

LAKE SHORE HOSPITAL AUTHORITY

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2011

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ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2011

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INTRODUCTORY SECTION

LAKE SHORE HOSPITAL AUTHORITY

LIST OF PRINCIPAL OFFICIALS

September 30, 2011

BOARD OF TRUSTEES

CHAIRMAN	Dekoven Adams
VICE-CHAIR	Dr. Waseem Khan
SECRETARY/TREASURER	Bruce Naylor
BOARD MEMBERS	Mark Vann Stephen Douglas Loretta Chancy Audre' Jeffers-Washington
ATTORNEY	Marlin M. Feagle

FINANCIAL SECTION



Powell & Jones
Certified Public Accountants

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

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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, 2011, 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.

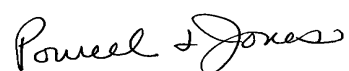
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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, 2011, 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 October 28, 2011, 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
October 28, 2011

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:

General 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.

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

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

Clinical Service Fund – Used to account for receipt of ad valorem taxes and payment of eligible clinic indigent patient care and prescription drug assistance.

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.

Authority as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Assets at September 30, 2011, follows:

Net Assets at September 30, 2011 and 2010

	Governmental Activities/ Total Government	
	2011	2010
Assets		
Cash and investments	\$ 8,583,518	\$10,266,125
Receivables	19,429	132,753
Prepaid expenses	853,864	-
Capital assets, net of accumulated depreciation	4,380,964	4,396,056
Net investment in capital lease	5,934,516	5,902,618
Total assets	<u>19,772,291</u>	<u>20,697,552</u>
Liabilities		
Current liabilities	<u>415,217</u>	<u>109,144</u>
Total liabilities	<u>415,217</u>	<u>109,144</u>
Net assets		
Invested in capital assets	4,380,964	4,396,056
Non-expendible	5,934,516	5,902,618
Assigned	5,283,754	7,358,452
Unassigned	3,757,840	4,931,282
Total net assets	<u>\$19,357,074</u>	<u>\$22,588,408</u>

During the year ended September 30, 2011, 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, 2011 and 2010

	Governmental Activities/ Total Government	
	2011	2010
Revenues:		
General revenues		
Ad valorem taxes	\$ 2,247,994	\$ 5,276,314
Interest	236,679	291,515
Administration fees	-	157,092
Lease income	428,896	440,075
Other	368	73
Total revenues	<u>2,913,937</u>	<u>6,165,069</u>
Expenses:		
General government	551,143	606,517
Human services	3,594,128	3,910,664
Debt services	-	5,326
Total expenses	<u>4,145,271</u>	<u>4,522,507</u>
Other financing services (uses)		
Gain on assignment of capital lease	-	1,924,390
Interfund transfers in	6,653,955	-
Interfund transfers out	(6,653,955)	-
Total other financing services (uses)	<u>-</u>	<u>1,924,390</u>
Increase (decrease) in net assets	(1,231,334)	3,566,952
Beginning net assets	<u>20,588,408</u>	<u>17,021,456</u>
Ending net assets	<u>\$19,357,074</u>	<u>\$ 20,588,408</u>

Governmental activities

Health care program expenditures remained similar to the prior year.

Capital Assets and Debt Administration

Capital Assets

At September 30, 2011, the Authority has \$4,380,964 invested in capital assets, consisting primarily of land and buildings.

Capital Assets at September 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Land	\$2,776,592	\$2,776,592
Building	1,733,073	1,703,237
Office equipment	<u>37,388</u>	<u>31,048</u>
	4,547,053	4,510,877
Accumulated depreciation	<u>(166,089)</u>	<u>(114,821)</u>
Capital assets, net	<u><u>\$4,380,964</u></u>	<u><u>\$4,396,056</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 Executive Director at 259 N.E. Franklin Street, Lake City, Florida 32055.

