



**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND  
COMPONENT UNIT OF THE DISTRICT  
SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORTS THEREON**

**JUNE 30, 2016**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Lake Technical College, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2016. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The School's net position increased compared to the prior year.
- For the fiscal year ended June 30, 2016, the School's revenues exceeded expenses by \$255,319, which is a decrease from the prior year when revenues exceeded expenses by \$907,962.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
  - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.
  - The *fiduciary fund* financial statement provides information about the financial relationships in which the School acts solely as an agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the following information required by the Uniform Guidance: schedule of expenditures of federal awards and accompanying note, independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance and the schedule of findings and questioned costs. In addition, it includes the 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*.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Fund
Scope	Entire School (except the fiduciary fund)	The activities of the School that are not proprietary or fiduciary	Instances in which the School administers resources on behalf of someone else
Required financial statements	Statement of net position Statement of activities	Balance sheet – governmental funds Statement of revenues, expenditures and changes in fund balances – governmental funds	Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations

## Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, but excludes fiduciary funds. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets and deferred outflows of resources and its liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position is an indicator of whether its health is improving or deteriorating, respectively. To assess the overall financial condition of the School, one needs to consider additional nonfinancial factors such as changes in the School's student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Workforce Development Education Fund, Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

## Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has two types of funds:

- *Governmental funds* – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

- *Fiduciary funds* – the School is the agent, or fiduciary, for assets that belong to others, such as student activities funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School excludes these activities from the government-wide financial statements because the School cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

### Net Position

The School's net position as of June 30, 2016 and 2015 is summarized as follows (see table below).

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2016</b>	<b>(as restated) 2015</b>	
Current and other assets	\$ 6,446,885	\$ 5,794,448	11%
Restricted cash	2,172,812	2,204,879	-1%
Capital assets, net	356,438	356,039	0%
Deferred outflows of resources	1,080,221	475,608	127%
Total assets and deferred outflows	<u>10,056,356</u>	<u>8,830,974</u>	<u>14%</u>
Current and other liabilities	1,010,078	670,801	51%
Long-term liabilities	3,216,963	2,367,639	36%
Deferred inflows of resources	698,800	917,338	-24%
Total liabilities	<u>4,925,841</u>	<u>3,955,778</u>	<u>25%</u>
Net position:			
Net investment in capital assets	\$ 333,653	\$ 310,475	7%
Restricted for:			
Terminal employee benefits	30,000	30,000	0%
Student financial aid	195,731	160,872	22%
Targeted CTE program expenses	53,702	108,397	-50%
Center for advanced manufacturing	1,400,482	1,421,407	-1%
Financial assistance and scholarships	522,897	514,203	2%
Unrestricted	<u>2,594,050</u>	<u>2,329,842</u>	<u>11%</u>
Total net position	<u>\$ 5,130,515</u>	<u>\$ 4,875,196</u>	<u>5%</u>

Current and other assets increased due to an increase in cash as a result of the current period excess of revenues over expenses, as well as the timing of cash receipts and disbursements. Net investment in capital assets increased due to the purchase of assets, net of current year depreciation expense on furniture, fixtures and equipment and vehicles.

Current and other liabilities increased due to an increase in amounts due to the School Board for payroll and related costs provided during fiscal year 2016, as well as the result of the timing of payments at year end. The changes in deferred outflows of resources, deferred inflows of resources and long-term liabilities are all related to the remeasurement of the net pension liability and the other postemployment benefits obligation for fiscal 2016.

Net position restricted for student financial aid increased due to an increase in current year revenues over expenditures related to student financial aid. Net position restricted for Targeted CTE program expenses decreased due to current year activity.

Certain reclassifications were made in the 2015 amounts to conform to their classifications in fiscal year 2016.

### Change in Net Position

The School's total revenues decreased by 7% to \$9,276,891, and the total cost of all programs and services decreased less than 1% to \$9,021,572 (see table below).

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2016</b>	<b>(as restated) 2015</b>	
Revenues:			
Federal sources	\$ 1,546,758	\$ 1,815,906	-15%
State sources	4,926,940	5,259,918	-6%
Local sources	2,734,378	2,798,618	-2%
Other revenue	68,815	78,570	-12%
Total revenues	<u>9,276,891</u>	<u>9,953,012</u>	<u>-7%</u>
Expenses:			
Instruction and instruction-related services	6,870,636	6,987,853	-2%
Board	106,431	59,159	80%
General administration	83,997	80,440	4%
School administration	759,905	718,870	6%
Fiscal services	368,215	359,713	2%
Central services	48,843	73,061	-33%
Operation of plant	739,647	723,476	2%
Maintenance of plant	43,898	42,478	3%
Total expenses	<u>9,021,572</u>	<u>9,045,050</u>	<u>0%</u>
Change in net position	<u>\$ 255,319</u>	<u>\$ 907,962</u>	<u>-72%</u>

Revenue from federal sources decreased due to less federal funding being awarded to the School in the current year, primarily Pell grants awarded to students. The decrease in state sources was primarily due to a decrease in Workforce Development funding received in the current year. The decrease in other revenues is due to a decrease in income from both fundraisers and scholarship contributions received in the current year.

Board expenses increased due to an increase in insurance premiums, as well as professional fees and technical services. School administration expense increased due to an increase in salaries and the related benefits, travel, as well as an increase in purchased services. Central services expense decreased due to the decrease in equipment, purchased services and professional and technical services.

