

LAKE SHORE HOSPITAL AUTHORITY

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2009

LAKE SHORE HOSPITAL AUTHORITY

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2009

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## INTRODUCTORY SECTION

LAKE SHORE HOSPITAL AUTHORITY

LIST OF PRINCIPAL OFFICIALS

September 30, 2009

BOARD OF TRUSTEES

CHAIRMAN

Jack Berry

VICE-CHAIR

Dorothy Pattison

SECRETARY/TREASURER

Marc Vann

BOARD MEMBERS

Audre' J. Washington

Bruce Naylor

Dr. Waseem Khan

ATTORNEY

Marlin M. Feagle

FINANCIAL SECTION



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

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lake Shore Hospital Authority (the Authority), as of and for the year ended September 30, 2009, which collectively comprise the basic financial statements of the Authority as listed in the table of contents. These financial statements are the responsibility of the Lake Shore Hospital Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

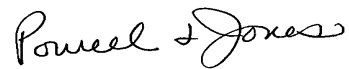
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund, and the aggregate remaining fund information of the Lake Shore Hospital Authority, as of September 30, 2009, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2010, on our consideration of the Lake Shore Hospital Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information presented for the major governmental funds is not a required part of the basic financial statements of the Lake Shore Hospital Authority, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The management's discussion and analysis on pages 9 through 12, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

POWELL & JONES  
August 5, 2010



LAKE SHORE HOSPITAL AUTHORITY  
Management's Discussion and Analysis

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

Report Layout

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

*Basic Financial Statements*

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

## Reporting the Authority's Most Significant Funds

### Fund Financial Statements

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

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

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

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

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

Patient Care Fund - Used to account for the receipt of ad valorem taxes and the payment of eligible indigent patient care and capital purchases, as provided in the Indigent Care Agreement.

**Capital Projects Fund** - Capital Projects funds are used to account for the acquisition and construction of major governmental capital facilities. The Authority maintains the Capital Improvements Fund to account for the capital improvements associated with the on-going renovation of the leased hospital facilities.

**Debt Service Fund** - Debt Service funds are used to account for the accumulation of resources and payment of bond principal and interest. The Authority has established a debt service fund to service its Series 1991 revenue bonds.

### Authority as a Whole

#### *Government-wide Financial Statements*

A condensed version of the Statement of Net Assets at September 30, 2009, follows:

Net Assets at September 30, 2009 and 2008

	Governmental Activities/ Total Government	
	2009	2008
Assets		
Cash and investments	\$ 8,291,301	\$ 7,597,121
Receivables	92,444	92,417
Prepaid expenses	341,906	644,265
Capital assets, net of accumulated depreciation	4,445,798	2,988,541
Net investment in direct financing lease	6,505,835	6,515,069
Total assets	<u>19,677,284</u>	<u>17,837,413</u>
Liabilities		
Current liabilities	155,828	123,505
Long-term liabilities	2,500,000	2,600,000
Total liabilities	<u>2,655,828</u>	<u>2,723,505</u>
Net assets		
Invested in capital assets	4,445,798	2,988,541
Invested in direct financing lease	6,505,835	6,515,069
Restricted for capital outlay	2,460,985	2,653,380
Restricted for debt service	89,379	91,796
Unrestricted	3,519,459	2,865,122
Total net assets	<u>\$ 17,021,456</u>	<u>\$ 15,113,908</u>

During the year ended September 30, 2009, there was no significant change in net assets, except through normal on-going operations.

A condensed version of the Statement of Activities follows:

Governmental Activities  
For the Fiscal Years Ended September 30, 2009 and 2008

	Governmental Activities/ Total Government	
	2009	2008
Revenues:		
General revenues		
Ad valorem taxes	\$ 5,070,282	\$ 5,251,507
Interest	246,019	334,869
Administration fees	89,767	91,042
Lease income	518,410	514,422
Other	10,151	9,793
Total revenues	<u>5,934,629</u>	<u>6,201,633</u>
Expenses:		
Human services	3,420,778	3,709,020
General government	573,771	425,780
Debt service	32,532	76,152
Total expenses	<u>4,027,081</u>	<u>4,210,952</u>
Increase in net assets	1,907,548	1,990,681
Beginning net assets	15,113,908	13,123,227
Ending net assets	<u>\$ 17,021,456</u>	<u>\$ 15,113,908</u>

## Governmental activities

Health care program expenditures remained similar to the prior year.

