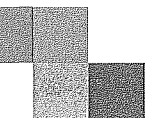




**LAKE TECHNICAL CENTER, INC.  
A CHARTER TECHNICAL CAREER CENTER AND  
COMPONENT UNIT OF THE DISTRICT  
SCHOOL BOARD OF LAKE COUNTY, FLORIDA**

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

**JUNE 30, 2012**



## CONTENTS

	<u>Page</u>
<b>Management's Discussion and Analysis</b>	1-7
<b>Report of Independent Auditors on Basic Financial Statements and Supplementary Information</b>	8-9
<b>Basic Financial Statements:</b>	
Statement of Net Assets	10
Statement of Activities	11
Balance Sheet – Governmental Fund	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Notes to Financial Statements	16-27
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule – General Fund	28
Budgetary Comparison Schedule – Special Revenue Fund	29
<b>Schedule of Expenditures of Federal Awards</b>	30
<b>Note to Schedule of Expenditures of Federal Awards</b>	31
<b>Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b>	32-33
<b>Report of Independent Auditors on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133</b>	34-35
<b>Schedule of Findings and Questioned Costs</b>	36-37
<b>Additional Information Required by Rules of the Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual Instruction Program Providers</i>:</b>	
Management Letter	38-40

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Lake Technical Center, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The School's net assets increased compared to the prior year.
- For the fiscal year ended June 30, 2012, the School's revenues exceeded expenses by \$559,912, which is an increase from the prior year when revenues exceeded expenses by \$316,027.

### 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.

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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 U.S. Office of Management and Budget ("OMB") Circular A-133: schedule of expenditures of federal awards, independent auditor's report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with OMB Circular A-133 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 required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

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
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net assets Statement of activities	Balance sheet – governmental fund, Statement of revenues, expenditures and changes in fund balances – governmental funds
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
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

## 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 assets includes all of the School's assets and liabilities. 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 assets and how they have changed. Net assets – the difference between the School's assets and liabilities – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net assets are an indicator of whether its financial condition 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 one type of fund:

- *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.

## FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

### Net Assets

The School's net assets as of June 30, 2012 and 2011 are summarized as follows (see table below).

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2012</b>	<b>2011</b>	
Current and other assets	\$ 5,462,168	\$ 4,877,062	12%
Capital assets, net	22,310	2,486	797%
Total assets	5,484,478	4,879,548	12%
Current and other liabilities	1,091,263	1,046,245	4%
Total liabilities	1,091,263	1,046,245	4%
Net assets:			
Invested in capital assets	22,310	2,486	797%
Restricted for:			
Terminal employee benefits	30,000	30,000	0%
Student financial aid	217,848	266,368	-18%
Financial assistance and scholarships	507,528	499,952	2%
Unrestricted	3,615,529	3,034,497	19%
Total net assets	\$ 4,393,215	\$ 3,833,303	15%

The increase in current and other assets is primarily 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. Capital assets, net and net assets invested in capital assets increased due to a donation of a lot of land in Bradford County, Florida, with a fair market value of approximately \$22,000, net of current year depreciation expense on furniture, fixtures and equipment.

Net assets restricted for student financial aid decreased due to an increase in aid disbursed to students to cover school-related expenses. The change in unrestricted net assets is due to the result of current year operations.

## Change in Net Assets

The School's total revenues increased by 6% to \$8,597,152, and the total cost of all programs and services increased by 3% to \$8,037,240 (see table below).

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2012</b>	<b>2011</b>	<b>(Decrease)</b>
Revenues:			
Federal sources	\$ 1,625,693	\$ 1,548,655	5%
State sources	4,573,237	4,322,129	6%
Local sources	2,251,701	2,115,100	6%
Other revenue	146,521	95,629	53%
Total revenues	<u>8,597,152</u>	<u>8,081,513</u>	<u>6%</u>
Expenses:			
Instruction and instruction-related services	6,078,761	5,805,710	5%
Board	63,703	56,012	14%
General administration	69,630	106,226	-34%
School administration	842,226	707,450	19%
Fiscal services	162,284	159,989	1%
Central services	177,967	219,272	-19%
Transportation	1,281	690	86%
Operation of plant	641,388	702,972	-9%
Maintenance of plant	-	7,165	-100%
Total expenses	<u>8,037,240</u>	<u>7,765,486</u>	<u>3%</u>
Change in net assets	<u>\$ 559,912</u>	<u>\$ 316,027</u>	<u>77%</u>

The increase in other revenue was primarily due to a receipt of scholarship funds.