Certain reclassifications were made in the 2015 amounts to conform to their classifications in fiscal year 2016.

## **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

As the School completed the fiscal year, its governmental funds reported a fund balance of \$7,609,619 which was an increase from the prior year. Both revenues and expenditures varied for the same reasons described above.

### **General and Special Revenue Fund Budgetary Highlights**

Over the course of the fiscal year, the School revised its budget several times. These budget amendments were due to:

- Changes made during the fiscal year to account for variations in student enrollment.
- Increases in appropriations to prevent budget overruns.
- Decreases in appropriations for anticipated expenses which did not occur.

Actual general fund revenues were approximately \$11,000 above the final budgeted amounts. Actual expenditures were approximately \$91,000 below budgeted amounts, primarily due to the fact that the School budgeted for salaries, supplies, professional fees, purchased services and equipment costs which were not incurred.

Actual special revenue fund revenues and expenditures were approximately \$500 below budget due to Pell awards returns.



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal 2016, the School had invested \$562,602 in capital assets, including land available for sale, furniture, fixtures and equipment, motor vehicle, computer software, and construction in progress (see table below).

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2016</b>	<b>2015</b>	<b>(Decrease)</b>
Land available for sale	\$ 22,000	\$ 22,000	0%
Furniture, fixtures and equipment	200,201	160,084	25%
Motor vehicle	20,761	20,761	0%
Computer software	82,500	82,500	0%
Construction in progress	237,140	216,215	10%
Less accumulated depreciation	(206,164)	(145,521)	42%
Total capital assets, net	<u>\$ 356,438</u>	<u>\$ 356,039</u>	<u>0%</u>

This year's major capital asset additions included the following:

- Construction in progress – Center for Advanced Manufacturing – \$20,925
- Susie adult medical simulator – \$40,117

The School's fiscal year 2017 capital budget includes spending related to the construction of the new Center for Advanced Manufacturing. More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

### Long-Term Liabilities

As of June 30, 2016 the School had \$22,785 in borrowings outstanding, as compared to \$45,564 in the prior year. The decrease in the capital lease obligation is due to payments made in fiscal 2016. More detailed information about the School's long-term liabilities is presented in Note 4 to the financial statements.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2017:

- No change in tuition and fees revenue, with student enrollment remaining consistent with the prior year
- Increase in Performance Based Incentive Funding related to industry certifications
- Increase in funding and expenditures for the Center of Advanced Manufacturing

Amounts available for appropriation in the general fund are \$10,845,006, an increase of approximately 43% from the 2016 actual revenues of \$7,588,707. Budgeted expenditures are expected to increase approximately 67% to \$12,189,223 from 2016 actual expenditures of \$7,307,614.

If these estimates are realized, the School's general fund balance is expected to decrease by the close of fiscal 2017.

### **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 2001 Kurt Street, Eustis, Florida 32726.

## **Independent Auditor's Report on Basic Financial Statements and Supplementary Information**

To the Board of Directors of Lake Technical College, Inc., a Charter Technical Career Center and Component Unit of the District School Board of Lake County, Florida

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lake Technical College, Inc. (the "School"), a charter technical career center and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lake Technical College, Inc., as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 8, the budgetary comparison information on pages 41 – 42, the pension information on pages 43 – 44, and the other postemployment benefit information on page 45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Company's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal

To the Board of Directors of Lake Technical College, Inc., a Charter Technical Career  
Center and Component Unit of the District School Board of Lake County, Florida  
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awards is fairly stated, in all material respects, in relation to the basic financial statements  
as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated  
November 17, 2016 on our consideration of the School's internal control over financial  
reporting and on our tests of its compliance with certain provisions of laws, regulations,  
contracts and grant agreements and other matters. The purpose of that report is to  
describe the scope of our testing of internal control over financial reporting and compliance  
and the results of that testing, and not to provide an opinion on internal control over  
financial reporting or on compliance. That report is an integral part of an audit performed  
in accordance with *Government Auditing Standards* in considering the School's internal  
control over financial reporting and compliance.

*BKHM, P.A.*

Winter Park, Florida  
November 17, 2016

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

**JUNE 30, 2016**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,202,437
Restricted cash	2,172,812
Accounts receivable	60,503
Other current assets	183,945
Capital assets:	
Land available for sale	22,000
Furniture, fixtures and equipment	200,201
Motor vehicle	20,761
Computer software	82,500
Construction in progress	237,140
Less accumulated depreciation	(206,164)
Total capital assets, net	356,438
Total assets	\$ 8,976,135
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows of resources	1,080,221
Total assets and deferred outflows of resources	\$ 10,056,356
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 102,110
Due to the District School Board of Lake County, Florida	809,975
Prepaid tuition	97,993
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences payable	632,132
Capital lease obligation	22,785
Portion due or payable after one year:	
Net pension liability	2,396,960
Other post employment benefits obligation	165,086
Total liabilities	4,227,041

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

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**STATEMENT OF NET POSITION  
(continued)**

**JUNE 30, 2016**

	<b>Governmental Activities</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows of resources	698,800
<b>NET POSITION</b>	
Net investment in capital assets	333,653
Restricted for:	
Terminal employee benefits	30,000
Student financial aid	195,731
Targeted CTE program expenses	53,702
Center for advanced manufacturing	1,400,482
Financial assistance and scholarships - nonexpendable	328,000
Financial assistance and scholarships - expendable	194,897
Unrestricted	2,594,050
Total net position	5,130,515
Total liabilities, deferred inflows of resources and net position	\$ 10,056,356