## Capital Assets and Debt Administration

### Capital Assets

At September 30, 2009, the Authority has \$4,445,798 invested in capital assets, consisting primarily of land and buildings.

#### Capital Assets at September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Land	\$ 2,776,592	\$ 2,776,592
Building	1,703,237	244,967
Office equipment	<u>31,048</u>	<u>20,181</u>
	4,510,877	3,041,740
Accumulated depreciation	<u>(65,079)</u>	<u>(53,199)</u>
Capital assets, net	<u><u>\$ 4,445,798</u></u>	<u><u>\$ 2,988,541</u></u>

### Debt Outstanding

At year-end the Authority had \$2,600,000 in debt outstanding as opposed to \$2,700,000 last year, a decrease of \$100,000. This debt is payable from lease payments from Shands at Lake Shore, Inc. and is collateralized by these lease payments and a direct pay letter of credit guaranteed by Shands Teaching Hospitals and Clinics, Inc.

#### Debt Outstanding at September 30, 2009 and 2007

	<u>2009</u>	<u>2008</u>
Governmental activities - Revenue bonds	<u><u>\$ 2,600,000</u></u>	<u><u>\$ 2,700,000</u></u>

### Financial Contact

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

## Basic Financial Statements

LAKE SHORE HOSPITAL AUTHORITY

STATEMENT OF NET ASSETS

September 30, 2009

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 2,024,027
Accounts receivable	92,444
Prepaid expenses	341,906
Investments	6,177,895
Total current assets	<u>8,636,272</u>
Restricted assets	
Investments	<u>89,379</u>
Capital assets, net of accumulated depreciation	<u>4,445,798</u>
Net investment in direct financing lease	<u>6,505,835</u>
Total assets	<u><u>\$ 19,677,284</u></u>
<b>LIABILITIES</b>	
Current liabilities ( payable from current assets):	
Accounts payable	\$ 44,698
Accrued interest	9,130
Deposits	2,000
Total current liabilities (payable from current assets)	<u>55,828</u>
Current liabilities (payable from restricted assets):	
Bonds payable current portion	<u>100,000</u>
Noncurrent liabilities:	
Bonds payable	<u>2,500,000</u>
Total liabilities	<u>2,655,828</u>
<b>NET ASSETS</b>	
Invested in capital assets	4,445,798
Invested in direct financial lease	6,505,835
Restricted, debt service	89,379
Restricted, capital outlay	2,460,985
Unrestricted	3,519,459
Total net assets	<u><u>\$ 17,021,456</u></u>

See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2009

	Expenses	Net (Expense) Revenue and Change in Net Assets
		Governmental Activities Total
Governmental activities:		
General government	\$ (573,771)	\$ (573,771)
Human services - healthcare	(3,420,778)	(3,420,778)
Debt service - interest	(32,532)	(32,532)
Total governmental activities	<u>\$ (4,027,081)</u>	<u>(4,027,081)</u>
General revenues:		
Ad valorem taxes		5,070,282
Interest		246,019
Administration fees		89,767
Lease income		518,410
Miscellaneous		10,151
Total general revenues		<u>5,934,629</u>
Change in net assets		1,907,548
Net assets - beginning of year		<u>15,113,908</u>
Net assets - end of year		<u>\$ 17,021,456</u>

See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY  
GOVERNMENTAL FUNDS BALANCE SHEET  
September 30, 2009