Board expenses increased due to the increase in insurance premiums. General administration decreased due to the renegotiation of administration fees charged to the School from the School Board. School administration increased due to an increase in salaries and related expenses and the purchase of non-capitalized furniture and equipment in the current period. Central services expense decreased due to the decrease in salaries and related expenses. Transportation expenses increased due to an increase in both the number of field trips and distance traveled by ESOL students. Operation of plant decreased due to a decrease in salaries and related expenses and a decrease in utility expenses. Maintenance of plant expenses decreased due to no renovation projects in the current period.

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

As the School completed the fiscal year, its governmental funds reported a combined fund balance of approximately \$4,733,000, 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 once. This budget amendment was due to:

- Changes made during the fiscal year to account for variations in student enrollment.
- Increases in appropriations to prevent budget overruns.

With these adjustments, the actual general fund and special revenue fund expenditures were below the final budget.

## **CAPITAL ASSET ADMINISTRATION**

At the end of fiscal 2012, the School had invested \$26,109 in capital assets, including furniture, fixtures and equipment. There were no capital asset purchases during fiscal 2012.

During the fiscal year, the School was donated a lot of land in Bradford County, Florida, with a fair market value of approximately \$22,000. The land is currently available-for-sale and is included in capital assets in the statement of net assets.

More detailed information about the School's capital assets is presented in Note 3 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 2013:

- Local increase in student tuition and fees of approximately 3%.
- State mandated charging of tuition for adult general education students.
- Decrease in the School's Workforce Development funding.

Amounts available for appropriation in the general fund are \$6,056,148, a decrease of approximately 12% from the 2012 actual revenues of \$6,853,193. Budgeted expenditures are expected to decrease approximately 4% to \$6,044,151 from 2012 actual expenditures of \$6,274,034.

If these estimates are realized, the School's general fund balance is expected to increase by the close of fiscal 2013.



## **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.



## **Report of Independent Auditors on Basic Financial Statements and Supplementary Information**

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Lake Technical Center, 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, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lake Technical Center, Inc. as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2012 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7 and the budgetary comparison information on pages 28 – 29 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards on page 30 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

BKHM, P.A.

Winter Park, Florida  
September 27, 2012

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

**STATEMENT OF NET ASSETS**

**JUNE 30, 2012**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,696,369
Restricted cash	725,376
Accounts receivable	40,423
Capital assets:	
Land available for sale	22,000
Furniture, fixtures and equipment	26,109
Less accumulated depreciation	(25,799)
Total capital assets, net	22,310
Total assets	\$ 5,484,478
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 77,590
Due to the District School Board of Lake County, Florida	620,215
Deferred revenue	31,352
Compensated absences payable	362,106
Total liabilities	1,091,263
<b>NET ASSETS</b>	
Invested in capital assets	22,310
Restricted for:	
Terminal employee benefits	30,000
Student financial aid	217,848
Financial assistance and scholarships - nonexpendable	328,000
Financial assistance and scholarships - expendable	179,528
Unrestricted	3,615,529
Total net assets	4,393,215
Total liabilities and net assets	\$ 5,484,478

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

LAKE TECHNICAL CENTER, 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, 2012

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Expenses					
Governmental activities:					
Instruction	\$ 5,622,791	\$ 1,717,067	\$ -	\$ (3,905,724)	\$ (3,905,724)
Pupil personnel services	392,986	-	-	(392,986)	(392,986)
Curriculum development	51,477	-	-	(51,477)	(51,477)
Instructional staff training	11,507	9,044	-	(2,463)	(2,463)
Board	63,703	-	-	(63,703)	(63,703)
General administration	69,630	16,567	-	(53,063)	(53,063)
School administration	842,226	-	-	(842,226)	(842,226)
Fiscal services	162,284	-	-	(162,284)	(162,284)
Central services	177,967	-	-	(177,967)	(177,967)
Transportation	1,281	1,281	-	-	-
Operation of plant	641,388	-	-	(641,388)	(641,388)
Total primary government	\$ 8,037,240	\$ 1,743,959	\$ -	(6,293,281)	(6,293,281)
General revenues:					
State sources				4,454,971	4,454,971
Local sources				2,251,701	2,251,701
Other revenue				146,521	146,521
Total general revenues				6,853,193	6,853,193
Change in net assets				559,912	559,912
Net assets at beginning of year				3,833,303	3,833,303
Net assets at end of year				\$ 4,393,215	\$ 4,393,215