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

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
Instruction	\$ 5,712,883	\$ 2,734,378	\$ 1,609,229	\$ -	\$ (1,369,276)	\$ (1,369,276)
Instructional support services	762,965	-	-	-	(762,965)	(762,965)
Curriculum development	79,766	-	47,039	-	(32,727)	(32,727)
Instructional staff training	83,947	-	5,802	-	(78,145)	(78,145)
Instruction-related technology	231,075	-	-	-	(231,075)	(231,075)
Board	106,431	-	-	-	(106,431)	(106,431)
General administration	83,997	-	26,114	-	(57,883)	(57,883)
School administration	759,905	-	-	-	(759,905)	(759,905)
Fiscal services	368,215	-	-	-	(368,215)	(368,215)
Central services	48,843	-	-	-	(48,843)	(48,843)
Operation of plant	739,647	-	-	-	(739,647)	(739,647)
Maintenance of plant	43,898	-	-	-	(43,898)	(43,898)
Total primary government	<u>\$ 9,021,572</u>	<u>\$ 2,734,378</u>	<u>\$ 1,688,184</u>	<u>\$ -</u>	<u>(4,599,010)</u>	<u>(4,599,010)</u>
General revenues:						
State sources					4,785,514	4,785,514
Other revenue					68,815	68,815
Total general revenues					<u>4,854,329</u>	<u>4,854,329</u>
Change in net position					<u>255,319</u>	<u>255,319</u>
Net position at beginning of year, as previously reported					<u>4,974,318</u>	<u>4,974,318</u>
Reclassification adjustment (see Note 1)					<u>(99,122)</u>	<u>(99,122)</u>
Net position at beginning of year, as restated					<u>4,875,196</u>	<u>4,875,196</u>
Net position at end of year					<u>\$ 5,130,515</u>	<u>\$ 5,130,515</u>

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



**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUND**

**JUNE 30, 2016**

	<u><b>General Fund</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,202,437
Restricted cash	2,172,812
Accounts receivable	60,503
Other current assets	<u>183,945</u>
Total assets	<u><u>\$ 8,619,697</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Accounts payable and accrued expenditures	\$ 102,110
Due to the District School Board of Lake County, Florida	809,975
Prepaid tuition	<u>97,993</u>
Total liabilities	<u>1,010,078</u>
 Fund balances:	
Nonspendable:	
Financial assistance and scholarships - nonexpendable	328,000
Other current assets	183,945
Restricted for:	
Terminal employee benefits	30,000
Student financial aid	195,731
Targeted CTE program expenses	53,702
Center for advanced manufacturing	1,400,482
Financial assistance and scholarships - expendable	194,897
Assigned to:	
Scholarships	5,062
Open purchase orders	27,502
Unassigned	<u>5,190,298</u>
Total fund balances	<u>7,609,619</u>
Total liabilities and fund balances	<u><u>\$ 8,619,697</u></u>

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

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2016**

<b>Total fund balances - governmental fund</b>	<b>\$</b>	<b>7,609,619</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets is \$739,621, and the accumulated depreciation is \$206,164.		356,438
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Long-term liabilities, including capital lease obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund. Long-term liabilities at year-end consist of:

Capital lease obligation		(22,785)
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Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund.		(632,132)
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The following pension related balances do not use current resources or are not due and payable in the current period and, therefore, are not reported in the governmental fund:

Pension related deferred outflows of resources		1,080,221
Net pension liability		(2,396,960)
Other post employment benefits obligation		(165,086)
Pension related deferred inflows of resources		(698,800)

<b>Total net position - governmental activities</b>	<b>\$</b>	<b>5,130,515</b>
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The accompanying notes to financial statements are an integral part of this statement.

**LAKE TECHNICAL COLLEGE, INC.**  
**A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT**  
**OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Federal sources	\$ -	\$ 1,546,758	\$ 1,546,758
State sources	4,785,514	141,426	4,926,940
Local sources	2,734,378	-	2,734,378
Other revenue	68,815	-	68,815
Total revenues	<u>7,588,707</u>	<u>1,688,184</u>	<u>9,276,891</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	4,022,332	1,609,229	5,631,561
Instructional support services	762,965	-	762,965
Curriculum development	32,727	47,039	79,766
Instructional staff training	78,145	5,802	83,947
Instruction-related technology	231,075	-	231,075
Board	106,431	-	106,431
General administration	57,883	26,114	83,997
School administration	731,632	-	731,632
Fiscal services	368,215	-	368,215
Central services	48,843	-	48,843
Operation of plant	739,647	-	739,647
Maintenance of plant	43,898	-	43,898
Debt service:			
Capital lease obligation payments	22,779	-	22,779
Capital outlay	61,042	-	61,042
Total expenditures	<u>7,307,614</u>	<u>1,688,184</u>	<u>8,995,798</u>
Net changes in fund balances	<u>281,093</u>	<u>-</u>	<u>281,093</u>
Fund balances at beginning of year as previously reported	7,427,648	-	7,427,648
Reclassification adjustment (see Note 1)	(99,122)	-	(99,122)
Fund balances at beginning of year, as restated	<u>7,328,526</u>	<u>-</u>	<u>7,328,526</u>
Fund balances at end of year	<u>\$ 7,609,619</u>	<u>\$ -</u>	<u>\$ 7,609,619</u>

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

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2016**

**Net changes in fund balances - total governmental funds** **\$ 281,093**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$238,061) exceed depreciation expense (\$60,643) in the current period. 399

Payments on capital lease obligations are reported as expenditures in the governmental funds because they require the use of current financial resources. They are reported as a decrease in long-term liabilities in the statement of net position. This amount represents the current year payments on capital lease obligations. 22,779

Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This represents the change in the payable during the fiscal year. (63,345)

Some income or expense included in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as a net change in fund balances in the governmental funds.