	<u>Special Revenue Funds</u>				Total Governmental Funds
	<u>Leasehold</u>	<u>Patient Care</u>	<u>Capital Improvements</u>	<u>Debt Service</u>	
<b>ASSETS</b>					
Cash	\$ 100,439	\$ 1,756,225	\$ 167,363	\$ -	\$ 2,024,027
Due from other funds	-	596,290	-	-	596,290
Investments	3,326,079	2,090,648	761,168	89,379	6,267,274
Accounts receivable	92,444	-	-	-	92,444
Prepaid care	-	341,906	-	-	341,906
Net investment in direct financing lease	6,505,835	-	-	-	6,505,835
<b>Total assets</b>	<b><u>\$ 10,024,797</u></b>	<b><u>\$ 4,785,069</u></b>	<b><u>\$ 928,531</u></b>	<b><u>\$ 89,379</u></b>	<b><u>\$ 15,827,776</u></b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 14,181	\$ 30,116	\$ 401	\$ -	\$ 44,698
Accrued interest	-	-	-	9,130	9,130
Deposit	2,000	-	-	-	2,000
Due to other funds	302,801	-	293,489	-	596,290
<b>Total liabilities</b>	<b><u>318,982</u></b>	<b><u>30,116</u></b>	<b><u>293,890</u></b>	<b><u>9,130</u></b>	<b><u>652,118</u></b>
<b>Fund balances:</b>					
Reserved for long-term assets	6,505,835	-	-	-	6,505,835
Designated for capital outlay	-	1,826,344	634,641	-	2,460,985
Unreserved	3,199,980	2,928,609	-	80,249	6,208,838
<b>Total fund balances</b>	<b><u>9,705,815</u></b>	<b><u>4,754,953</u></b>	<b><u>634,641</u></b>	<b><u>80,249</u></b>	<b><u>15,175,658</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 10,024,797</u></b>	<b><u>\$ 4,785,069</u></b>	<b><u>\$ 928,531</u></b>	<b><u>\$ 89,379</u></b>	

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

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

4,445,798

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

(2,600,000)

Net assets of governmental activities

\$ 17,021,456

See notes to financial statements.



LAKE SHORE HOSPITAL AUTHORITY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
For the Fiscal Year Ended September 30, 2009

	Special Revenue Funds				Total Governmental Funds
	Leasehold	Patient Care	Capital Improvements	Debt Service	
<b>REVENUES</b>					
Taxes - ad valorem	\$ -	\$ 5,070,282	\$ -	\$ -	\$ 5,070,282
Administration fees	89,767	-	-	-	89,767
Lease income	336,284	-	-	182,126	518,410
Interest	96,474	129,238	20,197	110	246,019
Other	16	-	10,135	-	10,151
Total revenues	<u>522,541</u>	<u>5,199,520</u>	<u>30,332</u>	<u>182,236</u>	<u>5,934,629</u>
<b>EXPENDITURES</b>					
General government					
Personal services					
Salaries	46,688	-	-	-	46,688
Retirement	37,625	-	-	-	37,625
Payroll taxes	3,569	-	-	-	3,569
Insurance	6,807	-	-	-	6,807
	<u>94,689</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,689</u>
Operating expenses:					
Tax Collector fees	-	100,339	-	-	100,339
Property Appraiser fees	-	141,277	-	-	141,277
Legal and accounting	41,070	-	-	-	41,070
Bank and investment fees	-	-	-	56,551	56,551
Utilities	4,931	624	-	-	5,555
Insurance	26,593	-	-	-	26,593
Repairs and maintenance	37,157	-	-	-	37,157
Other	53,795	2,395	2,470	-	58,660
Capital outlay	10,867	-	-	-	10,867
	<u>174,413</u>	<u>244,635</u>	<u>2,470</u>	<u>56,551</u>	<u>478,069</u>
Total general government	<u>269,102</u>	<u>244,635</u>	<u>2,470</u>	<u>56,551</u>	<u>572,758</u>
Health					
Indigent health services					
Patient care	-	2,805,956	-	-	2,805,956
On-call coverage	-	120,000	-	-	120,000
Capital outlay	-	-	1,458,270	-	1,458,270
	<u>-</u>	<u>2,925,956</u>	<u>1,458,270</u>	<u>-</u>	<u>4,384,226</u>

(continued)

See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
For the Fiscal Year Ended September 30, 2009

