Fund. As a prior member of the Fund, the Medical Center is subject to assessments in the event that the total amount of premiums for a year in which it was a member are not sufficient to satisfy claims. No assessments were levied against the Medical Center by the Fund as of September 30, 2019. The Medical Center was self-insured for workers' compensation during the year ended September 30, 2019. The workers' compensation self-insurance liability is included in self-insurance liabilities in the accompanying statement of net position.

(c) **Self-insurance**—Changes in the accrued self-insurance liabilities for professional and general liability and workers' compensation for the year ended September 30, 2019, are as follows:

	<b>Liability October 1, 2018</b>	<b>Current Year Expenses and Changes in Estimate</b>	<b>Payments</b>	<b>Liability September 30, 2019</b>	<b>Due Within One Year</b>
Self-insurance liabilities	\$ 335,558	\$ (117,363)	\$ (1,842)	\$ 216,352	30,000

The District purchases commercial insurance for risks related to employee accidents.

(d) **Operating leases**—The District leases certain office space under an operating lease agreement. Total lease and rental expense amounted to approximately \$9,700 for the fiscal year ended September 30, 2019. The amount of the lease as of September 30, 2019 was \$760 per month and the term month to month.

(e) **Regulatory and compliance matters – general regulatory compliance**—The health care industry is subject to voluminous and complex laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or un-asserted at this time. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care program participation requirements, reimbursement laws and regulations, anti-kickback and anti-referral laws, and false claims prohibitions, and in the case of tax-exempt hospitals, the requirements of tax exemption. In recent years, government activity has increased with respect to investigations and allegations concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes and regulations by health care providers. The Medical Center believes it is generally in compliance with applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. The Medical Center records a liability when it becomes aware that it has billed amounts or entered into transactions or relationships that may violate these governmental laws or regulations. At September 30, 2019, no liability has been recorded.

(f) **Recovery audit contractors**—The Centers for Medicare & Medicaid Services (CMS) implemented a project using recovery audit contractors (RACs) as part of CMS' further efforts to assure accurate payments. The project uses the RACs to search for potentially improper Medicare payments that may have been made to health care providers and were not detected through existing CMS program integrity efforts. Once a RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**(7) Commitments and Contingencies:** (Continued)

The Medical Center will deduct from revenue amounts assessed under the RAC audits at the time a notice is received until such time that estimates of net amounts due can be reasonably estimated. The Medical Center anticipates future RAC assessments, and the known RAC assessments and other audit recoveries have resulted in an estimated accrual of approximately \$122,000 as of September 30, 2019, which is included in estimated third-party payer settlements in the accompanying statement of net position.

(g) **Florida Medicaid Program audit**—While the Medical Center operated the hospital, the Agency for Healthcare Administration/Florida Medicaid Program (AHCA) reimbursed the Medical Center in accordance with state and federal laws. In November 2017, AHCA furnished a written notice to the Medical Center notifying them that they had completed an audit of the Medical Center’s hospital cost-based per diem reimbursement rates for inpatient and outpatient care covering the periods of January 1, 2008 through June 30, 2010 and July 1, 2011 through March 31, 2016. As of September 30, 2019, the Medical Center has recorded approximately \$1,885,000 which is included in accrued expenses in the accompanying statement of net position.

**(8) Healthcare Service**

Healthcare service expenses consisted of expenses pursuant to the Healthcare Services Agreement (HSA) described in Note (3) of the accompanying financial statements, pending the reconciliation, and expenses related to services provided by other providers for indigent patients prior to the Transaction described in Note (3). A summary of healthcare service expenses for the year ended September 30, 2019 is as follows:

<u>Provider</u>	<u>Program</u>	<u>Amount</u>
	Covered Services and Facilities to	
Southeast Volusia Healthcare Corp	Charity Patients (HSA)	\$ 9,304,542
County of Volusia	Medicaid Match (HSA)	527,931
Agency for Healthcare Administration	Intergovernmental Transfers	12,199
Total		<u>\$ 9,844,672</u>

During the year ended September 30, 2019, a settlement was reached between the District and Southeast Volusia Healthcare Corporation over the results of the contract year one reconciliation and the interpretation of the Healthcare Services Agreement. The settlement, which is not included in the table above, resulted in the District receiving \$1,500,000, which is recorded as a special item - litigation settlement on both the statement of activities, and the governmental fund’s statement of revenues, expenditures, and changes in fund balance.