Change in net pension liability and deferred inflows and outflows	47,887
Change in other post employment benefits obligation and deferred outflows	(33,494)
	(33,494)

**Change in net position of governmental activities** **\$ 255,319**

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

**LAKE TECHNICAL COLLEGE, INC.**  
**A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT**  
**OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

**JUNE 30, 2016**

<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 114,286</u>
Total assets	<u><u>\$ 114,286</u></u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Due to others	<u>\$ 114,286</u>
Total liabilities	<u><u>\$ 114,286</u></u>

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

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Lake Technical College, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.34, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of no less than five and no more than nine members. Effective July 1, 2004, the School converted from a traditional public technical center to a charter technical career center.

The general operating authority of the School is contained in Section 1002.34, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Lake County, Florida (the "School Board"). The current charter is effective until June 30, 2019 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the conversion charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

**Basis of Presentation**

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, but excludes fiduciary funds. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP"), the Florida Workforce Development Education Fund and state and federal grants finance most of these activities.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled.

The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund - to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund - to account for the proceeds of specific revenue sources and state and federal grants that are restricted by law or administrative action to expenditure for specific purposes.

For purposes of these statements, the general fund is considered a major fund. The special revenue fund is considered non-major and is included as the other governmental funds.

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Fiduciary Fund:

- Agency Fund – to account for school internal funds, which are established to record the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The School retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and fiduciary fund financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

**Budgetary Basis Accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

**Deposits**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits held by qualified public depositories are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. In addition, the School has deposits in an institution that is not considered a qualified public depository. These funds are collateralized in excess of the federal depository insurance limits by pledged securities in the name of the School. The School's cash consists primarily of demand deposits and certificates of deposit with financial institutions.



**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Capital Assets and Depreciation**

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation.

Donations are defined as voluntary contributions of resources to a governmental entity by a non-governmental entity. Donated capital assets shall be reported at fair market value at the time of acquisition plus ancillary charges, if any. Fair market value is the amount at which an asset could be exchanged in a current transaction between willing parties. According to applicable guidance, long-lived assets and assets available for sale should be tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. During the fiscal year, the School did not record an adjustment to the fair value of its long-lived assets or assets available for sale.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which are as follows:

	<u>Years</u>
Furniture, fixtures and equipment	10
Motor vehicles	5
Computer software	3

Information relative to changes in capital assets is described in Note 3.

**Long-Term Debt**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Information relative to long-term debt is described in Note 4.

**Compensated Absences**

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as expenditures in governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as an expense when earned by the employees. The full balance of the liability for compensated absences is classified as a long-term liability that is due within one year in the government-wide financial statements as the amount of vacation and sick time to be used after the following year cannot be reasonably estimated.

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Revenue Sources**

Revenues for current operations are received primarily through the Florida Workforce Development Education Fund. Funding is generated based on student enrollment and program outcomes as provided by law. In addition, students are required to pay registration and other fees for course enrollment.

In addition, the School receives funding for current operations from the School Board pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education ("FDOE") by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives an administrative fee from the School equal to 5% of all FEFP funding received, plus a fee based on the annual salaries of all employees in the collective bargaining agreements processed by the School Board. These fees are reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

The School also receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

**Income Taxes**

The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is “more likely than not” that its tax positions will be sustained upon an examination by the Internal Revenue Service (“IRS”) or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the School’s financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold. With few exceptions, the School is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years before 2012.

**Fund Balance Spending Policy**

The School’s adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above.

Funds can only be committed by formal action of the Board of Directors. The Board of Directors has delegated authority to assign funds to the governing body or by an official body to which the governing body delegates the authority. Under the School’s charter, the School is required to develop a fund balance reserve of \$30,000 for terminal employee benefits. The School is also required to maintain a minimum fund balance within the general fund at the percentage of the total annual operating fund revenues from the general fund that is equal to the percentage defined by the School Board’s policies for the school district. The School is in compliance with these requirements as of June 30, 2016.

**Use of Estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Subsequent Events**

The School has evaluated subsequent events through November 17, 2016, the date these financial statements were available to be issued.

**Reclassifications**

During the year ended June 30, 2016, the School revised the accounting and reporting for its internal funds to remove them from the General Fund and include them in an Agency Fund. This accounting more appropriately reflects the custodial nature of the school internal funds. The reclassification adjustment included in the accompanying financial statements represents the beginning balance of the school internal funds.

**2      ACCOUNTS RECEIVABLE**

Accounts receivable included in the accompanying financial statements consists of various small balances as of June 30, 2016. Based on the collectibility of funds, in the opinion of management, an allowance for doubtful accounts is not considered necessary.

