

**NORTH LAKE COUNTY HOSPITAL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2011**

**NORTH LAKE COUNTY HOSPITAL DISTRICT**

**Elected Officials  
September 30, 2011**

<b><u>Board Members</u></b>	<b><u>Seat Number</u></b>	<b><u>Term Expires</u></b>
Kenneth Carpenter, Chairman	2	November 2012
Roger A. Beyers, Vice-Chairman	4	November 2012
Robert E. Bone, Secretary/treasurer	5	November 2014
Marilyn Bainter	6	November 2012
Jerry P. Brown	1	November 2014
Frances D. Grossi	3	November 2014

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# Shumacker, Johnston & Ross, PA

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Certified Public Accountants

J. Cecil Shumacker, CPA  
Robert E. Johnston, CPA (1982-2001)  
W. Chet Ross, CPA

American Institute of  
Certified Public Accountants

Florida Institute of  
Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

December 20, 2011

Board of Trustees  
North Lake County Hospital District

We have audited the accompanying financial statements of the governmental activities and the General Fund of the North Lake County Hospital District as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements. These financial statements are the responsibility of the North Lake County Hospital District management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the North Lake County Hospital District as of September 30, 2011, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund, 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 December 20, 2011 on our consideration of the North Lake County Hospital District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 4 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 "Shumacker, Johnston & Ross, PA".

Shumacker, Johnston & Ross, PA

## NORTH LAKE COUNTY HOSPITAL DISTRICT SEPTEMBER 30, 2011

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### Management's Discussion and Analysis

As management of the NORTH LAKE COUNTY HOSPITAL DISTRICT, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal years ended September 30, 2011.

### Financial Highlights

The assets of the North Lake County Hospital District exceeded its liabilities at the close of the most recent year by \$582,772 (net assets). All of this amount may be used to meet the government's ongoing operating obligations. The government's total net assets increased \$449,084.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the North Lake County Hospital District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes. The only governmental activity for the District is providing funding to hospitals which provide indigent health care.

The government-wide financial statements appear on page 5-6 of this report.

**Fund financial statements** - A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The North

## NORTH LAKE COUNTY HOSPITAL DISTRICT SEPTEMBER 30, 2011

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Lake County Hospital District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has a single governmental fund.

**Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

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

The basic governmental fund financial statements can be found on pages 7-8 of this report.

**Notes to the financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-13 of this report.

### **General Fund Highlights**

Property taxes decreased by \$1,016,279 (9.28 percent) during the most recent year and \$594,973 (5.15 percent) during the prior year. These decreases were due to declines in property valuations and an increase in delinquent, unpaid property taxes. The District may adopt a millage rate of 1.000.

Payments to Florida Hospital Waterman and Leesburg Regional Medical Center for continued hospital services decreased \$1,534,641 (14.26 percent) in the most recent year and decreased \$579,626 (5.1 percent) the prior year. The current year decrease in payments for continued hospital services was done in order to have sufficient carry over funds to the next fiscal year to meet the AHCA payment timelines.

Net assets increased by \$449,084 for the year ended September 30, 2011 and decreased by \$33,073 for the year ended September 30, 2010. It is the District's intention to retain sufficient net assets to pay operating costs through the first quarter of the fiscal year. Property tax revenue flows to the District after that time and payments are made to the Agency for Health Care Administration on behalf of the two hospitals.

### **Requests for Information**

This financial report is designed to provide a general overview of the North Lake County Hospital District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report should be addressed to North Lake County Hospital District, Board Accountant, P.O. Box 8, Mount Dora, Florida 32756.

**NORTH LAKE COUNTY HOSPITAL DISTRICT**  
**BASIC FINANCIAL STATEMENTS**



**NORTH LAKE COUNTY HOSPITAL DISTRICT  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011**

	<u>Primary Government</u>
	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 483,500
Receivable from other governments	99,272
Capital assets:	
Equipment	889
Accumulated depreciation	<u>(889)</u>
Total Assets	<u>582,772</u>
<b>NET ASSETS</b>	
Unassigned	<u>582,772</u>
Total Net Assets	<u><u>\$ 582,772</u></u>

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

**NORTH LAKE COUNTY HOSPITAL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

					<b>Net (Expenses) Revenue and Changes in Net Assets</b>
		<b>Program Revenues</b>			<b>Primary Government</b>
	<b>Expenses</b>	<b>Charges For Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b><u>Functions/Programs</u></b>					
Primary government:					
Governmental activities					
General government	\$ 263,222	\$ ...	\$ ...	\$ ...	\$ (263,222)
Human services	9,225,467	...	...	...	(9,225,467)
Total Governmental Activities	9,488,689	...	...	...	(9,488,689)
Total primary government	<u>\$ 9,488,689</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>\$ ...</u>	<u>(9,488,689)</u>
General revenues:					
Taxes					9,933,922
Interest					3,851
Total general revenues					<u>9,937,773</u>
Changes in net assets					449,084
Net assets - beginning of year					<u>133,688</u>
Net assets - end of year					<u>\$ 582,772</u>