**(9) Recent Accounting Pronouncements:**

The Governmental Accounting Standards Board (“GASB”) has issued several pronouncements that have effective dates that may impact future financial statements. Listed below are pronouncements with required implementation dates effective for subsequent fiscal years that have not yet been implemented. Management has not currently determined what, if any, impact implementation of the following will have on the District’s financial statements:

- (a) GASB issued Statement No. 84, *Fiduciary Activities*, in January 2017. GASB 84 improves guidance regarding the identification and reporting of fiduciary activities. The provisions in GASB 84 are effective for periods beginning after December 15, 2018.



**SOUTHEAST VOLUSIA HOSPITAL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

(9) **Recent Accounting Pronouncements:** (Continued)

- (b) GASB issued Statement No. 87, *Leases*, in June 2017. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The provisions in GASB 87 are effective for periods beginning after December 15, 2019.
- (c) GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*, in August 2018. GASB 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The provisions in GASB 90 are effective for periods beginning after December 15, 2018.
- (d) GASB issued Statement No. 91, *Conduit Debt Obligations*, in May 2019. GASB 91 provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The provisions in GASB 90 are effective for periods beginning after December 15, 2020.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget - Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Ad valorem taxes	\$ 8,490,050	\$ 8,490,050	\$ 8,669,397	\$ 179,347
Investment and other income	321,969	321,969	200,743	(121,226)
Building/property lease revenue	11,178	11,178	11,178	-
Total revenues	<u>8,823,197</u>	<u>8,823,197</u>	<u>8,881,318</u>	<u>58,121</u>
<b>Expenditures</b>				
General government	708,779	708,779	639,122	69,657
Healthcare services	9,844,672	9,844,672	9,844,672	-
Total expenditures	<u>10,553,451</u>	<u>10,553,451</u>	<u>10,483,794</u>	<u>69,657</u>
<b>Special item - litigation settlement</b>	-	-	1,500,000	1,500,000
<b>Net change in fund balance</b>	<u>(1,730,254)</u>	<u>(1,730,254)</u>	<u>(102,476)</u>	<u>1,627,778</u>
<b>Fund balance, beginning of year</b>	7,954,968	7,954,968	7,954,968	-
<b>Fund balance, end of year</b>	<u>\$ 6,224,714</u>	<u>\$ 6,224,714</u>	<u>\$ 7,852,492</u>	<u>\$ 1,627,778</u>

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
PENSION PLAN OF BERT FISH MEDICAL CENTER, INC.  
SEPTEMBER 30, 2019  
(UNAUDITED)**