Basic Financial Statements

LAKE SHORE HOSPITAL AUTHORITY

STATEMENT OF NET ASSETS

September 30, 2011

	Governmental Activities
ASSETS	
Current assets	
Cash	\$ 6,672,946
Accounts receivable	19,429
Investments	1,910,572
Prepaid expenses	853,864
Total current assets	<u>9,456,811</u>
Capital assets, net of accumulated depreciation	<u>4,380,964</u>
OTHER ASSETS	
Net investment in capital lease	5,934,516
Total assets	<u><u>\$ 19,772,291</u></u>
LIABILITIES	
Accounts payable	\$ 370,500
Prepaid receivables	42,717
Deposits	2,000
Total liabilities	<u>415,217</u>
NET ASSETS	
Invested in capital assets	4,380,964
Nonspendable, long-term assets	5,934,516
Assigned	5,283,754
Unassigned	3,757,840
Total net assets	<u><u>\$ 19,357,074</u></u>

LAKE SHORE HOSPITAL AUTHORITY

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended September 30, 2011

	Expenses	Net (Expenses) Revenue and Change in Net Assets
		Governmental Activities Total
Governmental activities:		
General government	\$ (551,143)	\$ (551,143)
Human services - healthcare	(3,594,128)	(3,594,128)
Total governmental activities	<u>\$ (4,145,271)</u>	<u>(4,145,271)</u>
General revenues:		
Ad valorem taxes		2,247,994
Interest		236,679
Lease income		428,896
Miscellaneous		368
Total general revenues		<u>2,913,937</u>
Change in net assets		(1,231,334)
Net assets - beginning of the year		<u>20,588,408</u>
Net assets - end of year		<u>\$ 19,357,074</u>

LAKE SHORE HOSPITAL AUTHORITY
GOVERNMENTAL FUNDS BALANCE SHEET
September 30, 2011

	Special Revenue Funds			Capital Improvements Fund	Total Governmental Funds
	General Fund	Hospital Services	Clinical Services		
ASSETS					
Cash	\$ 2,595,301	\$ 669,195	\$ 257,869	\$ 3,150,581	\$ 6,672,946
Due from other funds	-	11,389	62,839	-	74,228
Investments	1,211,217	-	699,355	-	1,910,572
Prepaid expenses	611	853,253	-	-	853,864
Accrued interest receivable	14,022	-	5,407	-	19,429
Net investment in capital lease	5,934,516	-	-	-	5,934,516
Total assets	\$ 9,755,667	\$ 1,533,837	\$ 1,025,470	\$ 3,150,581	15,465,555
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 7,205	\$ 340,995	\$ 22,300	\$ -	\$ 370,500
Prepaid receivables	42,717	-	-	-	42,717
Deposit	2,000	-	-	-	2,000
Due to other funds	11,389	62,839	-	-	74,228
Total liabilities	63,311	403,834	22,300	-	489,445
Fund balances:					
Nonspendable, Long-term assets	5,934,516	-	-	-	5,934,516
Assigned	-	1,130,003	1,003,170	3,150,581	5,283,754
Unassigned	3,757,840	-	-	-	3,757,840
Total fund balances	9,692,356	1,130,003	1,003,170	3,150,581	14,976,110
Total liabilities and fund balances	\$ 9,755,667	\$ 1,533,837	\$ 1,025,470	\$ 3,150,581	

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

Net assets of governmental activities

4,380,964
\$ 19,357,074

LAKE SHORE HOSPITAL AUTHORITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
For the Fiscal Year Ended September 30, 2011

	<u>Special Revenue Funds</u>				Total Governmental Funds
	General Fund	Hospital Services	Clinical Services	Capital Improvements Fund	
REVENUES					
Taxes - ad valorem	\$ -	\$ 2,247,994	\$ -	\$ -	\$ 2,247,994
Lease income	428,896	-	-	-	428,896
Interest	133,048	59,353	7,074	37,204	236,679
Other	368	-	-	-	368
Total revenues	<u>562,312</u>	<u>2,307,347</u>	<u>7,074</u>	<u>37,204</u>	<u>2,913,937</u>
EXPENDITURES					
General government					
Personal services:					
Salaries	149,485	-	-	-	149,485
Retirement	15,513	-	-	-	15,513
Payroll taxes	11,749	-	-	-	11,749
Insurances	19,395	-	-	-	19,395
	<u>196,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>196,143</u>
Operating expenses:					
Tax Collector fees	-	45,761	-	-	45,761
Property Appraiser fees	-	126,178	-	-	126,178
Legal and accounting	27,177	-	-	-	27,177
Utilities	19,646	-	-	163	19,809
Insurance	23,226	-	-	-	23,226
Repairs and maintenance	18,632	-	-	4,318	22,950
(continued)					

See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCES
For the Fiscal Year Ended September 30, 2011