	<u>Special Revenue Funds</u>				Total Governmental Funds
	<u>Leasehold</u>	<u>Patient Care</u>	<u>Capital Improvements</u>	<u>Debt Service</u>	
Health (continued)					
Grants					
Construction - hospital improvements	\$ -	\$ 494,822	\$ -	\$ -	\$ 494,822
Total health	<u>-</u>	<u>3,420,778</u>	<u>1,458,270</u>	<u>-</u>	<u>4,879,048</u>
Debt service					
Principal retirement	-	-	-	100,000	100,000
Interest	-	-	-	32,532	32,532
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>132,532</u>	<u>132,532</u>
Total expenditures	<u>269,102</u>	<u>3,665,413</u>	<u>1,460,740</u>	<u>189,083</u>	<u>5,584,338</u>
Excess (deficiency) of revenues over expenditures	253,439	1,534,107	(1,430,408)	(6,847)	350,291
Fund balances, at beginning of year	9,452,376	3,220,846	2,065,049	87,096	14,825,367
Fund balances, at end of year	<u>\$ 9,705,815</u>	<u>\$ 4,754,953</u>	<u>\$ 634,641</u>	<u>\$ 80,249</u>	<u>\$ 15,175,658</u>

See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2009

Net change in fund balances - Governmental Funds		\$ 350,291
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital outlay	1,469,137	
Less current year depreciation	<u>(11,880)</u>	
Difference		1,457,257
<p>Repayments of debt principal are expenditures in the governmental funds, but the repayment decreases long-term liabilities in the statement of net assets.</p>		
Bond principal payments		<u>100,000</u>
Change in net assets of governmental activities		<u><u>\$ 1,907,548</u></u>

See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS  
September 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Governmental Funds

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

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

Debt Service Fund - Debt Service Funds are used to account for the accumulation of resources and payment of bond principal and interest. The Authority has established a debt service fund to service its Series 1991 revenue bonds.

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

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

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

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

D. Measurement focus, basis of accounting - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

E. Cash and cash equivalents

Deposits with Financial Institutions - The Authority's cash at September 30, 2009, consists of legally authorized deposits in institutions which are certified as Qualified Public Depositories under the Florida Public Deposits Act. Therefore, the Authority's cash at September 30, 2009, is insured through the Bureau of Collateral Securities, Division of Treasury, State Department of Insurance.

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

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

Description	Category		Cost	Market Value
	1	2		
Evergreen Treasury Money Market Fund	\$ -	\$ 761,169	\$ 761,169	\$ 761,169
First American Treasury Obligations	-	89,379	89,379	89,379
Certificates of Deposit	-	-	5,416,726	5,416,726
	<u>\$ -</u>	<u>\$ 850,548</u>	<u>\$ 6,267,274</u>	<u>\$ 6,267,274</u>

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

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

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

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

"Total fund balances" of the Authority's Governmental Funds \$15,175,658 differs from "net assets" of governmental activities \$17,021,456 reported in the statement of net assets. This difference results from the long-term economical focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheet.

Capital related items

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

Cost of capital assets	\$ 4,510,877
Accumulated depreciation	(65,079)
Total	<u>\$ 4,445,798</u>

Long-term debt transactions

Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balances at September 30, 2009, were:

Bonds payable	<u>\$ (2,600,000)</u>
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Eliminations of interfund receivables/payable

Interfund receivables and payables in the amount of \$596,290 between governmental funds must be eliminated for the statement of net assets.