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

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

**BALANCE SHEET - GOVERNMENTAL FUND**

**JUNE 30, 2012**

	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 4,696,369
Restricted cash	725,376
Accounts receivable	40,423
Total assets	<u>\$ 5,462,168</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Accounts payable and accrued expenditures	\$ 77,590
Due to the District School Board of Lake County, Florida	620,215
Deferred revenue	31,352
Total liabilities	<u>729,157</u>
Fund balance:	
Nonspendable:	
Financial assistance and scholarships - nonexpendable	328,000
Restricted for:	
Terminal employee benefits	30,000
Student financial aid	217,848
Encumbered - adult education	341
Encumbered - english literacy	1,751
Encumbered - Perkins	15,242
Financial assistance and scholarships - expendable	179,528
Assigned to:	
Scholarships	6,467
Internal accounts	1,623,523
Open purchase orders	62,605
Unassigned	2,267,706
Total fund balance	<u>4,733,011</u>
Total liabilities and fund balance	<u>\$ 5,462,168</u>

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

**LAKE TECHNICAL CENTER, 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 ASSETS**

**JUNE 30, 2012**

<b>Total fund balance - governmental fund</b>	<b>\$ 4,733,011</b>
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost of the assets is \$48,109, and the accumulated depreciation is \$25,799.	22,310
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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.	<u>(362,106)</u>
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<b>Total net assets - governmental activities</b>	<b><u>\$ 4,393,215</u></b>
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The accompanying notes to financial statements are an integral part of this statement.

**LAKE TECHNICAL CENTER, 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, 2012**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Federal sources	\$ -	\$ 1,625,693	\$ 1,625,693
State sources	4,454,971	118,266	4,573,237
Local sources	2,251,701	-	2,251,701
Other revenue	146,521	-	146,521
	<hr/>	<hr/>	<hr/>
Total revenues	6,853,193	1,743,959	8,597,152
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>			
Current:			
Instruction	3,886,053	1,717,067	5,603,120
Pupil personnel services	392,986	-	392,986
Curriculum development	51,477	-	51,477
Instructional staff training	2,463	9,044	11,507
Board	63,703	-	63,703
General administration	53,063	16,567	69,630
School administration	822,826	-	822,826
Fiscal services	162,284	-	162,284
Central services	177,967	-	177,967
Transportation	-	1,281	1,281
Operation of plant	639,212	-	639,212
Capital outlay	22,000	-	22,000
	<hr/>	<hr/>	<hr/>
Total expenditures	6,274,034	1,743,959	8,017,993
	<hr/>	<hr/>	<hr/>
Net changes in fund balances	579,159	-	579,159
	<hr/>	<hr/>	<hr/>
Fund balances at beginning of year	4,153,852	-	4,153,852
	<hr/>	<hr/>	<hr/>
Fund balances at end of year	\$ 4,733,011	\$ -	\$ 4,733,011
	<hr/>	<hr/>	<hr/>

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



**LAKE TECHNICAL CENTER, 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, 2012**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 579,159</b>
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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 (\$22,000)  
exceed depreciation expense (\$2,176) in the current period.

19,824

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.

(39,071)

**Change in net assets of governmental activities**

\$ 559,912

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

**LAKE TECHNICAL CENTER, 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, 2012**

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

**Organization**

Lake Technical Center, 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 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, 2014 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the 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 CENTER, 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 assets includes all of the School's assets and liabilities. 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, liabilities, fund balance, 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 and special revenue funds constitute major funds. There are no other governmental funds.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**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 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 60 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 and investments**

Cash deposits are held by banks qualified as public depositories under Florida law. The School's deposits are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool under 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.

**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.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

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

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

**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 liability for compensated absences is classified as current in the government-wide financial statements because the amount of vacation and sick time to be used after the following year cannot be reasonably estimated.

**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.

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.

**LAKE TECHNICAL CENTER, 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 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 2008.

**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 a 5% administrative fee 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, from the School. 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.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**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, 2012.

**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.

**Subsequent events**

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 27, 2012, which is the date the financial statements were available to be issued.