District Fiscal Year Ending September 30, Plan Calendar Year Ending December 31,	<u>2019</u> <u>2018</u>	<u>2018</u> <u>2017</u>	<u>2017</u> <u>2016</u>	<u>2016</u> <u>2015</u>	<u>2015</u> <u>2014</u>
<b>Total Pension Liability</b>					
Service cost	\$ 53,688	\$ 60,142	\$ 77,343	\$ 96,595	\$ 87,600
Interest	2,279,054	2,312,487	2,345,349	2,216,355	2,199,371
Benefit changes	-	-	766,037	-	-
Difference between actual and expected experience	32,483	323,787	(267,558)	12,175	(370,735)
Changes of assumptions	(103,013)	791,762	1,031,742	1,538,486	307,410
Benefit payments including refunds of contributions	(2,415,541)	(2,448,158)	(2,145,351)	(2,025,517)	(1,954,497)
Net change in total pension liability	(153,329)	1,040,020	1,807,562	1,838,094	269,149
Total pension liability - beginning	36,251,132	35,211,112	33,403,550	31,565,456	31,296,307
<b>Total pension liability - ending (a)</b>	<u>\$ 36,097,803</u>	<u>\$ 36,251,132</u>	<u>\$ 35,211,112</u>	<u>\$ 33,403,550</u>	<u>\$ 31,565,456</u>
<b>Total Fiduciary Net Position</b>					
Contributions - employer	\$ -	\$ 23,343,317	\$ 2,224,183	\$ 2,010,000	\$ 1,940,000
Net investment income	(3,448,702)	5,154,194	1,093,485	128,776	1,290,641
Benefit payments, including refunds of contributions	(2,415,541)	(2,448,158)	(2,145,351)	(2,025,517)	(1,954,497)
Administrative expense	(74,772)	(35,742)	(30,270)	(61,806)	(23,762)
Net change in plan fiduciary net position	(5,939,015)	26,013,611	1,142,047	51,453	1,252,382
Plan fiduciary net position - beginning	49,344,996	23,331,385	22,189,338	22,137,885	20,885,503
<b>Plan fiduciary net position - ending (b)</b>	<u>\$ 43,405,981</u>	<u>\$ 49,344,996</u>	<u>\$ 23,331,385</u>	<u>\$ 22,189,338</u>	<u>\$ 22,137,885</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (7,308,178)</u>	<u>\$ (13,093,864)</u>	<u>\$ 11,879,727</u>	<u>\$ 11,214,212</u>	<u>\$ 9,427,571</u>
Plan fiduciary net position as a percentage of the total pension liability	120.25%	136.12%	66.26%	66.43%	70.13%
Covered payroll	\$ 578,535	\$ 782,448	\$ 851,263	\$ 1,337,363	\$ 1,174,181
Net pension liability as a percentage of covered payroll	-1263.22%	-1673.45%	1395.54%	838.53%	802.91%

\*10 years of data will be presented as it becomes available.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CONTRIBUTIONS  
PENSION PLAN OF BERT FISH MEDICAL CENTER, INC.  
SEPTEMBER 30, 2019  
(UNAUDITED)**

<b>Plan Calendar Year</b>	<b>Actuarially Determined Contribution (ADC)</b>	<b>Contributions in Relation to ADC</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as Percentage of Covered Payroll</b>
2018	\$ -	\$ -	\$ -	\$ 578,535	0.00%
2017	2,684,204	23,343,317	(20,659,113)	782,448	2983.37%
2016	2,224,183	2,224,183	-	851,263	261.28%
2015	2,010,000	2,010,000	-	1,337,363	150.30%
2014	1,940,000	1,940,000	-	1,174,181	165.22%

Notes to Schedule:

Valuation Date: 1/1/2019

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method:	Entry Age Normal level % of Pay using 3% assumed salary increases
Amortization Method:	None
Remaining Amortization Period:	None
Asset Valuation Method:	Market Value of Assets
Inflation:	3.00%
Interest:	6.50%
Salary Scale:	N/A for Benefit Accruals Since the Plan is Frozen 3% for EAN Cost Method
Retirement Age:	Active participants were assumed to continue to earn future service towards eligibility for unreduced early retirement. Assumed active participants would commence benefits at the earlier of eligibility for the unreduced benefit or age 62. Terminated vested participants were assumed to commence at age 62.
Mortality:	Post-Retirement – Sex-distinct Blue Collar RP-2000 Combined Healthy Annuitant Mortality Tables, with mortality improvements using Scale BB on a fully generational basis. Pre-Retirement (Actives only) – None.