	Special Revenue Funds			Capital Improvements Fund	Total Governmental Funds
	General Fund	Hospital Services	Clinical Services		
Operating expenses (continued)					
Other	37,668	826	138	-	38,632
	126,349	172,765	138	4,481	303,733
Total general government	322,491	172,765	138	4,481	499,875
Health					
Indigent health services					
Patient care	-	2,985,362	451,087	-	3,436,449
On-call coverage	-	120,000	-	-	120,000
Pharmacy	-	-	37,679	-	37,679
	-	3,105,362	488,766	-	3,594,128
Capital outlay	6,340	-	-	29,836	36,176
Total expenditures	328,831	3,278,127	488,904	34,317	4,130,179
Excess (deficiency) of revenues over expenditures	233,481	(970,780)	(481,830)	2,887	(1,216,242)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	-	1,335,758	1,485,000	3,833,197	6,653,955
Interfund transfers out	-	(5,318,197)	-	(1,335,758)	(6,653,955)
Total other financing	-	(3,982,439)	1,485,000	2,497,439	-
Net change in fund balance	233,481	(4,953,219)	1,003,170	2,500,326	(1,216,242)
Fund balances, at beginning of year	9,458,875	6,083,222	-	650,255	16,192,352
Fund balances, at end of year	\$ 9,692,356	\$ 1,130,003	\$ 1,003,170	\$ 3,150,581	\$ 14,976,110

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, 2011

Net change in fund balances - Governmental Funds \$ (1,216,242)

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

Governmental funds report capital outlay as expenditures.
However, in the statement of activities, the cost of those
assets is allocated over their estimated useful lives as
depreciation expense.

Capital outlay	36,176	
Less current year depreciation	<u>(51,268)</u>	
Difference		(15,092)

Change in net assets of governmental activities \$ (1,231,334)

See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY

NOTES TO FINANCIAL STATEMENTS
September 30, 2011

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

General Fund – The General Fund is used to account for and report all financial resources not accounted for and reported in another fund. The Authority maintains the General Fund to account for revenues from its lease payment receipts.

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.

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 the General Fund, special revenue funds, and a capital projects fund, and a debt service fund which are governmental funds.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund financial statements are reported as using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net 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, 2011, 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, 2011, is insured through the Bureau of Collateral Securities, Division of Treasury, State Department of Insurance.

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

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

<u>Description</u>	<u>Category</u>		<u>Cost</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>		
Certificates of Deposit	\$1,910,572	\$ -	\$1,910,572	\$1,910,572
	<u>\$1,910,572</u>	<u>\$ -</u>	<u>\$1,910,572</u>	<u>\$1,910,572</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.

H. Fund Balances – Governmental Funds – As of September 30, 2011, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board. The Board is the highest level of decision making authority for the

Authority. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purpose. Under the Authority's adopted policy, only the Board may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

As of September 30, 2011, fund balances are composed of the following:

	General Fund	Hospital Services Fund	Clinical Services Fund	Capital Improvements Fund	Total Governmental Funds
Nonspendable, long-term asset	\$ 5,934,516	\$ -	\$ -	\$ -	\$ 5,934,516
Assigned:					
Hospital services	-	1,130,003	-	-	1,130,003
Clinical services	-	-	1,003,170	-	1,003,170
Capital outlay	-	-	-	3,150,581	3,150,581
Unassigned funds	3,757,840	-	-	-	3,757,840
Total fund balances	<u>\$9,692,356</u>	<u>\$1,130,003</u>	<u>\$1,003,170</u>	<u>\$3,150,581</u>	<u>\$ 14,976,110</u>

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

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

"Total fund balances" of the Authority's Governmental Funds \$14,976,110 differs from "net assets" of governmental activities \$19,357,074 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 included those capital assets among the capital assets of the Authority as a whole.

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

Assets	Years
Buildings and improvements	10 - 50
Machinery and equipment	5 - 14

Cost of capital assets	\$4,547,053
Accumulated depreciation	<u>(166,089)</u>
Total	<u><u>\$4,380,964</u></u>