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**3 CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets not being depreciated:				
Land available for sale	\$ 22,000	\$ -	\$ -	\$ 22,000
Construction in progress	216,215	20,925		237,140
Total capital assets not being depreciated at historical cost	<u>238,215</u>	<u>20,925</u>	<u>-</u>	<u>259,140</u>
Other capital assets:				
Furniture, fixtures and equipment	160,084	40,117	-	200,201
Motor vehicles	20,761	-	-	20,761
Computer software	82,500	-	-	82,500
Total other capital assets at historical cost	<u>263,345</u>	<u>40,117</u>	<u>-</u>	<u>303,462</u>
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(97,090)	(28,991)	-	(126,081)
Motor vehicles	(11,764)	(4,152)	-	(15,916)
Computer software	(36,667)	(27,500)	-	(64,167)
Total accumulated depreciation	<u>(145,521)</u>	<u>(60,643)</u>	<u>-</u>	<u>(206,164)</u>
Other capital assets, net	<u>117,824</u>	<u>(20,526)</u>	<u>-</u>	<u>97,298</u>
Governmental activities capital assets, net	<u>\$ 356,039</u>	<u>\$ 399</u>	<u>\$ -</u>	<u>\$ 356,438</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 53,365
School administration	<u>7,278</u>
Total governmental activities depreciation expense	<u>\$ 60,643</u>

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**4 LONG-TERM LIABILITIES**

Long-term liabilities activity for the year ended June 30, 2016 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental activities:					
Compensated absences	\$ 568,787	\$ 63,345	\$ -	\$ 632,132	\$ 632,132
Capital lease obligation	45,564	-	(22,779)	22,785	22,785
Net pension liability	1,600,326	796,634	-	2,396,960	-
Other post employment benefits obligation	152,962	12,124	-	165,086	-
Governmental activities, long-term liabilities	<u>\$ 2,367,639</u>	<u>\$ 872,103</u>	<u>\$ (22,779)</u>	<u>\$ 3,216,963</u>	<u>\$ 654,917</u>

**Capital Lease**

The School entered into a capital lease agreement for its VoIP phone system on July 1, 2012. The capital lease is collateralized by the related equipment; due in annual installments of \$22,779, including interest at 0.0% and matures August 2016. The economic substance of the lease agreement is that the School is financing the acquisition of the equipment through the lease agreement, and, accordingly, the asset and corresponding obligation are recorded in the School's statement of net position.

The future minimum lease payments required under the capital leases and the present value of the net minimum lease payments as of June 30, 2016, are as follows:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2017	<u>\$ 22,785</u>
Total minimum lease payments	22,785
Less amount representing interest	-
Present value of minimum lease payments	<u>22,785</u>
Less amounts due in one year	<u>(22,785)</u>
Amount due after one year	<u>\$ -</u>

**LAKE TECHNICAL COLLEGE, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Assets recorded under capital leases and included in capital assets in the School's statement of net position consist of the following as of June 30, 2016:

	<b>Governmental Activities</b>
Buildings improvements	\$ 113,894
Less accumulated depreciation	(89,218)
	<b>\$ 24,676</b>

**5 CAMPUS FACILITY**

Title to the school building and facilities and other capital assets acquired prior to July 1, 2004 remains with the School Board. Florida Statutes provide that the use of the school building and facilities be furnished to charter technical career centers on the same basis as made available to other public schools in the district. No rental or leasing fee may be charged by the district school board to the charter technical career center or to the organizers of the charter technical career center.

In management's opinion, the value of facilities utilized by the School is significant; therefore, any substantial changes in Florida Statutes related to facilities use by conversion schools could have a material effect on the School's operations.

**6 DUE TO THE SCHOOL BOARD**

The amount due to the School Board as of June 30, 2016 of \$809,975 is comprised of \$707,366 in payroll and in other services expenses paid by the School Board on behalf of the School, as well as \$102,609 in other expenses.

**7 PREPAID TUITION**

As of June 30, 2016, the School has \$97,993 in prepaid tuition, which consists of tuition fees collected in advance for various programs. These amounts will be recognized as revenue upon the commencement of the programs or when expended.

**LAKE TECHNICAL COLLEGE, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**8 RISK MANAGEMENT PROGRAM**

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

**9 SCHEDULE OF STATE, LOCAL AND OTHER REVENUE SOURCES**

The following is a schedule of state revenue sources and amounts included in the general fund:

District School Board of Lake County, Florida:	
Florida Workforce Development Educational Fund	\$ 4,368,423
Performance Based Incentives	296,572
Florida Education Finance Program	<u>120,519</u>
Total	<u>\$4,785,514</u>

The School Board administrative fee for the year ended June 30, 2016 totaled approximately \$58,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances - governmental funds.

The following is a schedule of local revenue sources and amounts included in the general fund:

Student tuition and fees	\$ 2,204,766
Bookstore sales	220,213
Customer service fees	197,099
Financial aid fees	<u>112,300</u>
Total	<u>\$ 2,734,378</u>



**LAKE TECHNICAL COLLEGE, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The following is a schedule of contributions and other revenue sources and amounts included in the general fund:

Investment income	\$	35,301
Contribution - scholarships		27,153
Vending commissions		4,519
Other income		1,842
Total		\$ 68,815

**10 PENSION PLANS**

**Pension Plan Descriptions**

The Florida Department of Management Services, Division of Retirement (“Division”), is part of the primary government of the State of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems (“System”). The Company participates in two defined benefit plans administered by the Division. The Division issued a publicly-available, audited comprehensive annual financial report (“CAFR”) on behalf of the System that includes financial statements, notes and required supplementary information for each of the pension plans. Detailed information about the plans is provided in the CAFR which is available online or by contacting the Division.