\*10 years of data will be presented as it becomes available

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULES OF INVESTMENT RETURNS  
 SEPTEMBER 30, 2019  
 (UNAUDITED)**

<b>For the Plan Calendar Year Ending December 31,</b>	<b>Bert Fish Medical Center Pension Trust Fund</b>
2018	-7.17%
2017	15.27%
2016	4.92%
2015	5.28%
2014	-0.10%

\*10 years of data will be presented as it becomes available.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
LAST 10 FISCAL YEARS  
(UNAUDITED)**

	<b>As of the Plan Year Ended June 30,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Florida Retirement System (FRS)</b>			
Proportion of the net pension liability	0.000407651%	0.000409387%	0.000327360%
Proportionate share of the net pension liability	\$ 140,389	\$ 123,309	\$ 96,831
Covered payroll	193,283	192,102	146,796
Proportionate share of the net pension liability as a percentage of covered payroll	72.63%	64.19%	65.96%
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%
<b>Health Insurance Subsidy Program (HIS)</b>			
Proportion of the net pension liability	0.000577803%	0.000576051%	0.000460900%
Proportionate share of the net pension liability	\$ 64,650	\$ 60,970	\$ 49,282
Covered payroll	193,283	192,102	146,796
Proportionate share of the net pension liability as a percentage of covered payroll	33.45%	31.74%	33.57%
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is presented for only those years for which information is available.

**SOUTHEAST VOLUSIA HOSPITAL DISTRICT  
SCHEDULE OF CONTRIBUTIONS  
LAST 10 FISCAL YEARS  
(UNAUDITED)**

	<b>As of the Plan Year Ended June 30,</b>		
	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Florida Retirement System (FRS)</b>			
Contractually required contribution	\$ 12,640	\$ 11,667	\$ 8,522
Contributions in relation to the contractually required contribution	12,640	11,667	8,522
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 193,283	\$ 192,102	\$ 146,796
Contributions as a percentage of covered payroll	6.54%	6.07%	5.81%
<b>Health Insurance Subsidy Program (HIS)</b>			
Contractually required contribution	\$ 3,208	\$ 3,124	\$ 2,439
Contributions in relation to the contractually required contribution	3,208	3,124	2,439
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 193,283	\$ 192,102	\$ 146,796
Contributions as a percentage of covered payroll	1.66%	1.63%	1.66%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, information is

**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 Board of Commissioners,  
Southeast Volusia Hospital District:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Southeast Volusia Hospital District, (the District) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 27, 2020.

***Internal Control over Financial Reporting***

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified a certain deficiency in internal control that we consider to be a material weakness.

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, material weaknesses may exist that have not been identified.

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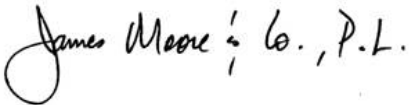


### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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.



James Moore & Co., P.L.

Daytona Beach, Florida  
January 27, 2020

**INDEPENDENT AUDITORS' MANAGEMENT LETTER REQUIRED  
BY CHAPTER 10.550, RULES OF THE STATE OF FLORIDA  
OFFICE OF THE AUDITOR GENERAL**

To the Board of Commissioners,  
Southeast Volusia Hospital District:

**Report on the Financial Statements**

We have audited the financial statements of the Southeast Volusia Hospital District, as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated, January 27, 2020.

**Auditors' Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Florida Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated January 27, 2020, should be considered in conjunction with this management letter.

**Prior Audit Findings**

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no such findings and recommendations.

**Official Title and Legal Authority**

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

**Financial Condition and Management**

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

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

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

**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

**Purpose of this Letter**

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

Daytona Beach, Florida  
January 27, 2020



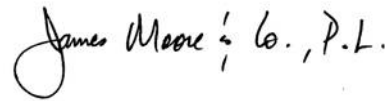
## INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT

To the Board of Commissioners,  
Southeast Volusia Hospital District

We have examined the Southeast Volusia Hospital District's (the District) compliance with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the District complied with Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2019, in all material respects. An examination involves performing procedures to obtain evidence about the District's compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of risks of material noncompliance with those requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the Southeast Volusia Hospital District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.



Daytona Beach, Florida  
January 27, 2020