LAKE SHORE HOSPITAL AUTHORITY

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Eliminations	Statement of Net Assets
<b>ASSETS</b>					
Cash and cash equivalents	\$ 8,291,301	\$ -	\$ -	\$ -	\$ 8,291,301
Other receivables	1,030,640	-	-	(596,290)	434,350
Reserved for long-term assets	6,505,835	-	-	-	6,505,835
Capital assets - net	-	4,445,798	-	-	4,445,798
<b>Total assets</b>	<b>\$ 15,827,776</b>	<b>\$ 4,445,798</b>	<b>\$ -</b>	<b>\$ (596,290)</b>	<b>\$ 19,677,284</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 652,118	\$ -	\$ -	\$ (596,290)	\$ 55,828
Bonds payable	-	-	2,600,000	-	2,600,000
<b>Total liabilities</b>	<b>652,118</b>	<b>-</b>	<b>2,600,000</b>	<b>(596,290)</b>	<b>2,655,828</b>
<b>Fund balances/net assets</b>					
Invested in capital assets	-	4,445,798	-	-	4,445,798
Unrestricted	6,208,838	-	(2,600,000)	-	3,608,838
Invested in long-term assets	6,505,835	-	-	-	6,505,835
Restricted for capital outlay	2,460,985	-	-	-	2,460,985
<b>Total net assets</b>	<b>15,175,658</b>	<b>4,445,798</b>	<b>(2,600,000)</b>	<b>-</b>	<b>17,021,456</b>
<b>Total liabilities and fund balances/ net assets</b>	<b>\$ 15,827,776</b>	<b>\$ 4,445,798</b>	<b>\$ -</b>	<b>\$ (596,290)</b>	<b>\$ 19,677,284</b>



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

The "net change in fund balances" for the Governmental Funds \$350,291 differs from the "change in net assets" for governmental activities \$1,907,548 reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds. The effect of the differences is illustrated below.

Capital related items

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

Expenditures for capital assets	\$ 1,469,137
Depreciation expense	(11,880)
Difference	<u>\$ 1,457,257</u>

Long-term debt transactions

Repayment of debt principal are reported as an expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. However, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities.

Debt principal payments made	<u>\$ 100,000</u>
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LAKE SHORE HOSPITAL AUTHORITY

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

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

	Total Governmental Funds	Capital Related Items	Long-Term Debt Transactions	Statement of Activities
<b>REVENUES</b>				
Taxes	\$ 5,070,282	\$ -	\$ -	\$ 5,070,282
Interest	246,019	-	-	246,019
Administration fee revenue	89,767	-	-	89,767
Lease income	518,410	-	-	518,410
Other	10,151	-	-	10,151
Total revenues	<u>5,934,629</u>	<u>-</u>	<u>-</u>	<u>5,934,629</u>
<b>EXPENDITURES</b>				
Current expenditures				
General government	561,891	11,880	-	573,771
Human services	3,420,778	-	-	3,420,778
Capital outlay				
General Government	10,867	(10,867)	-	-
Human services	1,458,270	(1,458,270)	-	-
Debt service				
Human services	132,532	-	(100,000)	32,532
Total expenditures	<u>5,022,447</u>	<u>(1,469,137)</u>	<u>(100,000)</u>	<u>3,453,310</u>
Net change in fund balance	350,291	1,457,257	100,000	1,907,548
Fund balances at October 1, 2008	<u>14,825,367</u>	<u>2,988,541</u>	<u>(2,700,000)</u>	<u>1,513,908</u>
Fund balances at September 30, 2009	<u>\$ 15,175,658</u>	<u>\$ 4,445,798</u>	<u>\$ (2,600,000)</u>	<u>\$ 17,021,456</u>

NOTE 3. PROPERTY TAX

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

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

NOTE 4. PENSION PLAN

Plan Description – The Authority contributes to the Florida Retirement System ("System"), a cost-sharing multiple-employer defined benefit plan administered by the State of Florida, Department of Administration, Division of Retirement. The System provides retirement, disability or death benefits to retirees or their designated beneficiaries. Chapter 121, *Florida Statutes*, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Florida Retirement System, 2639 North Monroe Street, Tallahassee, Florida, or by calling (850) 488-5706.

Funding Policy – The System is employee noncontributory. The Authority is required to contribute at an actuarially determined rate. The rates for Authority employees at September 30, 2009, were as follows: Regular Employees 9.85%; and Senior Management 13.12%. The contribution requirements of plan members and the Authority are established and may be amended by the Florida Legislature. The Authority's contributions to the System for the year ending September 30, 2009 was \$37,625, which included a buy back payment of \$33,503. Total contributions were equal to the required contributions for the year.