The Florida Retirement System (“FRS”) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (“DROP”) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contributions requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retiree Health Insurance Subsidy (“HIS”) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

ended June 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Employee contributions required pursuant to section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported by the School does not include these amounts.

Total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes. Employer contributions reflected in the financial statements represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer.

Contribution rates were as follows:

	<b>Percent of Gross Salary</b>	
	<b>Employee</b>	<b>Employer (A)</b>
Florida Retirement System, Regular	3%	7.26%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.66% for the Retiree Health Insurance Subsidy and 0.04% for administration of the Florida Retirement System Investment Plan and provision of educational tools for both plans, and any applicable unfunded actuarial liability rates.

(B) Contribution rates are dependent upon the retirement class in which reemployed.

**Information About the Employer’s Proportionate Share of the Collective Net Pension Liability**

Assumptions and other inputs

Actuarial assumptions for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that

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determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans are assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.80% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2015:

- FRS: There were no changes in actuarial assumptions. The inflation rate assumption remained at 2.60%, the real payroll growth assumption remained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%.
- HIS: The municipal rate used to determine total pension liability decreased from 4.29% to 3.80%.

The following presents the School's proportionate share of the net pension liabilities calculated using the discount rates, as well as what the School's proportionate share of the net pension liabilities would be if they were calculated using discount rates that are 1% lower or 1% higher than the current rates at June 30, 2015:

<b>School's Proportionate Share of FRS Net Pension Liability</b>			<b>School's Proportionate Share of HIS Net Pension Liability</b>		
<b>1% Increase</b>	<b>Current Discount Rate</b>	<b>1% Decrease</b>	<b>1% Increase</b>	<b>Current Discount Rate</b>	<b>1% Decrease</b>
6.65%	7.65%	8.65%	2.80%	3.80%	4.80%
\$ 3,121,639	\$ 1,169,746	\$ (379,187)	\$ 1,398,362	\$ 1,227,214	\$ 1,084,516

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The pension plans' fiduciary net positions

Detailed information about the pension plans' fiduciary net positions are available in the System's separately issued CAFR. The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2015, are shown below (in thousands):

	<b>FRS</b>	<b>HIS</b>
Total pension liability	\$ 161,370,735	\$ 10,249,201
Plan fiduciary net position	(148,454,394)	(50,774)
Net pension liability	\$ 12,916,341	\$ 10,198,427
Plan fiduciary net position as a percentage of the total pension liability	92%	0%

The total pension liability for the FRS Pension Plan was determined by the plans' actuary and reported in the plans' valuations dated July 1, 2015. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2014, and update procedures were used to determine liabilities as of July 1, 2015. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At June 30, 2016, the School reported a liability of \$2,396,960 for its proportionate share of the net pension liabilities. The School's proportionate share was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2013, 2014 and 2015, respectively, for employers that were members of the FRS and HIS during those fiscal years. The proportion calculated based on contributions for each of the fiscal years was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine the School's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

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The School's proportions are as follows:

	<b>FRS</b>	<b>HIS</b>
June 30, 2015	0.0091%	0.0120%
June 30, 2014	0.0087%	0.0114%
Change	0.0004%	0.0006%

In accordance with GASB 68, paragraphs 54 and 71, changes in the School's proportionate share of the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current measurement period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes in proportion and differences between contributions and proportionate share of contributions – amortized over the average expected remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Differences between expected and actual earnings on pension plan investments – amortized over five years.

Employer contributions to the pension plans from the School are not included in collective pension expense; however, employee contributions are used to reduce pension expense. The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2015, was 6.3 years for FRS and 7.2 years for HIS.

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For the year ended June 30, 2016, the School recognized pension expense of \$235,132. As of June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 123,491	\$ 27,743
Changes of assumptions	174,190	-
Net differences between projected and actual earnings on pension plan investments	412,681	691,333
Changes in proportion and differences between School contributions and proportionate share of contributions	137,723	(20,276)
School contributions subsequent to the measurement date	<u>253,506</u>	<u>-</u>
Total	<u>\$ 1,101,591</u>	<u>\$ 698,800</u>

Deferred outflows of resources related to the Company's contributions paid subsequent to the measurement date and prior to the Company's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

<u>Reporting period ended June 30:</u>	
2017	\$ 16,076
2018	16,076
2019	16,076
2020	46,106
2021	31,406
Thereafter	23,545

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**Defined Contribution Plan**

Effective July 1, 2002, the Public Employee Optional Retirement Program ("PEORP") was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (i.e.: regular class, reemployed retiree, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. The School had no PEORP participants during fiscal 2016.

**11 POSTEMPLOYMENT HEALTH CARE BENEFITS**

**Plan Description**

The Postemployment Health Care Plan is a single-employer defined benefit plan administered by the School Board for which employees of the School may participate. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees who retire from the School or School Board are eligible to participate in the School Board's self-insured health and hospitalization plan for medical and prescription drug coverages. The School Board subsidizes the premium rates paid by retirees by allowing them to participate in the plan at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The Postemployment Health Care Plan does not issue a stand-alone report and is not included in the report of a Public Employee Retirement System or another entity.

**Funding Policy**

The School Board plans to fund this postemployment benefit on a pay-as-you-go basis. The plan as established by the School Board, would require this Board's action to amend. For the 2015 - 2016 fiscal year, 87 covered participants of the School received postemployment health care benefits. The School provided required contributions of \$21,371 toward the annual other postemployment benefits (OPEB) cost, comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance premiums, and net of retiree contributions.