Eliminations of interfund receivables/payable

Interfund receivables and payables in the amount of \$74,228 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	Eliminations	Statement of Net Assets
ASSETS				
cash and cash equivalents	\$ 9,437,382	\$ -	\$ -	\$ 9,437,382
Other receivables	93,657	-	(74,228)	19,429
Reserved for long-term assets	5,934,516	-	-	5,934,516
Capital assets - net	-	4,380,964	-	4,380,964
Total assets	\$ 15,465,555	\$ 4,380,964	\$ (74,228)	\$ 19,772,291
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 489,445	\$ -	\$ (74,228)	\$ 415,217
Total liabilities	489,445	-	(74,228)	415,217
Fund balances/net assets				
Invested in capital assets	-	4,380,964	-	4,380,964
Nonspendable, long-term assets	5,934,516	-	-	5,934,516
Assigned	5,283,754	-	-	5,283,754
Unassigned	3,757,840	-	-	3,757,840
Total net assets	14,976,110	4,380,964	-	19,357,074
Total liabilities and fund balances/ net assets	\$ 15,465,555	\$ 4,380,964	\$ (74,228)	\$ 19,772,291

See notes to financial statements.

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

The "net change in fund balances" for the Governmental Funds \$(1,216,242) differs from the "change in net assets" for governmental activities \$(1,231,334) 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	\$ 36,176
Depreciation expense	<u>(51,268)</u>
Difference	<u>\$ (15,092)</u>

Reclassification and Elimination

Interfund transfers in and interfund transfers out in the amount of \$6,653,955 between governmental activities should be eliminated.

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	Statement of Activities
REVENUES			
Taxes	\$ 2,247,994	\$ -	\$ 2,247,994
Interest	236,679	-	236,679
Lease income	428,896	-	428,896
Other	368	-	368
Total revenues	<u>2,913,937</u>	<u>-</u>	<u>2,913,937</u>
EXPENDITURES			
Current expenditures			
General government	499,875	51,268	551,143
Human services	3,594,128	-	3,594,128
Capital outlay	36,176	(36,176)	-
Total expenditures	<u>4,130,179</u>	<u>15,092</u>	<u>4,145,271</u>
Excess (deficiency) of revenues over expenditures	(1,216,242)	(15,092)	(1,231,334)
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	6,653,955	-	6,653,955
Interfund transfers out	(6,653,955)	-	(6,653,955)
	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(1,216,242)	(15,092)	(1,231,334)
Fund balances at October 1, 2009	<u>16,192,352</u>	<u>4,396,056</u>	<u>20,588,408</u>
Fund balances at September 30, 2010	<u>\$ 14,976,110</u>	<u>\$ 4,380,964</u>	<u>\$ 19,357,074</u>

See notes to financial statements.

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 (the 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 contribution at September 30, 2011, were as follows: Regular Employees 4.91%; and Senior Management 6.27%. All Plan members are required to contribute a designated rate of 3%. 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, 2011 was \$15,513. 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. LONG TERM CAPITAL 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.

Effective on July 1, 2010, the Authority entered into an amended and restated lease agreement with HMA Lake Shore, Inc. Under the terms of this agreement, the existing hospital lease was assigned to HMA Lake Shore, Inc., a private corporation. The terms of the lease remained substantially the same except the term which was extended until June 30, 2040, and the full amount of the lease payment was recalculated to \$389,303 annually payable in equal monthly installments. The amount of the monthly payment will be adjusted annually in accordance with the change in the CPI-U index. Other provisions required Shands at Lake Shore, Inc. to pay off the outstanding balance of the bonds described in Note 7, below, and provisions requiring clarification of lessee responsibility for building repairs and renovations.

The Authority's net investment in this direct financing lease at September 30, 2011, was \$5,934,516. Lease payments in the amount of \$428,896 were received for the current year.

Future minimum payments to be received from the direct financing lease as of September 30, 2011, are as follows:

Fiscal Year Ending September 30,		
2012	\$	405,030
2013		413,131
2014		421,394
2015		429,822
2016-2020		2,281,545
2021-2025		2,519,010
2026-2030		2,781,191
2031-2035		3,070,660
2036-2040		<u>3,213,964</u>
		15,535,747
Less amount representing interest revenue under the lease		<u>(9,601,231)</u>
		<u><u>\$ 5,934,516</u></u>

NOTE 7. INTERFUND ASSETS/LIABILITIES

Due from/to other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Hospital services	Operating	\$ 11,389
Clinical services	Hospital services	<u>62,839</u>
		<u><u>\$ 74,228</u></u>

NOTE 8. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2011 consisted of the following:

Transfers from Hospital Services Fund to:		
Clinical Services Fund		\$1,485,000
Capital Improvements Fund		3,833,197
		<u>5,318,197</u>
Transfers from Capital Improvements Fund to:		
Hospital Services Fund		1,335,758
		<u><u>\$6,653,955</u></u>