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

**NORTH LAKE COUNTY HOSPITAL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUND  
SEPTEMBER 30, 2011**

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and equivalents	\$ 483,500
Receivable from other governments	<u>99,272</u>
Total Assets	<u><u>\$ 582,772</u></u>
<b>FUND BALANCE</b>	
Unassigned	<u>\$ 582,772</u>
Total Fund Balance	582,772
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.	889
Accumulated depreciation on capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	<u>(889)</u>
Net assets of governmental activities	<u><u>\$ 582,772</u></u>

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

**NORTH LAKE COUNTY HOSPITAL DISTRICT  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Budgeted Amounts			
	Original	Final	Actual Amount	Variance With Final Budget
<b>Revenues:</b>				
Taxes:				
Ad Valorem	\$ 9,728,743	\$ 9,963,399	\$ 9,933,922	\$ (29,477)
Miscellaneous:				
Interest	13,800	4,030	3,851	(179)
Total Revenues	9,742,543	9,967,429	9,937,773	(29,656)
<b>Expenditures:</b>				
Current:				
General Government:				
Legal	60,000	60,000	64,088	(4,088)
Accounting & auditing	14,000	20,000	19,883	117
Commissions	274,760	274,760	174,177	100,583
Legal ads	700	700	1,059	(359)
Insurance	2,000	2,000	1,318	682
Other current charges	2,300	2,300	2,697	(397)
Total General Government	353,760	359,760	263,222	96,538
Human Services:				
Payments for health care	9,388,783	9,607,669	9,225,467	382,202
Total Expenditures	9,742,543	9,967,429	9,488,689	478,740
Net change in fund balances	...	...	449,084	449,084
Fund Balance - beginning of year	133,688	133,688	133,688	...
Fund Balance - end of year	\$ 133,688	\$ 133,688	\$ 582,772	\$ 449,084

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

**NORTH LAKE COUNTY HOSPITAL DISTRICT**  
**SEPTEMBER 30, 2011**

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**Summary of Significant Accounting Policies:**

**A. Reporting Entity**

The North Lake County Hospital District (the District) was formed April, 1990 through a merger of the Northwest Lake County Hospital Tax District and the Northeast Lake County Hospital Tax District. The merger was accomplished in the manner authorized by Chapter 189, Section 189.4042, Florida Statutes, **The Uniform Special District Accountability Act of 1989**, which provides for the merger of special districts. The respective boards adopted the prerequisite resolutions in February, 1990. Lake County Commission passed Resolution 1990-12 to approve the merger. In 2002, a special act was passed codifying all special acts relating to the District in order to provide a single comprehensive special act charter for the District. In 2004, a special act was passed amending the District's tax proceeds payees.

The purpose of the District is to "ensure continued hospital services for the residents of the District."

There are no component units that should be included within the District's financial statements.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements report information on all the activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefits from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the general fund.

**NORTH LAKE COUNTY HOSPITAL DISTRICT**  
**SEPTEMBER 30, 2011**

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C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The governmental fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included in the balance sheet. Operating statements of the governmental fund present increases and decreases in net current assets.

The governmental fund uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; *i.e.*, 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 pay liabilities of the current period. Expenditures are generally recognized when the related liability is incurred.

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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurements focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The government reports the following major governmental fund:

The *general fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**NORTH LAKE COUNTY HOSPITAL DISTRICT  
SEPTEMBER 30, 2011**

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**D. Assets, Liabilities, and Net Assets**

- 1) *Deposits and Investments* - The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statute allows public deposits only at qualified depositories that have deposited required collateral in the name of the Treasurer of the State of Florida under the Florida Security for Deposits Act. Therefore all deposits are entirely insured by FDIC or Florida's multiple financial institution collateral pool.

State statutes authorize the District to invest in obligations of U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

- 2) *Receivable from Other Governments* - This amount represents a) property taxes and interest collected by the county tax collector through the current fiscal period but remitted after year end, and b) a claim against the county tax collector for excess fees collected during the year.
- 3) *Capital Assets* - Includes property reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Office Equipment	5

**NORTH LAKE COUNTY HOSPITAL DISTRICT**  
**SEPTEMBER 30, 2011**

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**E. Risk Management**

The District is exposed to various risks of loss related to torts or errors and omissions. Significant losses are covered through purchases of commercial liability insurance. For these insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**F. Health Care Payments**

As required in the enabling legislation, the District provides funds to Leesburg Regional Medical Center, Inc., Florida Hospital/Waterman, Inc. and LifeStream Behavioral Center, Inc. which compensates these facilities for medical care provided to patients residing in Lake County.