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**Annual OPEB Cost and Net OPEB Obligation**

The School Board's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with parameters of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and then allocated to the School. The following table shows the School's annual allocated OPEB cost for the year, the amount actually contributed to the plan, and changes in the School's net OPEB obligation for Postemployment Health Care Benefits:

<u>Description</u>	<u>Amounts</u>
Normal Cost (service cost for one year)	\$ 19,362
Amortization of Unfunded Actuarial Accrued Liability	15,655
Interest on Normal Cost and Amortization	-
Annual Required Contribution	35,017
Interest on Net OPEB Cost	5,099
Adjustment to Annual Required Contribution	<u>(6,621)</u>
Annual OPEB Cost (Expense)	33,495
Contribution Toward the OPEB Cost	<u>(21,371)</u>
Increase in Net OPEB Obligation	12,124
Net OPEB Obligation, Beginning of Year	<u>152,962</u>
Net OPEB Obligation, End of Year	<u>\$ 165,086</u>

The School's annual allocated OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of June 30, 2016 were as follows (note that the preceding years' allocated information is unavailable and will be completed for each year going forward as it becomes available):

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2014-2015	\$ 26,257	59.25%	\$ 152,962
2015-2016	33,495	63.80%	165,086



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**Funded Status and Funding Progress**

As of June 30, 2016, the actuarial accrued liability for benefits for the School's allocated portion was \$338,534, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability for the School's allocated portion of \$338,534. The covered payroll (annual payroll of active participating employees) was \$2,392,737 for the 2015-16 fiscal year, and the ratio of the unfunded actuarial accrued liability for the School's allocated portion to the covered payroll was 14.15%.

**Actuarial Method and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The School Board's initial OPEB actuarial valuation as of October 1, 2007, used the entry age normal cost actuarial method to estimate the unfunded actuarial liability as of June 30, 2008, and to estimate the School Board's 2007-08 fiscal year annual required contribution. This method was selected because it produced the lowest OPEB liability and annual cost. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 3.5% rate of return on invested assets, which is the School Board's long-term expectation of investment returns under its investment policy. As of January 1, 2016, the actuarial assumptions also included a payroll growth rate of 3.5 percent per year, and an annual healthcare cost trend rate of 16% initially for the 2007-08 fiscal year, reduced by 6% in the first year and 0.5% thereafter to an ultimate rate of 4.49% after ten years. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2016, was 22 years.

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**12 RESTRICTED NET POSITION**

Restricted net position represents amounts that have been collected or received by the School for specific purposes and are restricted as to the use of such funds. Included in restricted net position is \$195,731 held by the School for student financial aid, \$53,702 held for targeted CTE program expenses and \$1,400,482 held for the center of advanced manufacturing. In addition, the School has \$522,897 for financial assistance and scholarships, of which \$328,000 is nonexpendable. These funds are also classified as restricted cash in these financial statements.

**13 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2016 may be impaired.

In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Legal Matters**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**Beneficial Interest in Trusts**

The School has been notified that it has been named the beneficiary of two related educational trusts whereby the School will receive the balance remaining in the trusts on their termination (split-interest remainder trusts). The future benefit to be received on the termination of these trusts has not been recorded in the government-wide financial statements because sufficient information was not available to calculate the present value of the future benefit to be received.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
State sources	\$ 4,638,423	\$ 4,784,423	\$ 4,785,514	\$ 1,091
Local sources	2,735,000	2,725,500	2,734,378	8,878
Other revenue	175,900	67,600	68,815	1,215
Total revenues	<u>7,549,323</u>	<u>7,577,523</u>	<u>7,588,707</u>	<u>11,184</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	4,076,920	4,061,950	4,022,332	39,618
Instructional support services	867,615	776,745	762,965	13,780
Instruction and curriculum development	37,701	36,277	32,727	3,550
Instructional staff training	85,891	81,421	78,145	3,276
Instruction-related technology	230,526	232,526	231,075	1,451
Board	75,000	106,500	106,431	69
General administration	75,000	60,000	57,883	2,117
School administration	694,886	740,876	731,632	9,244
Facilities acquisition and construction	60,000	-	-	-
Fiscal services	370,555	370,855	368,215	2,640
Central services	44,950	52,950	48,843	4,107
Operation of plant	759,067	748,567	739,647	8,920
Maintenance of plant	45,916	44,547	43,898	649
Debt service:				
Capital lease obligation payments	23,000	23,000	22,779	221
Capital outlay	5,000	62,100	61,042	1,058
Total expenditures	<u>7,452,027</u>	<u>7,398,314</u>	<u>7,307,614</u>	<u>90,700</u>
Net changes in fund balance	97,296	179,209	281,093	101,884
Fund balance at beginning of year, as restated	<u>7,328,526</u>	<u>7,328,526</u>	<u>7,328,526</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 7,425,822</u></u>	<u><u>\$ 7,507,735</u></u>	<u><u>\$ 7,609,619</u></u>	<u><u>\$ 101,884</u></u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Federal sources	\$ 1,269,752	\$ 1,547,279	\$ 1,546,758	\$ (521)
State sources	105,862	141,426	141,426	-
Total revenues	<u>1,375,614</u>	<u>1,688,705</u>	<u>1,688,184</u>	<u>(521)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	1,346,722	1,609,750	1,609,229	521
Curriculum development	-	47,039	47,039	-
Instructional staff training	5,000	5,802	5,802	-
General administration	22,892	26,114	26,114	-
Transportation	1,000	-	-	-
Total expenditures	<u>1,375,614</u>	<u>1,688,705</u>	<u>1,688,184</u>	<u>521</u>
Net changes in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
<b>Florida Retirement System (FRS) Pension Plan</b>										
School's proportion of the net pension liability (asset)	0.0091%	0.0087%	Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.							
School's proportionate share of the net pension liability (asset)	\$ 1,169,746	\$ 530,238								
School's covered-employee payroll	\$ 2,909,892	\$ 2,817,771								
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40%	19%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	92%	96%								
<b>Retiree Health Insurance Subsidy (HIS) Program</b>										
School's proportion of the net pension liability (asset)	0.0120%	0.0114%	Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.							
School's proportionate share of the net pension liability (asset)	\$ 1,227,214	\$ 1,070,088								
School's covered-employee payroll	\$ 2,909,892	\$ 2,817,771								
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	42%	38%								
Plan fiduciary net position as a percentage of the total pension liability (asset)	0%	1%								