NOTE 9. CAPITAL ASSETS

Capital asset activity for the fiscal year ended September 30, 2011, follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$2,776,592	\$ -	\$ -	\$2,776,592
Buildings	1,073,237	29,836	-	1,103,073
Equipment	31,048	6,340	-	37,388
Total depreciable	1,734,285	36,176	-	1,770,461
Accumulated depreciation	(114,821)	-	(51,268)	(166,089)
Depreciable capital assets, net	<u>1,619,464</u>	<u>36,176</u>	<u>(51,268)</u>	<u>1,604,372</u>
Total capital assets, net	<u>\$4,396,056</u>	<u>\$ 36,176</u>	<u>\$ (51,268)</u>	<u>\$4,380,964</u>

Total depreciation of \$51,268 was charged to the General Government function of the Authority primary government.

NOTE 10. RISK MANAGEMENT

The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets; and injury or death on the job of all employees. These risks are primarily covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial or workers' compensation insurance coverage for the past three years. There has been no reduction in insurance coverage from the previous year.

NOTE 11. SUBSEQUENT EVENTS

In preparing these financial statements, the Authority has evaluated events and transactions for potential recognition or disclosure through October 28, 2011, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE SHORE HOPITAL AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Lease income	\$ 479,070	\$ 428,896	\$ (50,174)
Interest	50,000	133,048	83,048
Other	-	368	368
Total revenues	<u>529,070</u>	<u>562,312</u>	<u>33,242</u>
EXPENDITURES			
General government			
Personal services			
Salaries	141,475	149,485	(8,010)
Payroll taxes	10,823	11,749	(926)
Insurance	21,112	19,395	1,717
Workers Compensation	1,456	-	1,456
Retirement	15,237	15,513	(276)
	<u>190,103</u>	<u>196,142</u>	<u>(6,039)</u>
Operating expenses			
Legal and accounting	46,000	27,177	18,823
Insurance	28,000	23,226	4,774
Repairs and maintenance	14,700	18,632	(3,932)
Utilities	17,000	19,646	(2,646)
Other	15,000	37,668	(22,668)
Capital outlay	-	6,340	(6,340)
	<u>120,700</u>	<u>132,689</u>	<u>(11,989)</u>
Total general government	<u>310,803</u>	<u>328,831</u>	<u>(18,028)</u>
Indigent patient care at clinics			
Indigent patient serices			
Public education	20,000	-	20,000
	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Total expenditures	<u>330,803</u>	<u>328,831</u>	<u>1,972</u>
Excess of revenues over expenditures	198,267	233,481	35,214
Fund balance, at beginning of year	9,458,875	9,458,875	-
Fund balance, at end of year	<u>\$ 9,657,142</u>	<u>\$ 9,692,356</u>	<u>\$ 35,214</u>

LAKE SHORE HOSPITAL AUTHORITY
HOSPITAL SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For the Fiscal Year Ended September 30, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Ad valorem taxes	\$ 2,202,574	\$ 2,247,994	\$ 45,420
Interest	35,000	59,353	24,353
Total revenues	<u>2,237,574</u>	<u>2,307,347</u>	<u>69,773</u>
EXPENDITURES			
Operating expenses			
Tax collector fees	110,000	45,761	64,239
Property appraiser fees	135,000	126,178	8,822
Other	-	826	(826)
	<u>245,000</u>	<u>172,765</u>	<u>72,235</u>
Health care services			
Indigent health services	2,600,000	2,985,362	(385,362)
On-call coverage	120,000	120,000	-
	<u>2,720,000</u>	<u>3,105,362</u>	<u>(385,362)</u>
Total expenditures	<u>2,965,000</u>	<u>3,278,127</u>	<u>313,127</u>
Excess of revenues over (under) expenditures	(727,426)	(970,780)	(243,354)
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	1,335,758	1,335,758	-
Interfund transfers out	(5,318,197)	(5,318,197)	-
Total other financing sources (uses)	<u>(3,982,439)</u>	<u>(3,982,439)</u>	<u>-</u>
Net change in fund balance	(4,709,865)	(4,953,219)	(243,354)
Fund balance, at beginning of year	6,083,222	6,083,222	-
Fund balance, at end of year	<u>\$ 1,373,357</u>	<u>\$ 1,130,003</u>	<u>\$ (243,354)</u>

See notes to financial statements.