Per an agreement with the State of Florida and with the consent of the recipient hospitals, the District paid \$9,225,467 to the Agency for Health Care Administration through the Medicaid Low Income Pool (LIP), ceiling removal and buyback programs. The State of Florida then made payments to the hospitals.

**2. Reconciliation of Government-wide and Fund Financial Statements:**

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. The element of that reconciliation relates to capitalization and depreciation of capital assets.

**3. Budgets**

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund. Budgetary control is the fund level. All annual appropriations lapse at fiscal year end. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

The Board of Trustees prepares a tentative budget in September. Public hearings are held to obtain taxpayer comments.



**NORTH LAKE COUNTY HOSPITAL DISTRICT**  
**SEPTEMBER 30, 2011**

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A millage rate of 0 or 1 mil is adopted. The budget is legally enacted by majority vote of the Board of Trustees.

**4. Revenue Recognition**

Property Tax Recognition - The key dates in the property tax cycle (latest date where appropriate) are as follows:

Assessment/lien date	January 1
Assessment roll validated	July 1
Millage resolution approved	September 30
Beginning of fiscal year for which taxes have been levied	October 1
Tax bills rendered and due	November 1
Property taxes payable:	
Maximum discount	November 30
Delinquent	April 1
Tax certificates sold	May 31

Property taxes are collected and remitted by the county tax collector. The District does not accrue its portion of county held tax sale certificates because such amounts are neither measurable nor available at balance sheet date.

**5. Risks and Uncertainties**

In January, 2010, a civil complaint for declaratory and injunctive relief against the District was filed. The plaintiffs, one of whom is a District board member, asserted that the District has no power to levy an ad valorem tax as its authority to levy such tax has not been approved by a vote of the electorate. The trial court granted summary judgment in favor of the District. The plaintiffs have filed an appeal with the appellate court.

**6. Subsequent Events**

The District has evaluated events occurring subsequent to the financial statement date through December 20, 2011. No material subsequent events were identified for recognition or disclosure.

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## **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**

December 20, 2011

Board of Trustees  
North Lake County Hospital District  
Mount Dora, Florida

We have audited the basic financial statements of the North Lake County Hospital District as of and for the year ended September 30, 2011, and have issued our report thereon dated December 20, 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 the North Lake County Hospital District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the North Lake County Hospital District's internal control over financial reporting.

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 affect the District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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 District's internal control.

Our consideration of the 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 North Lake County Hospital District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*.

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



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## MANAGEMENT LETTER

December 20, 2011

Board of Trustees  
North Lake County Hospital District  
Mount Dora, Florida

We have audited the basic financial statements of the North Lake County Hospital District as of and for the year ended September 30, 2011, and have issued our report thereon dated December 20, 2011.

The following comments and recommendations are provided as required by Chapter 10.550, Section 10.554(1) (i), *Rules of the Auditor General* for the State of Florida.

1. There were no significant findings or recommendations made in the preceding annual financial audit.
2. The District is in compliance with Section 218.415 Florida Statutes regarding the investment of public funds.
3. We have made no recommendations to improve the District's present financial management, accounting procedures, and internal controls.
4. We did not discover any violations of laws, regulations, contracts or grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential.
- 5a. For matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors and based on professional judgment, we have not reported any violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred.
- 5b. We have not reported any control deficiencies that are not significant deficiencies, including but not limited to:
  1. Improper or inadequate accounting procedures.
  2. Failures to properly record financial transactions

3. Inaccuracies, shortages, or defalcations. Also, we did not either discover any instances of fraud, or have any instances of fraud come to our attention.
6. The name of the primary government is the North Lake County Hospital District, created under the legal authority of Chapter 189, Section 189.4042, Florida Statutes and ratified by the Florida Legislature under House Bill 1951 in May 1995. There are no component units included within the reporting entity.
- 7a. The District has not met any of the financial emergency conditions described in Section 218.503(1), Florida Statutes.
- 7b. The financial report filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes is in agreement with the annual financial audit report for the year ended September 30, 2011.
- 7c. Financial condition assessment procedures pursuant to Rule 10.556(7) were applied during the audit of the basic financial statements. The District is not, and during the fiscal year, was not experiencing deteriorating financial conditions which may cause a financial emergency described in Section 218.503(1), Florida Statutes. Accordingly, we have made no recommendations addressing deteriorating financial conditions in accordance with Rule 10.557(4) (d).

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



Shumacker, Johnston and Ross, PA