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**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS  
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Florida Retirement System (FRS) Pension Plan										
Contractually required contribution	\$ 207,054	\$ 220,801	\$ 190,355							
Contributions in relation to the contractually required contribution	<u>207,054</u>	<u>220,801</u>	<u>190,355</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
School's covered-employee payroll										
	\$ 3,019,938	\$ 2,909,891	\$ 2,817,771							
Contributions as a percentage of covered-employee payroll	7%	8%	7%							
Retiree Health Insurance Subsidy (HIS) Program										
Contractually required contribution	\$ 46,452	\$ 45,999	\$ 39,205							
Contributions in relation to the contractually required contribution	<u>46,452</u>	<u>45,999</u>	<u>39,205</u>							
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>							
School's covered-employee payroll										
	\$ 3,019,938	\$ 2,909,891	\$ 2,817,771							
Contributions as a percentage of covered-employee payroll	2%	2%	1%							

Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS -  
OTHER POSTEMPLOYMENT BENEFITS PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) - Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll [(B-A)/C]
Information for the periods prior to the implementation of GASB 45 is unavailable and will be completed for each year going forward as it becomes available.						
January 1, 2014	\$ -	\$ 250,669	\$ 250,669	0.0%	\$ 2,482,746	10.10%
January 1, 2016	\$ -	\$ 338,534	\$ 338,534	0.0%	\$ 2,392,767	14.15%

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

<u>Pass-Through Grantor/ Program Title</u>	<u>CFDA Number</u>	<u>Grant Period</u>	<u>Expenditures</u>
United States Department of Education / Florida Department of Education / Adult Education - State Grant Program	84.002A	7/1/15 - 8/15/16	\$ 403,659
United States Department of Education / Florida Department of Education / Adult Education - English Literacy / Civics Education Grant	84.002A	7/1/15 - 8/15/16	47,809
United States Department of Education / Florida Department of Education / Adult Education - Family Literacy / Florida's Integrated Career and Academic Preparation System (FICAPS)	84.002A	7/1/15 - 8/15/16	<u>19,218</u>
Total Adult Education Program Cluster			470,686
United States Department of Education / Federal Pell Grant Program	84.063	7/1/15 -9/30/16	941,078
United States Department of Education / Florida Department of Education / Career and Technical Education - Basic Grants to States / Perkins - Postsecondary	84.048A	7/1/15 - 8/15/16	<u>134,994</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,546,758</u></u>

See accompanying note to schedule of expenditures of federal awards.



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OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

For the year ended June 30, 2016, the School did not elect to use the 10% de minimis indirect cost rate.

**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 Directors of Lake Technical College, Inc., a Charter Technical Career Center and Component Unit of the District School Board of Lake County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Technical College, Inc. (the "School"), a charter technical career center and component unit of the District School Board of Lake County, Florida, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated November 17, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Winter Park, Florida  
November 17, 2016

**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

To the Board of Directors of Lake Technical College, Inc., a Charter Technical Career Center and Component Unit of the District School Board of Lake County, Florida

**Report on Compliance for the Major Federal Program**

We have audited Lake Technical College, Inc.'s, (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2016. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School's compliance.

***Opinion on the Major Federal Program***

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.



## **Report on Internal Control Over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Winter Park, Florida  
November 17, 2016

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2016**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of major program:

<u>CFDA Number</u>	<u>Grant Period</u>	<u>Name of Federal Program</u>
84.063	7/1/15 – 9/30/2016	Federal Pell Grant Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as a low-risk auditee?	Yes

**LAKE TECHNICAL COLLEGE, INC.  
A CHARTER TECHNICAL CAREER CENTER AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)**

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None

**Section IV - Status of Prior Year Audit Findings**

There were no prior year audit findings.

**ADDITIONAL INFORMATION REQUIRED BY  
RULES OF THE AUDITOR GENERAL,  
CHAPTER 10.850**



To the Board of Directors of Lake Technical College, Inc., a Charter Technical Career Center and Component Unit of the District School Board of Lake County, Florida

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

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Technical College, Inc. (the "School") as of and for the year ended June 30, 2016, and have issued our report thereon dated November 17, 2016.

### **Auditor's Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.850, Rules of the Auditor General.

### **Other Reports and Schedules**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated November 17, 2016, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report.

### **Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the school. The name of the School is Lake Technical College, Inc.



### **Financial Condition**

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

### **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

### **Other Matters**

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

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

*BKHM, P.A.*

Winter Park, Florida  
November 17, 2016