NOTE 5. DEPOSITS

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

NOTE 6. DIRECT FINANCING LEASE

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

Terms of lease are in part as follows:

- A. Property Leased: All hospital property, plant and equipment.
- B. Duration of Term: April 1, 1987 through March 31, 2022.

- C. Lease Payment: The lessee shall pay as lease payments to lessor the sum of \$600,000 annually in equal monthly installments. The lease payment shall be used to pay the debt service required to be paid by lessor on the existing and future long-term debt of the lessor.

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

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

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

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

The Authority's net investment in this direct financing lease at September 30, 2009, was \$6,505,835.

Future minimum payments to be received from the direct financing lease as of September 30, 2009, are as follows:

Fiscal Year Ending September 30,	
2010	\$ 653,710
2011	689,448
2012	690,556
2013	691,999
2014	693,784
2015-2019	3,654,877
2020-2024	3,037,297
2025-2029	2,960,365
2030-2031	1,142,768
	<u>14,214,804</u>
Less amount representing interest revenue under the lease	<u>(7,708,969)</u>
	<u>\$ 6,505,835</u>

NOTE 7. SUBSEQUENT EVENT – LEASE ASSIGNMENT

Effective July 1, 2010, subsequent to year end, the Authority entered into an amended and restated lease agreement with HMA Lake Shore, Inc. Under the terms of this agreement, the existing hospital lease was assigned to HMA Lake Shore, Inc, a private corporation. The terms of the lease remained substantially the same except for the term which was extended until June 30, 2040. Other provisions required Shands at Lake Shore, Inc. to pay off the outstanding balance of the bonds described in Note 8, below. Other provisions were included requiring clarification of leasee responsibility for building repairs and renovations.

NOTE 8. LONG-TERM DEBT

A summary of changes in general long-term debt follows:

	Balance October 1, 2008	Additions	Retirements	Balance September 30, 2009
Health Facility Revenue Bonds, Series 1991	\$ 2,700,000	\$ -	\$ (100,000)	\$ 2,600,000
	<u>\$ 2,700,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 2,600,000</u>

Long-term debt consisted of the following at September 30, 2009:

Health Facilities Revenue Bonds - Series 1991

On February 27, 1991, the Authority issued Health Facility Revenue Bonds - Series 1991 in the amount of \$4,400,000. The proceeds of this bond issue were utilized to make capital improvements to the hospital facility leased by the Authority in fulfillment of its obligations under the terms of the lease with Lake Shore Hospital, Inc. The bonds carry a variable interest rate, currently determined on a weekly basis by the bond remarketing agent. For the year ended September 30, 2009, the average effective rate was 2.2%. At its option, the Authority may convert the rate to a daily or multi-annual variable rate; a continuously adjustable rate; or a fixed rate; all in accordance with the terms of the trust indenture. The bonds are being paid in annual installments over thirty years with interest paid quarterly. This debt is secured by a pledge of a security interest in the lease and other hospital revenues received by the Authority. These bonds are substantially paid by the payments received by the Authority under the lease described in Note 4 above. The bonds are supported by a direct pay letter of credit issued by a bank in the amount of the bonds. This letter of credit has been guaranteed by Shands Teaching Hospitals and Clinics, Inc. At September 30, 2009, \$2,600,000 was owed on the bond issue.

Future maturities of bond principal at year end is as follows:

Fiscal Year Ending September 30,	
2010	\$ 100,000
2011	100,000
2012	100,000
2013	100,000
2014	100,000
2015-2019	500,000
2020-2024	500,000
2025-2029	500,000
2030-2034	500,000
2035	100,000
	<u>\$ 2,600,000</u>

As discussed in Note 7, this bond issue was fully paid in July, 2010, subsequent to year end by Shands at Lake Shore, Inc.