**2      ACCOUNTS RECEIVABLE**

Accounts receivable included in the accompanying financial statements consists of various small balances as of June 30, 2012. Based on the collectibility of funds, in the opinion of management, an allowance for doubtful accounts is not considered necessary.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**3 CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land available for sale	\$ -	\$ 22,000	\$ -	\$ 22,000
Total capital assets not being depreciated at historical cost	-	22,000	-	22,000
Other capital assets:				
Furniture, fixtures and equipment	26,109	-	-	26,109
Total other capital assets at historical cost	26,109	-	-	26,109
Less accumulated depreciation for:				
Furniture, fixtures and equipment	(23,623)	(2,176)	-	(25,799)
Total accumulated depreciation	(23,623)	(2,176)	-	(25,799)
Other capital assets, net	2,486	(2,176)	-	310
Governmental activities capital assets, net	<u>\$ 2,486</u>	<u>\$ 19,824</u>	<u>\$ -</u>	<u>\$ 22,310</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Operation of plant	<u>\$ 2,176</u>
Total governmental activities depreciation expense	<u>\$ 2,176</u>



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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**4      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.

**5      DUE TO THE SCHOOL BOARD**

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The amount due to the School Board as of June 30, 2012 of \$620,215 is comprised of \$692,322 in payroll expenses paid by the School Board on behalf of the School, offset by \$72,107 for amounts due to the School from the School Board.

**6      DEFERRED REVENUE**

As of June 30, 2012, the School has \$31,352 in deferred revenue, which consists of approximately \$21,600 in tuition fees collected in advance for various programs and approximately \$9,800 in federal grant awards received that are not yet expended. These amounts will be recognized as revenue upon the commencement of the programs or when expended.

**7      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.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**8 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 Education Fund	\$ 4,212,939
Florida Education Finance Program	142,400
Performance Based Incentives	<u>99,632</u>
Total	<u>\$ 4,454,971</u>

The School Board administration fee for the year ended June 30, 2012 totaled approximately \$96,000, 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	\$ 1,726,117
Customer service fees	191,202
Bookstore sales	199,505
Financial aid fees	95,992
Other income	<u>38,885</u>
Total	<u>\$ 2,251,701</u>

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

Contributions - scholarships	\$ 62,507
Gift-in-kind donations	33,640
Investment income	30,523
School club fundraisers	13,013
Investment income - scholarships	3,670
Other income	<u>3,168</u>
Total	<u>\$ 146,521</u>

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**9 RETIREMENT PROGRAM**

**Defined benefit plan**

All regular employees of the School are covered by the Florida Retirement System ("FRS"). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan ("Plan"). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the Plan vest at six years of service for employees enrolled prior to July 1, 2011 and eight years for employees enrolled subsequent to July 1, 2011. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program ("DROP") subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust and accrue interest. The School had four DROP participants during fiscal 2012.

**Funding policy**

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2012 fiscal year, contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3%	4.91%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.11% for the post-employment health insurance supplement and 0.03% for administrative costs of the Public Employee Optional Retirement Program.

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

**LAKE TECHNICAL CENTER, 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's liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School is required under its charter to develop a fund balance reserve of \$30,000 to pay future terminal employee benefits for employees covered under the FRS, in addition to its annual contribution to the Plan. The School's contribution to the Plan for the year ended June 30, 2012 totaled approximately \$232,000, which was equal to the required contributions for the fiscal year.

**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 2012.

**Pension reporting**

The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Florida Department of Financial Services in Tallahassee, Florida. Also, an annual report on the FRS, which includes its financial statements, required supplemental information, actuarial report and other relevant information, may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida.

**10 RESTRICTED NET ASSETS**

Restricted net assets represent 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 assets is \$217,848 held by the School for student financial aid. In addition, the School has \$507,528 for financial assistance and scholarships, of which \$328,000 is nonexpendable. These funds are also classified as restricted cash in these financial statements.

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

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**11 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, 2012 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.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary</b>	<b>Final Budget-</b>
			<b>Basis)</b>	<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
State sources	\$ 4,450,571	\$ 4,454,571	\$ 4,454,971	\$ 400
Local sources	2,286,490	2,295,490	2,251,701	(43,789)
Other revenue	104,500	71,700	146,521	74,821
Total revenues	6,841,561	6,821,761	6,853,193	31,432
<b>EXPENDITURES</b>				
Current:				
Instruction	4,015,087	3,917,687	3,886,053	31,634
Pupil personnel services	427,039	400,339	392,986	7,353
Curriculum development	41,371	52,271	51,477	794
Instructional staff training	6,960	7,260	2,463	4,797
Board	75,000	67,000	63,703	3,297
General administration	150,000	54,000	53,063	937
School administration	739,755	830,255	822,826	7,429
Fiscal services	161,494	165,544	162,284	3,260
Central services	191,380	182,330	177,967	4,363
Operation of plant	707,069	650,669	639,212	11,457
Maintenance of plant	14,000	4,000	-	4,000
Capital outlay	-	-	22,000	(22,000)
Total expenditures	6,529,155	6,331,355	6,274,034	57,321
Net changes in fund balance	312,406	490,406	579,159	88,753
Fund balance at beginning of year	4,153,852	4,153,852	4,153,852	-
Fund balance at end of year	\$ 4,466,258	\$ 4,644,258	\$ 4,733,011	\$ 88,753