LAKE SHORE HOSPITAL AUTHORITY
 CLINICAL SERVICES FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 For tthe Fiscal Year Ended September 30, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest	\$ 10,000	\$ 7,074	\$ (2,926)
Total revenues	<u>10,000</u>	<u>7,074</u>	<u>(2,926)</u>
EXPENDITURES			
Operating expenses			
Other	-	138	(138)
	<u>-</u>	<u>138</u>	<u>(138)</u>
Health care services			
Indigent patient services	600,000	451,087	148,913
Pharmacy	20,000	37,679	(17,679)
	<u>620,000</u>	<u>488,766</u>	<u>131,234</u>
Total expenditures	<u>620,000</u>	<u>488,904</u>	<u>(131,096)</u>
Excess of revenues over (under) expenditures	(610,000)	(481,830)	128,170
OTHER FINANCING SOURCES			
Interfund transfers in	1,485,000	1,485,000	-
Total other financing sources	<u>1,485,000</u>	<u>1,485,000</u>	<u>-</u>
Net change in fund balance	875,000	1,003,170	128,170
Fund balance, at beginning of year	-	-	-
Fund balance, at end of year	<u>\$ 875,000</u>	<u>\$ 1,003,170</u>	<u>\$ 128,170</u>

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, 2011

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget Positive (Negative)
REVENUES			
Interest	\$ 50,000	\$ 37,204	\$ (12,796)
Total revenues	<u>50,000</u>	<u>37,204</u>	<u>(12,796)</u>
EXPENDITURES			
General government			
Operating expenses			
Repairs and maintenance	-	4,318	(4,318)
Utilities	-	163	(163)
Total general government	<u>-</u>	<u>4,481</u>	<u>(4,481)</u>
Health			
Capital Outlay	-	29,836	(29,836)
Total expenditures	<u>-</u>	<u>34,317</u>	<u>(34,317)</u>
Excess of revenues over (under) expenditures	50,000	2,887	(47,113)
OTHER FINANCING SOURCES (USES)			
Interfund transfers in	3,833,197	3,833,197	-
Interfund transfers out	(1,335,758)	(1,335,758)	-
Total other financing sources (uses)	<u>2,497,439</u>	<u>2,497,439</u>	<u>-</u>
Net change in fund balance	2,547,439	2,500,326	(47,113)
Fund balance, at beginning of year	650,255	650,255	-
Fund balance, at end of year	<u>\$ 3,197,694</u>	<u>\$ 3,150,581</u>	<u>\$ (47,113)</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 (LSHA), as of and for the year ended September 30, 2011, and have issued our report thereon dated October 28, 2011. 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

In planning and performing our audit, we considered Lake Shore Hospital Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lake Shore Hospital Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Lake Shore Hospital Authority's internal control over financial reporting.

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 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.

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 deficiencies, 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. However, we identified the following deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting.

Financial Statement Preparation

A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. While your auditor can assist with the preparation of your financial statements and related footnotes, the financial statements are the responsibility of management. A deficiency in internal control exists when the Town does not have the expertise necessary to prevent, detect, and correct misstatements. A deficiency in internal control exists in instances where the Town 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

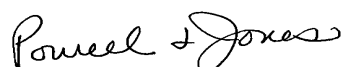
financial statement presentation requires a lower level of technical knowledge than the competence required to prepare the financial statements and disclosures.

A *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.

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 and the Town Council, the Auditor General of the State of Florida, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



POWELL & JONES
October 28, 2011

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, 2011, and have issued our report thereon dated October 28, 2011. 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, 2011.

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

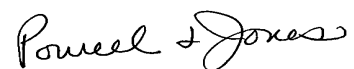
Financial Emergency Status - Nothing came to our attention that caused us to believe that the Authority had met any of the conditions described in Section 218.503(1), *Florida Statutes*, that might result in a financial emergency.

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.

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

POWELL & JONES
Certified Public Accountants
October 28, 2011

RESPONSE TO AUDIT FINDINGS

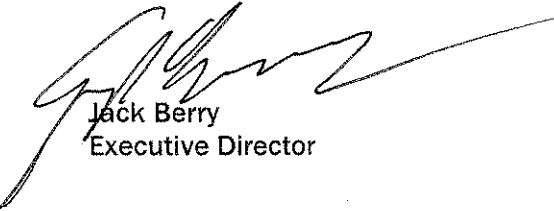
To the Auditor General
State of Florida
Tallahassee, Florida

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, 2011.

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
Executive Director