#### NOTE 9. INTERFUND ASSETS/LIABILITIES

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Patient Care	Leasehold	\$ 302,801
Patient Care	Capital Improvements	293,489
		<u>\$ 596,290</u>

#### NOTE 10 CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2009, follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 2,776,592	\$ -	\$ -	\$ 2,776,592
Buildings	244,967	1,458,270	-	1,703,237
Equipment	20,181	10,867	-	31,048
Total depreciable	265,148	1,469,137	-	1,734,285
Accumulated depreciation	(53,199)	(11,880)	-	(65,079)
Depreciable capital assets, net	211,949	1,457,257	-	1,669,206
Total capital assets, net	<u>\$ 2,988,541</u>	<u>\$ 1,457,257</u>	<u>\$ -</u>	<u>\$ 4,445,798</u>

Total depreciation of \$11,880 was charged to the Human Services function of the Authority primary government.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE SHORE HOSPITAL AUTHORITY  
LEASEHOLD FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Lease income	\$ 363,970	\$ 336,284	\$ (27,686)
Interest	80,000	96,474	16,474
Administrative fees	90,000	89,767	(233)
Other	-	16	16
Total revenues	<u>533,970</u>	<u>522,541</u>	<u>(11,429)</u>
<b>EXPENDITURES</b>			
General government			
Personal services			
Salaries	46,700	46,688	12
Payroll tax	3,600	3,569	31
Insurance	3,600	6,807	(3,207)
Retirement	114	37,625	(37,511)
	<u>54,014</u>	<u>94,689</u>	<u>(40,675)</u>
Operating expenses			
Legal and accounting	30,000	41,070	(11,070)
Insurance	23,000	26,593	(3,593)
Repairs and maintenance	-	37,157	(37,157)
Utilities	7,000	4,931	2,069
Other	23,000	53,795	(30,795)
Capital outlay	-	10,867	(10,867)
	<u>83,000</u>	<u>174,413</u>	<u>(91,413)</u>
Total general government	<u>137,014</u>	<u>269,102</u>	<u>(132,088)</u>
Health			
Indigent health services			
Capital outlay	400,000	-	400,000
Total health	<u>400,000</u>	<u>-</u>	<u>400,000</u>
Total expenditures	<u>537,014</u>	<u>269,102</u>	<u>267,912</u>
Excess of revenues over (under) expenditures	<u>(3,044)</u>	<u>253,439</u>	<u>256,483</u>
Fund balance, at beginning of year	<u>8,345,869</u>	<u>9,452,376</u>	<u>1,106,507</u>
Fund balance, at end of year	<u>\$ 8,345,869</u>	<u>\$ 9,452,376</u>	<u>\$ 1,106,507</u>

See notes to financial statements.



LAKE SHORE HOSPITAL AUTHORITY  
PATIENT CARE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Ad valorem taxes	\$ 4,999,985	\$ 5,070,282	\$ 70,297
Interest	100,000	129,238	29,238
Total revenues	<u>5,099,985</u>	<u>5,199,520</u>	<u>99,535</u>
<b>EXPENDITURES</b>			
General government			
Operating expenses			
Tax Collector fees	150,000	100,339	49,661
Property Appraiser fees	175,000	141,277	33,723
Other	-	3,019	(3,019)
	<u>325,000</u>	<u>244,635</u>	<u>80,365</u>
Health			
Indigent health services			
Patient care	2,965,000	2,805,956	159,044
On-call coverage	120,000	120,000	-
	<u>3,085,000</u>	<u>2,925,956</u>	<u>159,044</u>
Capital outlay			
Land	1,500,000	-	1,500,000
Renovations and construction	450,000	494,822	(44,822)
	<u>1,950,000</u>	<u>494,822</u>	<u>1,455,178</u>
Total health	<u>5,035,000</u>	<u>3,420,778</u>	<u>1,614,222</u>
Total expenditures	<u>5,360,000</u>	<u>3,665,413</u>	<u>1,694,587</u>
Excess of revenues over (under) expenditures	(260,015)	1,534,107	1,794,122
Fund balance, at beginning of year	1,097,692	3,220,846	2,123,154
Fund balance, at end of year	<u>\$ 837,677</u>	<u>\$ 4,754,953</u>	<u>\$ 3,917,276</u>

See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY  
 CAPITAL IMPROVEMENTS FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
 For the Fiscal Year Ended September 30, 2009