See report of independent auditors.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE – SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2012**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary</b>	<b>Final Budget-</b>
			<b>Basis)</b>	<b>Positive</b>
				<b>(Negative)</b>
<b>REVENUES</b>				
Federal sources	\$ 1,592,709	\$ 1,654,159	\$ 1,625,693	\$ (28,466)
State sources	118,911	118,911	118,266	(645)
Total revenues	1,711,620	1,773,070	1,743,959	(29,111)
<b>EXPENDITURES</b>				
Current:				
Instruction	1,682,016	1,744,846	1,717,067	27,779
Instructional staff training	12,410	9,787	9,044	743
General administration	14,694	17,156	16,567	589
Transportation	2,500	1,281	1,281	-
Total expenditures	1,711,620	1,773,070	1,743,959	29,111
Net changes in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -	\$ -

See report of independent auditors.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2012**

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Grant Period	Expenditures
United States Department of Education / Florida Department of Education / Adult Education - State Grant Program	84.002A	7/1/11 - 8/20/12	\$ 360,830
United States Department of Education / Florida Department of Education / Adult Education - English Literacy / Civics Education Grant	84.002A	7/1/11 - 8/20/12	58,078
United States Department of Education / Florida Department of Education / Adult Education - Basic Grants to States / Career Pathways Grant	84.002A	2/18/11 - 6/30/12	<u>102,978</u>
Total Adult Education Program Cluster			521,886
United States Department of Education / Federal Pell Grant Program	84.063	7/1/11 - 6/30/12	936,901
United States Department of Education / Florida Department of Education / Career and Technical Education - Basic Grants to States / Perkins - Postsecondary	84.048A	7/1/11 - 8/20/12	90,222
United States Department of Energy / United States Department of Education / AARA - Energy Efficiency and Conservation Block Grant Program	81.128	1/1/11 - 7/1/12	76,663
United States Department of Energy / United States Department of Education / Improving Teacher Quality State Grants / Title II	84.367	7/1/11 - 8/20/12	<u>21</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,625,693</u></u>

See accompanying note to schedule of expenditures of federal awards.



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

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

**FOR THE YEAR ENDED JUNE 30, 2012**

**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 the U.S. Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

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

We have audited the financial statements of the governmental activities and each major fund of Lake Technical Center, 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, 2012, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

This report is intended solely for the information and use of management of the School, the Board of Directors, the District School Board of Lake County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
September 27, 2012

**Report of Independent Auditors on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

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

Compliance

We have audited the compliance of Lake Technical Center, Inc. (the "School"), a charter technical career center and component unit of the District School Board of Lake County, Florida, with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

### Internal Control Over Compliance

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management of the School, the Board of Directors, the District School Board of Lake County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
September 27, 2012

**LAKE TECHNICAL CENTER, 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, 2012**

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

*Financial Statements*

Type of auditor's report issued:	Unqualified
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:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Grant Period</u>	<u>Name of Federal Program</u>
84.063	7/1/11 – 6/30/12	Federal Pell Grant Program
81.128	1/1/11 – 7/1/12	ARRA – Energy Efficiency and Conservation Block Grant Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	Yes

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

We have audited the financial statements of the governmental activities and each major fund of Lake Technical Center, Inc. (the "School") as of and for the year ended June 30, 2012, and have issued our report thereon dated September 27, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 27, 2012, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- 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 and recommendations in the preceding annual financial audit report.
- 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 violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The name of the School is Lake Technical Center, Inc.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included 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 condition met. During the course of our audit, nothing came to our attention to indicate that the School had met any of the conditions described in Section 218.503(1), Florida Statutes ("the conditions"). However, in planning and performing our audit, we considered whether the School had met any of the conditions as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion as to whether the School had met any of the conditions. Accordingly, we do not express an opinion as to whether the School had met any of the conditions.
- Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures as of June 30, 2012, which included calculation and analysis of certain financial indicators we considered relevant to the School. Our financial condition assessment procedures did not include the use of benchmarks. 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 management.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Board of Directors and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*BKHM, P.A.*

Winter Park, Florida  
September 27, 2012