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Interest	\$ 50,000	\$ 20,197	\$ (29,803)
<b>Other</b>	-	10,135	10,135
Total revenues	<u>50,000</u>	<u>30,332</u>	<u>(19,668)</u>
EXPENDITURES			
General government			
Operating expenses			
Other	-	2,470	(2,470)
Total general government	<u>-</u>	<u>2,470</u>	<u>(2,470)</u>
Health			
Capital outlay	<u>1,000,000</u>	<u>1,458,270</u>	<u>(458,270)</u>
Total expenditures	<u>1,000,000</u>	<u>1,460,740</u>	<u>(460,740)</u>
Excess of revenues over (under) expenditures	(950,000)	(1,430,408)	(480,408)
Fund balance, at beginning of year	<u>1,454,447</u>	<u>2,065,049</u>	<u>610,602</u>
Fund balance, at end of year	<u>\$ 504,447</u>	<u>\$ 634,641</u>	<u>\$ 130,194</u>

See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY  
DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
For the Fiscal Year Ended September 30, 2009

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Interest	\$ 182,126	\$ 182,126	\$ -
Other	110	110	-
Total revenues	<u>182,236</u>	<u>182,236</u>	<u>-</u>
<b>EXPENDITURES</b>			
General government			
Operating expenses			
Bank charges	56,551	56,551	-
Total general government	<u>56,551</u>	<u>56,551</u>	<u>-</u>
Debt service			
Principal	100,000	100,000	-
Interest	32,532	32,532	-
Total expenditures	<u>132,532</u>	<u>132,532</u>	<u>-</u>
	<u>189,083</u>	<u>189,083</u>	<u>-</u>
Excess of revenues over (under) expenditures	(6,847)	(6,847)	-
Fund balance, beginning of year	<u>87,096</u>	<u>87,096</u>	<u>-</u>
Fund balance, end of year	<u>\$ 80,249</u>	<u>\$ 80,249</u>	<u>\$ -</u>

See notes to financial statements.

COMPLIANCE SECTION

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

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

We have audited the basic financial statements of the Lake Shore Hospital Authority, Inc. (the Authority), as of and for the year ended September 30, 2009, and have issued our report thereon dated August 5, 2010. 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.

Internal Control Over Financial Reporting – Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control. We consider the following deficiency to be a significant deficiency in internal control:

#### Financial Statement Preparation

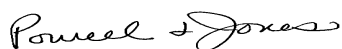
A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A control deficiency exists when the Authority does not have the expertise necessary to prevent, detect, and correct misstatements. A control deficiency exists in instances where the Authority is not capable of drafting the financial statements and all required footnote disclosures in accordance with generally accepted accounting principles. Possessing suitable skill, knowledge, or experience to oversee services an auditor provides in assisting with financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority'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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether the Lake Shore Hospital Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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*.

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



POWELL & JONES  
August 5, 2010

## MANAGEMENT LETTER

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

We have audited the financial statements of the Lake Shore Hospital Authority, as of and for the year ended September 30, 2009, and have issued our report thereon dated August 5, 2010. We have also issued our report on compliance and on internal control over financial reporting. That report should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, *Rules of the Auditor General*, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

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

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

### AUDITOR GENERAL COMPLIANCE MATTERS

Annual Local Government Financial Report - The Financial Report filed with the Department of Financial Services pursuant to Section 218.32(1)(a), *Florida Statutes*, is in agreement with the accompanying financial statements of Lake Shore Hospital Authority, for the year ended September 30, 2009.

Investment of Public Funds - The Authority complied with Section 218.415, *Florida Statutes*, regarding the investment of public funds during the fiscal year.

Financial Emergency Status - Nothing came to our attention that caused us to believe that the Authority had met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

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

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

CONCLUSION

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

*Powell & Jones*

POWELL & JONES  
Certified Public Accountants  
August 5, 2010



**RESPONSE TO AUDIT FINDINGS**

To the Auditor General  
State of Florida  
Tallahassee, Florida

Dear Sir:

As required by Section 10.558(1), *Rules of the Auditor General*, I am filing this response to our audit report for the fiscal year ended September 30, 2009.

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

Sincerely,



Jack Berry  
Chairman of Board of Trustees